So You Want to Be a LIHTC Developer: 5 Keys to Successfully Meeting LIHTC Tax, Audit and Investor Deadlines

In this week's installment of the "So You Want to Be a LIHTC Developer" series, Michael Novogradac, CPA, is joined by Novogradac partner Christina Apostolidis, CPA to discuss keys to successfully meeting tax, audit and investor deadlines for low-income housing tax credit (LIHTC) properties. They discuss the tax and audit requirements, then look at the importance of hiring an experienced tax credit accountant, establishing the timeline and communication protocol, being ready for surprises and how to recap after busy season.

Summaries of each topic:

Transcript

Introduction

[00:00:11] **Michael Novogradac, CPA**: Hello, I'm Michael Novogradac and this is Tax Credit Tuesday. This is the December 6th, 2022, podcast.

This week's episode is another installment in our, "So You Want to Be a LIHTC Developer" series. We launched this series to help real estate developers better understand how the low-income housing tax credit is used to finance the acquisition, development or renovation of affordable rental housing. More particularly, this series is designed for developers seeking to access low-income housing tax credits for the first time.

That said, this series is also helpful to those with significant housing tax credit experience, and this latter observation or assertion is particularly true for today's episode. We're going to discuss five key steps to helping low-income housing tax credit developers have a successful audit and tax season. Now, our housing-tax-credit-experienced developers who are listening might be thinking, "Why should I listen to this episode? Won't my tax accountant or auditor take care of all of that?" That is a good question. Yes, a good low-income housing tax credit accountant can help you navigate and meet your various tax and audit requirements, but I emphasize "help you" not "do for you." Successful, experienced developers know that this isn't just a hand-the-ball-off situation.

The developer plays the foundational role in ensuring that a partnership is meeting its tax, audit and investor reporting deadlines. Now implementing the five key steps that we'll discuss today will help set you up for success. That success will save you time and money as well as, and perhaps more importantly, help you maintain a good working relationship with your investor and syndicator partners, as well as your lenders.

If you don't have experience as a tax developer, one thing you do need to bear in mind is tax credit investors generally have accelerated internal reporting deadlines. While a tax credit partnership's federal return of income may not be technically due until March 15th, or September 15th if extended, investors have earlier internal deadlines.

Also, there's almost universally an audit requirement for tax credit partnerships. Tax credit investors generally have earlier draft tax return deadlines because there are intermediate funds as well as other reasons for which my guest today will discuss. So, if you're looking to be a low-income housing tax credit developer, you're going to be involved in ongoing tax and audit requirements for 15-plus years, and that is where our five tips that we're going to discuss today become crucial to know.

Now, if you've done a low-income housing tax credit transaction already, be sure to listen to all five steps to better ensure you're not missing out on any opportunities to improve during the upcoming tax and audit season. And really, there are five steps and then substeps within the steps. So you can think of these five points as a checklist, and there's a checklist within the checklist, and you can see how many of these steps you've already taken.

Joining me in today's discussion is my partner, Christina Apostolidis. She's from our Novogradac Naples, Florida, office. Christina was on the podcast just last August. We discussed tax-exempt bond market updates. Christina is an accountant, a forecaster, an auditor, a consultant, and has worked on hundreds of transactions involving low-income housing tax credits and tax-exempt bonds.

She works with both low-income housing tax credit developers and syndicators, as well as more conventional real estate developers. Christina has a good perspective on comparing and contrasting requirements for tax credit transactions versus those that do not have tax credit financing. So if you're ready, let's get started.

Tax and Audit Requirements

[00:04:02] **Michael Novogradac, CPA**: Christina, welcome back to Tax Credit Tuesday.

[00:04:06] **Christina Apostolidis, CPA**: Thank you, Mike. I'm happy to be here again.

[00:04:09] **Michael Novogradac, CPA**: No, I appreciate you joining us and for those that aren't aware, we are recording this on Monday afternoon. So, Christina's working a little bit late in the Florida office, so I appreciate you joining us and accommodating my schedule.

So before discussing the five tips, I thought we'd start with a level set for listeners who have developed and operated rental real estate properties but haven't developed or operated properties financed with low-income housing tax credits. I gave a little bit of background in the intro, but maybe generally speaking, you could share your view on how audit, tax and investor reporting requirements for property financed with low-income housing tax credits compares to those requirements if you're not receiving tax credit financing.

[00:04:54] **Christina Apostolidis, CPA**: Sure, Mike. Yeah, I think this is a great place to get started. I think the main difference that developers need to be aware of is who their audience is, right? And anything we need that we're doing, we need to know who our audience is. And in this case, the developers are now partnering with corporate investors.

