Understanding the many requirements and nuances of the low-income housing tax credit (LIHTC) can mean the difference between delivering tax credits to investors on time or not. In this week's episode of Tax Credit Tuesday, Michael Novogradac, CPA, and Novogradac partner Tonya Johnson, CPA, discuss common pitfalls and risk areas that first-time LIHTC developers should be aware of so they can avoid them. They discuss tax credit deadlines, tax credit construction-related issues and lease-up and stabilization issues.

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Transcript

[00:00:10] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac and this is Tax Credit Tuesday. This is the Tuesday, February 22nd, 2022 podcast. This week, we're going to focus on some common pitfalls or risk areas that first-time time low-income housing tax credit developers should be sure they are aware of so they can avoid them. For experienced housing tax credit developers, think of today's podcast as a refresher or reminder course. Also, experienced housing tax credit developers should share this podcast with members of their development team with less experience so they can create a greater degree of redundancy within the development team to avoid these pitfalls.

And for asset managers, syndicators and investors, this podcast will be similarly useful. The low-income housing tax credit is a powerful tool for incentivizing affordable housing development and preservation. Every year we at Novogradac work with both experienced developers and those new to the incentive. As experienced developers know, the incentive does have many requirements and nuances that are critical to understand. Understanding these requirements can mean the difference between delivering tax credits to investors as promised and on time or not.

The stakes are very high and that's why developers should work with trusted advisers with housing tax credit experience on the accounting and valuation side. It's important to remember not every accounting valuation firm has the low-income housing tax credit experience needed. This is an area obviously that is one of Novogradac's core practice areas. We've been helping real estate developers navigate and low-income housing tax credit pretty much since the incentive began more than 35 years ago. We often do get calls from developers who previously worked with other accounting firms, but reach out to us for more specialized guidance on the low-income housing tax credit.

We'll talk about their frequently asked questions in this podcast. And as I noted earlier, we're going to discuss some common mistakes that new low-income housing tax credit developers make and more importantly, we're going to discuss how to avoid following suit. Our goal is to help you recognize and avoid these pitfalls.

Joining me on today's podcast is my partner, Tonya Johnson. Tonya is a partner at Novogradac Dover, Ohio, office. She specializes in affordable housing and community development incentives, including of course the low-income housing tax credit. And she works with many developer clients who are new to the low-income housing tax credit.

So she's going to be able to share some useful insights and anecdotes with us today. So if you're ready, let's get started.

[00:02:49] **Michael Novogradac, CPA:** So Tonya, welcome to Tax Credit Tuesday.

[00:02:52] **Tonya Johnson, CPA:** Thanks for having me today.

[00:02:54] **Michael Novogradac, CPA:** Great to have you. Now, as I noted in the intro, you work with a large number of tax credit developers, principally experienced tax credit developers, because most tax credit developers develop multiple transactions across many years. But also every year, you work with a handful of new clients that are newer. And as I noted in the intro, I do want to focus this podcast on those new developers and what some of the common mistakes or oversights you find with them. So I'll start by saying, why don't you share with us some of those common mistakes or oversights?

[00:03:31] **Tonya Johnson, CPA:** Sure. So when developer clients contact me after receiving their low-income housing tax credit allocation, they typically have overlooked a few important aspects and requirements related to, I'd say, three areas, which consist of deadlines, tax credit-construction-related issues and lease-up stabilization considerations.

Tax Credit Deadlines

[00:04:03] **Michael Novogradac, CPA:** So thank you for that. I always love categories. It makes it easier to talk about various issues. So, as I understand from your brief intro, there are maybe three trouble areas for new developers or at least areas to be mindful of. One has to do with critical tax credit deadlines to ensure that new developers understand there are some critical deadlines, a second that oftentimes new developers don't fully appreciate some of the tax credit issues that can arise during construction. And then also, they may not understand how lease-up of the low-income units can affect first-year, as well as annual credits. So we have the three key areas: tax credit deadlines, construction-related issues and lease up or stabilization issues. So let's start with the first category, critical housing tax credit deadlines. If you could share some of the key tax credit deadlines that you find first-time low-income housing tax credit developers might mistakenly overlook, or rather than say overlook, since they often come to you before they've overlooked them and might not be aware of, that you need to help make them mindful of so they don't overlook them.

