Income Averaging

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How are IA Designations Calculated?

Rev. Rul. 89-24

Workshop:
Calculating IA Designations

Rev. Rul. 89-24

1989-1 C.B. 24, 1989-9 I.R.B. 5.

Internal Revenue Service

Revenue Ruling

EXEMPT FACILITY BONDS; LOW-INCOME HOUSING CREDI

Published: February 27, 1989

Section 142. - Exempt Facility Bond

(Also Sections 42, 103, 6652; 1.42-1T, 1.103-8.)

Exempt facility bonds; low-income housing credit. Guidance is provided for income limits applicable to exempt facility bonds issued to provide for qualifie rental projects under section 142 of the Code and to low-income housing credi 42.

This Revenue Ruling provides the manner in which properly to compute th applicable both to exempt facility bonds issued to provide for qualified resid under section 142 of the Internal Revenue Code and to low-income housing 42.

LAW

Section 1301 of the Tax Reform Act of 1986, 1986-3 (Vol. I) C.B. 524 (the income limits applicable to exempt facility bonds issued to provide for multifa rental projects. COMPARE section 142(d) and former section 103(b)(4)(A) of

In general, in order for interest on an exempt facility bond issued to provide f residential rental project to be tax-exempt, the project must meet the income li section 142(d)(1) of the Code. Under section 142(d)(1), a 'qualified residential defined to include only residential rental projects where, either (A) 20 percent residential units in the project are occupied by individuals whose income is 50 the area median gross income (the 20-50 requirement), or (B) 40 percent or mo residential units in the project are occupied by individuals whose income is 60 the area median gross income (the 40-60 requirement), whichever is elected by bonds providing for such project.

Section 142(d)(4) of the Code provides that, in the case of a deep rent skewed percent or more of the low-income units must be occupied by individuals whos percent or less of the area median gross income.

MTSP limits published by HUD

20%	x	40%	
30%	x	60%	
40%	x	80%	(DRS)
50%			(20-50)
60%	x	120%	(40-60)
70%	x	140%	
80%	x	160%	

Housing Matters!

Income Averaging

Designation Calculations | Other Programs | **Who Chooses?**

HUD | HOME | HTF

"Extremely Low-Income"

"30%" ?

~~30%~~ 50% (capped at poverty level)

LIHTC ?

"Low-Income"

~~"80%" ?~~ (rounding and other adjustments)

LIHTC 80%

Denver-Aurora-Lakewood, CO MSA							31290
FY 2018 MFI: 89900	EXTR LOW INCOME	18900	21600	24300	26950	29420	~~33740~~
	VERY LOW INCOME	31500	36000	40500	44950	48550	52150
	LOW-INCOME	50400 ~~50350~~	57550	64750	71900	77700	83450

Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition

The scope of this guide is limited to guidelines for preparing Form 8823 for submission to the IRS. Taxpayers are responsible for evaluating the tax consequences of noncompliance with IRC §42.

Audit Technique Guide

This material was designed specifically for training purposes only. Under no circumstances should the contents be used or cited as authority for setting or sustaining a technical position.

IRS
Department of the Treasury
Internal Revenue Service

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Example 2: Elected Minimum Set-Aside Inconsistent with EUA

An owner, at the time of application and subsequent submission of final cost certifications when the LIHC project was completed, represented to the state agency that the 20/50 minimum set-aside would be elected. The 20/50 minimum set-aside is also identified in the extended use agreement. When making the election on Form 8609 for IRS purposes, the taxpayer selected the 40/60 set-aside.

WOW!

The taxpayer is in compliance with the requirements of IRC §42.
Noncompliance with the terms of the extended use agreement is not reportable to the IRS on Form 8823.