So timely information is very important to our corporate investors. They partnered together with the developers for the benefit of tax credits and tax losses. So one of the expectations that the investors had of their developers is to provide them timely information, which is both an audited financial statement and tax credit, tax returns as well for those partnerships, which will deliver the tax credits to them and their losses.

Because they're corporate investors, this information, getting to them timely is important. They're going to use that information to estimate their corporate tax liability and to meet their own internal financial reporting that they need to do. A lot of our investors are banks and so there's a lot of banking regulations and internally that they have to meet. So these, that's what makes these deadlines very important because of who their partner is. And also, the developers are reporting because they're in a partnership with their syndicator and their investor.

And the investor and syndicator are there to also make sure that the rules are being met. We've done these, the series of "So You Want to Be a LIHTC Developer," and we've seen how complex LIHTC rules can be. There's a lot of them. And so there'll be a lot in the series here. But there's very complex rules and that's why the syndicators and investors want this information earlier.

So, some of these deadlines where we're used to having, our developers might be used to having a March 15 deadline for their partnership return. The investors are going to want that information earlier so they have time to review it, make sure the rules are being met, make sure tax filing is done properly.

There's a lot that, maybe things can get missed. And that's what the investors and syndicators are there for. Just last week I was talking with a syndicator, and they had a LIHTC partnership that's in their portfolio where they missed making a [IRC Section] 168 election. So, things happen and that's why the investors are there. That's why they have these accelerated deadlines.

So that's very specific to these LIHTC partnerships that a developer might not be used to.

[00:07:24] **Michael Novogradac, CPA**: So thank you for that. I can't help but follow up with, you mentioned a Section 168 election. So maybe just whet the whistle, if you will, of some of our listeners. What is that?

[00:07:36] **Christina Apostolidis, CPA**: Yeah, so the 168 election is important for partnerships that are generally managed or owned by a nonprofit. Making the 168 election allows that partnership to use a more accelerated depreciation life, otherwise they'd be subject to the nonprofit, lives, which are longer. So the result of the partnership not making the 168 election meant that the partnership was delivering less depreciation expense, which meant less losses for the investor.

And again, because the investors are very, they're investing in LIHTC partnerships. One for the credits, but also for losses. They look, they measure these two to see what their internal rate of return, and that's what they make their investments based on. So if anything changes from what they thought of their rate of return is going down, it, it's not going to be as beneficial as they originally thought.

So again, super important to that, that specific is why these reporting and deadlines are a lot sooner because there's a lot of people looking at these to make sure that we're, the project is delivering what it promised to the investor.

[00:08:47] **Michael Novogradac, CPA**: No, it's good to emphasize the fact that investors are seeking tax benefits and namely tax credits and tax losses. And it's not just getting a certain dollar amount of tax credits and tax losses of the life, the investment, the sooner you get those tax benefit of tax losses from a temporal perspective, the more valuable they are, and without such an election that you were mentioning, the losses get pushed out.

So they become slightly less valuable, which ultimately makes its way back into equity pricing. But anyways, we went down really deep there. Let's take a step way back and, that was really a good discussion about the general importance or the enhanced importance of the tax and audit season for a tax credit investor slash syndicator.

Outlining the Five Tips

Now let's talk about the tips, the five tips that you have for how housing tax developers can have a successful audit and tax season. So if you could list them in abridged form, then we'll discuss each one in more detail.

[00:09:52] **Christina Apostolidis, CPA**: Sure. Mike. Yeah, from my experience and I have the benefit of working with developers, but also with syndicators.

So, I can see, when we're working at the syndicator side, we're interested in making sure that we're getting all those audits and tax returns in, to do the syndicated reporting audits and tax returns at the syndicator level. and we can't proceed unless we get that information in.

So from my experience, developers who are most successful in meeting those investor deadlines are going to do these five items, right? So these are the five that usually makes you know, that developer most successful.

And the first one, number one is to hire an experienced accountant.

Number two is to establish a timeline with the signed responsibilities to meet reporting deadline. So this is developer and their accountants and the individuals responsible to engage in doing the reporting, assigning responsibilities and coming up with a timeline to make sure they're meeting the investor deadlines.

And then number three is to establish a mechanism for ongoing communication. And this is mainly to monitor the progress. So we'll get into some of the subtopics in here on how to do that. But again, super important where our focus is to meet the deadlines to kind of continue that relationship with the investor. And so we want to constantly make sure we know where the projects are and are they going to meet those deadlines or do we need to change course on anything.

And the number four is to be alert for surprises and share them early. Again, all about communication. If something comes up during the audit or a tax period that's going to cause a delay or any changes in original expectations that the investor might have had, we want to communicate these early.

And the number five is to prepare and discuss an after-action report. So this would be after everything's submitted, we met the deadlines. We're always looking to do better because again, things happen. And also our developers are constantly doing new projects, right? So the more we add on the workload, we still want to be able to continue to meet those deadlines.