[00:05:21] **Tonya Johnson, CPA:** Sure. So let's start with, the 9% allocation. The first deadline that new developers need to be aware of if they've received a 9% allocation is the 10% test deadline. So those that are new to the industry, this seems to be something that's easily overlooked until closer to the deadline.

Although those who have been in the industry for a while, this is something that's pretty well known. For those that are new, this test is just to ensure that the property owner has spent at least 10% of the property's reasonably expected basis within 12 months of their carryover allocation.

So the deadline is typically detailed in their carryover allocation agreement, but oftentimes we see that it's overlooked by our new developer clients. It may be overlooked because they receive a lot of documents during closing and, for many other reasons, but it's important to note that it is a really important deadline to meet.

And that that deadline was recently extended as the result of a rev. proc. It's Revenue Procedure 2022-05. I just wanted to note that if you believe that your project is not going to be able to meet your 10% test deadline, it's a good idea to review this rev. proc. with your tax credit team and discuss with your state allocating agency. Along with that, it's important to keep your construction moving along and on pace with what you originally projected since passing this 10% test does allow the partnership to place that project in service at the end of the second year after the reservation year. This does apply to the 9% allocation. The 4% tax-exempt bond transactions do not have this requirement. So it is important that if you were awarded a 9% allocation, stay on track to meet this placed-in-service deadline. This deadline was also extended as part of the rev. proc. I mentioned earlier. So again, if you feel you need an extension, please just discuss with your state allocation agency.

[00:07:55] **Michael Novogradac, CPA:** I would note as a bit of historical reference for our listeners, that when the low-income housing tax credit was first enacted, you actually had to place a building in service in the year you received your tax credit allocation award. And as a consequence, it was pretty difficult to go in and get an award, build a building and get it placed in service all of the same year.

So in that first year, the low-income housing tax credit is more about allocating credits to properties already under construction that would then convert to affordable or doing an acquisition/rehab with a lighter rehab. So you could actually get the award and place the rehab in service. And that's what led to this 10% test.

So Congress recognized that you couldn't get an allocation award and get a property in service from a development phase as a general rule, so they recognized they needed to get more time in order to get an award, build the units and place them in service, so that's when they came up with this 10% test to say, “Well, we want you to incur 10% of your project costs by a certain date and then place a property in service within two years thereafter,” subject to various exceptions, as Tanya discussed.

So I would just emphasize, as Tanya did, the importance of these deadlines, because these are also what we often refer to within a housing tax credit universe and also with respect to other tax incentives, a cliff effect test. And a cliff effect test is one where if you fail it, you fall off the cliff, as in, you're entitled to no tax credits. There are other issues that we'll talk about that affect how many credits you claim and they can be obviously significant, but you don't fall off the cliff. These tests are ones where if you don't meet the deadlines, you fall off the cliff, you're not entitled to any tax credits, which obviously is pretty disastrous and you want to ensure that that doesn't happen. And in terms of trying to ensure that that doesn't happen, what are some of the useful tips that you share with developers to ensure they don't miss these deadlines?

[00:10:02] **Tonya Johnson, CPA:** Yeah. So I like to tell developers that it's very important to have a team of individuals with knowledge and experience in the low-income housing industry. So these attorneys, accountants, lenders, etc., are going to provide that much-needed guidance and support for their transaction. Additionally, since new developers are typically concentrating their efforts in a specific state, I often suggest that developers become familiar with that particular state's requirements, specifically the qualified allocation plan or what we refer to as the QAP.

The QAP details some important program requirements such as limits and deadlines for that specific state. And with this, developers are going to be working closely with the state housing agency to provide important documents and reports, some of which we mentioned above the 10% test, and all the rest. So it's never too early to start these conversations.

[00:11:13] **Michael Novogradac, CPA:** I would also note with respect to the focus on state agency deadlines is that in addition to the states, obviously having to comply with the federal requirements of the 10% test and the placed-in-service deadline for the property, states will also often have their own internal deadlines. Many states are very focused on ensuring that the low-income housing tax credit awards that they make to various developers, that those developers develop their properties as quickly as possible. So rather than have a two-year placed-in-service deadline and the like, a state agency might have what they call readiness criteria, where they want you to be ready to start construction in a shorter period of time.

