



WASHINGTON STATE
**HOUSING FINANCE
COMMISSION**

Bill Rumpf
Chair
Steve Walker
Executive Director

memorandum

To: LIHTC Owners and Managers
From: Asset Management & Compliance Division
Date: January 2023

RE: LIHTC Inspections and Noncompliance

This year's LIHTC property inspections will take place **between March 1 and October 31, 2023**. WSHFC has contracted with two separate companies to complete the inspections; one company will inspect Eastern Washington, one will inspect Western Washington. For more detail about how inspections are conducted, please review [the general inspection guidelines](#) on our website.

Note that all 2023 inspections will be in-person inspections. Our inspectors will be happy to comply with any requests to wear Personal Protective Equipment. Please have PPE available for them the day of the inspection if you wish them to use it.

IMPORTANT - Properties with Multiple Public Funders

Due to increasing federal oversight concerning LIHTC inspections, we are no longer able to accept another funder's inspection in place of our LIHTC inspection, unless the inspection is a HUD REAC inspection. If you have a REAC inspection date confirmed, please contact WSHFC immediately so we can cancel our inspection. Email Melissa Donahue, Asset Management & Compliance Manager, at melissa.donahue@wshfc.org.

IMPORTANT - Properties in their Federal Compliance Period (First Credit Year through Year 15)

Increasing federal pressure and IRS scrutiny are compelling WSHFC to change their position concerning UPCS violations found at inspections. 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. As we stated in an email in November 2021, we must now report all deficiencies found at inspections, whether or not they are subsequently corrected.

As of 1/1/2023, WSHFC will be pursuing the following reporting process for projects in their Federal Compliance Period:

1. **Within two weeks after an inspection, WSHFC will issue a deficiency letter to the owner/manager with the list of items to be fixed from the inspection.**
2. **The date of the deficiency letter will start a 90 day correction period. At the end of 90 days, if all deficiencies have been corrected, Form 8823 will be sent to the IRS in a corrected state.**
3. **If all deficiencies have NOT been resolved, Form 8823 will be sent to the IRS in an uncorrected state.**

Issuing a corrected Form 8823 will be contingent on having received sufficient documentation to prove all deficiencies have been cured. If there is not enough documentation provided or the documentation is unclear, Form 8823 will be issued in an uncorrected state.

- If an inspection results in no deficiencies found, no Form 8823 will be issued to the IRS.
- For any project which is now past Year 15, uncorrected deficiencies will result in the issuance of a State Noncompliance Notice.
- If deficiencies are corrected within 90 days of WSHFC's deficiency notification letter, no State Noncompliance Notice will be issued.

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

[Melissa Donahue](#), Manager
Asset Management & Compliance Division
WA State Housing Finance Commission

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