[00:12:04] **Michael Novogradac, CPA**: Great. Thank you for that, Christina. I appreciate outlining those five steps, which are in a chronological order in terms of how they should be addressed in the course of the busy season, but the first tip that you mention is engaging a knowledgeable accountant. And I think when we're thinking of knowledgeable, we mean a knowledgeable tax credit accountant and not only just a knowledgeable tax credit account, but a knowledgeable tax credit accountant in the states in which you're developing tax credit housing.

And I totally obviously agree with that tip and I don't agree with it just because we're an accounting and consulting firm that's knowledgeable, but more because the low-income housing tax credit has particular requirements and nuances as we discussed earlier with the 168 election. So if you're a developer, you definitely want to work with an accountant who understands the low-income housing tax credit incentive.

And if you're using private-activity bonds, you know that accountant also is familiar with private-activity bond financing. If you have various HUD financings, then you would want to know, work with an accountant that's experienced with the Department of Housing and Urban Development programs. In short, you want to look for a CPA firm that has successfully navigated audits and return preparation for the types of low-income housing tax credit transactions that you're working on.

So that's my broad overview in terms of riffing a bit. And you're pointing out number one is having experienced tax credit accountant, but maybe you could expand, Christina, on why an experienced CPA so valuable.

Hire an Experienced Tax Credit Accountant

[00:13:40] **Christina Apostolidis, CPA**: Yeah, so like you mentioned, there's complexity in following the LIHTC rules, but an experienced accountant will be able to identify issues as well, and be able to work together with the developer to resolve issues that come up, as well as working with the investors or syndicators.

So if you know the rules, you'll be able to navigate them a lot easier. So that's super important. Also, maybe things happen with a particular entity and, again, we're reaching out for ways to resolve maybe certain issues that might happen, or things might have gotten missed.

We can help fix things at the partnership level. We're, particularly in the first years, we're looking at making the required elections. We talked about the 168 election, but there's a lot of others, too. So you need your accountants to know and have gone through many successful filings as well to know when to resolve issues and know what to look out for.

Okay. Another thing that I think is very important that the developer should keep in mind when engaging a CPA is to ask them and to understand what is their commitment and their capacity to meet investor deadlines. You want to understand that CPA firm is committed, understands the deadlines that are required of the entities that will be audited and the tax returns that will be prepared, and that they have the capacity to do it as well and to meet those deadlines.

And then another thing that's also important is, what is that CPA firm's relationship with the syndicators and investors that the developers dealing with? One thing, this is the time of year the syndicators start reaching out. And I just had a call today with one of our syndicators reaching out.

They want to understand what's, which are our new projects, what's the status, and it's just, I've worked with them for many years. And it's just, it's a nice time to catch up with them. We let each other know where we are and maybe if I had questions or they have particular questions.

So we do have a really, I feel like with the syndicators I work with, I have a good relationship and I think that goes a long way because if an issue does arise, there's that open channel of communication. As accountants and the CPA firm, we can a lot of times help maybe resolve issues between the developer and investor when issues come up or help them understand the rules on both sides.

So I think that goes a long way. So just understanding what the CPA firm's relationship is. It also makes the process a lot easier.

[00:16:20] **Michael Novogradac, CPA**: And I would also just add that in addition to the CPA that you're working with, being experienced, if they are part of a firm that has experience across the board with tax credit accounting, then as issues do arise, if there's something new, there's a good chance the firm itself is already thinking about the issue and every year there's new guidance comes out, new interpretations and the rest.

So it's definitely something where even if you have experience from the year before, new issues could have arisen. So it's a question not only of having experience in the past, but also be very engaged, in the tax credit field so you're staying current on new issues. So thank you for that. Now let's turn to the second tip in your list, and that's the set of timeline that includes investor deadlines and requirements, as well as specifically assigning the responsibilities for each of the tasks. Basically, what's the accounting firm responsible for? What's the developer responsible for?

And then naming names within each of those groups for portions of the task. And I do really like this tip. It's the strategy of beginning with the end in mind. I've mentioned this on the podcast in previous episodes, but I do think it's worth repeating here. The general idea is that if you don't know where you're going, you'll never know if you've arrived, much less know how you'll get there. So let's break this tip down for listeners. Christina, what are the types of deadlines that you think developers should include in their plan? What are some of these various benchmarks?

Establish a Timeline

[00:18:00] **Christina Apostolidis, CPA**: Yes, Mike. Correct. We have to know where we start. What's the end game? Right. So the first thing, very important, is part of our planning meetings is just laying out when is everything due.

And really looking at the particular investors, syndicator that a project is in or also looking at the partnership agreements as well and any other guidelines that the syndicators might be providing to their developers as far as timeline.

