NOVOGRADAC & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 13, 2014

Internal Revenue Service
Attn: CC:PA:LPD:PR (Notice 2014-18)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

RE: Notice 2014-18, 2014-2015 Guidance Priority List

Dear Ladies and Gentlemen:

The LIHTC Working Group was established to provide a platform for low-income housing tax credit ("LIHTC") industry participants to work together to resolve technical and administrative LIHTC program issues. On behalf of the members of the LIHTC Working Group, we would like to recommend the following issues in priority order for addition to the Guidance Priority List for 2014-2015.

1. We are requesting guidance regarding the inclusion of the amortization deductions of the costs of issuing tax-exempt bonds in Internal Revenue Code ("IRC") Section 42 eligible basis. The amortization deductions of construction loan fees during the production period of IRC Section 168 property that are allocable under IRC Section 263A to the adjusted basis of that property can be included in a LIHTC project's eligible basis under IRC Section 42(d)(1). We request that similar treatment be afforded to the amortization deductions of tax-exempt bond issuance costs. For further discussion, we reference our comments submitted the Internal Revenue Service on March 28, 2014 with respect to the draft "Audit Technique Guide Section 42, Low-Income Housing Credit."

2. We are requesting guidance under IRC Section 42(j), which provides for recapture of LIHTCs, in relation to tax credit recapture for projects that have received Section 1602 subawards under the American Recovery and Reinvestment Act of 2009 ("Section 1602"). Treasury has expressed its intentions to issue separate recapture procedures for Section 1602 fund subawards; however, no procedures have yet been issued. For further discussion, we reference our letter originally submitted to the Department of the Treasury on July 30, 2009 and reissued August 2, 2010 with respect to recapture rules surrounding Section 1602 of the American Recovery and Reinvestment Act of 2009.

3. We are requesting guidance under IRC Section 142 on whether a low-income housing project that has lost its rural designation is held harmless at the highest national non-metro median income that the project achieved if its income limit was originally

determined using the national non-metro median income afforded to rural projects under IRC Section 42(i)(8). For further discussion, we reference our letter submitted to the Internal Revenue Service on January 30, 2013 with respect to rural designation uncertainty.

4. We are requesting guidance regarding the application of IRC Section 42 requirements as they conflict with the requirements of other affordable housing governmental assistance programs. In certain circumstances, the construction of affordable housing projects requires additional financing from other governmental assistance programs. The funds provided by these assistance programs may include restrictions that conflict with program guidance under IRC Section 42. Guidance is needed on whether IRC Section 42 projects can be held harmless by virtue of complying with other affordable housing governmental assistance program requirements. For further discussion, we reference our letter submitted to the Internal Revenue Service on February 27, 2013 with respect to conflicting affordable housing program requirements.

5. We are requesting guidance on the documented legislative intent included in the technical explanation prepared by the Joint Committee on Taxation explaining revenue provisions of the Health Care and Education Affordability Reconciliation Act of 2010, footnote 344 ("Footnote 344"). Footnote 344 clarified that the codification of the economic substance doctrine is not intended to disallow tax credits in a transaction that achieves the basic purpose or plan for which the tax credits were intended by Congress. In addition, we request that Treasury provide guidance as to the applicability of Footnote 344 to Section 1602. For further discussion, we reference our letter submitted to the Internal Revenue Service on October 27, 2010 with respect to guidance related to codification of economic substance and low-income housing tax credits.

6. We are requesting guidance on Revenue Procedure 2007-54 (the "Revenue Procedure"), which provides relief from certain requirements of IRC Section 42 in major disaster areas declared by the President. In some instances, the Revenue Procedure contains very specific references to features that are only applicable to buildings that receive 9% LIHTCs. There are no specific references in the Revenue Procedure to 4% LIHTCs received through a tax-exempt bond issuance. Therefore, it is unclear if the Revenue Procedure is applicable to 4% LIHTCs received via a tax-exempt bond issuance. We request clarification that the Revenue Procedure does in fact apply to buildings earning 4% LIHTCs by virtue of a tax-exempt bond issuance or that new guidance is issued for such buildings similar to the guidance that has been provided in the Revenue Procedure. For further discussion, we reference our letter submitted to the Department of the Treasury on March 28, 2014 with respect to temporary relief for buildings earning 4% credits affected by presidentially declared disaster areas.

Furthermore, on behalf of the members of the LIHTC Working Group, we would like to recommend that the Internal Revenue Service include in the Guidance Priority List for 2014-2015 the following issue currently on the Guidance Priority List for 2013-2014.

1. We are requesting guidance as it relates to the exception under IRC Section 42(d)(6) for any federally or state assisted building. IRC Section 42(d)(6) currently defines a "federally assisted" building as "any building which is substantially assisted, financed, or operated under section 8 of the United States Housing Act of 1937, section 221(d)(3), 221(d), or 236 of the National Housing Act, section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development or by the Rural Housing Service of the Department of Agriculture." IRC Section 42(d)(6) also defines a "state assisted building" as "any building which is substantially assisted, financed, or operated under any State law similar in purposes to any of the laws" referenced in the definition of a "federally assisted" building. We are requesting that a definition of "substantially" be provided as it relates to the exception under IRC Section 42(d)(6).

The LIHTC Working Group has submitted previous comment letters to the Internal Revenue Service and the Department of the Treasury requesting guidance on the above-mentioned issues. A copy of these comment letters, as referenced above, can be reviewed at www.lihtcworkinggroup.com. Please contact us if you would like us to resubmit our comment letters for your review.

We appreciate the opportunity to comment on the 2014-2015 Guidance Priority List. The furtherance of these issues will help the LIHTC program better provide affordable housing in our communities by providing clarification and lessening the risks in the LIHTC program compliance. Thank you in advance for your time and careful consideration of these issues. Please do not hesitate to contact us if you have any questions regarding our comments or if we can be of further assistance.

THE LIHTC WORKING GROUP

Very truly yours,

NOVOGRADAC & COMPANY LLP

Stacey Stewart

by

Stacey Stewart