And you want to make sure that you're aware of those deadlines, because if you fail the state agency deadlines, then they have the ability to recapture the credit allocation. So even though you're complying with the federal rules, you have to also comply with the state agency rules, which is an overarching aspect of the low-income housing tax credit. It's awarded to the states. There's a host of federal rules you have to comply with. And in addition to complying with federal rules, also have to comply with state rules. You have to comply with the most restrictive aspects of any of the rules.

Construction Issues

[00:12:34] **Michael Novogradac, CPA:** So let's turn now to tax credit construction issues. And we've talked about tax credit deadlines and the importance that developers. It’s important that developers are aware of those key deadlines. Now let's talk about the tax credit construction issues. Now, obviously all real estate development entails a number of construction-related risks and we're not going to talk about the broad distribution of construction risk. We’re more focused on the additional layer of low-income housing tax credit-specific construction risks or the impact of variability during the construction phase on your tax credits. So what Tonya, would you say are some of the common tax credit issues that you see a developer facing during this development phase or the construction phase?

[00:13:22] **Tonya Johnson, CPA:** So we're hearing from a lot of our developers that projects are experiencing construction cost overruns, which I think is common with any type of development right now, any type of construction going on. For our low-income housing developments, this could cause issues with a tax-exempt bond transaction, mainly the fact that they could fail their 50% test.

So oftentimes when I'm talking with developers, they ask for a quick example of how this could happen. So if their property has a $19 million budget for their total project costs and they receive $10 million of tax exempt bonds, if those costs come in on budget, then this project would meet their 50% test, as most but not all of the project costs will be included in the 50% test calculation.

However, if there are cost overruns and construction costs increase to $21 million, the bonds are still at $10 million and the project would be at 48% and therefore it would not meet that 50% test requirement. Additionally, I have worked with a developer clients who requested bonds at 55%, knowing that they had this additional 5% cushion. Because of this cushion, they didn't feel they needed to monitor the construction process as much and felt they could sit back and relax a bit. We quickly explained that the rising costs of construction materials would result in an increase in construction costs and for their project, if that increase was greater than their cushion of 5%, they, could potentially fail the 50% test. So just to summarize, it's important to continually monitor your construction process, no matter if you feel like you have a cushion or not.

[00:15:45] **Michael Novogradac, CPA:** And then if they end up failing it, if they think, or if they're ending up with costs going over the 50%, then they would generally only be eligible for tax credits on the portion of the property financed with tax-exempt bonds. So instead of getting credits on 100% of the project cost, you'd get it on the portion of the costs, less than 50% that are financed, so I guess the one hand, it's not a truly cliff effect issue, but losing in essence more than half your credits feels like a cliff effect issue. And obviously one solution to that situation is to go to the state allocating agency for the bonds and get an additional award and get more bond allocation, but that may not be available. What's another way to deal with that overrun issue?

[00:16:32] **Tonya Johnson, CPA:** Yes. So we've had a few situations where we've had a developer who was kind of out of options and they called us and asked if we had any suggestions or if we'd seen this situation before. So, in order to pass the test, this specific developer was required to reduce their developer fee. I'm actually seeing this done a few different ways.

In this situation they didn't realize that there was an issue until they were working on their 50% test. So they amended the development agreement. I have seen this issue kind of taken care of on the front end. And recently, I've seen some language and developer fee agreements that states that the fee is a stated fixed amount.

But then there's language in there that limits the fee to that that is allowed by a state allocating agency or it limits it to the amount in order to allow you to pass your 50% test. The second method reduces the cost of amending agreements later on as well as I'm sure unnecessary stress when you're working on this 50% test and meeting this benchmark.

[00:17:49] **Michael Novogradac, CPA:** I would note I do think that type of language and your development agreement that does limit it, in the event you're running up against the 50% test, is a recommended practice as a general rule versus addressing it after the fact. I would also note that as you know, Tonya, but just for the benefit of our listeners, that when you are reducing the developer fee in order to satisfy the 50% test, it's obviously a positive in that now you'll get tax credits on all your eligible basis costs. However, you ended up getting less total tax credits because you're reducing your developer fee or you're reducing your eligible basis a little bit. So it does end up reducing your tax credits somewhat. Obviously, it's below what you originally planned because it's being driven by the cost overruns, but if you have cost overruns, this approach ends up meaning you don't have quite as much equity to help cover those cost overruns. So it's definitely an approach that works, but not ideal.

