



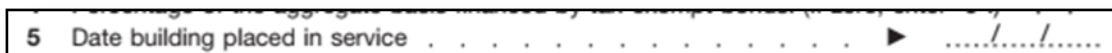
## Tax Credit 101: IRS Form 8609 - Part 2

by Kelly Wakefield, Preferred Compliance Solutions

As we continue our deep dive into the IRS Form 8609, we will look at another area of the form. Regardless of your experience level, the 8609 has valuable information that will help you ensure compliance. In this article, we will be examining the Placed in Service (PIS) date.

Knowing and understanding the PIS date is helpful for many things when working with Low Income Housing Tax Credit (LIHTC) properties. Knowing the PIS date ensures you are using the correct income limits. In addition, when we consider the lifecycle of a property, we must start at the very beginning of the lifecycle and the PIS date is key to this. In addition to these two items, we will also establish how the PIS date is determined and then have some examples where we can put our knowledge to work.

To begin with, the PIS date can be found on line 5 of the 8609.



There are three distinct PIS dates depending on the construction type.

- New Construction – This is noted as the Certificate of Occupancy Date (this includes temporary Cos, if issued). The timing of this date is crucial to the delivery of credits.
- Acquisition – This is when an owner acquires an existing building. It may already have residents, or it may be vacant. The PISD is the date the building was acquired. This date can be found on the property closing statement.
- Rehab – This is a property that has been purchased to rehabilitate. The PIS is based on the aggregate number of expenditures over a 24 month period.

Because of the passing of the Housing and Economic Recovery Act (HERA) of 2008, it was established that properties utilizing the HUD published Multifamily Tax Subsidy Project (MTSP) limits, or the limits that are applicable specifically for LIHTC properties, are “hold harmless” from decreasing rents on a year-to-year basis. Essentially, if the average median income drops in an area, a property that is placed in service does not need to lower their rents to what the new limits are; it can continue utilizing the same limits that were already in place.



Montgomery, AL MSA	
Vintage of Maximum Income Limits	
Placed In Service Date	Maximum Income Limits
On or before 12/31/2008	<a href="#">FY2023 HERA Special</a>
01/01/2009 to 05/13/2010	<a href="#">FY2022</a>
05/14/2010 to 05/31/2011	<a href="#">FY2022</a>
06/01/2011 to 11/30/2011	<a href="#">FY2022</a>
12/01/2011 to 12/10/2012	<a href="#">FY2022</a>
12/11/2012 to 12/17/2013	<a href="#">FY2022</a>
12/18/2013 to 03/05/2015	<a href="#">FY2022</a>
03/06/2015 to 03/27/2016	<a href="#">FY2022</a>
03/28/2016 to 04/13/2017	<a href="#">FY2022</a>
04/14/2017 to 03/31/2018	<a href="#">FY2022</a>
04/01/2018 to 04/23/2019	<a href="#">FY2022</a>
04/24/2019 to 03/31/2020	<a href="#">FY2022</a>
04/01/2020 to 03/31/2021	<a href="#">FY2022</a>
04/01/2021 to 04/17/2022	<a href="#">FY2022</a>
04/18/2022 to 05/14/2023	<a href="#">FY2022</a>
05/15/2023 to Present	<a href="#">FY2023</a>

Each year when HUD publishes the MTSP limits, it includes a chart reflecting, based on the PIS date, what limits should be used.

From this chart we can see that a property placed in service on or before 5/14/2023 would utilize different, higher income limits from Fiscal Year (FY) 2022 than a property placed in service on or after 5/15/2023. This impacts not only rents that can be charged, but income limits used for qualifying households, both of which could have large ramifications if incorrect limits are used. Though this article will not go in depth about income limits, the PIS date is a key factor in ensuring properties are always using both the correct and the most advantageous limits available.

Before we delve into how the PIS is used in conjunction with the lifecycle of the property, let's discuss briefly what the three periods are that make up the lifecycle of a LIHTC

property: the Credit Period, the Compliance Period and the Extended Use Period.

The Credit Period  
Years 1-10

The Tax Credit Period is the first 10 years. During this 10-year period, tax credits are collected.

The Compliance Period  
Years 1-15

The Compliance Period is 15 years. Anytime during this period, if non-compliance is found by the monitoring agency, it is reported to the IRS, and tax credit recapture can happen.

The Extended Use Period  
Years 16-at least 30

The Extended Use Agreement period extends 15 years past the Compliance Period for a total of 30 years.

