



New Guidance Regarding Home-Based Businesses in Tax Credit Units

Due to the economic slow-down, many applicants and tenants are turning to home-based businesses. The Revised 8823 Guide allows for the use of “a portion of a low-income unit exclusively and on a regular basis as a principle place of business...” The IRS allows home-based businesses as long as the unit is used primarily as a residence.

IHFA highly suggests that Owner/Agents establish policies for home-based businesses, which will allow you to maintain control of your development without restricting your tenants’ ability to make a living.

The following are recommendations when dealing with home-based businesses:

- Require prior approval from Owner/Agent for any home-based business.
- Provide a lease provision that states the “primary use of the unit is residential, and that the home-based business must be subordinate.” In addition, outline other requirements for home-based businesses in a lease addendum.
- Owner/Agents may consider prohibiting businesses that generate heavy traffic on their developments that violate local zoning laws, create parking issues, and create noise violations and heavy wear and tear on flooring.
- Require tenants to carry liability insurance.
- Obtain copies of tenants’ permits and licenses.

Even though the IRS has stipulated home-based businesses are allowed in LIHTC units, Owner/Agents need to know they have the opportunity to protect the development’s interest as well.



2009 Tax Credit/HOME Compliance Workshops

The IHFA Compliance Department wants to thank all those who attended our 2009 Tax Credit/HOME Compliance Workshops! Once again they were a success, and we look forward to the coming audit year. We hope you found the topics we discussed to be useful. As always, there have been many changes this past year, and there will surely be more in the year to come. If you have any comments or suggestions for next year’s workshops, please send them to Becky Miller at beckym@ihfa.org or Andrew Schank at andrews@ihfa.org. Thanks again for your participation and we’ll see you next year!

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“Ask the Expert” FAQ’s



Got questions? We have answers! Please submit any Tax Credit or HOME questions to your Auditors, Becky or Andrew at beckym@ihfa.org or andrews@ihfa.org. Look for answers to your questions in each newsletter.

New HOME Lease Addendum

Remember, beginning January 1, 2010 all residents living in HOME units must have the required IHFA HOME Lease Addendum completed, and it must be a part of the lease. The new form can be found in the workshop materials from this fall and/or on the IHFA website at the following link:

<http://www.ihfa.org/pdfs/HOME%20UNIT%20LEASE%20ADDENDUM.pdf>



Casualty Loss - Please Contact IHFA

Floods, fire, winds, hail, sprinkler leakage, pipe bursts and toilet leakage all are considered casualty loss. Big or small, all are events that can create unexpected damage. The IRS defines these events as casualty loss. There are specific reporting requirements and restoration timeframes that must be met in order to prevent tax credit recapture.

Step #1 - If casualty loss occurs at your development, it is critical that Owner/Agents inform IHFA as soon as possible. Owner/Agents have ten (10) days to inform IHFA of the disaster. Upon notification of the damages, IHFA auditors are required to report the loss to the IRS on Form 8823. Owner/Agents must notify IHFA when the unit/building is restored and back online.

Step #2 - The IRS highly suggests that Owner/Agents restore the damaged unit/building quickly because credits will be disallowed for the damaged unit/building if the unit/building is not back in service by the end of the year (December 31st). However, if the unit/building is fully restored within a reasonable time period within the same taxable year, the IRS has indicated that the credits will be protected for that year. Therefore, it is very important that Owner/Agents meet the December 31st deadline.

The IRS does not make any exemptions for those developments that have casualty losses on December 15th. Owner/Agents must make the December 31st deadline or credits are denied.



Annual Occupancy Report

It's almost here--time to complete the Annual Occupancy Report for your property. These reports are a comprehensive breakdown of every tenant that has lived in your property over the course of the year. Reports are due no later than February 28, 2010. Here are a few hints for completing the form:

- List your households chronologically by unit number
- Complete a separate page for each Building Identification Number (BIN)
- Mark if the household was receiving housing assistance; either Section 8 or RD
- If you hand-write the information, please write legibly
- List all vacant units as such

The Annual Occupancy Report is found on the IHFA website at the following link:

http://www.ihfa.org/multifamily_housingcompforms.asp

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