

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
Low Income Housing Tax Credit Program

POLICY STATEMENT

**GROSS RENT FLOOR ELECTION**

The maximum (gross) rent which a project owner can charge for a LIHTC eligible low income unit is based on the Multifamily Tax Subsidy Program (MTSP) area median gross income (AMGI). Under Section 42 of the Internal Revenue Code, the gross rent for a unit cannot exceed 30 percent of the imputed income limit for a qualified low income household (50 percent or 60 percent of AMGI).

The MTSP AMGI figures are published by the Department of Housing and Urban Development and are revised on an annual basis. As the MTSP AMGI of an area changes, the rent limitation for a particular unit will change; however the Housing and Economic Recovery Act of 2008 indicates that a qualified project's income and rent limits never have to decrease from a prior years applicable limits.

If the AMGI decreases, a reduction in the gross rent may be required. However, the gross rent limitation does not ever need to go below the limitation applicable for the earliest period the building (that contains the unit) was included in the determination of whether the project is a qualified low-income housing project (gross rent floor).

IRS Revenue Procedure 94-57 provides clarification on determining the effective date of the gross rent floor. It states the general rule that the gross rent floor takes effect on the date the credit agency initially allocates tax credit to a building (or date of reservation for Tax-Exempt buildings); however, an owner may elect to have the gross rent floor take effect on a building's placed in service date.

To establish the gross rent floor effective date from this time forward, a project owner will be required to file an election statement with the Michigan State Housing Development Authority (MSHDA Form # LIHTC 023). The project owner may opt to establish the gross rent floor at either the date of allocation (or date of reservation for Tax-Exempt buildings) or at the placed in service date. This election statement must be executed at the time of the issuance of the Reservation and/or Carryover of Low Income Housing Tax Credit. In any event, any election must be made prior to the placed in service date. Once this election is made, it is irreversible. Owners are not required to file any documentation with the IRS to make the election.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
735 East Michigan Avenue – P.O. Box 30044  
Lansing, Michigan 48909

**GROSS RENT FLOOR ELECTION STATEMENT**  
**LOW INCOME HOUSING TAX CREDIT**

As owner of \_\_\_\_\_ located in \_\_\_\_\_,  
(Name of Project) (City or Township)

\_\_\_\_\_ County, Michigan, I hereby elect the effective date of the gross rent floor  
(County)

for this project to be:

date of allocation (or date of reservation for Tax-Exempt)

placed in service date

\_\_\_\_\_  
(Name of Ownership Entity)

\_\_\_\_\_  
(Federal Taxpayer ID #)

\_\_\_\_\_  
(Signature of Authorized Official)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Typed Name of Authorized Official)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(LIHTC Project #)

\_\_\_\_\_  
(MSHDA Project #)

**FOR MSHDA/LIHTC USE ONLY:**

**Date of Allocation:** \_\_\_\_\_  
(or date of reservation for Tax-Exempt buildings)

**Placed in Service Date:** \_\_\_\_\_

LIHTC 023  
Gross Rent Floor Election