



## Frequently Asked Questions Acquisition/Rehab Tax Credit Properties

### Question One

How soon can I begin to generate tax credits at my acquisition/rehab tax credit property?

### Answer One

The IRS tells us that an owner's 10-year credit period must be the same for both the acquisition credits and the rehab credits. You must complete a building's rehabilitation activities to calculate its eligible basis for the rehab credits to begin its credit period.

You decide when you can begin to generate credits on a building-by-building basis.

- If you finish a building's rehab in the year you acquire it, you can begin its credit period the same year.
- If you finish a building's rehab a year following acquisition, you can begin its credit period the year you complete its rehab.

### Question Two

When should I do the initial tenant income certifications for the existing residents at my acquisition/rehab tax credit property?

### Answer Two

For each building you must know when you plan to finish its rehab activities.

- If you finish a building's rehab the same year you acquire it, units occupied by residents you qualify for the LIHTC program can begin to generate credits at acquisition. The IRS says an owner may complete a resident's initial income certification within 120 days of acquiring the building and make it effective on the date of acquisition.
- If you finish a building's rehab the year following acquisition, units occupied by residents you qualify for the LIHTC program can begin to generate credits in January of the year you finish the rehab. Complete the initial income certifications within 120 days of when you plan to start the credit period.

### Question Three

If I qualify a resident for the LIHTC program but they need to relocate so I can rehabilitate their unit, do I need to complete a new income certification prior to their relocation.

### Answer Three

No. The IRS tells us that when a resident you've qualified for the LIHTC program relocates to another unit at the same property so you can rehabilitate their unit, their income certification, including its effective date, moves with the resident to their new unit. For local legal reasons, you probably need to sign a new lease or lease addendum covering their residency in their new unit.

For help in planning and operating your acquisition/rehab tax credit property, call Liz at (202) 316-0532 or send an email to [Liz@lizbramletconsulting.com](mailto:Liz@lizbramletconsulting.com).