The U.S. Department of Housing and Urban Development (HUD) last week posted income limits for fiscal year 2022 to determine eligibility for HUD-assisted programs as well as for low-income housing tax credit (LIHTC) and tax-exempt bond financed properties. The national median income was a 12.5% increase over 2021, but HUD set the cap on increases at 11.89%. In this episode of Tax Credit Tuesday, Michael Novogradac, CPA, and Thomas Stagg, CPA, discuss the income limits, including the major storylines. They also examine how inflation affects income limits and how it will impact future income limits, then provide insight into implementing new rent and income limits and also discuss how issues with the 2020 American Community Survey will affect income limits. They conclude with some suggestions for how HUD could approach those issues and what LIHTC stakeholders should be considering.

Summaries of each topic:

Transcript

[00:00:11] **Michael Novogradac, CPA** Hello, I'm Michael Novogradac and this is Tax Credit Tuesday. This is the April 26th, 2022, podcast.

As you probably have heard, the fiscal year 2022 income limits are finally here. Most of us expected HUD to release the income limits on April 1 in accordance with when they released them in the past, but we ended up needing to wait a few extra weeks. They were just released this past Tuesday, April 18. As you'd expect, Novogradac income limits experts have been busy analyzing this year's income limits and what they mean for the affordable rental housing community. In today's podcast, we're going to dive into the biggest stories related to this year's income limits. As a teaser, 99% of counties will see an increase in income limits this year.

Joining me on today's podcast is my partner, Thomas Stagg. Thomas is a frequent guest on Tax Credit Tuesday and no income limits podcasts would be complete without his input. He is an income limits expert and he also leads the Novogradac Income Limits Working Group.

There are a lot of interesting issues for us to discuss about this year's income limits, so we'll focus our discussion today on those storylines and not so much on covering basic income limits concepts. Many of you may be interested in more information about the basics of calculating income limits. I invite you to register for a webinar that Thomas will be helping facilitate in May. I will share a registration link to the webinar in today's show notes.

Now, we have a lot of interesting issues to discuss today, so without further ado, if you're ready, let's get started.

So Thomas, welcome back to Tax Credit Tuesday.

[00:02:00] **Thomas Stagg, CPA:** Thanks, Mike, it's great to be here.

Top Income Limits Storylines

[00:02:03] **Michael Novogradac, CPA** We thought we'd be doing this podcast about three weeks ago, but here we are now. The much-anticipated income limits are out and I know that you and your team have been busy crunching the numbers. After reviewing the data, what would you say are the top issues or storylines that listeners should know about income limits this year? If you could provide a general overview, we can then unpack each of the issues you identify in more detail in the course of the podcast.

[00:02:31] **Thomas Stagg, CPA:** Yeah. Although I'll say I wasn't happy with the wait, but it was nice that they wait until the day after tax day to release them for us. So to me, when looking at the numbers and looking at the general trends we're seeing looking forward to next year, the three big storylines to me are inflation and how that's impacting income limits this year and in the future. And as you teased, 99% of areas went up. The average increase was over 10%. So what are property owners doing about this increase? And we've talked about this before, but this 2020 data issue, it's still hanging over our heads. 2022 is out, next we're focusing on 2023 and what do we know about these data issues and what don't we?

[00:03:14] **Michael Novogradac, CPA** So thank you for that, Thomas. All very important issues obviously, and they're the ones that you've been previously had been discussing with members of our Novogradac Income Limits Working Group. And I should note to our listeners, I do invite you to join the Income Limits Working Group so you can stay in the loop about these important issues. You can also participate as the group develops possible policy recommendations for having Congress to consider, but let's get back to this year's income limits and let's examine each of those issues that you've mentioned in a bit more detail, starting with the storyline throughout the economy–not just income limits–and that's inflation. Some listeners might be wondering why inflation matters. How does inflation affect the income limits themselves? Because income limits are based upon estimates of income, not estimates of inflation directly. So if you could explain to our listeners how inflation affects the income limits that HUD publishes and then maybe a little bit more precisely, the manner in which HUD uses inflation to calculate their max limits.

