Practice Test

Section I. Tenant/Qualification Leasing

1. A couple is applying for an apartment at a LIHTC property. The husband earns $10.00 per hour and works between 38 and 40 hours per week. He receives no other income. The wife is a full- time student who works 20 hours per week. She earns $6.00 per hour and receives an annual bonus of $200. What is the total household income for tax credit purposes?

   a. $20,760
   b. $24,640
   c. $26,520
   d. d. $26,720

2. Which of the following is NOT considered an Asset for the purpose of determining eligibility for the LIHTC program?

   a. Savings Account
   b. Real Estate
   c. Personal Property Held as an Investment
   d. Term Life Insurance

3. How often is an income recertification required for LIHTC properties that are not 100% low-income?

    a. Monthly
    b. Semi-Annually
    c. Annually
    d. Every three years

4. Which of the following individuals is not counted as a family member for eligibility purposes?

    a. A child who lives in a dorm during the school year but returns to the apartment every summer
    b. A husband in the military who will be deployed overseas for 12 months
    c. An unborn child for which the pregnant applicant has signed an Unborn Child Affidavit
    d. A Foster Child

5. Which of the following is not considered income?

    a. Military Hazardous Duty Pay
    b. Income for the care of a foster child
    c. Temporary Assistance for Needy Families
    d. Child Support

6. Which of the following is considered an asset?

    a. Real Estate
    b. A car used for daily transportation
    c. An expensive wedding ring
    d. The equipment in a home gym

7. A resident is paid $15 per hour for 40 hours per week and averages three hours per week in overtime. What is the resident's annual income?

    a. $31,200
    b. $33,540
    c. $34,710
    d. $46,800

8. Which of the following is an exception allowing occupancy by a household where all family members are full-time students?

    a. A member of the household is in the military.
    b. A member of the household is over 62.
    c. A member of the household is disabled.
    d. A member of the household receives TANF.

9. A full time student received the following amounts to cover their first year of college. Federal Pell Grant: $9000, Local Scholarship: $2000. Their actual covered costs are $10,000. What is the amount of student financial assistance to be included as income?

    a. $1,000
    b. $2,000
    c. $9,000
    d. $11,000

10. The State Housing Finance Agency conducted an inspection on October 1st, 2025, and found that 25% of units had gross rent violations, due to utility allowance not being implemented on July 1st of 2025. The violations were corrected on November 1st, 2025, and all over payments were refunded. When will the building be reported as back in compliance on IRS form 8823?

    a. November 1, 2025
    b. December 31, 2025
    c. January 1, 2026
    d. July 1 2025

11. Which of the following is considered non-necessary personal property?

    a. Checking account
    b. Family Car
    c. Furniture
    d. Wedding ring

Section II. Tax Credit Accounting and Compliance

1. In the 3rd year of the compliance period, a kitchen fire makes a unit in a tax credit property uninhabitable. The fire occurred on Feb. 1 and the unit is restored and put back in service on Sept. 16 of the same year. The tax credits allowed to the owner for this unit in the year of the casualty are:

   a. 5/12 of a full year of tax credits
   b. 4/12 of a year of tax credits
   c. A full year of tax credits
   d. No tax credits are allowed for this unit

2. A property was placed in service on July 1,2010 and claimed credits in 2010. On what date did the 15-year compliance period end?

   a. June 30, 2024
   b. Dec. 31, 2024
   c. June 30, 2025
   d. Dec.31, 2025

3. A building was placed in service on June 8, during the first year of the tax credit period. A qualified household moved into a unit on June 12. As of what date may the owner begin to claim credit on the unit?

   a. June 1
   b. June 8
   c. June 12
   d. July 1

4. A rehabilitation property that received a 2024 tax credit allocation is acquired in November 2024. All occupants are qualified at the date of acquisition. Rehabilitation begins immediately, and the property is completed and placed in service on August 5, 2025. What is the earliest date tax credits can begin?

    a. December 2024
    b. January 2025
    c. August 2025
    d. September 2025

5. The Available Unit Rule is triggered at a mixed-income property when a:

    a. Market-rate household moves out.
    b. Tax credit household moves out.
    c. Tax credit household transfers within the same building.
    d. Household is above 140% of area median income at recertification.

6. Who can authorize changing the minimum set-aside election?

    a. State Housing Credit Agency.
    b. The owner
    c. No one
    d. HUD

7. In year 4 of the credit period, a portion of the community room in a tax credit property is converted into a doctor's office. The doctor is not charged rent to use the space and serves at no charge only the residents of the property. Tax credit consequences will result in:

    a. A decrease in eligible basis and possible recapture
    b. A decrease in qualified basis and possible recapture
    c. No tax credit consequences
    d. An increase in eligible basis and more available tax credit

8. During the 5th year of a building's tax credit period an ineligible household moves into a unit. The household occupies the unit for two months before management discovers the error. The household is relocated within the same tax year. There are no over-income households in the building. What are the tax consequences, if any?

    a. There will be no impact on the credits.
    b. Tax credits will be lost for the whole building.
    c. Tax credits will be lost for the unit.
    d. The state housing agency will determine how the tax credits are affected.

