

INTRODUCTION

The Michigan State Housing Development Authority (“MSHDA” or “the Authority”) is designated as the Low Income Housing Tax Credit (“Housing Tax Credit” or “LIHTC”) Allocating Agency for the State of Michigan. Entities that receive LIHTC pursuant to Section 42 of the Internal Revenue Code (“IRC”) are required to comply with specific IRS rules and regulations for a minimum of fifteen (15) years plus a minimum 15 years extended use period. Section 42 (m)(i)(B)(iii) of the IRC requires housing credit agencies to include a procedure in their Qualified Allocation Plan (QAP) to monitor tax credit projects for compliance with Section 42 requirements throughout the compliance period. This LIHTC Compliance Manual (“Manual”) outlines Michigan’s monitoring policies and procedures for LIHTC projects.

LIHTC compliance requirements are lengthy and complex and this Manual is intended to provide a basic explanation of them. The Manual includes a description of key compliance requirements and copies of applicable federal regulations issued by the IRS and other Authorities. It also describes owner and management responsibilities, IRS regulations and forms, and state documents relating to compliance.

The Manual should be used in conjunction with, and as a supplement to, Section 42 of the IRC. If a determination is made that any provision of this manual is in conflict with Section 42 of the IRC, Section 42 will govern.

Note: Virtually every tax credit rule has a variation or an exception for specific circumstances. This Manual, by necessity, oversimplifies some aspects; otherwise, no overview would be possible. Every project is different. In some situations, a rule or procedure discussed in the Manual could be (or has been) superseded by the requirements outlined in the Regulatory Agreement. Therefore, owners and managers of housing projects should carefully and thoroughly read the Regulatory Agreement for their project(s) in order to ensure compliance with all requirements specific to the particular project. It is the responsibility of the owner and management agent to know and understand applicable rules and regulations affecting the project and to ensure compliance with tax credit and other federal and state program rules and regulations and any additional contractual agreements with the Authority.

Also note that compliance is the responsibility of the development owner. Use or reliance upon any of the provisions contained in this Manual does not, expressly or impliedly, directly or indirectly, suggest, represent or warrant that the user will be in compliance with the requirements of Section 42 of the Code. IRS Regulation 1.42-5(g) states that “compliance with the requirements of Section 42 is the responsibility of the Owner of the building for which the credit is allowable. The Agency’s obligation to monitor for compliance with the requirements of Section 42 does not make the Agency (or its officers and employees) liable for an Owner’s noncompliance.” The MSHDA hereby disclaims any and all alleged responsibility or liability arising from reliance upon the procedures and information in this Manual. Owners and managers are urged to consult with attorneys and/or accountants that specialize in the LIHTC Program in the administration of their rental housing developments.

This Manual includes very limited discussions of some of the policies and procedures related to the following programs:

- MSHDA Direct Loan, which includes projects financed with tax-exempt bonds and taxable bonds
- Tax Credit Exchange Program
- Section 1602 Program
- HOME rental
- Pass-Through
- Special Housing
- Supportive Housing
- Section 8, Section 236 and other HUD Programs

This Manual does not describe the procedures to obtain an allocation of tax credit. Persons interested in pursuing a tax credit allocation should first consult with a person familiar with the tax credit regulations, such as an attorney, CPA, or other tax credit advisor, and should consult with the LIHTC Allocation Section of MSHDA.

Should you have any questions or desire assistance meeting the LIHTC Program requirements, please contact:

Michigan State Housing Development Authority
Compliance Monitoring
Office of Legal Affairs
735 E. Michigan Avenue
P. O. Box 30044
Lansing, MI 48909

(517) 241-2560 [Compliance Monitoring]
(517) 373-6007 [LIHTC Allocation]

Website: www.michigan.gov/mshda
Email: mshdacompliance@michigan.gov