

CHAPTER 14

TAX-EXEMPT BOND FINANCING PROGRAM

Regulations pertaining to tax-exempt bond financing are governed by the date the property was financed: (1) before the 1986 Internal Revenue tax changes, or (2) after the 1986 Internal Revenue tax changes.

The property Regulatory Agreement will stipulate which rules to follow.

All tax-exempt bond financed properties that have PennHOMES Program financing must also comply with the PennHOMES Program (Chapter 15).

Because of the nature of the financing by tax-exempt bonds, the owner is required to meet one of the following low-income group occupancy restrictions:

- **PRE-1986** - At least 20 percent of rental housing units must be occupied by residents having incomes of 80 percent or less of the area median gross income for a family of four; or,
- **POST - 1986** - At least 40 percent of rental housing units must be occupied by residents having incomes of 60 percent or less of the area median gross income adjusted for family size, or
- At least 20 percent of rental housing units must be occupied by residents who have incomes of 50 percent or less of the area median gross income adjusted for family size.

A. Move-In

The Tenant Income Certification (TIC) Form, which is Exhibit 6, will be substantiated by third-party verification of income and assets as prescribed by the definitions contained in Exhibit 5, Annual Income/Assets.

B. Eligibility

As with tax credits, full-time students are generally not considered qualified tenants for purposes of the tax-exempt financing set-aside requirements. The only exception is if one of the students is married and is eligible to file a joint tax return. Effective 7/30/2008 exceptions are the same as the tax credit program.

C. Recertifications for POST-1986 Properties Only

The determination of whether the income of a resident of a unit in the property exceeds the low-income limits must be made at least annually on the basis of current eligibility income of the resident compared to the current income limit.

The steps to take for recertification for POST-1986 properties are:

1. Collect current third-party verification of all the income and assets of the family members in the qualified unit.

2. Complete again the Tenant Income Certification (TIC) Form, Exhibit 6, for each household whose income is less than 60 percent or 50 percent of the area median to determine continued eligibility.
3. The resident whose household income exceeds 140 percent of the income limit as adjusted for family size may no longer be counted in determining whether the property satisfies the tax-exempt bond financing program income requirements.
4. When a unit is vacated, the next available unit that is comparable in terms of size and features must be leased to a household with the same income eligibility as the previous household.

D. Recordkeeping Requirements

The following documents must be retained in each resident file: **(PRE-1986 and POST-1986)**

1. Rental Application Form (sample contained in Exhibit 2)
2. Tenant Income Certification Form, Exhibit 6.
3. Third-Party Income and Asset Verifications (samples contained in Exhibit 2)
4. Residential Lease.
5. Lead-Based Paint Disclosure (if applicable).

E. Reporting Requirements

The monthly occupancy information is described in Chapter 11 of this Manual. **(PRE-1986 and POST-1986)**

For POST-1986 properties, the owner or agent will submit to the Internal Revenue Service and the Agency Form 8703 by March 31 for the previous calendar year. This is an Annual Certification to determine whether a property continues to meet the requirements of Section 142(d) of the Internal revenue Code of 1986, as amended. A copy of IRS Form 8703 and the instructions for filing are included as Exhibit 12.

F. Record Retention (PRE-1986 and POST-1986)

All recordkeeping items as listed above must be retained for three years after the year to which such records apply.

All records must be available for Agency staff review.

Note: If the property has low-income housing tax credits, refer to the Agency Low-Income Housing Tax Credit Compliance Manual for further guidance and additional requirements.