How Inflation Affects Income Limits

[00:04:21] **Thomas Stagg, CPA:** So when HUD's going to calculate the income limits, they start with what's called the American Community Survey, which is kind of like what we think of the Census, but it's an annual survey that's sent out to a grouping of citizens and they respond to the survey and then the Census takes that data and collects it and then they release that data. Then HUD takes that data and calculates income limits, but as you can imagine, that's a lengthy process for that survey to be sent out, collected, data analyzed and flow to HUD, then HUD to do their calculations on it and determine an income limit. And so what happens is the ACS data that HUD is using is three years old or three years older than the applicable income limit year.

So for 2022, HUD is using 2019 American Community Survey data. HUD knows that 2019 is not 2022, so they have to have something to turn that data forward to the current year to give an estimate of income limits. And so HUD uses the change in consumer price index, CPI, as that trend factor. And so CPI is basically inflation, so this trend factor, inflation, ends up driving this trend factor and ends up increasing the American Community Survey to the current year level. So as you can imagine, when inflation is going higher, this serves as a tailwind to income limits and will increase income limits over what they would be in a period of relatively flat inflation or if we have deflation, that's going to have the exact opposite, actually slow down income limits.

[00:05:57] **Michael Novogradac, CPA** So thank you for that good explanation. And as our listeners know, when we talk about the income limits, we're talking about tax credit properties, we're talking about the maximum income level of a given tenant, as well as the maximum rents that the owners can charge after adjustments for utility allowances. But maybe you can now unpack that a little bit more in terms of the impact that we're seeing with inflation on the 2022 income limits, as opposed to maybe the effect of inflation in 2021 and some of the earlier years.

[00:06:27] **Thomas Stagg, CPA:** So inflation certainly is playing a big part of the large increase this year, but we have to remember that it's only one of the two factors that are driving the large increase we had this year. The large increase isn't driven solely by inflation.

Let's look at the national median income as kind of our backdrop for this. So national median income increased from $79,900, so basically $80,000, to $90,000 and that's a 12.5% increase. That's a very large increase, the largest increase that I can remember. However, let's look at the two components of that increase. First, we have the change in the American Community Survey from 2018 to 2019, right? Because 2018 was used to calculate 2021, 2019 is used calculate 2022. And so the underlying change in American Community Survey was just under 6%. So about half of the change we're seeing, half of this 12.5% increase, is caused by the increase in median incomes from ’18 to ’19. And remember, this is still pre-pandemic income, so ’18 to ’19, very strong income limit growth years. Even without this inflation tailwind, we'd probably be having a strong income limit growth regardless this year, but then when we add inflation on top of that. So when we talk about inflation, we're looking at the change in CPI in that three-year period from 2019 to 2022, but realistically we're comparing that three-year change to the three-year change from 2018 to 2021, because we're looking at the change in inflation over those two periods. And, what's interesting about the 2021 calculation is that was based on an inflation number that came out very early 2021, when we're still kind of unsure about what was going to happen to the pandemic–not that I'm really much more certain now, but I'm more sure that it’s not going to be catastrophic anymore–but so in 2021, we had a relatively low inflation rate. And so when you look at, when you take that backdrop of that 2021 and now we're looking at this 2022, that's all-time-high inflation, very optimistic about what's happening–well, not optimistic, but very optimistic about that prices are going to continue to go up this year. We have this sudden burst in inflation because we had such a low baseline in 2021 and then 2022 is kind of an all-time high, so that's accounting for this other 6.5% and so it's pretty interesting this year, 50% of the increase is the change in the ACS, which was a very strong increase in ACS. And the other half is this change in inflation. And what's interesting is, what does this mean for the future, right?

How Inflation May Affect Future Income Limits

[00:09:00] **Michael Novogradac, CPA** Yes, that is interesting. So we're not going to give you a very hard topic here: We're just going to talk about how inflation is going to affect income limits of the future.