Clearly if you can go and get more allocation from the state in order to basically have more tax-exempt bonds so that your threshold is higher is a preferred option. And if that's available, I would just know that I've also seen situations where a client might instead of having the property itself own the land, lease the land and just try to address the overruns through reducing other costs and any capitalizable costs that aren't included in eligible basis. But let's move on unless there's anything else you wanted to share on construction cost related issues.

[00:19:31] **Tonya Johnson, CPA:** No, I think it's OK. We can go ahead and move on.

[00:19:32] **Michael Novogradac, CPA:** You know, that discussion was obviously based on those transactions that are tax-exempt bond financed that are eligible for the 4% credit, whereas a general rule, you get the 4% credit on your entire amount of qualified basis, irrespective of what your initial expectations were, which is a little different than a 9% credit because in a 9% transaction, you get an award of the credits, not the bonds.

And as a consequence, you'll never be eligible for more credits, be able to claim more credits than what your 9% allocation provides. But if you actually have cost savings, your 9% credits that you generate are actually reduced. You know, that being said, would you agree, Tonya, that most transactions with 9% awards end up with excess basis in a way so if they did have some cost savings, they wouldn't generate less credits? And just as a general rule, we don't see, you know, projects coming in under budget all that often anyway.

[00:20:32] **Tonya Johnson, CPA:** Right. I agree with that, especially with the rise in the cost of construction materials. Right now, we are seeing increases in those costs, which makes all of our construction costs come in over budget.

Lease-Up and Stabilization Issues

[00:20:45] **Michael Novogradac, CPA:** So let's turn to the third major category: Lease-up considerations. We've talked about tax credit deadlines and tax credit construction issues, and lease up is basically the property is to the point that you have your certificate of occupancy. And now you're starting to lease to low-income families at restricted rents.

So if I'm a first-time developer, share with me some of the key features or aspects of this leasing up that I should be aware of, and I'd even suggest that maybe you could start by unpacking what I'm about to say here. That is that a first-time developer, really any LIHTC property, generally needs to lease up to a minimum level by the end of the year of the building's placed in service or a delay claiming credits and leasing it up by the end of the year after the property is placed in service. Maybe you can unpack that for our listeners, what that general rule is.

[00:21:44] **Tonya Johnson, CPA:** Sure. So when I'm talking to first-time developers, I often tell them that they should know that by the end of the first year of the credit period, they must meet their minimum set-aside test. Either 20% of units need to be rented and restricted and then occupied by tenants whose income is less than 50% of area median gross income or 40% of units will need to be occupied by tenants whose income is less than 60% of area median gross income or averages to 60% of AMGI. We won't go into all of the average income test requirements. I think yes, Novogradac does a great job of addressing these issues. So there are plenty of blog posts and podcasts on this topic if anyone would like to listen to or read those.

[00:22:54] **Michael Novogradac, CPA:** And I would just note that what you discussed there is the minimum level or the minimum occupancy level to be eligible for any tax credits. But then when you go to determine what tax credits you're eligible to allocate out to your investor, as a general rule, you want to achieve sort of full low-income occupancy by the end of the first of the credit period, such that your credits will be claimed over 10 years.

If you don't get to your minimum level of occupancy by the end of the first year that you placed the property in service, you do have the option of waiting a year. And then if you wait a year, you then have until the end of the following year to get up to your full occupancy level. However, if you do elect to defer the start of your credit period, then you don't claim any credits in that first year.

And most of the times when you're working with a syndicator or investor, they'll have a certain expectation as to when your property is going to be placed in service. They'll have an expectation as to when you're going to lease up and then they'll make their credit equity contribution based upon delivery of credits, in that fashion. If you end up getting delayed in your placed-in service or delay in your lease up, then you have to address these issues or else be sure to get tax credit adjuster. Or said differently, you end up with less equity than you originally planned for. Any thoughts to add there?

[00:24:26] **Tonya Johnson, CPA:** I would just add this, that it's important that if you have multiple-building development that you know the placed-in-service rules and the credit calculations are on a building-by-building basis. So you want to confirm that all your buildings are qualified by low-income tenants at the close of the first year or the year that you're deferring to.

[00:24:55] **Michael Novogradac, CPA:** Maybe we get to talk about what the 15-year credits are because I kind of just assumed that a developer would have to make sure they got to their minimum occupancy level by the end of the first year of the credit period, which is either the year you place it in service for the year after. But if you do get to your, as you mentioned, the 20% of 50% or 40% of 60%, that 20% or 40% minimum, such as your eligible for credits, what's the penalty for not getting to the occupancy level by the end of the first year that you start claiming credits?

[00:25:32] **Tonya Johnson, CPA:** Right. So if, low-income units are not qualified, then the credits associated with the unqualified units would be claimed over 15 years instead of the accelerated 10-year period, which is how they're claimed when they're qualified.

[00:25:50] **Michael Novogradac, CPA:** Right. And that's that the notion that the credit period is generally a 10-year period, you claim the credits over 10 years. For the year you start claiming credits, you don't get a full year. You only get credit for the portion of the year you're leasing the units. And then that extra amount that you don't get in that first year, you would claim in Year 11.

And then to the extent that you don't get to the maximum, up to the needed occupancy level, by the end of the first year that you start claiming credits, then as you creep upward in the following year, those extra credits that you don't claim over 10 years, you claim over 15. And they're as Tonya referred to them as accelerated credits. That's because theoretically under Section 42, you have 15-year credits, but that last five years with the credits gets accelerated into the first 10 years to become generally speaking, a 10-year credit stream, which has really 11 years because of the spill over credits from Year 1 to Year 11.

But beyond, you know, this notion of ensuring you're delivering credits consistent with what the investor was expecting such that they're not going to reduce their equity contribution, by any shortfalls, both in Year 1 credits for credits over the 10-year period. Maybe you could share with listeners the linkage between leasing up a property and getting stabilized occupancy and receiving your equity contributions from your equity investors.

[00:27:28] **Tonya Johnson, CPA:** Sure. Oftentimes we talk with developers who believe that their investor equity is guaranteed. A lot of times they say they just looked at the exhibit and the limited partnership agreement and thought that the difference installments and the steps there were what they were going to receive. We often refer them to some specific language and there are limited partnership agreements, which talks about adjusters.

They're typically referred to as equity adjusters and tax credit adjusters. They are increases or decreases to one of the final investor equity contributions. And these adjusters are based on the property meeting or not meeting the important low-income housing tax credit delivery deadlines. Often, we see that properties are required to also provide a break-even analysis and/or a debt service ratio analysis in order to receive one of their equity contributions. We often assist with completing these analyses as they are often required to be accompanied with an accountant's report.

[00:28:47] **Michael Novogradac, CPA:** Having a first-year adjuster, and that's usually, if you promise a certain amount of credits say in 2022 and you don't deliver that amount of credits in 2022, while you're still going to generate those credits, the fact that you didn't generate them in 2022 means in essence, they spill over to the 11th year.

So if you're an investor, you're saying. “I was supposed to get X amount of money 2022 in credits. Now I'm getting them 10 years later.” So our investors will have this adjuster to basically take into account the fact that they want to get the same yield, but now they're getting these credits later, so they will invest less equity. So that's the downward adjuster. And then there's also an expectation of a certain amount of credits over that 10-year period. And then there's adjusters based upon the aggregate amount, if they expected $10 million in credits and it turns out you all are going to deliver $9.8 million or something, and there'll be adjuster for the total amount of credits. And I would note that more recently, there's also been loss adjusters where investors are expecting a certain level of losses because then the yield to investors is both the tax credits and the tax losses. So some investors have been putting in adjusters where the tax losses are, what was originally projected over the time period, they were projected on an annual basis. And then I also want to note that in addition to these adjusters, which affect the amount of equity and I went through the negative adjusters, those that reduced down. But as you pointed out, there can be upper adjusters as well, where you end up with more credits than originally projected. And that generally will happen not with 9% transactions because they have a fixed allocation amount, but on a private-activity-bond-financed transactions, where you have an initial budget, you are generally going to be higher or lower than that based upon how you use your reserves and contingencies and the rest, so there'll be some variability in the amount of 4% credits. And as a consequence, there'll be upward adjusters to allow for if you have higher costs originally budgeted or projected and you have more credits, the equity investor will be required to invest additional amounts. Even though those had upwards adjusters generally have caps on them.