So two things you have to keep in mind. Some syndicators, investors will require draft deadlines. So like we mentioned, they want to review everything. They want to make sure that the tax returns are being prepared properly or if there's any issues that they identify on the financial statements. So they need enough time to review those. So you want to be very clear as to what those draft deadlines are.

They're not always the same for every syndicator and investor. We've seen some as early as January 30th, maybe some early in February or February 15th, where syndicators want that information and to give them, again, enough time to review. So laying out those deadlines and then working backwards, right? We want to put on the developers. We want to let them know how much time do we need to get that audit done as auditors. So we will, work with the developers to gain an understanding and making sure that everybody's on the same page. We need their information by a certain date so that we can turn around and deliver audits and tax returns to them.

So, all of this gets done in our planning meetings. We're upfront. We have our schedules. We lay everything out. We know our deadlines and then we subsequently work together with a developer to discuss when do we need their information and what that information is. We can't just say give us your information.

We need to be very specific and clear as to what are the documents that we need to review. Communicate that with themand have that. Again, there's certain schedules that might need to be prepared. Some of them, the developers might engage the accountants to prepare as part of the audit.

Certain schedules and certain information, maybe depreciation schedules. But some of them might, client or developers might, prepare these on their own. So again, being very clear as to who's providing what information. I mentioned a little bit about reading the LPA. So as part of your planning process, to lay out, you need to understand each specific LIHTC partnership.

Every partnership might be, every partnership is a different transaction, has different financing, different, maybe different tax credits. Some might have solar credits this year, or some might be historic credits. And all that affects how the project's going to be audited and what tax schedules are going to be prepared.

If it's a HUD project, there might, there'll be additional different audit standards to follow. So again, reading through the LPA is as much a responsibility of the developer as it is of the accountants as well. So the developers should know, OK, this is what needs to be done for this entity. Some things that we have seen on the syndicator side where we're waiting for audits. Sometimes, LIHTC partnerships and CPA firms realize, oh, there was some government financing and that'll delay the audit, right?

So, if they find this out a little bit too late, or during tax season, it wasn't planned for. So, they can't deliver an audit on time. So all these things are very important.

Another tip in this, about setting your timeline and your plan, I always start with the harder transactions, right?

So I push my clients to, okay, let's start on those projects that are first-year audits, or there was some significant transaction that might have happened during the year. Again, we can plan for a lot of things, but you know, sometimes when you're actually in the weeds and doing the work, you might find some nuances or something that you didn't think of before.

So if you're, we're starting with those more complex transactions, because those are the first ones we're going to tackle in our timeline. We give ourselves more time to address any issues that come. So I think that's very important. And then also as you are reading through your LPA and thinking about all your entity lists for this year, another thing to think about is any changes in tax law and maybe how they affect reporting for the current year.

Last year, we had some changes in investor reporting when it comes to investors, K-1s. So we, the IRS added schedules K-2 and K-3, which added some time and delivery of tax returns. So again, knowing these items ahead of time and tax law changes every year keeps us in business, right?

But, it's not just the accountants that need to be aware of these, know, you want to have these discussions with the CPA firm that you're engaged in, and, are they aware of these new changes coming down the road and how are they going to handle it? Right? How are they going to, how is this going to affect delivery?

[00:23:16] **Michael Novogradac, CPA**: Well, thank you for that. Because it really is an iterative process where you need to be thinking through what all has to get done, and as you say, starting with the deadlines and going back from there and then triaging and layering in all the different tasks. And it's something that you probably can't spend too much time doing it.

I would draw the analogy, and we talked about this when we were preparing for the podcast, it's sort of like whenever I have a painting project at home, I always want to start painting. And every time I engage in a painting project, I always end up at the end saying, I really should have done a lot more taping and masking and preparing so that the actual painting part would've been a lot faster and quicker and the product would've been better.

So I can't encourage developers enough to do a lot of advanced planning, do a lot of advanced thinking. And an ounce of planning will save pounds of time in the process. So once a developer and the accountant does have a timeline in place with assigned responsibilities, what are some of the tips that you have for executing the plan?

[00:24:25] **Christina Apostolidis, CPA**: Yes, so we, as we discussed, deadlines for our LIHTC reporting, audited financial statements and tax returns, they come up pretty quick, right? So year-end is December 31st, and some of these reporting deadlines are hitting right at the end of January and very early in February. So some of the tips that we see that make some of the process go a lot smoother is working with your CPA firm and trying to get as much work done.

Now December is here. The end-of-years come, but as much as it can get done before the end of the year and then very early in January as possible. And we'll discuss this sort of at the end where we have our recommendation of setting sort of a plan of kind of revising and what can we do better next year.

