



May 25, 2016

Internal Revenue Service
Attn: CC:PA:LPD:PR (Reg-150349-12)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

Re: Amendments to the Low-Income Housing Credit Compliance-Monitoring Regulations

To Whom It May Concern:

Thank you for the opportunity to comment on the Internal Revenue Service's (IRS) recent amendments to the Low Income Housing Tax Credit (Housing Credit) compliance monitoring regulations (Section 1.42-5). These temporary and final regulations revise and clarify the requirements that Housing Credit agencies conduct physical inspections and review low-income certifications and other documents.

As the Washington representative of the agencies that administer the Housing Credit in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, the National Council of State Housing Agencies (NCSHA) values the IRS' expert oversight of the Housing Credit and the partnership NCSHA and our state Housing Finance Agency (HFA) members have with the IRS in the administration of this critical program.

We appreciate IRS' efforts to clarify and improve the Housing Credit compliance monitoring regulations by refining the minimum physical inspection requirement, decoupling physical inspections from tenant file reviews, and permitting, under certain conditions, the Real Estate Assessment Center protocol to satisfy the Housing Credit inspection requirements. These actions, all of which NCSHA recommended in our comments on Notice 2012-18, will streamline monitoring requirements and help Housing Credit agencies ensure compliance with program rules.

However, we encourage IRS to reconsider its decision not to adopt NCSHA's recommendation that it permit monitoring agencies to consider multiple buildings with a common owner and plan of financing as a single project for monitoring purposes, regardless of whether or not the owner officially elected such treatment on Form 8609. Instead, the IRS continues to apply the "all

buildings” rule, requiring agencies to base monitoring requirements on the total number of units in each building, rather than the number of units in the overall project.

The all buildings requirement has several repercussions for compliance monitoring. In the case of physical inspections, the all buildings requirement results in scattered site single-unit, duplex, or triplex style buildings, most common in rural areas, undergoing disproportionately more inspections than other Housing Credit properties, as Housing Credit agencies must inspect 100 percent of scattered site units. This is burdensome for state agency monitoring staff, tenants, and owners, and could result in a disincentive to build scattered-site projects.

Moreover, this determination also results in owners of multiple building projects that elect “no” on line 8b of their Form 8609 having to complete and submit an owner certification of continuing program compliance for each individual building, rather than a single owner certification for the entire project. This is unduly burdensome both for the owners who must complete excessive paperwork and for Housing Credit agencies that must review those multiple certifications. The IRS could easily remedy this concern by allowing Housing Credit agencies to accept a single certification from an owner for each project, so long as the form identifies all of the individual buildings for which the certification is made.

We urge IRS to modify its position and provide this additional flexibility in compliance monitoring. Thank you for this opportunity to provide our input into the final and temporary compliance monitoring regulations. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives