

COST CERTIFICATION GUIDELINES

I. General

These guidelines are designed to assist owners, contractors, and independent certified public accountants in the preparation and submission of cost certification forms to the Mississippi Home Corporation's Housing Tax Credit Program.

The purpose of the cost certification is to establish the total costs incurred by the contractor and the owner in the development of a property. This will enable the Corporation to determine certain development costs and the amount of tax credits to be allocated to the development. All costs included in the calculation of the total development costs; however, not all such costs are necessarily recognizable in determining the eligible basis and the amount of credits to be allocated.

The owner is obligated to submit the cost certifications applicable to itself and the contractor prior to issuance of IRS Form 8609.

The owner's certified costs generally should include all costs to finance and construct the development, whether or not they are includable in eligible basis. The costs to syndicate or otherwise sell interest in the development must be included with the owner's certification. If any estimates are included in the owner's cost certification they must be identified as such.

The Corporation reserves the right to exclude from eligible basis part of any line item of expense when the amount is so high as to be out-of-line with reasonable and necessary costs for the services performed or the item supplied. In such cases, the amount allowed will be the Corporation's estimate of the "reasonable and necessary" amounts as compared with comparable developments in similar areas. All expenditures must be reduced by the amounts of any kickbacks, rebates, allowances, trade discounts or other sums that the owner or the sponsor has received or is to receive.

II. Identity of Interest Cases

A. Subcontractors and General Contractors with an Identity of Interest with the General Contractor or Owner

If an identity of interest exists between the sponsor and the general contractor, incentive fees may only be paid to the extent that they are included in the fee limitations outlined below. A general contractor may act as a subcontractor and may be entitled to additional overhead and profit otherwise payable to an independent subcontractor.

However, the general contractor's overhead is limited to 2% of the construction contract; contractor's profit is limited to 6% of the construction contract; and general requirements is limited to 6% of the construction contract.

B. Subcontractors Acting as General Contractors

General contractor's profit, also called builder's profit, is limited to 6% of the construction contract. General Contractor's overhead, also called builder's overhead is limited to 2% of the construction contract. If a subcontractor acts in the role of a general contractor, profit and fees are limited to 6% of the construction contract.

III. Opinion of Certified Public Accountant

Each certificate must be accompanied by the unqualified opinion of an independent certified public accountant. When there is an identity of interest between two or more of the parties of whom costs certification is required, certification of the parties having such identity of interest must be by the same certified public accountant.

The independent certified public accountant is required to examine the applicable books and records to the extent necessary to satisfy him/herself that the amounts claimed as costs are within the scope of the above-noted descriptions and are ordinary and necessary expenses appropriate to the development. If the accountant has any questions concerning the appropriateness of any item, or the amount, or desires any assistance in the interpretation of technical matters relating to construction which are not covered in this guide, he/she may seek assistance in such interpretation from representatives of the Corporation.

Inclusion in the opinion of any language, indicating that the independent certifying accountant has any reservations as to the amount or propriety of the actual costs as set forth in the certificates of costs will make the certification unacceptable to the Corporation.

The Corporation reserves the right to determine whether or not the certifications of actual costs received are satisfactory to the Corporation.

SAMPLE FINAL COST CERTIFICATION LETTER

Independent Auditor's Report

Cliff Holmes
Vice President of Tax Credits
Mississippi Home Corporation
P.O. Box 23369
Jackson, MS 39225-3369

RE: Owner's Name: XXXXXX
Development Name: XXXXXX
Development Number: TCAA#/XX-XXXC

Dear Mrs. Pace:

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of XXX, L.P. (the "Owner") for XXXX (the "Development") as of XXXX XX, 20XX. The final Cost Certification is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and Qualified Allocation Plan rules set by the TCAA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Final Cost Certification presents fairly, in all material respects, the actual costs of \$XXXX and eligible basis of \$XXXX of the Owner for the Development as of XXXX XX, 20XX, on the basis of accounting described above.

This report is intended solely for the information and use of Owner and the Owner's management and for filing with TCAA and should not be used for any other purpose.

We have no financial interest in the Development other than in the practice of our profession.

City, State
XXXX XX, 20XX



OWNER'S CERTIFICATE OF ACTUAL COST

Development Number: _____

Development Name: _____

Ownership Entity: _____

This certificate is made pursuant to the provisions of the Qualified Allocation Plan dated _____.

The cut-off date used for calculation of interest, taxes and insurance during construction is _____.

The actual cost to the owner of labor and materials and necessary services for the construction of the physical improvements in connection with the subject development, after deduction of all kickbacks, rebates, adjustments discounts made or to be made to the mortgagor, sponsor or any corporation, trust, partnership, joint venture or other legal entity in which they or any of them hold any interest, is as follows:

Item	Actual Cost	Eligible Basis
Acquisition	_____	_____
Builder's Profit	_____	_____
Construction/Rehabilitation Total	_____	_____
Architectural Fees	_____	_____
Survey Engineering	_____	_____
Permanent Financing Fees	_____	_____
Construction Loan Interest & Fees	_____	_____
Closing Cost, Legal & Bond	_____	_____
Appraisal	_____	_____
Reserves	_____	_____
Developer Overhead	_____	_____
Developer Profit	_____	_____
Land	_____	_____
Syndication Cost	_____	_____
Other Costs	_____	_____
Market Study	_____	_____
Environment Report	_____	_____
Tax Credit Fees	_____	_____
Other Fees <i>(list separately)</i>	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Other Costs Total	_____	_____
Total Costs	_____	_____
Amount of Permanent Mortgage Loan	_____	
Other Non-Tax Credit Equity Funding Sources	_____	

Certification

The undersigned hereby certifies that *(cross out inapplicable language)*: There (has/has not) been and is (now/not) an identity of interest between ourselves on the one hand and the general contractor or any subcontractor, material supplier or equipment lessor on the other. Attached to and made a part of this certificate is a signed statement fully describing any identities of interest is set forth in the previous paragraph.

OWNER

By: _____
Its: _____
Date: _____



CONTRACTOR'S CERTIFICATE OF ACTUAL COST

Development Number: _____

Development Name: _____

Ownership Entity: _____

This certificate is made pursuant to the provisions of the construction contract entered into by and between owner and contractor under date of _____, and it is understood and agreed by the undersigned that this certificate is to be submitted to the Mississippi Home Corporation.

The actual cost incurred in the completion of construction under the above construction contract and accepted construction changes, inclusive of all kickbacks, rebates, adjustments and discounts or any other devices having the effect of increasing the true actual costs is itemized below.

Trade Item	Actual Cost	Payee
Concrete	_____	_____
Masonry	_____	_____
Metals	_____	_____
Rough Carpentry	_____	_____
Finish carpentry	_____	_____
Waterproofing	_____	_____
Insulation	_____	_____
Roofing	_____	_____
Sheet Metal	_____	_____
Doors	_____	_____
Windows	_____	_____
Glass	_____	_____
Drywall/Plasterboard	_____	_____
Tile Work	_____	_____
Acoustical	_____	_____
Wood Flooring	_____	_____
Painting and Decorating	_____	_____
Specialties	_____	_____
Special Equipment	_____	_____
Cabinets Appliances	_____	_____
Blinds/Shades/Artwork	_____	_____
Carpets	_____	_____
Special Construction	_____	_____
Elevators	_____	_____
Plumbing and Hot Water	_____	_____
Heat and Ventilation	_____	_____
Air Conditioning	_____	_____
Electrical	_____	_____
Accessory Structures	_____	_____
Earthwork	_____	_____
Site Utilities	_____	_____
Roads and Walks	_____	_____
Site Improvements	_____	_____
Unusual Site Conditions	_____	_____
Lawns and Plantings	_____	_____
General Requirements	_____	_____
General Overhead	_____	_____
Miscellaneous Labor/Materials	_____	_____
Other Contractor Fees	_____	_____
TOTAL COST:	_____	_____

Certification

The undersigned hereby certifies that *(cross out inapplicable language)* : There (has/has not) been and is (now/not) an identity of interest between ourselves on the one hand and the general contractor or any subcontractor, material supplier or equipment lessor on the other. Attached to and made a part of this certificate is a signed statement fully describing any identities of interest is set forth in the previous paragraph.

All amounts shown have been reduced to give effect to the amount(s) of any kickbacks, rebates, adjustments, discounts (except as allowed in the Cost Certification Guidelines), or any other devices which, if included, would have the effect of overstating the actual costs.

GENERAL CONTRACTOR

By: _____
Its: _____
Date: _____