The other item I would note is in addition to the aggregate dollar amount, as Tonya noted with respect to this break-even analysis, or this stabilization, usually in the various installments that equity investors have to make equity contributions to the project partnership. One of those equity installments is based upon the permanent loan funding and the property stabilizing. So developers have to be focused on getting the property stabilized, the permanent funding and getting to, as Tonya said, to break-even operations in order to get that installment. And just while it's not specifically related to the overall focus of the podcast, that I'd also note that oftentimes one of those contributions depends on receipt by the project partnership of the actual 8609 from the state agency.

And sometimes state agencies can be delayed in issuing their 8609s. So it's important that developers work with their project accountants to get started on the cost certification that's needed in order to get the final IRS 8609 forms from the state agency, so that you're expediting the process with the state.

So you'll also be expediting when you'll receive the equity investment from your equity investor. And I was wondering, Tonya, I'm sure you have a few horror stories on delays in receiving 8609s.

[00:32:47] **Tonya Johnson, CPA:** Oh, yes. Depending on which state you have your transaction in, you can expect some pretty lengthy delays. I know I have a couple of projects that are in higher-populated areas and those seems to be the ones with the delays. And if you don't have 8609s, then you run into the issue on if you can actually claim those on your tax return or not, which is something we won't get into too much depth here, but it just is something else to think about. So we always suggest that completing that final cost certification, discussing with your state agency to get everything submitted so that you can start the process of completing the 8609s is definitely something to focus on, once construction's complete.

[00:33:39] **Michael Novogradac, CPA:** Absolutely. And as you know, I have discussed in the past on other occasions, realistically, developers should be reaching out to their accountants before the property construction is finished to get started on the cost certification so that as much of the pre-work is done. And then once the construction is completed, the cost certification process is already well under way to shorten the timeframe it takes to get a completed cost certification and as you noted, also ensuring that you've satisfied all the other requirements to submit your 8609 with your state. And I will note that one of the reasons for the delays from state agencies in terms of issuing 8609 is that's their last chance to underwrite the transaction.

So they want to know that the permanent loan's in place, there's a lot of factors that they want to be able to confirm. And that does drive a large portion of delay, which is good for the public policy purposes, the incentive. But that being said, it's something that developers need to be aware of and manage so they can shorten that timeframe as much as possible.

So with that, Tonya, I want to thank you again for joining us on today's podcast. I'm sure a lot of low-income housing tax credit developers or investors or asset managers or others that are listening will want to be reaching out to you with some questions. So if you could spell out your email address, they can contact you at appreciate it. And also I will include it in today's show notes.

[00:35:14] **Tonya Johnson, CPA:** Sure. So it's Tonya.Johnson@novoco.com.

Exit

[00:35:29] **Michael Novogradac, CPA:** Tonya, please do stick around for Off Mike segment of the podcast, where I get to ask you some fun questions and get your words of wisdom on topics that aren't necessarily tied to tax credits. And we'll get to that in just a moment to our listeners. Please be sure to tune into next week's episode of Tax Credit Tuesday, my partner Blair Kincer will be on the podcast. Blair is a leader in Novogradac's valuation practice.

We're going to discuss how inflation affects affordable housing development, financing and operations. It's a follow-on to a Washington Wire column that I wrote for the February edition of the Journal of Tax Credits. And we're going to discuss the obvious effects that inflation has as well as some of the not so obvious effects.

And we're also going to focus on how inflation generally first causes higher costs, higher development costs and operating expenses, and that any inflation-driven increases in financing sources and revenue generally lag those increases in cost and expenses. So we'll unpack a little bit more in that podcast than what I wrote on and about in the Washington Wire Journal article, and that's the February article from Washington Wire in the Journal of Tax Credits. You can make sure that you're notified as soon as that episode and each week's episode is available by following or subscribing to the Tax Credit Tuesday podcast. Go to www.novoco.com/podcast to subscribe to and stream the show on our website.