Some things that can get done now in December. Developers should be reviewing their books and records, making sure they recorded all of last year's adjustments. So that, again, goes a long way. It saves a lot of time, a lot of questions during the actual field work, like we call it, of the audit process, making sure they're accruing.

These are gap financial statements. These are, should be on the accrual basis for both audit and tax. And so they want to make sure that they're accounting for all their accruals, recording any related party fees as well. Looking at their, partnership agreements, what fees are there?

There's partnership fees. There might be incentive management fees. All these, they want tobe looking at this and making sure they're recording these so that their records are complete. And also waterfall calculations. Are clients, the ones that are successful, they're doing this before the end of the year, not after.

And making sure that if there's any payments that could be made from cash flow that those are being prepared, looked at and properly paid at the right time. The other thing, when we looked at our list of entities with the developers, we want to, sometimes some syndicators might be able, might waive an audit requirement.

So again, depends on the specific entity, especially if it's a new deal. No tax credits are being developed. There's not much by way of operations. So maybe it's a first year acq-rehab or maybe the investor came in late in the year. So there were, that partnership is not delivering much by way of losses or credits yet.

The investors might be willing to waive an audit requirement. So again, understanding your entities and if that's the situation for a particular entity, the developer should be proactive in requesting a waiver there. The syndicator's not automatically going to waive it. You can't make that decision on your own.

You have to make sure that you involve them and ask them. But a lot of times they're willing to waive certain audit requirements. But again, so that helps the developer and the audit team focus on, which ones are important, right? We don't want to do something that's not necessarily required.

And then just some other tips for executing the plan. We do a lot of planning. We have a lot of meetings and discussions, but you know, we need the developers to be proactive with the accountants to communicate, significant things that might have happened. Was there a casualty event?

Some of these things we not, we may not see. It might not be blaring on a trial balance that we received. So we need some additional information from our developers to communicate that. Were there transfers? Was there an investor transfer that we might, that we need to be aware of?

Because if there was, we might need to record extra calculations on the tax return. And again, if we're finding this out after maybe we drafted again, there's going to cause it's going to cause a delay in the reporting process. So, again, significant issues, any lawsuits, transfers, refinances, any compliance issues that might have come up.

Again, we need to know these early.

[00:28:21] **Michael Novogradac, CPA**: So that's a really good point. Emphasize any significant events that happened in the course of the current year or the year under audit, obviously, as well as into the next year in terms of notable sort of events so they can be adequately addressed. And those are the types of matters that can be addressed earlier, and we'd much rather address them in December than in early February, right, when you have a February deadline.

So the third tip that you mentioned is establishing a process for ongoing communication with the audit and tax teams and with investors, potentially lenders, the developer of course, being at the center of that communication process. What are some of the examples or some of the ways that you end up communicating with your clients to help ensure you know that both sides are where you're in the process and who's responsible for what?

Establish Communication Protocol

[00:29:13] **Christina Apostolidis, CPA**: Yeah, so what we find works best, especially between now and through the point when we've delivered all drafts and finals to the investors, is having a weekly call and a weekly can be, it depends what works for the team, weekly or biweekly, but something that's happening pretty regularly. Having these calls, again, we can catch up on who's doing what, just to clarify things sometimes get, we want to make sure who's court the ball is in, right? And sometimes it's not very clear. But, so these weekly calls just help everybody stay on top of what's going on and where things are in the process. So definitely I would recommend scheduling those and having them regularly.

The other thing, too, and now technology's great. I feel like there's a lot of tools out there where we can see live status information between the accountants and the developers. Whether it's using it for status, like delivery dates or tracking things that are due between each other, right? So you want to use it for both.

Particularly here at our firm, we use Smartsheet, which we love now because again, everybody's seen it live. Which keeps everybody, again, abreast of what's going on and when things are happening. So there's less of this email having to go back and forth every, it's all live on one sheet.

But there's other tools out there, so whatever works for your team. Definitely something along those lines where everybody has access. Also another thing that we find helpful, too, is developers, books and records, certain software that developers may be using, might have a version where they can give the auditors restricted access to certain documents.

I think the developers appreciate this and their internal accounting teams because the auditors then, have to maybe ask them for information the auditors have access to, oh, if we're reviewing a certain account and something pops up at us and we want some extra information, the auditors can go out, pull invoices or look at some of tthe behind the transaction, information so it can pull information such as rent rolls, leases, subsidiary ledgers.

So again, it gives the auditors sort of more at their fingertips information versus having to wait for somebody to provide that. So definitely something that developers want to look into their software and see if that, because that'll definitely make the process go a lot smoother.

[00:31:47] **Michael Novogradac, CPA**: So is there, so else you wanted to add?

