

LIHTC MONTHLY REPORT

A MONTHLY PUBLICATION OFFERING NEWS, OPINION, FEATURES AND COMMENTARY ON THE LOW-INCOME HOUSING TAX CREDIT INDUSTRY

December 2007, Volume XVIII, Issue XII, Published By Novogradac & Company LLP

Federal, State Agencies Provide Relief for Victims of Wildfires in Southern California

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

The California Tax Credit Allocation Committee (TCAC) on Oct. 25 published a memo to inform owners of low-income housing tax credit (LIHTC) properties of disaster relief procedures issued by the Internal Revenue Service (IRS) earlier this year. Revenue Procedure 2007-54 establishes a process for temporary relief from certain requirements of Section 42 of the Internal Revenue Code (IRC) for owners of LIHTC buildings and LIHTC agencies of states or possessions of the United States in major disaster areas declared by the president.

On Oct. 24, President George W. Bush declared a major disaster exists in California and ordered federal aid to supplement state and local recovery efforts in Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara and Ventura counties. Under Rev. Proc. 2007-54, property owners are allowed to temporarily rent vacant LIHTC units to qualified low-income households and may rely on a displaced low-income individual's self-certification of income. TCAC says that owners may also elect to give priority to disaster-affected low-income households, if they so choose.

Casualty Losses

Affected taxpayers in a presidentially declared disaster area also have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. For details on figuring a casualty loss deduction, see IRS Publication 547, "Casualties, Disasters and Thefts." Affected taxpayers claiming the disaster loss on last year's return are instructed to put the disaster designation "California Wildfires" at the top of the form so that the IRS can expedite the processing of the refund. (This is not required for taxpayers availing themselves of the filing and payment extension discussed in the next section.)

However, as Michael J. Novogradac, managing partner in Novogradac & Company LLP's San Francisco office, discussed in a recent podcast, federal rules for casualties not in federal disaster areas are not given such beneficial treatment. He explained that there have been discussions with the IRS, as well as legislative efforts to allow the same relief for casualties not in federal disaster areas. (To listen to Tax Credit Tuesday, Novogradac & Company LLP's new podcast on tax credit topics, please visit www.novoco.com/podcast.php.)

IRS Grants Tax Relief

The IRS also announced on Oct. 29 that it would extend tax return filing and payment deadlines for victims of the wildfires. Taxpayers in the presidential disaster area will have until Jan. 31, 2008 to file returns, pay taxes and perform other time-sensitive acts. The extended deadline applies to items due on or after Oct. 21, 2007, when the fires began, and on or before Jan. 31, 2008. This includes the federal withholding tax return, Form 941, normally due Oct. 31, and the estimated tax payment for the fourth quarter, normally due Jan. 15. In addition, the IRS is waiving the failure to deposit penalty for employment and excise deposits due on or after Oct. 21, 2007, and on or before Nov. 5, 2007, as long as the deposits are made by Nov. 5, 2007.

If any affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the number on the notice to have the IRS abate any interest and any late filing or late payment penalties. "As California taxpayers start the recovery process, the last thing they should worry about is meeting a tax deadline," said Linda Stiff, IRS acting commissioner. "The IRS offers many resources for disaster victims online at IRS.gov, over the phone and in person."

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IRS computer systems automatically identify taxpayers located in the covered disaster area and apply automatic filing and payment relief. So, unlike taxpayers who claim disaster-related casualty losses, taxpayers within the covered disaster area do not need to identify themselves as affected by the wildfires by writing on their returns or using the disaster designation in their tax software.

Affected taxpayers who reside or have a business located outside the covered disaster area are required to call the IRS disaster hotline at 1-866-562-5227 to identify themselves as eligible for disaster relief.

HUD's Response

As families were displaced by the wildfires, the U.S. Department of Housing and Urban Development (HUD) on Oct. 24 announced federal disaster assistance to support to homeowners and low-income renters forced from their homes.

"Those who are forced from their homes by these devastating fires need to know that help is available," said HUD Secretary Alphonso Jackson. "As families put their lives back together, HUD stands ready to assist local recovery efforts in any way we can."

HUD's assistance includes granting immediate foreclosure relief; offering California communities the ability to re-allocate toward disaster relief the existing federal resources from the Community Development Block Grant (CDBG) and HOME programs; making mortgage insurance available; making insurance available for both mortgages and home rehabilitation; and offering Section 108 loan guarantee assistance.

On Oct. 26, as families began to return to their neighborhoods, HUD made a second announcement about its efforts to address longer-term housing needs. HUD dispatched disaster recovery teams to help displaced residents locate rental housing in the vicinity. HUD field office staff traveled to the area to help establish housing assistance points in designated shelters; the staff was also deployed in selected shelters to help locate available housing resources that can significantly expedite the recovery process. These staff members planned to offer displaced families housing information through HUD's National Housing Locator. The web-based locator combines housing data from federal housing resources and three widely used commercial apartment locators. Currently, there are more than 15,000 units available in the Southern California, Nevada and Arizona area.

Using housing information including data from SocialServ.Com, Apartments.Com, HomeSales.Gov, Rentlinx.Com and other sites, the National Housing Locator allows HUD staff and local housing officials to locate available housing by area, price and number of bedrooms. In

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ISSN 1094-8684

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addition, HUD can determine whether landlords accept pets, housing vouchers or whether the units are accessible to the disabled, elderly or other persons requiring special accommodation. In most cases, photos and landlord contact information are also provided.

To support this effort, HUD expanded its list of available rental housing and strongly encouraged multifamily property owners and landlords to include their unoccupied housing units in the system. As of Oct. 31, HUD indicated that nearly 26,600 units were available through the NHLS in the Southern California, Nevada and Arizona area, including almost 22,000 units within a 300-mile radius of San Diego County.

“The National Housing Locator is a one stop shop for families who need a place to live as they recover and rebuild. We welcome property owners and landlords who want to reach out to displaced families and help them overcome this crisis by making housing available through our searchable, online clearinghouse. Working together, we can put a roof over the heads of thousands of families as they put their lives back together,” Jackson said. ❖

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