[00:09:10] **Thomas Stagg, CPA:** Right, right. As I always joke, if I knew how to exactly estimate inflation, I'd probably be sitting on a beach somewhere, just playing the markets. But I think that what we see is we have to remember that we are comparing kind of this three-year change. So next year's inflation, we're going be looking at the change between 2020 and 2023. And so 2020 inflation was still relatively low, all things considered. So I think we're going to have a very strong inflation adjustment again next year and then we get into this question I've been asked a lot lately, is do income limits trends equal to inflation so that this inflation is just kind of showing what's going to happen when we do the 2023 ACS. Are the income limits collect in the 2023 ACS going to have a large 10% increase? And therefore, when we go to do the 2026 limits, we will have this 12.5% increase in ACS so the inflation adjustment will be incorrect. And so we'll kind of have this smooth growth going forward or is inflation changing different than income? Are incomes not keeping up with inflation and therefore at some point when we had this huge increase in 2023, but when we go out and do the American Community Survey and see the actual incomes for 2023, did they only go up by 5%? And so now we're going to kind of have this correction three years in the future, where the real income didn't keep up with inflation and that's what we don't know. But right now that's what I'm thinking about my mind is we have to be thinking about, so I've been focused on this 2023 issue. Now I have this 2026 issue in my mind, of saying are income limits somehow going to lag behind this estimate and we're going to have a course correction in the future or is inflation and income limits growing together and we're just going to have this steady trend in growth going forward?

[00:11:06] **Michael Novogradac, CPA** That's a great question about income levels versus inflation, because when I'm talking to clients, the way I explained it is you have the ACS data every year that's three years old. And so as you're basically ended up taking that three-year-old data and increasing it by the inflation over that three-year period. What you don't know is over time, how will these measure income levels? That's not even so much measured income levels, it's median income levels. That's not average income levels, it’s the median income levels. And in the midst of inflation now–when inflation is a few percentage points, it's not as significant, but with inflation levels now that we're seeing–how will median family incomes do, will they go up equivalent to this inflation rate? Or might they trail, or might they be even higher? And once again, it's median, it's that midpoint range and that's pretty challenging to unpack. But it's definitely something that every LIHTC developer, investor and the like need to be spending more time on. I also like to emphasize, as I know that you do, that we've not been in inflation times like this in the history of the low-income housing tax credit incentive, so it's definitely something that we have to give thought to the fact that we've not been here before and spend a little more time thinking about what the implications could be.

[00:12:32] **Thomas Stagg, CPA:** Yeah and I think it's important. Those who've been in industry for a long time might be having kind of flashbacks to the year 2000, when before 2000, we didn't have an annual American Community Survey. We just had a 10-year census. And HUD would take that census then apply a bunch of statistics to try and estimate how much income limits grew and then every 10 years, they'd get the answer. And you can imagine over a 10-year period, if you had something wrong in your calculations, you could end up with a very different number. And that's what happened in 2000. It led to HERA and some other interesting things, but the good news is now we get the answer. It's a three-year lag as opposed to a 10-year lag, but really an annual lag because we had an American Community Survey every year. And so the good news is I don't think we're going to end up in a pre-HERA world again, where we have all these areas that are out of line because of this. I think the course correction will be much quicker this time around and much smaller because we are getting more real-time data to look at that. That might've been too far inside baseball for some of our listeners, but it's interesting.

[00:13:42] **Michael Novogradac, CPA** I'm glad that you shared that because I get a lot of questions about that as well. And you explained it well, that it was a benchmarking, if you will, with the new sense that basically over the years, the increase in income had been overestimated and as a consequence, there was a re-benchmarking, if you will, and that created some challenges that led to legislation and the rest. And that is the good news now, is it as a three-year period of time, so it's not building up over 10 years. But this is also an entirely different issue because that was basically estimates of income increases that were on average too high and over 10 years, it was on average too high, it could be notable.

Here, we're dealing with something that is really more central to the low-income housing tax credit as an incentive and how it's structured. Where rents increase based upon median family income levels for the most part and operating expenses go based upon actual and are much more directly impacted by inflation. Now I should note, of course, when I talk about LIHTC properties being focused on median income, that there are properties with vouchers and all the rest. So it's not as simple as that, which is probably a good general disclaimer for everything we're talking about, is we're talking about generalities, it may not apply to your specific development.

So let's talk about implementation. That is obviously a critical issue. So we have these limits that are now out from HUD. Income limits are increasing on average by more than 10%, or I should say, not on average, but they're increasing by more than 10% in many areas, not on average. So what do property owners need to know about how to implement the new income limits?