[00:31:50] **Christina Apostolidis, CPA**: Yeah, just a last thing, too. As part of the communication process, you also want to make sure who's communicating to the investor. Again, that's the the whole important part here. Investors might have different ways they want information received, so you want to know, okay, is it the CPA firm that's delivering that information and uploading it, right?

There's portals, people have emails, so it's all, might be different. But again, that should be part of your communication strategy of who's ultimately delivering that information to the investors.

Be Alert for Surprises

[00:32:22] **Michael Novogradac, CPA**: Great. Thank you for that, Christina. And then the fourth tip in your list is to keep an eye out for any surprises that may arise and discuss them sooner than later with your investors and syndicators.

So, obviously the whole purpose of all the advanced planning is to try to avoid surprises. The whole purpose of asking about extraordinary events like refinancings, transfers, casualties, occupancy issues, things of that nature, are trying to avoid surprises, but inevitably, surprises can arise.

So maybe you could describe the types of issues that you've seen arise in the course of an audit and the importance of discussing them early with your accountants as well as investors and syndicators.

And again, just I wanted the developers to understand that the syndicators and investors are there as partners and they want to be made aware of issues early because they want to be able to help resolve the sooner an issue comes up, the more chances we'll be able to find a solution and involve more parties in that discussion.

So kind of the two areas where we see, issues, where something needs to be resolved. And generally it's because it's going to cause a change to the tax credits, right? Or the tax credit delivery and timeline. So generally issues might arise during the construction and lease-up period. And so generally we're seeing it in our first-year audits and first-year tax returns.

So especially, particularly now with Covid and a lot of the delays in construction and shortages, we're seeing a lot of construction delays. And so definitely communicating if you're going to deliver less credits than you had anticipated in your partnership agreement, that's something you want to communicate to the investor.

[00:34:16] **Christina Apostolidis, CPA**: They need to make the appropriate adjustments on their side. Are there any adjusters that are due as a result? And sometimes, these are the ones that happen that are getting placed in service very at the end of the year, right? So they, maybe they were anticipated to have, get placed in service in June, but because of delays in construction, it keeps getting pushed and they say, oh, we're going to meet it. We're going to do it. We're going to place in service. We're going to lease up, but it slips, so these happen towards the end of the year. And then the other might be compliance issues. Sometimes, again, we do our planning. We ask the questions, but inevitably some something might come up that might cause a compliance issue.

Again, we need enough time to resolve these. So these are the ones that we just want to make sure, and again, it, involving and bringing these up early just gives us more time to find a strategy to, to, what works best, right? What works best for everybody and how to resolve something.

Recap After Busy Season

[00:35:14] **Michael Novogradac, CPA**: So thank you for that. Now turn into your fifth and final tip, and in some ways we're kind of going full circle here, because the fifth and final tip is to prepare and discuss an after-action report, which is an effort designed to discuss what went well. So you keep doing the following year, what went well, and also identify areas for improvement.

We mentioned earlier how this really is a more than 15-year partnership. So you'll end up having this reporting cycle go on for generally more than 15 years because you have your development phase and your lease up phase. And so this ends up being the book end to the first tip out, setting a plan.

This is kind of at the end where you've finished the work and now you're looking at how well you did and thinking about ways to improve in the following year. So in your experience, what are some of the questions that you think developers should be asking at this wrap up meeting or as part of this after action report, or, maybe said differently, what are the areas that you want to make sure that you discuss with a developer so that the process can be improved for the following year?

[00:36:32] **Christina Apostolidis, CPA**: Yeah, having these meetings are great. And I would also recommend having them as soon as busy season or tax season is over.

[00:36:41] **Michael Novogradac, CPA**: Good point. When it's fresh in your mind.

[00:36:41] **Christina Apostolidis, CPA**: Right? Exactly. You quickly forget the pain. So, and that's just, I think, human nature. But definitely while it's fresh in everybody's mind, some of the things that I discuss with my clients are, we go over adjustments. So as auditors while we're doing the audit, we'll propose adjustments.

We'll go through those making sure, is there anything in their internal control processes that can be changed or implemented to avoid the auditors having to propose an adjustment, and some things you know are a quick and easy tweak in their process. Maybe it's another schedule they need to be preparing as far to their management reports.

But you know, we find that, a lot of times our developers are very receptive to making these changes because they do want the process to go quicker. And those are the developers, again, that have these good successful tax seasons.

Also, we talk about, the possibility of performing inner work, right? Before we talked about doing as much as you can now in December. But we can start earlier. The accountants can start earlier. Some of my clients, what I do is request a September trial balance from them. And I do this particularly with newer clients in LIHTC or sometimes maybe some of our clients, there was changes in personnel in their accounting department.

So, we want to do a quick, analytical review. Our transactions being posted properly and taking a look and seeing what can be done maybe the fourth quarter or earlier on. So, the last thing too at this meeting is to look ahead, right?

