



Advances in Compliance Technology

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**HOUSING
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LIHTC Income Averaging

Standardization of Calculations is Critical

- If different states embrace slightly different rules for determining income limits, the average of a building's income designations or the unit rents, compliance becomes less likely

Income Limits

- Unless the IRS says otherwise, the expectation is that we will calculate based on the HUD 50% limits
- A problem with using the HUD ELI and 80% limits is that HUD often adjusts specific values
- ELI limits in particular often are equal to the 50% limit

Income Limits

- Multiply the 50% limits for each family size by the appropriate factor
- Do not round

Example Using National NonMetro limits for 2018

Factor	Level	# of People							
		1	2	3	4	5	6	7	8
0.4	20%	8,180	9,340	10,520	11,680	12,620	13,540	14,480	15,420
0.6	30%	12,270	14,010	15,780	17,520	18,930	20,310	21,720	23,130
0.8	40%	16,360	18,680	21,040	23,360	25,240	27,080	28,960	30,840
1	50%	20,450	23,350	26,300	29,200	31,550	33,850	36,200	38,550
1.2	60%	24,540	28,020	31,560	35,040	37,860	40,620	43,440	46,260
1.4	70%	28,630	32,690	36,820	40,880	44,170	47,390	50,680	53,970
1.6	80%	32,720	37,360	42,080	46,720	50,480	54,160	57,920	61,680



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60% Average Income Designation

- New concept
- Suggest calculating as does the IRS for the applicable fraction
- Calculate past 5 decimals and round to 4

Average Designation

- IRS Applicable Fraction example:
 - $4500 \text{ SF} / 8750 \text{ SF} = 0.514286$
 - Reported as 0.5143
- So average income designation would look like:
 - $60.00493\% = 0.6000493 = 0.6000 = 60.00\% = \text{Pass}$
 - $59.99554\% = 0.5999554 = 0.6000 = 60.00\% = \text{Pass}$
 - $60.99498\% = 0.6099498 = 0.6099 = 60.99\% = \text{Fail}$

Rents

- Suggest the same process as for the applicable fraction and average income
- Calculate to 6 or more decimal dollars
- Round to the penny
- If you do not allow rents to the penny
 - Round down to the dollar
- If you do allow rents to the penny
 - Use the Rounded to the penny value

Rents—based on NNM

Rents	Bedrooms						
	0	1	2	3	4	5	
20%	204	219	263	303	338	373	
30%	306	328	394	455	507	560	
40%	409	438	526	607	677	747	
50%	511	547	657	759	846	934	
60%	613	657	789	911	1015	1121	
70%	715	766	920	1063	1184	1308	
80%	818	876	1052	1215	1354	1495	

Using Excel

- Don't forget that Excel does automatic rounding based on the specified format:
 - 0.49400001 becomes
 - 0.49 when format is specified as 2 decimals
 - 0.49500001 becomes
 - 0.50 when format is specified as 2 decimals
- The same is true of programming languages
 - Be explicit and do calculations in steps