Implementing New Income Limits

[00:15:34] **Thomas Stagg, CPA:** So I think that you hit it. It was a good segue where we were just talking about inflation with costs, right? So costs are going up and there's going to be this kind of desire to increase rents to cover those costs. And we see across the country, the average increase is 10%, but some counties have a 1% increase. Twenty-four counties actually have a decrease. I think it really kind of drives home the point that you have to understand your project and your tenants before implementing these increases. And there's going to be certain things that you look at and I think the type of project is going to be very important. So let's talk about that first.

We basically are going to have different treatment for projects that are being placed in service this year and for projects that are already in service this year and leased up. So let's talk about the easy one first: projects that aren't in service yet. Depending on your market study and what you know about the market rents, you're probably going to want to increase those as much as possible, because you don't have tenants in place already, you're not impacting the existing tenants and you're want to be able to show this higher rent to support debt to cover these higher operating expenses, probably to cover increased construction costs in the last year and a half from when you applied. And so I think that most of those projects are going to be looking to say, how high can the market support and can I go all 10%? Now I'm not saying you should go to all 10% in every case, right? That's something that needs to be looked at in your project. But I think when we look at that in comparison to existing projects, we're going to look at it quite differently. We're going to talk about the 2023 issues in a second, but we know that we think, based on information we have right now, that 2023 could potentially be somewhat of a stagnant year. So I really think that you should be kind of looking at your portfolio and thinking about it holistic over the next couple of years as to how you want to phase in these increases. And also you're going to look at your various project types. Some projects aren't going to be able to withstand large increases and your market might not bear large increases. Other project types, you might be well below market and so you might say every time there's a new vacant unit, you're going to move those vacant units up to this new max and implement the new max that way. So there's going to be various strategies that you do, but I think that the key is we want to be mindful. We want to be mindful that there's tenants living in these projects that will be impacted by this. We want to be mindful of what's happening in your community and mindful also of how this will reflect on the industry. We don't want to be the ones who are increasing rent on seniors by 10%, and ended up on the front page of the newspaper. You want to be very thoughtful and pragmatic about implementing these increases.

Now that's on the rent side. On the income side, the income limit side, you want to implement those right away. Because that's going to help more tenants qualify. So if you're not taking your rents to max right away, your income limits you want to take to max right away so that you can qualify as many tenants as possible. It'll help with lease-up in some markets. I think that we're seeing that the incomes are increasing, that we are seeing that generally wages are following inflation right now, at least in my limited experience. So if you're having tenants who are having a hard time qualifying, these higher limits will help and they'll help at all levels, right? Because if income limits have gone up by 10%, even at the 30% level, it's still a 10% increase. So maybe more people can qualify for a 30% household now or a 40% household where before they might have been a 50% or a 40% household. So you definitely want to implement the income limits.

Income Limit Cap and Implications

[00:19:13] **Michael Novogradac, CPA** So in terms of the increase in income limits, HUD puts a cap on the increase and they changed the cap calculation this year. I don't want to go into too much detail here, but as briefly as you can, can you summarize, can you say what the cap is? Just in percentage terms and then also share what the change was in general terms.

[00:19:36] **Thomas Stagg, CPA:** So the cap this year is 11.89%. And generally speaking, the cap is the greater of 5% or two times the change in national median income. Now, people who have been taking notes on our conversation will know that I said the change in national median income was 12.5%. So you would think that our cap would be 25%, but HUD changed their methodology this year to instead of looking at the change in national median income, they actually looked at the change in national median data from the two ACS surveys they're using. So they looked at the change in the 2018 ACS to 2019 ACS. And as I said earlier, that was just under 6% and so our cap is 11.89%. And so the cap was put in place to capture outliers. HUD didn't want huge increases year to year. There's also a floor, right? You can't decrease by more than 5% any given year. So the cap was meant to capture that. I'll say one editorial comment on that: If the cap was meant to capture outliers, but 56% of the areas are capped this year, which I think illustrates that the cap is definitely impacting limits this year at a level that we haven't seen before. Last year, 14% of the areas were capped to kind of put that in context.

[00:20:52] **Michael Novogradac, CPA** And that cap ends up meaning that there's almost a built-in increase in income levels and rents, if you will, for the following year. Correct?

