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January 8, 2016

To: All Massachusetts Low Income Housing Tax Credit Property Owners

From: Mr. Edward Clark, Director of Monitoring, SPECTRUM Enterprises

RE: Violations of Gross Rent

After discussions with both DHCD and the IRS we have confirmed the practice of requiring payment of the last month of rent up-front puts the property at risk of violating section 42(g)(2)(A) of the IRC and Treasury Regulation §1.42-11(a)(3). Whether or not it is a violation depends on the amount collected. If collecting thirteen months of rent in a twelve month period violates the annual gross rent figure, an 8823 will be issued to the IRS.

We strongly encourage all LIHTC property owners and managers to review and amend leasing procedures accordingly.

Please feel free to contact me directly at 207-805-0027 if you have further questions.