

Understanding and Qualifying for Section 42 Tax Credit

Residency

The Section 42 housing program refers to that section of the Internal Revenue Tax Code which provides tax credits to investors who build affordable housing. Investors receive a reduction in their tax liability in return for providing affordable housing to people with fixed or lower income.

Whether or not your income qualifies you to reside at a Section 42 community is determined by the Department of Housing and Urban Development Agency (HUD) in your county or metropolitan statistical area and fall under laws mandated by our federal government. In addition to standard wages, income includes monies received from all sources such as alimony, child support, pensions, social security, and asset income. Your income must be verified prior to being accepted for residency at a Section 42 community and is reviewed annually for accuracy.

Here are some frequently asked questions and answers regarding Section 42 communities which may provide you with additional clarification about this program:

How does Section 42 differ from other rent assistance programs, like Section 8?

The residents who live in Section 42 units must be income and program eligible similar to residents who live in rental assistance developments. However, the rent that a Section 42 resident will pay is capped at a fixed amount and includes utilities that are the resident's responsibility. In rental assistance programs such as Section 8, the resident's rent is based on 30% of his/her income and the remaining adjusted portion is funded by the federal government. The Section 42 Program is not a government- subsidized rental program.

How do I find out if I am eligible for a Section 42 tax credit unit?

You will be asked to complete forms which will request information regarding your income, family size and financial assets. This information will aid in determining your eligibility for the program.

What is Compliance?

Compliance means that you fit all the guidelines necessary to live in a Section 42 apartment.

Who determines the maximum income levels?

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

How is my maximum income level determined?

Your maximum income level is based on the number of people in your household and the combined gross (before taxes/deductions) income.

What is counted as income?

All income is counted, including income on your assets such as checking accounts, savings accounts, lump sum settlements, profits from the sale of real estate, etc.

If my income qualifies, do I get a Section 42 apartment?

No, it means that the Owner/manager may further process your application by using standard screening policies and procedures.

How is rent determined?

Rents are determined by HUD based on the median (average) county income. Then your rent is set by the Owner of the apartment community, based on HUD guidelines and minus a predetermined amount for utilities.

What if my income or family size changes? Do I have to verify this information every year?

Yes, your income and household size must be recertified each year before you are offered a new lease. There is a maximum allowable income for your apartment.

Can someone else live with me?

The apartment is being rented to you and the people who were identified on the rental application. The Section 42 guidelines require that you immediately notify the Owner/Manager in writing if there are any changes in your household arrangement. You may be required to complete the certification process again based on this new information.

Rent and Income Limits

Applicants must meet the following *minimum* income requirements:

1 bedroom applicants: \$17,592

2 bedroom applicants: \$20,232

3 bedroom applicants: \$22,608

Minimum income requirements are as of January 2019. Income requirements are subject to change.

Applicants must also meet the following income limits:

Household Size	Preference Income (50% AMI)	Maximum Income (60% AMI)
1	\$33,050	\$39,660
2	\$37,750	\$45,300
3	\$42,450	\$50,940
4	\$47,150	\$56,580

5	\$50,950	\$61,140
6	\$54,700	\$65,640

<i>RENTS</i>	Studio	1-Bedroom	2-Bedroom	3-Bedroom
50%	\$826	\$885	\$1061	\$1,226
60%	\$991	\$1,062	\$1,273	\$1,471