[00:21:01] **Thomas Stagg, CPA:** I want to be really careful on how you ...

[00:21:04] **Michael Novogradac, CPA** Thank you for that, because that was a generalization. So please unpack that so it's as accurate as possible.

[00:21:11] **Thomas Stagg, CPA:** Because everybody says that. They say I have this warehoused increase, but we have to remember that HUD is going to redo the calculation next year. And when we talked about the 2023 issues, this will become especially apparent, but let's use a very simple example and say that this year, but for the cap, you'd have gone up 20% and that would have put you at a $42,000 for your income limit. But you're a capped at $36,000, just kind of using round numbers I wrote down earlier so I can refer back to this. Now, next year, let's say that we do have these data issues. And so the cap next year is 5% because national median income is basically flat as we'll talk about in a minute. So next year, your cap is going to be 5%, so even if all of your inputs stay flat, you still you'll get a 5% increase. So that seems like, yeah, I have built an increase, but let's say that your cap, instead of your uncapped was $42,000, let's say instead of that it was $37,000, you're capped at $36,000. Next year, things go slightly down and so now your calculation is $35,000. You'll be at $35,000 for your area. Now, granted your project that was in service will be held harmless at $36,000, but you'll never get that $37,000. That's just gone away. And so what I like to say about caps is that is it's a signifier that next year we'll likely have an increase, but it does not guarantee it. So if I was looking to say which area is going to have an increase, this one that was capped or this one that wasn't, I'd put my money on the capped area, but it's still not a guarantee. And not all caps are created equal, right? Some areas are capped, they would have gone up by 12%, but they're capped at 11.89%. Some areas would have gone up by 25%, but they're capped at 12%. So we have to understand the differences between the caps.

How 2020 American Community Survey Issues Affect Income Limits

[00:23:02] **Michael Novogradac, CPA** And could you also just describe it as going into next year, you've got that increase, but you don't know what the other data calculations will happen next year that could absorb some of that increase or all of it.

So you talked about the 2020 data issue. Maybe you can talk a bit about the 2020 data issue and let's assume for the moment that most listeners aren't that familiar with it, so do explain what it is but don't go into too much detail. We got prior ways in which those that want to listen to the details on that. And will you talk about it in the webinar in May?

[00:23:40] **Thomas Stagg, CPA:** We will, for sure.

[00:23:42] **Michael Novogradac, CPA** So if they want more detail on this, sign up for the webinar.

[00:23:46] **Thomas Stagg, CPA:** Mike, I like how you know me so well that it’s hard for me not to share too much details. I won't redo our whole podcast from last year, but basically, as we've talked about, when HUD's doing the calculation, they use the American Community Survey. To be more specific, they typically use the one-year American Community Survey where such survey is available. So any kind of large metropolitan area typically has a one-year American Community Survey, but in 2020, because of COVID, the Census Bureau was not able to collect a reliable one-year ACS. We'll leave it at that. There's a lot to unpack there, but they were not able to collect a one-year reliable sample and so they said, we're not publishing a one-year American Community Survey. And so we're stuck saying, well, we know we don't have a one-year American Community Survey that's the driver for all of our income limits. So what is HUD going to do in place of that one-year American Community Survey? Now, if HUD follows their traditional playbook, which I don't know, but it's likely that they understand this issue and likely are not going to default to this worst case to answer. But ...

[00:24:53] **Michael Novogradac, CPA** And let me just say this worst-case answer is because in a given year they might have reliable data in virtually all areas, but there'll be some areas that they don't. Right? So they have this alternative method as they calculate them today that’s used sporadically.