You can also follow or subscribe to Tax Credit Tuesday on iTunes, Spotify, Google Podcasts, Stitcher, and Radio Public.

Off-Mike Section

[00:37:15] **Michael Novogradac, CPA:** Now I'm pleased to reach our Off-Mike section, where listeners get some off-topic advice and words of wisdom from our podcast guests. So I'm going to start Tonya since you're new to this podcast, what your favorite podcast is, and you can't say Tax Credit Tuesday.

[00:37:31] **Tonya Johnson, CPA:** Well, I was going to say in addition to this podcast, so, maybe my second-favorite podcast, I have to admit my guilty pleasure when it comes to podcasts other than this one, is true crime podcasts. I like the challenge of putting together the different clues and pieces to try to solve the issue before the podcast or makes the big reveal at the end of the episode.

[00:37:59] **Michael Novogradac, CPA:** So that's true. That's true crime podcast. I'll have to check it out.

[00:38:05] **Tonya Johnson, CPA:** Yeah. That's just like the general topic. I guess the one that I'm listening to right now is called The First Degree.

[00:38:14] **Michael Novogradac, CPA:** And is each podcast a separate true crime?

[00:38:20] **Tonya Johnson, CPA:** It is. Yes. So each one is, I think, like 30 minutes to 45 minutes. So, you have to try to play investigator for a little bit, put all the pieces together. They are based on true crimes.

[00:38:39] **Michael Novogradac, CPA:** Like the TV show Dateline, it sounds like. So tell me what part of your daily routine you look forward to and why? In a moment I'm going to ask about a habit that increases productivity and the rest, but we don't spend enough time talking about what aspects of a job one does that they enjoy or what aspect of routine they have that they enjoy. So how would you answer that question?

[00:39:03] **Tonya Johnson, CPA:** In regards to the daily routine from my professional life, I look forward to meeting with my team on a daily basis and going over any issues or just talking and communicating with them on more of a personal level. I look forward to going home in the evenings and spending time with my husband and my children. I have four boys at home, so things are always exciting in the evenings.

[00:39:37] **Michael Novogradac, CPA:** And what do they, the particular sports that your four boys are interested in?

[00:39:41] **Tonya Johnson, CPA:** We do basketball and baseball. So we kind of don't get a break. They'll run into each other. So we've just moved from one to the next.

[00:39:50] **Michael Novogradac, CPA:** That's great. That's what I did with my kids.

[00:39:55] **Tonya Johnson, CPA:** Yes, it is.

[00:39:56] **Michael Novogradac, CPA:** So the third question, which I mentioned as part of my second question, is what habit would you suggest listeners add to their daily routine to increase productivity?

[00:40:06] **Tonya Johnson, CPA:** Yes. This is a great question. Actually I feel like I get this question quite often from new professionals that start their careers with us here. To listeners as well, we're all busy. We all have emails popping up all the time. Our phones are ringing. So, I often suggest that people limit distractions when they feel like they're not being productive. It could be as simple as putting your cell phone on silent and putting it in your pocket or turning off your email and your phone for a period of time, like maybe just 15 minutes, not too long, whatever it takes, just so you can get back into your productivity space and sort of refocus.

[00:40:50] **Michael Novogradac, CPA:** I like that suggestion because I sometimes fall into the trap of thinking I can multitask and there’s really not a thing as multitasking. You're just juggling tasks. And then you obviously kind of lose efficiency and the rest. And there's even a focus mode within Word and various Microsoft products that tries to help you avoid those external distractions.

And in this day and age, it seems like there are lots of external distractions. So I think that's a great tip about trying to rid yourself of some of those and set aside lots of time set amounts of time to focus on a single task. That's one of the other things, so much of what we do takes such a level of focus and concentration that set you definitely lose efficiency when you're jumping back and forth. Because it takes you a while to get back, get your mind wrapped around what you're just focusing on.

So thank you very much, Tonya. Thank you for being a guest, and to our listeners. I'm Mike Novogradac. Thanks for listening.

Additional Resources

Email

Tonya Johnson