

SUBSEQUENT NEW ALLOCATION OF TAX CREDITS  
FOR PROJECTS IN THE EXTENDED USE PERIOD  
  
(PRESERVATION)

## SUBSEQUENT NEW ALLOCATION OF TAX CREDITS: FOR PROJECTS IN THE EXTENDED USE PERIOD

### COMPLIANCE PROCEDURES

Projects in the Extended Use Period with subsequent allocations for IRC Section 42 credits will be processed as new Tax Credit projects (See Chapters 1-4 of the LIHTC Compliance Manual); with one notable exception. The IRS does not want existing qualified tenants to be evicted due to a current over income status. Therefore, if existing tenants verify over the current income limits, the IRS has provided for an exemption to allow them to remain in the unit under the new allocation. Note: An Extended Use Agreement must be in place throughout the term of the prior allocation in order for existing tenants to be exempt from requalifying.

#### 7.1 UNIT ELIGIBILITY

Projects with new allocations are asked to qualify units as if the project were a new project (new allocation = new project). However, one exception shall apply for existing Tax Credit qualified tenants who no longer fall below the applicable Tax Credit income limits. The IRS does not want existing tenants who are currently over the income limit to be evicted. Therefore, proof of original qualification is required. Owners are asked to provide hardcopy of the original Move-In Tenant Income Certifications, with the supporting third party documentation, for these tenants. NOTE: The Agency Automated Web Entry System will ask for the original Tax Credit Number, BIN, Unit Number and Effective Date of the original move-in TIC. This data should be entered for any Initial Move-In TIC that is showing income over the current income limit.

#### 7.2 AVAILABLE UNIT RULE

The Available Unit Rule applies to over income tenants; even when those tenants are the existing over income tenants of a prior allocation

#### 7.3 VACANT UNIT RULE

The Vacant Unit Rule only applies to subsequent allocations to the same owner. Subsequent allocations to new owners treat vacant units like empty units. They require new qualified tenants to initially qualify those units under the new allocation.

#### 7.4 RECORDKEEPING AND RECORD RETENTION

Recordkeeping and Record Retention: For existing over-income tenants: the original Tenant Income Certification and documentation, from the project with the first allocation of credits, should be maintained in the files of the project with the subsequent allocation; as first year records.

#### 7.5 STUDENT RULE

An owner who plans to seek a new allocation of low income housing tax credits should continue to implement the Full-Time Student Rule during the Extended Use Period, so the existing residents will qualify for the new credit allocation.

## 7.6 INCOME/RENT LIMITS

MTSP income/rent limits differentiate between Impacted and Non-Impacted properties. If an Impacted property received a subsequent allocation of credits, the property is no longer considered Impacted. New income/rent limits may apply.