[00:25:11] **Thomas Stagg, CPA:** Right. So it's used mainly for small areas. And the key is that it's used consistently for the small areas and as we’re going to talk about, what's really going to cause the issue here is jumping from one method to the next. So typically when HUD doesn't have a reliable one-year American Community Survey, they use a five-year American Community Survey and very quickly the issue with the five-year American Community Survey is that HUD weighs all responses received during that five years equally. So for 2020, the five-year American Community Survey will cover 2016 to 2020. And so you can see how an answer from 2016 having the same weight as 2020 is going to give us a lower limit. And I offhandedly, incorrectly, I always called this a 2018-and-a-half limit because if you smash it down, the five-year to the midpoint, and it's about 2018-and-a-half. And so if you think about if that's what they ended up using, we're going to go from a 2019 one-year ACS to a 2018-and-a-half or 2018 ACS. And so we're going to be using, and we've done this, we've dug into it, they'll be using for the most part the ACS will have decreased what they're using. The five-year is lower than the one year. Our research shows it's about 3.5% lower. And so if they do use the five-year instead, kind of baked into this calculation, the starting point will be 3.5% lower than it would be otherwise. Now that doesn't mean that income limits are going to go down, right? This year income limits went up 10% on average, so if we started 3.5% lower, they would have gone up by 6.5% on average. So we're not sitting here saying that next year, everything's going to go down by 3.5%, but what we do have now is Census has released the five-year American Community Survey for 2020. So we've been able to start to look at that and so far, what it tells us is if HUD uses that five-year ACS, nationally speaking income limits will be flat, assuming that inflation kind of continues at the trajectory that it's at. That if HUD were to use the five-year, as opposed to the one-year, income limits will basically be flat on average next year.

Now, of course, we have all kinds of other adjustments that go into this that are going to change individual areas, but on average will be pretty flat next year. And that is important because flat rents are not good for projects that are having increasing operating costs. Flat rents are not great for projects that are trying to convert to perm debt. And so we're trying to get ahead of this issue and work with HUD to find some alternative solutions that are going to better reflect what's actually happening with income limits.

Income Limits Working Groups Suggestions for Alternative Methods

[00:27:57] **Michael Novogradac, CPA** So that is one of the foundations for the creation of the Income Limits Working Group, which you lead. Do you want to share a few of the alternative methods that the working group is thinking about?

[00:28:08] **Thomas Stagg, CPA** Yeah. So we suggested three methods to HUD. The first method was to use the Census Bureau's experimental data for 2020 until they published. Because of their data issues, they felt as though they didn't have enough data to publish estimates down to the county level, but they were able to publish it for state level and national. And so our first adjustment is for the large MSAs that income limits are built on, can they get that data from Census Bureau? Is that data reliable enough so that we can use the actual data that was collected for these large areas and have it reflect truly what was calculated and use the same calculation? So that's our first suggestion, knowing that there's probably Census Bureau issues, that might not work.

Our second suggestion is to say, well, since we don't have a good 2020, what if we take the average of the 2019 American Community Survey and the 2021 American Community Survey. The 2021 American Community Survey would come out in September of 2022, so still about seven months before HUD typically publishes income limits. So probably enough, hopefully enough time for them to look at those data and take the average of that as a proxy of 2020. Now it's not going to be exact, but I like this method because it's going to keep things in line. We know that we're not going to have some big outliers in 2020, things that go way down or way up, we know that's going to kind of be linear with what we're going to see in 2021, which will be 2024 limits.

And then the third option was to just say, we know 2019 was accurate. Let's continue to do what we're doing and stick with our 2019 ACS data and just grow at one additional year using CPI. That's actually pretty in line with what HUD used to do, right? HUD used to have one income limit estimate or a data every 10 years and would use something to grow it.

So those are three suggestions so far. HUD has told us that they're thankful for the letter. They are still trying to figure out what they're going to do, they're not committed yet. They just said, we just gave you 2022, we need time to clear our minds and start looking forward. And so HUD is taking this very seriously. They're listening to us on our comments, but we don't know what they're going to do yet. And they haven't really given us any hints as to how they're leaning at all yet.

[00:30:26] **Michael Novogradac, CPA** Great, thank you for that. And, as you and I had mentioned earlier in the podcast, there is a webinar coming in May. There'll be information about it in the show notes and we'll go into this issue in more detail there. So what issues haven't we discussed yet that you want to bring up on that you think we should bring up in the podcast? Knowing there are a lot, so which are the handful of ones that we should make sure that we're sharing with listeners.

What Stakeholders Should Be Considering

[00:30:51] **Thomas Stagg, CPA:** So I'm going to kind of rapid fire these and say these are things that you should be thinking about.

