

Accountant Certification Background and Process

For a carryover allocation of 2021 housing tax credits (HTCs), a Carryover Agreement must be executed by the project owner and the Minnesota Housing Finance Agency (Minnesota Housing) no later than December 31, 2021. All owners must meet two requirements to provide Minnesota Housing with assurance that the project qualifies for a carryover:

1. All owners must prepare and sign a Statement of Carryover (HTC-6A); and
2. An attestation must be prepared by an independent certified public accountant (HTC 6)

If the owner seeks to have final carryover basis certification performed by the end of the year in which the carryover occurs, then both of these documents must be submitted to Minnesota Housing no later than November 1, 2021.¹ Late submissions are subject to penalties. These two documents must also be accompanied by the CPA report (refer below).

If the owner elects the option to have final carryover basis certification performed by a date no later than a date which is one year² after the date that the carryover occurs, both of these documents must be submitted to Minnesota Housing no later than May 1, 2022.¹

Statement of Carryover (HTC-6A) (Statement)

The requirements for carryover are found in Section 42(h)(1)(E) of the Internal Revenue Code (IRC) and the implementing regulations can be found at 26 CFR Section 1.42-6 (collectively, the Requirements).

The purpose of the Statement is to obtain the owner's certification of carryover basis (adjusted basis in land or depreciable property that is reasonably expected to be part of the project – refer to the Requirements) and reasonably expected basis (land and depreciable basis as of the close of the second calendar year following the calendar year in which the carryover occurs – refer to the Requirements) as of the certification date. The certification must be made no later than November 1, 2021, or, if the owner elects the option to have final carryover basis certification performed by a date no later than a date that is one year after the date on which the carryover occurs, the certification must be made no later than May 1, 2022.²

The actual costs paid or incurred must be reported using the owner's method of accounting (cash or accrual). The Statement must contain a list of cost categories for actual costs paid or incurred through the certification date and total development costs anticipated through the expected completion date. The categories listed on the attached Statement are a sample listing of cost categories and are not intended to be all-inclusive.

¹ If this date is a non-business day, then the next calendar business day applies.

² Minnesota Housing will continue to require that the CPA final certification be submitted by the May 1, 2022¹ deadline. Upon written request by the owner/applicant, Minnesota Housing will consider an extension to this deadline. The written request should accompany the owner/applicant's carryover application package, if possible. At the latest, the written request must be submitted to Minnesota Housing prior to April 30, 2022¹. Late submissions of the request are subject to late fee penalties as identified in the Housing Tax Credit Procedural Manual. The request must clearly explain the reasons supporting an extension to the deadline. Minnesota Housing will issue a written response to all extension requests. An extension until October 1, 2022¹ will be the maximum allowable.

The Statement also requires determination of carryover basis and a reasonably expected basis. Examples of categories that must be deducted from actual costs and total development costs in calculating carryover basis and a reasonably expected basis include, but are not limited to, the following:

- Project reserves
- Finance fees
- Organizational costs
- Syndication fees

Certification by Certified Public Accountant (HTC-6)

Upon completion of the Statement, the owner must contract with an independent CPA to attest to the assertions made by the owner on the Statement. This certification must conform to the Standards for Attestation Engagements and must be submitted to Minnesota Housing on the CPA's letterhead stationery.

The Statements on Standards for Attestation Engagements define an attestation engagement as one in which "a practitioner is engaged to provide a written conclusion about another party's written assertion." The types of engagements defined by the standards include an examination, a review and agreed upon procedures.

If the owner elects to have a CPA perform an agreed upon procedures engagement (an example agreed upon procedures report is attached), the procedures must include the following:

1. Obtain and read a copy of the owner's schedule of total development costs anticipated through the expected completion date of the project. Compare this schedule to column B of the Statement of Carryover – Comparison of Carryover Basis to Reasonably Expected Basis (Minnesota Housing form HTC-6A).
2. Inspect or obtain copies of invoices and other supporting documentation for costs paid or incurred through the certification date.

Rely upon invoice copies and other documentation of costs paid or incurred together with inquiries of the partnership's management to substantiate the validity and timing of actual costs recorded.

Where the costs include costs for the purchase of building materials that have not been incorporated into the development, verify and be satisfied that the documentation evidencing the purchase is properly accounted for as a completed sale.

Where costs are incurred by affiliates of the developer, verify and be satisfied that those costs are properly characterized as paid or incurred by the developer (either by assumption, contribution or otherwise).

Where the costs include an accrual of development fees payable, verify and be satisfied that an agreement to pay the development fees exists and that economic performance with respect to the services has occurred within the meaning of Section 461 of the Code and 26 CFR Section 1.461-4(d).

3. Analyze the adjustments made to the total costs (Line 70, Minnesota Housing Form HTC-6A) to arrive at Carryover Basis (Column A, Minnesota Housing Form HTC-6A) and Reasonably Expected Basis (Column B, Minnesota Housing Form HTC-6A).

4. Compare Carryover Basis (Line 77, Column A, Minnesota Housing Form HTC-6A) to Reasonably Expected Basis (Line 78, Column B, Minnesota Housing Form HTC-6A).

Minnesota Housing will use the Statement and the related report issued by the CPA to determine if the owner meets the requirements for carryover, and thus the validity of the Carryover Agreement between the owner and Minnesota Housing.

Important Dates	
November 1, 2021 ¹	Carryover packages and carryover fee are due (must include Minnesota Housing Form HTC-6 (CPA's report) and HTC-6A).
December 15, 2021 Minnesota Housing sends the completed Carryover Agreement to the owner (estimated date) ¹	Minnesota Housing sends the completed Carryover Agreement to the owner for signature.
December 31, 2021	Carryover Agreement must be fully executed and notarized.
May 1, 2022 ²	Certification date if the owner elects the option to have final carryover basis certification performed by a date no later than a date that is one year after the date the carryover occurs.