Jan. 4, 2021

CONTACT

Alex Ruiz
cpas@novoco.com
925-949-4300

FOR IMMEDIATE RELEASE

LIHTC Working Group Recommends Changes to Treasury's Proposed Regulations for Average-Income Set-Aside

Group's Letter to IRS Focuses on Solutions to Increase Compatibility with Other Requirements

SAN FRANCISCO–The Novogradac Low-Income Housing Tax Credit (LIHTC) Working Group has submitted a letter to the Internal Revenue Service (IRS) that offers solutions to three problems with proposed U.S. Treasury regulations concerning the LIHTC average-income set-aside.

In a letter to the IRS, the LIHTC Working Group identifies aspects of the proposed rules that conflict with compliance requirements of many existing federal housing programs. The letter offers recommendations to mitigate such conflicts.

The LIHTC Working Group letter focuses on three key recommendations for proposed Treasury Regulation Section 1.42-19: Allowing income designation changes, aligning the average income minimum set-aside tests with those for other set-asides and providing alternative mitigation for failing to meet the set-aside standards.

The LIHTC Working Group consists of LIHTC professionals who work together to help resolve technical LIHTC issues and provide recommendations to make the incentive more efficient in delivering benefits. The group is hosted by Novogradac, a national public accounting and consulting enterprise.

MORE

NOVOGRADAC™

"Treasury has done a good job of recognizing the need for guidance and identifying the areas in which direction was most needed," said Dirk Wallace, CPA, a partner at Novogradac and head of the LIHTC Working Group. "However, portions of the regulations as written are often incompatible with existing federal housing programs. It's our hope that by our highlighting those obstacles and providing potential solutions, Treasury will revise its guidance and reduce the potential for difficulties."

The letter points out that the proposed regulations do not allow flexibility on designations of low-income units, which is inconsistent with longstanding practices for LIHTC properties and could result in owners being forced to choose between following that guidance or violating requirements for many existing federal housing programs. The LIHTC Working Group letter also explains that language in the proposed guidance would require that 100% of the units comply with their income designations to qualify for the set-aside, rather than the 40% required by the Internal Revenue Code. The third issue relates to the "stark consequence" of noncompliance compared to that of the 20-50 and 40-60 set-asides and suggests alternative mitigating actions.

About Novogradac

Novogradac began operations in 1989 and has grown to more than 600 employees and partners with offices in more than 25 cities. Tax, audit and consulting specialty practice areas for Novogradac include affordable housing, opportunity zones, community development, historic rehabilitation and renewable energy

office 1160 Battery Street, East Building, 4th Floor, San Francisco, California 94111
mail PO Box 7833, San Francisco, California 94120-7833
www.novoco.com | 415.356.8000