Findings of noncompliance after the first 15 years are not reported to the IRS but are still monitored by the housing finance agency (HFA). The Extended Use Period can extend beyond year 30 as established with the HFA.

Is the date listed as the PIS date on the 8609 the date that commences the Credit, Compliance and Extended Use periods? Potentially, but not always. Luckily, the 8609 makes it easy to determine exactly what our commencement date is. By using Line 5, the PIS date, AND line 10a,



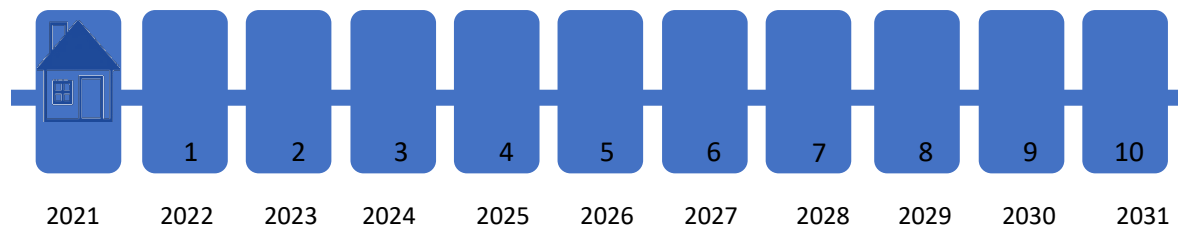
we can know with assurance what date to use. Line 10a asks whether or not the credit period will begin the first year after the building is placed in service.

**10** Check the appropriate box for each election:  
**Caution:** Once made, the following elections are irrevocable.  
**a** Elect to begin credit period the first year after the building is placed in service (section 42(f)(1))  Yes  No

Notice that it says the year AFTER the building is placed in service. If the PIS date is 7/7/2023 and the 8609 10a is marked yes, this means the credit period would begin the year AFTER the placed in service date, year 2024. If this was marked no, the taxpayer is electing to begin the credit period the year the building is placed in service (2023) and not the year after (2024).

Now that we know the timeframes of each period, and how to find out when our year 1 is, we can figure out when each period will end. The first step is establishing our Year 1, either the PIS date year OR, if elected, the year after the PIS date. To that year one, we can add the remainder of the period timeframe. If determining the Credit Period end date, we would add nine years to our year 1 for a total of 10 years. The Compliance Period would have 14 years added to year 1 for 15 total years. Finally, our Extended Use Period would have 29 years, as applicable, added to year 1 for 30 years. Let's use the Credit Period as an example.

If we have a property that placed in service 11/17/2021 and elected Yes on 10a, then its credit period would begin the year following the PIS date; year 2022 would be our Year 1. To our year 1, we add nine additional years to get that our credit period will end in 10 years, Year 2031.



Now let's practice determining both the income limits that can be used, as well as when the lifecycle of our property will begin and end, with what we've discussed about the PIS date.

Using the below chart of income limits and the PIS date, please enter in what FY income limits can be used.

Placed in Service Date	Maximum Income Limit
4/24/2019 to 3/31/2020	FY 2019
4/1/2020 to 3/31/2021	FY 2020
4/1/2021 to 4/17/2022	FY 2020
4/18/2022 to 5/14/2023	FY 2022
5/15/2023 to Present	FY 2023



1. A property placed in service 12/ 17/2021 will utilize which income limits: \_\_\_\_\_
2. A property placed in service 5/12/2023 will utilize which income limits: \_\_\_\_\_
3. A property placed in service 10/1/2023 will utilize which income limits: \_\_\_\_\_

Using the below information from the 8609, please answer the following questions:

5 Date building placed in service 7 / 1 / 2023

a Elect to begin credit period the first year after the building is placed in service (section 42(f)(1))  Yes  No

1. What year does the Credit Period begin? \_\_\_\_\_
2. What year will the Compliance Period end? \_\_\_\_\_

*Kelly Wakefield, executive vice president, has been with Preferred Compliance Solutions, a consulting and advisory firm, since 2005. Kelly oversees the asset management and training divisions that work closely with lenders, syndicators, management companies and owners to ensure compliance with affordable and federally funded programs. Making affordable housing education easily accessible and affordable to those that need it most is a priority. Her certifications include HCCP and COS. To discuss any of the above examples or for any questions, she can be reached at [kellyw@preferredcompliance.com](mailto:kellyw@preferredcompliance.com).*

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