So what's projects are in their pipeline, right? It's never too early to start planning a cost certification. I, we definitely stress to our clients, if you have projects that, that's being placed in service now in the current year, when can we start planning that cost certification to get it done way before busy season hits?

[00:38:33] **Michael Novogradac, CPA**: Thank you for that. I was just going to mention, I kind of described this as prepare and discuss an after-action report almost as if it was the end. But really it's something that you're in the course of meeting your deadlines and complying with your timeline and the weekly calls, as far as part of updating Smartsheet, there should be this, like, running list of next time, I'm going to reorder it in this other fashion so that it'll be a little bit more efficient, a little bit more effective.

So it is something that is, it's something you're keeping track of throughout the course of the busy season, so that when it does, when you do meet your various filing deadlines, your list of tips and ideas is fresh at hand.

[00:39:16] **Christina Apostolidis, CPA**: Oh yeah. We keep a kind of running little note on our side and anytime we think of something, we just jot it down and we're not going to bother them, our developer clients, during busy season.

But we definitely have it there as soon as tax season's over to go through things with them.

Concluding Thoughts

[00:39:30] **Michael Novogradac, CPA**: So we ran through five tips to have a more successful tax and audit season and investor reporting season. I'm curious to know what other tips or sub-tips or parts of the five tips that you might want to share with developers before we wrap.

[00:39:50] **Christina Apostolidis, CPA**: Yeah, I think the most, kind of just the overall, tip would be communicating issues because I feel like, and it's particularly on our new deals, things get delayed and the syndicators and investors are there to help. And I think that if you communicate, even if you're not going to meet the deadline, things happen.

I think the investors and syndicators are aware of that. They can manage those expectations on their side as long as they know ahead of time. So I feel like developers sometimes are afraid to communicate any bad news, but at the same time, I think you kind of build that trust with the investor if you're being upfront with them.

[00:40:30] **Christina Apostolidis, CPA**: So I think that's the one takeaway that the developer should just be aware of, is just communicate, whatever it is, any changes in expectations. Let the syndicators be involved in any decisions that need to be made and just so that they can adjust their expectations. We find that when that's done,the process goes easier because maybe there's a certain reason the audit can't get done.

[00:40:52] **Michael Novogradac, CPA**: Things happen, a lot of things, some changes or something might happen, a financing issue, and sometimes the audit can't be completed. But if the investors are aware of that, then you can make adjustments to your timeline. So thank you for all of that, and thank you for those five tips.

I'll just repeat them again. Hire an experienced accountant, number one, and that's an experienced tax credit accountant in the state in which you have developments. Number two, establish a timeline or schedule with assigned responsibilities. Number three, establish mechanisms for ongoing communication to monitor the schedule and ensure nothing slips through the cracks.

Number four, be alert for surprises. And when you discover them, share them early. The sooner you discover them and share them, the more likely, more readily a solution we found. And then five, at the end of busy season, prepare and discuss an after action report so you can approve the process for the next year.

And those are five tips, but I'll actually challenge our listeners. If you have any tips or recommended practices that we haven't mentioned in today's podcast, feel free, not even feel free, please tweet them to me. Don't be afraid to tweet them to me. Please tweet them to me. My handle on Twitter is @Novogradac. I would love to hear from you.

And Christina, I want to thank you again for sharing your top five tips and for staying a little bit later on the East Coast. Please do stick around to the end of the podcast for our Off-Mike section before I get to ask you for some fun off-topic advice and recommendations.

[00:42:29] **Christina Apostolidis, CPA**: Great. It's my pleasure, Mike. Always looking towards busy season and how to make it better. So I hope this helps a lot of our developer listeners.

[00:42:37] **Michael Novogradac, CPA**: I'm sure that it will. And looking ahead to next week's podcast. Our episode will be a must-listen for anyone who's planning to apply for new markets tax credit allocation in the next round, as well as any potential business borrower that's looking to receive new markets tax credit subsidized financing. As you may have heard, and you will have heard if you subscribe to the Novogradac free breaking news service, applications for the calendar year 2022 round for new markets tax credits are due Jan. 26th, 2023. This round is currently authorized at up to $5 billion and new markets tax credit allocation issuance authority through a fairly competitive application process.

Joining me next week, my partner, Nicolo Pinoli, will be on the show to discuss ways to get a competitive edge on your new markets tax credit application. We're going to talk about scoring strategies. And which questions you want to pay particularly close attention to, as well as how to choose which businesses or projects in your pipeline are best to include in your application.

