

Sample CPA Opinion

THIS EXHIBIT IS TO BE PRESENTED ON PROFESSIONAL LETTERHEAD

Date:

Rental Programs Administrator
 Arizona Department of Housing
 1110 W. Washington, Suite 310
 Phoenix, Arizona 85007

RE: PROJECT NAME

Dear Administrator:

We have reviewed the detailed breakdown of costs as stated in Form 3 - Section 19 - "Development Budget" for the project known as PROJECT NAME located in CITY, Arizona.

Based on the above documents, the qualified basis of the project eligible for an allocation of low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, is determined as follows:

Acquisition Cost	\$ _____
Direct Construction Cost	\$ _____
Professional Fees	\$ _____
Construction Loan Cost	\$ _____
Permanent Loan Financing Cost	\$ _____
Syndication Cost	\$ _____
Miscellaneous Soft Costs	\$ _____
Developer's Overhead and Fees	\$ _____
Project Reserves	\$ _____
TOTAL ESTIMATED PROJECT COSTS	\$ _____
Less Land Cost	\$ _____
Less Other Non-Eligible Costs	\$ _____
Eligible Basis	\$ _____
130% Boost	_____ %
Applicable Fraction (lesser of low income units or floor space)	\$ _____
Qualified Basis	\$ _____
Adjusted Basis	\$ _____
Applicable Percentage	_____ %
CALCULATED ANNUAL TAX CREDIT	\$ _____

The Reserved Credit Allocation is allocated to the building on the basis of ____% qualifying for the low-income housing credit. As reflected above, the qualified basis of the project would be eligible for a tax credit of ____% (adjusted for interest rate and determined monthly by the Internal Revenue Service) if the project meets the requirements of the Internal Revenue Code Section 42.

Specifically, Section 42(g)(1) defines the term "qualified low income housing project" as any project for residential rental property if the project meets the requirements of subparagraph (A) or (B) whichever is elected by the taxpayer:

- (A) 20-50 Test: The project meets the requirements of the subparagraph if 20% or more of the residential units in such project are both rent-restricted and occupied by individuals whose income is 50% or less of area median gross income
- (B) 40-60 Test: The project meets the requirements of the subparagraph if 40% or more of the residential units in such project are both rent-restricted and occupied by individuals whose income is 60% or less of area median gross income

Any election under Section 42(g)(1), once made, shall be irrevocable. For purposes of Section 42(g)(1), any property shall not be treated as failing to be residential rental property merely because part of the building in which such property is located is used for purposes other than residential rental purposes.

To avoid recapture of the tax credit, the project must remain a qualified low-income housing project throughout the compliance period. If, at the close of any taxable year in the compliance period, the amount of qualified basis of the building with respect to the taxpayer is less than the amount of such basis as of the close of the preceding year, the taxpayer will be subject to the recapture provisions.

The estimated basis is calculated in accordance with the provisions of IRC Section 42, and, based solely on the line item descriptions provided and the stated tax credit rate, the applicant is eligible for \$_____ in annual low-income housing tax credits.

It is our opinion that the project is not subject to a reduction in basis due to the application of the "at risk" rules under Section 42(a)(1) and the five (5) Technical Assistance Memorandums (or "TAMS") issued by the Internal Revenue Service.

Sincerely,

Signature

Type or Print Name