

Rental Assistance Q&A

The reason BHC Management (BHCM) is able to offer reduced rents is due to an incentive called the **Low-Income Housing Tax Credit (LIHTC)**. The Tax Reform Act of 1986 created LIHTC, and the program regulations exist under Section 42 of the Internal Revenue Code.

Congress intended that the credit would encourage the development of affordable housing through the construction of new housing units or rehabilitation of existing ones.

Q: What is Section 42?

A: Section 42 refers to that section of the tax code that provides tax credits to investors who build affordable housing. Investors receive a reduction in the tax liability in return for providing affordable housing to people with fixed or lower incomes.

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

A: The Section 42 Program is not a government-subsidized rental program. The residents who live in Section 42 housing must be income and program eligible, similar to residents who live in rental assistance apartments. One difference is that the rent a Section 42 resident will pay is capped at a fixed amount and includes utilities that are either paid by the property or are the resident's responsibility.

In rental assistance programs such as Section 8, the rent amount paid by the resident is based on 30 percent of their adjusted income, and the federal government funds the remaining portion.

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

A: No. It simply means that BHCM may further process your application using standard screening policies and procedures.

You will be asked to complete forms that request information regarding your income, family composition, student status and financial assets. This information will aid community management in determining your eligibility for the program.

Q: Who determines the maximum income levels?

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

Q: How is my maximum income level determined?

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

Q: What is counted as income?

A: All income is counted, including monies from earned income such as salaries and wages, unearned income such as Aid to Families with Dependent Children (AFDC) and Social Security as well as income from your assets (checking accounts, savings accounts, lump sum settlements, child support, alimony, profits from sale of real estate, etc.)

Q: What are assets?

A: Assets are your valuables other than personal items that must be considered when determining your family income. Examples including savings accounts, certificates of deposit, stocks and bonds. Personal items such as your car, furniture, etc. are not included.

Q: How is rent determined?

A: Rents are determined by HUD based on the median (average) county income and the number of bedrooms per each unit. From this gross rent amount, a predetermined amount for utilities (excluding cable and telephone) is then subtracted to determine a net rent amount per each unit size.

Q: Do I have to certify my income and household size every year?

A: Yes, your income, household size and student status must be recertified each year.

Q: Can someone else live with me?

A: The apartment is being rented to you and the people you identified on the rental application. Section 42 guidelines require that you immediately notify BHCM in writing prior to any changes in your household arrangement. Based on this new information, you will be required to complete the qualification and certification process again.

Q: Why are some of the units in my building not income restricted?

A: BHCM has the right to choose whether or not to offer "mixed-income" housing. Therefore, all units in a community may not be available under Section 42 guidelines and could be priced at the market rate rents (rates that are determined by comparable apartment communities in that area).

Q: How do I apply?

A: BHCM will provide you with the necessary forms. The community's leasing agent or other office staff will be happy to assist you with the application process.

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