



To: All Owners and Managers
From: Bob Conroy, Director of Asset Management

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I. Imputed Passbook Rate Changed 2/1/2015

HUD Notice H 2014-15 dated October 31, 2014 (**attached**) reduced the imputed income from assets rate from 2% to 0.06% when a family has net assets greater than \$5,000 effective February 1, 2015. Going forward, HUD may adjust this rate at least annually. This can represent a significant difference in both applicant income eligibility and in calculated rent for those residents receiving HUD rental subsidy.

For example, for a household or applicant with \$100,000 in assets the **previous** imputed passbook rate of 2% translated to \$2,000 of imputed income from assets, while the same amount of assets at the **new current 0.06% (.0006) yields an imputed income from assets of \$60.**

MaineHousing is recommending that Owners and Managers take a look through any rejected applications over the past year for both Section 8 and LIHTC properties to determine whether there may be applicants who were previously over income for the program but would now qualify under the new imputed passbook rate.

While HUD Handbook 4350.3, Section 7-11 implies that it is the responsibility of a tenant to request an interim recertification that would result in a rent reduction, it is very unlikely tenants with significant assets would have any way of learning about this rate change without notification. MaineHousing is also recommending that Owner/Managers communicate this change to tenants and invite those who have substantial assets to request an interim recertification, particularly if they are more than 120 days away from their annual recertification date.

II. 2015 Annual Adjustment Factors Announced

On February 9, 2015, a Notice of the Revised Contract Rent Annual Adjustment Factors (AAFs) for 2015 was published. The AAFs are used to adjust the contract rents on the anniversary date of the assistance contract for some multifamily projects. The AAFs are effective February 9, 2015.

A copy of the Federal Register containing the revised AAFs is located at: <http://www.gpo.gov/fdsys/pkg/FR-2015-02-09/pdf/2015-02622.pdf>

The HUDUSER website has been updated to include the revised AAFs and can be viewed at: <http://www.huduser.org/portal/datasets/aaf.html>

III. Occupancy Protections for HUD-Assisted Households in Properties with Low-Income Housing Tax Credits

On January 12, 2015 HUD published a memorandum to provide further guidance on tenancy protections for households when an owner participates in both a HUD-assisted program (Project-Based Section 8, Section 236, Section 202) and Low-Income Housing Tax Credits (LIHTCs). This communication expands on guidance currently published in HUD Handbook 4350.3, REV-1 and the lease agreement signed by the owner and tenant. A copy of this memorandum is attached.

IV. Use of Marijuana Including Medical Marijuana

The State of Maine has legalized the use of marijuana specifically for medicinal purposes. Regardless of the purpose of legalization under state law, the use of marijuana in any form, is illegal under the Controlled Substances Act (CSA) and therefore is an illegal controlled substance under Section 577 of the Quality Housing and Work Responsibility Act of 1998 (QHWRA). Based on federal law, new admissions of medical marijuana users are prohibited.

QHWRA requires that owner/agents establish lease standards that prohibit admission based on the illegal use of controlled substances including state legalized marijuana. State laws that legalize medical marijuana directly conflict with QHWRA and thus are subject to federal preemption.

HUD's Office of Multifamily Housing has issued a memorandum titled [*Use of Marijuana in Multifamily Assisted Properties*](#). The memorandum, which is posted on the Multifamily Housing website, details how owners enforce the requirements found in the Controlled Substance Act and the Quality Housing and Work Responsibility Act of 1998.

Attached is a copy of this memorandum.

V. FY 2015 Income Limits Released

HUD has released its FY 2015 Median family Income estimates and FY 2015 Income Limits. The FY 2015 Income Limits were published on March 6, 2015 and are effective immediately. The income limits can be found at <http://huduser.org/portal/datasets/il.html>

VI. IRS Form 8703 – Annual Certification of a Residential Rental Project

The operator of a residential rental project for which an election was made under section 142(d) of the Internal Revenue Code must file Form 8703 annually during the qualified project period. This form must be filed by March 31 after the close of the calendar year for which the certification is made. The latest revision of this Form (Rev.9-2013) includes Part III which requests information about the Issuer and the tax-exempt financing that financed the project under section 142(d).

In order to assist in completing Part III of the form MaineHousing has posted information on its Tax-Exempt Private Activity Bond Issues on our website at the links listed below.

To gather the information on your project, first open the “MaineHousing MF Project List” at <http://www.mainehousing.org/partners/partner-type/property-owners-managers/tax-exempt-bond-project-information>. Locate your project from the list and note the bond series in column C. Please note that it is possible for your project to be listed under more than one bond series. If it is listed under more than one bond series the 8703 Form will need to include information on each bond series. If your project was previously on the “MaineHousing MF Project List” and is no longer listed, you should consult your accountant to determine whether you still need to file a Form 8703 for the project.

Once you know the bond series, open the “MaineHousing Master Bond List” at <http://www.mainehousing.org/partners/partner-type/property-owners-managers/tax-exempt-bond-project-information>. This list contains the information on each bond series that is needed to complete part III of Form 8703 and corresponds with boxes 14 – 20 on the form.

Please note the bond information for your project will not necessarily stay the same for the life of the project. This information will need to be reviewed on an annual basis. Please also note that MaineHousing does not provide tax advice. If you have questions related to the filing of this form you may want to consult your tax professional or contact the IRS by sending an email to: TaxExemptBondQuestions@irs.gov and put “Form 8703 Question” in the subject line. In the email, include a description of your question, a return email address, the name of a contact person, and a telephone number.

Attachments:

- **HUD Memorandum Occupancy Protections for HUD-Assisted Households in Properties with Low-Income Housing Tax Credits**
- **Updated HUD Commonly Used Forms**
- **HUD Memorandum Use of Marijuana in Multi-Family Assisted Properties HUD**
- **Notice H 2014-15 dated October 31, 2014**

Please note that MaineHousing provides notices as a service to our partners. Notices are not intended to replace ongoing training and do not encompass all compliance and regulatory changes that may occur on the wide range of housing programs in which we work. MaineHousing recommends partners establish an ongoing training program for their staff.

Maine State Housing Authority ("MaineHousing") does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.

REMINDER.....IMPUTED PASSBOOK RATE CHANGES 2/1/2015

HUD Notice H 2014-15 dated October 31, 2014 reduces the imputed income from assets rate from 2% to 0.06% when a family has net assets greater than \$5,000 effective February 1, 2014. Going forward, HUD may adjust this rate at least annually. This can represent a significant difference in both applicant income eligibility and in calculated rent for those residents receiving HUD rental subsidy.

For example, for a household or applicant with \$100,000 in assets the imputed passbook rate of 2% translates to \$2,000 of imputed income from assets, while the same amount of assets at 0.06% yields an imputed income from assets of \$60. For a resident receiving rental subsidy, this translates to a reduction of \$35/month in the tenant portion of rent.

MaineHousing is recommending that Owners and Managers take a look through any rejected applications over the past year for both Section 8 and LIHTC properties to determine whether there may be applicants who were previously over income for the program but would now qualify under the new imputed passbook rate.

While HUD Handbook 4350.3, Section 7-11 implies that it is the responsibility of a tenant to request an interim recertification that would result in a rent reduction, it is very unlikely tenants with significant assets would have any way of learning about this rate change without notification. MaineHousing is also recommending that Owner/Managers communicate this change to tenants and invite those who have substantial assets to request an interim recertification, particularly if they are more than 120 days away from their annual recertification date.