9. First-year initial resident files should be retained for at least how many years?

    a. 6
    b. 10
    c. 15
    d. 21

10. For an Average Income property, which scenario below would trigger the Available Unit Rule?

    a. A 70% unit exceeds 140% of the 60% income limit.
    b. A 60% unit exceeds 140% of the 60% income limit.
    c. A 50% unit exceeds 140% of the 50% income limit.
    d. A 40% unit exceeds 140% of the 40% income limit.

11. How long is the federal compliance period?

    a. 10 years
    b. 15 years
    c. 20 years
    d. 30 years

12. Which one of the following is not a LIHTC Minimum Set Aside?

    a. 40/60
    b. 20/50
    c. Average Income
    d. 15/40

13. What is the LIHTC program minimum extended use period?

    a. 10 years
    b. 15 years
    c. 30 years
    d. 40 years

14. Which of the following is applied on a building basis?

    a. Applicable Fraction
    b. Vacant Unit Rule
    c. Maximum Asset Limitation
    d. Tenant Selection Plan

15. What is the most accurate definition of the term "applicable fraction?"

    a. The percentage of low-income units in a project
    b. The square footage of low-income units in a project
    c. The lesser of the unit fraction or the floor space fraction in a project
    d. The lesser of the unit fraction or the floor space fraction in a building

16. Under which of the following circumstances may the cost of common areas not be included in a project's eligible basis?

    a. When the space is available only for the use of residents
    b. When management requires a refundable cleaning deposit for the use of the space
    c. When the space is available only when management staff is on-site
    d. When a fee is charged for the use of the space

17. Under which of the following circumstances would an existing household in a project receiving a second allocation of credits (resyndication) not be eligible?

   a. They have lived in the project for less than one year.
   b. Their income qualified when they moved in but exceeds the current qualifying income limit.
   c. Their income qualified when they moved in but exceeds 140% of the current income limit.
   d. The household's student status does not currently meet one of the student exceptions.

18. When calculating the rent for a tax credit property, family size is based on how many persons per bedroom?

   a. 1
   b. 1.5
   c. 2
   d. 2.5

19. Which is NOT an acceptable method for preparing a LIHTC utility allowance?

   a. A local utility company estimate
   b. The allowance of a similar property in another state
   c. A HUD Model Allowance
   d. A local PHA voucher allowance

20. The Available Unit Rule applies when

    a. A low-income resident in a building recertifies with income above the current project income limit.
    b. A low-income resident in a building recertifies with income above 100% of the current income limit.
    c. A low-income resident in a building recertifies with income above 120% of the current income limit.
    d. A low-income resident in a building recertifies with income above 140% of the current income limit.

21. A building has eligible basis of $ 8 million and an applicable fraction of 65%. What is the building's qualified basis?

    a. -0-
    b. $2,800,000
    c. $5,200,000
    d. $8,000,000

22. After the initial review of a LIHTC project by an HFA, how often must the HFA conduct a monitoring review of the project?

    a. Annually
    b. At least every three years
    c. At least every five years
    d. On any schedule that is identified in the State Qualified Allocation Plan

23. Under which circumstances would a project NOT be at risk of credit loss due to noncompliance?

   a. The project has a reduction in eligible basis.
   b. The applicable fraction of a building is reduced.
   c. A building is not habitable at the end of a tax year.
   d. The owner violates the requirements of the Extended Use Agreement.

Section III. Federal/State Laws and Regulations

1. Under what circumstances are state agencies allowed to set more stringent restrictions than required by Section 42?
    a. If they obtain permission from the IRS
    b. Under no circumstances
    c. If they obtain permission from HUD
    d. If the restrictions are documented in state housing credit agency policy

2. Which HUD Handbook is the source for requirements relative to income determination for LIHTC projects?
    a. 4350.1
    b. 4350.2
    c. 4350.3
    d. 4350.4

Answers

Section I

1. d. $26,720
2. d. Term Life Insurance
3. c. Annually
4. d. A Foster Child
5. b. Income for the care of a foster child
6. a. Real Estate
7. c. $34,710
8. d. A member of the household receives TANF.
9. a. $1,000
10. c. January 1, 2026
11. a. Checking account

Section II

1. c. A full year of tax credits
2. b. Dec. 31, 2024
3. d. July 1
4. b. January 2025
5. d. Household is above 140% of area median income at recertification.
6. c. No one
7. c. No tax credit consequences
8. a. There will be no impact on the credits.
9. d. 21
10. b. A 60% unit exceeds 140% of the 60% income limit
11. b. 15 years
12. d. 15/40
13. c. 30 years

14. a. Applicable Fraction

15. d. The lesser of the unit fraction or the floor space fraction in a building

16. d. When a fee is charged for the use of the space

17. d. The household's student status does not currently meet one of the student exceptions

18. b. 1.5

19. b. The allowance of a similar property in another state

20. d. A low-income resident in a building recertifies with income above 140% of the current income limit.

21. c. $5,200,000

22. b. At least every three years

23. d. The owner violates the requirements of the Extended Use Agreement.

Section III

1. d. If the restrictions are documented in state housing credit agency policy.

2. c. 4350.3