

## IFA's AIT policy

Per Treasury Regulation 1.42-19, a project (as defined by Form 8609 Line 8b) with an Average Income Minimum Set-Aside Election meets the Minimum Set-Aside test if at least 40% of the total units in the project constitute a “qualified group of units.” To be considered a “qualified group of units”:

1. Each unit in the group must be a low-income unit- i.e., must be occupied by an eligible household, must be properly rent-restricted, and must be suitable for occupancy; and
2. The average of the imputed income limitations for all units in the group must not exceed 60% AMI. Possible imputed income and rent limit designations under the Average Income Test are 20%, 30%, 40%, 50%, 60%, 70%, or 80% AMI. Other designations are not allowed. A project is not required to have units designated at all of these various limits, as long as the average imputed income limitation for the designations that are selected for the qualified group are at or below 60% AMI.

The owner must designate units at the various imputed income and rent limits in order to demonstrate that the unit mix will result in a qualifying group of units that meets the Minimum Set-Aside test. The average is calculated based on the AMI designation of the unit, not on the actual income of the household residing in the unit. For example, if a unit is designated as a 60% AMI unit and the household moving into the unit is at 54% AMI, for purposes of calculating the average this unit is considered 60% AMI.

To be included in a building’s Applicable Fraction, a unit must (1) be in that particular building and (2) be part of the qualified group of units for the project. The average income must be met on a project-level, not on a building-by-building basis.

IFA has established the following policies for the Average Income Test:

- AMI designations are allowed to float between units within the project (i.e., a particular unit is not locked into a specific AMI level), but the total unit mix must be maintained as agreed upon in the Application and as recorded in the Land Use Restrictive Covenants Agreement (LURA). The number of units agreed upon for each AMI level must be maintained if noted in the LURA.
- IFA will consider the owner to have “designated” a unit based on the AMI level being (1) recorded on the Tenant Income Certification form in the file and (2) reported through IFA’s online reporting system (CP) as part of the Annual Owner Certification of Compliance.
- If a current qualified tenant transfers to another vacant unit in the project, the units swap AMI designations.
- The income and rent restriction on a unit must match. For example, a unit considered 40% AMI must be rented to a household at or below the 40% AMI income limit and gross rent must be at or below the 40% AMI rent limit.
- IFA does not impose any special rules on recertification requirements based on an Average Income election. A 100% tax credit project that has elected Average Income is still exempt from full income recertifications unless the project has agency covenants where individual units meeting state covenants are required to be recertified.

- If a project requires recertification and the household's income has increased at time of recertification, IFA will continue to use the AMI level the household initially qualified under at time of move-in to calculate the Average Income Test, as long as the unit remains restricted at that rent level. Please note that projects with agency covenants, the state available unit rule applies.

The unit is not "redesignated" due to income increases at recertification.

- *For example, a household had income at move-in under the 40% income limit and was treated as a 40% household with a 40% rent restriction. At recertification, the household income now exceeds 40% AMI. As long as the unit continues to be rent restricted at the 40% rent limit, IFA will continue to consider this a 40% unit for purposes of calculating the Average Income Test. Please note that projects with agency covenants, the state available unit rule applies.*
- IFA allows Average Income projects to include market rate units depending on the year of the QAP. At least 40% of the units in the project must be tax credit units. Any market rate units are excluded from the average income calculation and are not included in the qualifying group of units. The federal available unit rule also applies to projects with market units.
- IFA will work with owners to allow reasonable corrections to restore compliance with average income requirements. Such corrections may include redesignating units or adding or removing units from the qualifying group of units.
  - If an issue is discovered and corrected within the taxable year that the problem occurs, the owner will be allowed to correct the issue to ensure that there is a qualifying group of units and that the Minimum Set-aside test is met by the end of the taxable year.
  - If an issue is not discovered and corrected within the taxable year that the problem occurs, any retroactive correction to designations must be made within 180 days of discovery of an issue by the owner or IFA. If discovered by the owner, the issue and suggested correction must be promptly communicated to IFA via email to benefit from this correction period.

### Reporting

IFA will review compliance of projects with the average income designations during:

- Regularly scheduled file audit reviews
- Annual Compliance Reporting which includes the Owner Certification
  - IFA will require a rent roll with the annual reporting. The rent roll will need to include the following:
    - Unit number
    - Square footage
    - Rental rate
    - Average Income designation
    - Qualified group of units
    - Move-in date
    - Identification of any units that changed designations in the last year