



WASHINGTON STATE
**HOUSING FINANCE
COMMISSION**

Bill Rumpf
Chair
Steve Walker
Executive Director

memorandum

To: All Low Income Housing Tax Credit Owners and Property Managers
From: Asset Management & Compliance Division, WSHFC
Date: January 1, 2022

RE: Federal requirements for LIHTC property inspections

The Commission is planning to restart physical inspections for its Low Income Housing Tax Credit properties in 2022. The Commission is changing the way we report Uniform Physical Conditions Standards (UPCS) deficiencies to the IRS. In the past, the Commission did not report Level 1 deficiencies to the IRS, nor did we report corrected noncompliance. We focused on reporting noncompliance related to serious Health and Safety issues and outstanding repair items.

In recent years, the IRS has conducted audits with other Housing Finance Agencies (HFAs) nation-wide and **has indicated ALL deficiencies discovered during UPCS inspections must be reported to the IRS, whether or not they have been corrected.**

The Commission is issuing this notice to inform all owners and management companies that all deficiencies found at future UPCS inspections will be reported to the IRS on Form 8823, regardless of correction status or level of severity. The Commission will continue to provide a cure period so that owners and managers can correct all inspection-related deficiencies, allowing us to issue our noncompliance notices to the IRS as corrected wherever possible.

We recognize the pandemic continues to affect owners' ability to keep their properties in best physical repair. Accordingly, the Commission will postpone

reporting all deficiencies regardless of correction state until the 2023 inspection year.

The Commission is taking the following reporting position for all inspections conducted in 2022:

- **Within two weeks after an inspection, the Commission will issue a deficiency letter to the owner/manager with the list of items needing to be fixed as a result of the inspection report.**
- **The date of the deficiency letter will start a maximum 90 day correction period.**
- **At the end of 90 days, if all deficiencies have been corrected, no Form 8823/State noncompliance letter will be issued.**
- **Any outstanding deficiencies at the end of the 90 day period will be reported to the IRS as an uncorrected 8823 (or have a State noncompliance letter issued).**

Thank you for your understanding and thank you for providing safe, sanitary and decent housing to the citizens of Washington State.

Additional information:

UPCS, Comprehensive Listing https://www.hud.gov/sites/documents/DOC_26481.PDF
https://www.hud.gov/sites/documents/DOC_26281.PDF
https://www.hud.gov/program_offices/public_indian_housing/reac/library/lib_phyi