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On December 20, 2007, President Bush signed the Mortgage Forgiveness Debt Relief Act of 2007 into law, which included a change to the HTC student eligibility rules.

CLARIFICATION OF STUDENT HOUSING ELIGIBLE FOR LOW-INCOME HOUSING CREDIT.

(a) In General- Subclause (I) of section 42(i)(3)(D)(ii) of the Internal Revenue Code of 1986 (relating to certain students not to disqualify unit) is amended to read as follows:

(I) single parents and their children and such parents are not dependents (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual and such children are not dependents (as so defined) of another individual other than a parent of such children, or.'

(b) Effective Date- The amendment made by this section shall apply to—

(1) housing credit amounts allocated before, on, or after the date of the enactment of this Act, and

(2) buildings placed in service before, on, or after such date to the extent paragraph (1) of section 42(h) of the Internal Revenue Code of 1986 does not apply to any building by reason of paragraph (4) thereof.

The exemption is easier to read without the parentheticals: single parents and their children and such parents are not dependents of another individual and such children are not dependents of another individual other than a parent of such children. So, for single-parent/FT student households, as long as the single parent isn't a dependent of someone else and no one other than a parent claims the child/ren, the unit is eligible.

Form HTC 35 has been revised to reflect this change and the documentation needed for verification purposes. If you cannot obtain copies of the divorce decree, custody agreement, student's and/or the other parent's tax return (a signed verification from the other parent that s/he claims the child(ren) would be acceptable if tax return is not available), just like any other verification you must document attempts in the file and explain the reason the documentation is not available (i.e., tenant and/or other parent does not file a tax return, no divorce decree/custody agreement, no established paternity, domestic situation, etc.). Only then will first party certification be accepted.

Please note that in cases where there are multiple other parents, documentation must be provided for every family situation.

Also, it has been brought to our attention that some schools do not include Work Study in the amount of financial aid because the verification form does not ask for it. Therefore, we have revised the HTC 15 to include a separate line for Work Study.

You may find the revised forms HTC 35 and HTC 15 on the web at: http://www.mnhousing.gov/housing/tax-credits/compliance/MHFA_004657.aspx. Please discard all previous copies and use the new ones (footer is marked as rev 2 1/08) immediately.