You can make sure that you're notified of next week's episode in each week's episode by following the subscribing to the Tax Credit Tuesday podcast. Simply go to www.novoco.com/podcast to subscribe to and stream the show on our website. You can also follow and subscribe to Tax Credit Tuesday on iTunes, Spotify, Google Podcast, Stitcher, and Radio Public. And also if you're watching this podcast, then you're watching us on YouTube, because we did recently start sharing the podcast on YouTube.

Off-Mike

[00:44:25] **Michael Novogradac, CPA**: And now we reach our Off-Mike section where I ask our guests some off-topic advice and words of wisdom. So Christina, my first question is a popular question for podcast guests. What's the most important leadership lesson that you've learned and beyond discuss the lesson itself? Maybe describe how you found it to be valuable.

[00:44:47] **Christina Apostolidis, CPA**: Yeah, I think that when I was thinking about this, I was like, OK, what, what's the most important lesson? But I think most recently I've come across is that you often might have to be a different leader or different leadership style, depending on who you are maybe mentoring or who you're working with.

I think maybe earlier in my career, I was used to maybe changing my style depending on who I was working for. And now, sort of, being in a leadership role, I'm finding that it's also equally as important to change your leadership style with who you're developing. and I maybe didn't realize that at first.

I think sometimes you think this is my leadership style and this is how I am. But when you're thinking of how important it is to develop, upcoming other colleagues in the industry with you and at the firm, I think it's important to keep in mind that not everybody is receptive to the same leadership style.

And you find, I find value in it when you see people grow and improve. I think everybody is in the learning process, even myself. And so I think when you, you're lead, you're leading to where somebody's at and what they need, you'll help them grow. And I can see that more recently with some of the people that I'm working with. So just kind of changing your leadership style.

[00:46:13] **Michael Novogradac, CPA**: So thank you for that. I really like how you observed how, as someone who was working with others earlier in your career, you yourself would adjust to, to them and their leadership styles and learning that, as a leader, maybe it isn't incumbent just on the person who you're leading to adjust their interaction, it's up for you to adjust it as well.

So I, I like the 180 degree aspect of that. So I thank you for that. It's a great tip. So my other question, and I'll only ask you two, oftentimes I go three, but, it is later in the day for you than it is for me. So my second, last question is particularly timely considering the time of year, given the variety of work deadlines that we have as well as holiday and events with family and friends.

It's a particularly busy time of the year and it's busy in some ways, in a different way. It's not busy, like busy season where it's pretty focused on the business side. It's busy in a work-life balance way. What is your favorite or one of your favorites-- I mean, it's always hard to say, "what is the favorite," but what's one of your favorite work-life balance tips?

[00:47:23] **Christina Apostolidis, CPA**: Yeah. When I'm trying to balance work and life, I found that my to-do calendar and my work calendar, I'll put my, some of my family events on there, particularly the ones that I can't miss. My son has a Christmas concert this Thursday, so we need to make sure that we don't forget about that.

So, I will oftentimes combine both my calendars. Again, you don't want to miss something. Family's just as important and we need to be there for them. But also at the beginning of every month too, I go through, we have our calendar at home on the refrigerator, and that has all the family activities on there.

[00:48:01] **Christina Apostolidis, CPA**: I make sure to update that and go over it with everybody, but it's in a spot where everybody can see it. So those are kind of my two tips, just kind of, combining your calendars. Again, you don't want to miss something. And then also just kind of updating it by month, putting everything out there that's coming up.

[00:48:16] **Michael Novogradac, CPA**: Well, I really love the idea of printing out because in this area of technology and all the rest, it's a bit of an old school, even though you're probably printing out something that isn't old school. And then, but putting it out there publicly for everyone to see and weigh in on and audit and all the rest. So that's a really good tip. But tell me a little bit more about the concert on Thursday. Is it singing? Is it instruments, is it—

[00:48:38] **Christina Apostolidis, CPA**: It's a little bit of both. Each grade does their own piece. Most of it is singing some of the grades. Our school has a steel drum group, which is really nice.

So to hear Christmas music on steel drums sounds very Florida and it is, so yeah, it's always a nice time. They do, our music director at school does a great job. She's been there for years and she really enjoys it, working with the children. So it's a nice time. And it's livestreamed too.

That's the good thing about technology. So my family that lives far away can watch it, so they enjoy that as well.

[00:49:12] **Michael Novogradac, CPA**: Well, do enjoy it on Thursday. My children are all, out of, there's, they're still in college, but are all out of elementary, junior high, and high school. I, for years and years, I always would look forward to those annual holiday events in the month of December. And I look back very fondly on those. So enjoy creating good memories this Thursday.

[00:49:34] **Christina Apostolidis, CPA**: Thank you. We will.

[00:49:35] **Michael Novogradac, CPA**: So thank you again, Christina, and to our listeners, I'm Mike Novogradac, thanks for listening.

Additional Resources

Email

Christina Apostolidis