If you're an owner, you should be thinking about the effective date of income limits and when you're implementing them and how you're implementing them and especially looking forward and thinking of a plan for 2023, if we think that your limits are going to go down in 2023. Same thing with gross rent floor, thinking about how that's going to impact your project and the timing of that. And all that leads me to kind of the most important thing is understanding what you think is going to happen with income limits for your project. And so we've talked about this on other podcasts. We might've hinted at it today, but we know the ACS data. We can get that. We understand CPI and we have estimates of that and so we actually publish income limit estimates. We haven't rolled out our 2023 ones yet because we've been waiting to see what happened in 2022 to get a better understanding and see if HUD has any clues, but soon we'll be updating our estimates for 2023 and then in September, but really October because the data comes out late September, we need two weeks to process it. In October, we'll be publishing our estimates for 2024. And so you should be really paying close attention to these estimates and how that's going to impact your project. So you can be making these informed decisions about a carry-over allocations about how you're underwriting these potential projects.

You might say, oh, went up 10% this year. I don't think anybody will do this, but let's forecast 10% a year for the next three years. This gives you a much more grounded estimate. Now it's never 100% accurate, but it does give you a better idea of what the underlying HUD data is telling us will happen to income limits for your area. So definitely be on the lookout for those. Once we've updated our 2023 calculations, we will do an email blast to everybody, let them know that those were available for purchase.

And then finally the rent income limit calculator is up. So as you'll see if you tune into the webinar, there's HERA Special, there's hold harmless, there's gross ramp floor election. All these things that impact the income limit for your project and so the rent income limit calculator makes that simple for you. We simplify it. You just tell us when you're placed in service, we do all the hold harmless calculation. Now since 99% of the areas went up, hold harmless isn’t the most important part of the calculation this year, but just because they went up doesn't mean they hit their high-water mark.

So you might still have hold harmless, even though they're going up, but I'd say those are the rapid fire things that listeners should be thinking about. And if they're confused on those or need more information, definitely tune into the podcast. Cause we're going to go into all those.

[00:33:28] **Michael Novogradac, CPA** Right or turn into the webinar.

[00:33:30] **Thomas Stagg, CPA:** Yeah. Webinar.

[00:33:31] **Michael Novogradac, CPA** Thank you, not that you don't need to tune into future podcasts as well, but there will be the webinar coming in May. So thank you very much, Thomas. I know that listeners are going to want to reach out to you for more information. I'm sure many will want to join the Income Limits Working Group given the change in HUD's calculation this year to the cap and knowing we have this 2020 data issue. I expect more and more owners, investors, syndicators and the like will want to be more engaged in these income limit calculations, how they work, how HUD does their calculations and where might HUD consider changing the rule. Now obviously listeners, I'm sure they have lots of questions or many will have questions about their specific properties or portfolios and the like, so if you could share your email address.

[00:34:15] **Thomas Stagg, CPA:** Sure. It's Thomas.Stagg@Novoco.com and Mike will put it in the show notes for us as well.

Wrap-up and Preview

[00:34:24] **Michael Novogradac, CPA** Great. So, please be sure to stick around for our Off-Mike portion of the podcast, Thomas, where I get to ask you some fun off-topic questions.

For our listeners, please be sure to tune into next week's episode of Tax Credit Tuesday. We're going to switch to renewable energy. I'll be speaking with my partner, Rob Bryant from our Dover, Ohio, office, and Rob and I are going to be discussing some of the factors that renewable energy developers should consider when they're evaluating raising tax equity, joint venture financing for their developments as opposed to an outright sale of their development. Many solar developers do early stage development and then sell to another developer who handles the overall financing, which includes raising joint venture equity and monetizing the investment tax credits. But a greater number of these early stage developers are considering keeping the property and arranging the additional financing needed. Rob and I will discuss what he's seeing in this area, in this trend, and we'll address some of the most common questions he gets. If you're involved in developing solar properties, you'll definitely want to tune in to next week's episode.

You can be sure you're notified of that episode and each week's episode 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 Podcast, Stitcher and Radio Public.

Off-Mike Section

So now I'm pleased to reach our Off-Mike section where listeners can get some off-topic advice and words of wisdom from our podcast guests. So, one of my popular questions, Thomas, is that if you could host a podcast on any non-tax credit or accounting-related topic, what would your topic be?

