

# A BASIC GUIDE TO UNDERSTANDING LOW INCOME HOUSING TAX CREDIT – SECTION 42

## What Is Section 42?

Section 42 refers to that section of the IRS tax code which provides tax credits to investors who maintain affordable housing.

## How Does Section 42 Differ From Other Rent Assistance Programs, Like Section 8?

The owner receives a tax credit under the Section 42 program by maintaining rents at or below their county guidelines and also by renting only to households whose income is at or below the HUD county guidelines.

## How Do I Determine If I Am Eligible For An Affordable Tax Credit Apartment?

You will be required to complete forms which will request information regarding your income, family size and financial assets. These factors will determine your eligibility for the Affordable Housing program.

## What Is Compliance?

Compliance means that you fit all the guidelines as outlined in the IRS Section 42 code.

## Who Determines The Maximum Income Levels?

Income levels are determined by the Department of Housing and Urban Development (HUD) for each county.

## How Is My Maximum Income Level Determined?

Your maximum income level is based on the number of people in your family and the combined gross income of all household members.

## What Are Assets?

Assets are valuables which must be considered when determining family income. An example would be a savings account, certificate of deposit, stocks, bonds, etc. Personal items such as your car, furniture, etc. are not considered an asset when calculating your income.

## What Is Counted As Income?

All income is counted, (i.e., wages, social security benefits, recurring gifts of money, etc.) Income also includes income earned on your assets such as checking accounts, savings accounts, lump-sum settlements, profits from the sale of real estate, etc.

## Do I Have To Verify My Income Every Year?

Yes. Every year you must recertify your household income and family size before we can offer you a new lease. Every year, HUD reviews and adjusts the maximum allowable income for your household. After your first year of residency, your household will be allowed to earn the base income limit plus 1.4%

## Can Someone Else Live With Me?

The apartment is being rented to you and the people you identified on your original rental application. The section 42 guidelines require that you immediately notify the owner/manager in writing if there are any changes in family composition. You may be required to complete the certification process again based on this new information.

## Can I Take A Credit On My Tax Return?

The tax credit applies only to the owner of the building, not your personal income taxes.

## Why Are Some Of The Units In My Building Not Income Restricted?

Many owners choose to develop mixed-income housing. Therefore, all units in the building may not be available as income eligible units. Some units may be priced at market rate rents.

## If My Income Qualifies, Do I Get An Apartment?

No, it means that the owner/manager may further process your application by using standard screening policies and procedures, as outlined in our Resident Selection Criteria. Your rental agent will be happy to assist you in the application process.

