

DIFFERENCES BETWEEN TAX CREDITS AND BONDS

	Tax-Exempt BOND Projects	Tax Credit Projects
MINIMUM SET-ASIDE	Bond projects must meet either the 20/50 or 40/60 tests on a project basis.	LIHTC projects must meet either the 20/50 or 40/60 tests on a project or a building basis.
COMPLIANCE PERIOD	<p>Compliance period for bond projects (Qualified Project Period) begins the first day on which 10% of units are occupied and ends on the later of:</p> <ol style="list-style-type: none"> 1) the date which is 15 years after the date on which 50% of the units are occupied; 2) the first day on which no tax-exempt private activity bond issued is outstanding; or 3) the date when Section 8 assistance, if any, terminates. 	<p>Compliance period for LIHTC projects is a period of 15 taxable years beginning with the first taxable year of the credit period. An additional 15 years is required by the IRS without recapture for a total of 30 years.</p> <p>Regulatory Agreements for LIHTC projects typically indicate a longer compliance period due to state agency requirements.</p>
RENT RESTRICTIONS	Rent restrictions are not required unless restrictions are outlined in the Regulatory Agreement. Section 8 Housing Assistance payments are generally not considered rent.	Rent restrictions are calculated at 30% of AMGI. Rent is imputed at 1.5 persons per bedroom. Section 8 Housing Assistance payments are generally not considered rent.
CERTIFICATION OF INCOME	<p>Households must certify as to their income and have all income/assets third-party verified by the Owner.. The income certification process must be completed before move-in.</p> <p>The household income certification has a required format in the Regulatory Agreement.</p>	Same as Tax-Exempt Bond projects.
NONCOMPLIANCE ISSUES	Noncompliance issues are on a project level.	Noncompliance issues are on a building level and may also be on a project level.

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VERIFICATION OF INCOME AND ASSETS	<p>HUD Handbook 4350.3 outlines requirements for verification of income and assets.</p> <p>A document from the Public Housing Authority (PHA) verifying a Household's income is usually not recognized unless specified in the Regulatory Agreement.</p>	<p>HUD Handbook 4350.3 outlines requirements for verification and calculation of income and assets.</p> <p>A document from the PHA verifying a Household's income may be obtained by the property manager as a substitute for verifications with Commission approval.</p>
FULLTIME STUDENT STATUS	Bond properties follow Tax Credit Student Rules in their entirety.	<p>Fulltime student household may occupy the unit if household member is:</p> <ol style="list-style-type: none"> 1. receiving assistance under Title IV of the Social Security Act (TANF); 2. enrolled in a job training program receiving assistance; 3. single parents with dependent children; 4. married and eligible to file a joint return; 5. someone previously under the care of the state foster system.
REVIEWING AGENCY	Reviewing agency for bond projects is the issuer of the bonds.	Reviewing agency for LIHTC projects is the state agency that allocated tax credits to the project.
UNIT VACANCY	The unit will maintain its low-income status if the unit is reoccupied for a period that exceeds 31 days. Once it is reoccupied, it will be considered "low-income" if the Household is income-qualified. Income set-asides are outlined in the Regulatory Agreement.	The unit will maintain its low-income status if the initial occupants' income met the income limitation, if the unit continues to be marketed and rent-ready and if the next available units are rented to qualified Households.
OVER-INCOME UNITS	This is now a building rule. Household income may increase above the applicable income limit if the Household was initially qualified. However, if a	Same as Tax-Exempt Bond Projects.

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OVER-INCOME UNITS CONT.	Household's income increases over 140% of the limit, then the next available unit of comparable or smaller size in the building must go to a qualified Household in order for the over-income Household to continue to be qualified.	Same as Tax-Exempt Bond Projects.
RECERTIFICATION	Most Regulatory Agreements require an income certification to be completed at least annually.	WSHFC requires recertification of all Households within 120 days prior to the Household's lease anniversary date.
TRANSIENT BASIS OF UNITS	Units may not be used on a transient basis. Regulatory Agreements define "transient basis." A minimum lease term of 30 days is usually required.	Units may not be used on a transient basis. A minimum initial lease term of six months (unless the unit is an SRO) is required.
UTILITY ALLOWANCE	Generally, there are no rent or utility restrictions in Bond Regulatory Agreement.	Rents must be reduced by a utility allowance for the utilities Households pay themselves. Household-paid rent amount plus utility allowance must not exceed the Maximum Allowable Rent.
REPORTING REQUIREMENTS	Bond Projects must file Form 8703 annually. For new construction projects, quarterly reports are due from 10% thru 90% occupancy with annual reports due each January 7 th thereafter. Affirmative Marketing Report is also due annually. Acquisition-rehab properties must be in compliance within one year of bond closing (initial report required at 8 months after closing) and must report annually each January thereafter.	LIHTC Projects must file IRS Form 8609 the first credit year with the IRS and provide copies to the Commission. Beginning after the first credit year, annual compliance reports are due to the Commission by January 31 st of each year.
HOUSEHOLD TRANSFERS	Households that transfer from one unit to another, even in the same building, must be requalified. Projects with Bonds and Tax Credits may use the less restrictive Tax Credit rule.	Households that transfer from one unit to another unit <i>in the same building</i> do not need to be requalified. As long as a Household is under 140% of their applicable income limit, they may also transfer to a unit located in another building at the property.