[00:36:10] **Thomas Stagg, CPA:** Oh, man. I can't talk about that income limits every week because now that'd probably be it.

[00:36:15] **Michael Novogradac, CPA** Yes, it would be and you would have a lot of listeners.

[00:36:18] **Thomas Stagg, CPA:** So I'm torn between a running podcast–I do a lot of running lately. In fact, I hope to eclipse 500 miles for the year this week, which.

[00:36:28] **Michael Novogradac, CPA** Is that 500 miles for 2022?

[00:36:30] **Thomas Stagg, CPA:** Yeah, which to put that in context that includes working busy season hours. But it does help me clear my head and so I'd either talk about that or I just have always loved and been fascinated by the Tour de France and so I'd love to do a Tour de France podcast from a very novice rider and so probably one of those two topics would be it.

[00:36:51] **Michael Novogradac, CPA** Very interesting. So when you run, do you listen to music? Do you listen to podcasts? Do you listen to audio books or do you not listen to anything?

[00:37:00] **Thomas Stagg, CPA:** When I run, I have to have music, I need the beat to help propel me forward, although often I just get lost in my thought, thinking about various complex work issues or other types of things.

[00:37:11] **Michael Novogradac, CPA** Great. So my second question, which is one of my favorites, is what is your favorite productivity tool, app or hack?

[00:37:20] **Thomas Stagg, CPA:** Yeah. I wish I knew more. I'm so busy lately, it feels like I just try and keep my head above water. But to me, it's the Outlook calendar. I have to have everything on there and up to date or else I get lost throughout my day. In fact, even my staff schedule appointments with me, all my tasks that they want me to review come through task in Outlook. So it's not really an app, but outlook is my guiding light during this time.

[00:37:45] **Michael Novogradac, CPA** Well, I'll count Outlook as a productivity app, particularly when you're using the task function.

[00:37:52] **Thomas Stagg, CPA:** Yeah.

[00:37:53] **Michael Novogradac, CPA** So with the end of tax season dovetailing right into the release of income limits, which you noted, I know you have a lot on your plate. What's your best tip for achieving or maintaining a good work-life balance?

[00:38:05] **Thomas Stagg, CPA:** I think it's funny to say when you're trying to keep it balanced, but it's about scheduling your downtime as well and scheduling those things that you need to keep yourself sane. Like I said, I need to run most days. It helps me clear my mind. It actually helps me wake up. And so I just schedule that. I know this time of day, I'm always going for a run and it's my time, right? And then I schedule time, my wife and I have our time in the evening that's set aside for us to be together and then, it's just sticking to that schedule because it's very easy for work to leak over to that. And I think I always have to remind myself that you're never going to get all done today anyway. So you might as well take a little bit of time and how little that time is changes depending on the day, but you might as well take a little bit of time and do something that's going to help get your mind right to start this all over the next day, whether you like playing a video game, whether it's playing a board game with your kids or whatever it may be, but scheduling that time and sticking to it. And that's the hardest part of it all is sticking to it, to finding that time to step away. But that's my key. I've been doing that since I was a staff, always making sure that I had that time scheduled in there. And so far, I haven't done too crazy. My wife might have a different answer, but it seems to work so far.

[00:39:23] **Michael Novogradac, CPA** Yes. Well, I love your point about scheduling in that personal time because I definitely have the same sort of experience. And if I don't schedule in that personal time, people are happy to take it.

[00:39:36] **Thomas Stagg, CPA:** Yeah.

[00:39:37] **Michael Novogradac, CPA** So it's very important to get that on the schedule. So it also segues obviously or is a connection to your use of Outlook. Because it is important to remember that you work to live, you don't live to work.

[00:39:50] **Thomas Stagg, CPA:** Right.

[00:39:52] **Michael Novogradac, CPA** So, thank you again, Thomas, and to our listeners, I'm Mike Novogradac. Thanks for listening.

Additional Resources

Email

Thomas Stagg

Webinar

Register for the Novogradac 2022 HUD Rent and Income Limits Outlook for 2023-2024 Webinar

Working Group

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Podcast

Listen to 2023 LIHTC Rent and Income Limits episode (Oct. 12, 2021)