



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: February 18, 2022

TO: Owners and Management Companies of Low-Income Housing Tax Credit (LIHTC) Projects

FROM: California Tax Credit Allocation Committee – Compliance Section

RE: Casualty Loss Reporting

This Memorandum ("Memo") serves as guidance from the California Tax Credit Allocation Committee ("CTCAC" or "Committee") to owners and property management companies of LIHTC properties in California regarding the process and procedure for reporting incidents of casualty loss (fire, flood, mold, or other disaster damage) to one or more units at a LIHTC property.

The Internal Revenue Service ("IRS") defines casualty loss as "...the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual. A sudden event is one that is swift, not gradual or progressive. An unexpected event is one that is ordinarily unanticipated and unintended. An unusual event is one that is not a day-to-day occurrence and that is not typical for low income housing credit properties." Examples of casualty loss include, but are not limited to, car accidents, fires, hurricanes, storms, vandalism, and other unexpected property damage that requires a tenant to temporarily relocate to another location while the unit is repaired. Property damage is not considered casualty loss if the damage occurred during normal use, the owner willfully caused the damage or was willfully negligent, or it was progressive deterioration such as termite damage or dry rot.

Please report instances of casualty loss to CTCAC within one week (7 days) from the date the damage occurred. The IRS requires that all instances of casualty loss be reported via Form 8823. If the damage is repaired and the unit is certified as habitable within 30 days of the incident date, CTCAC will report the casualty loss as "corrected". If the damage is not corrected within 30 days of the incident date, CTCAC will report the incident as "uncorrected" and will submit a "corrected" Form 8823 when CTCAC has received documentation confirming

that the damage has been repaired and the unit is certified as habitable. Failure to report instances of casualty loss to CTCAC within 30 days of their occurrence will result in a fine of \$400 plus \$100 per month until CTCAC is notified of the incident (UPCS – Health and Safety Violation) in addition to any recapture of tax credits as determined by the IRS.

To notify CTCAC of casualty loss incidents, please send a formal letter via email to Compliance Program Analyst Stephen Bellotti at stephen.bellotti@treasurer.ca.gov with a CC: to Senior Program Managers Shannon Nardinelli at shannon.nardinelli@treasurer.ca.gov and Elizabeth Gutierrez-Ramos at elizabeth.gutierrez@treasurer.ca.gov

The initial formal letter must include:

1. Property name and CTCAC number
2. Date instance of casualty loss occurred
3. List of units that are offline, including Building Identification Numbers (“BINs”)
4. Incident report

To show correction and habitability of the units, CTCAC requires the following items:

1. Work order or invoice showing repairs were completed
2. Certification from the fire marshall or final approved permit from the city stating unit is habitable
3. One of the following:
 - a. Date the original household returned to the unit,
 - b. Date a newly qualified household occupies the unit, or
 - c. Current marketing materials if the unit is vacant

For instances of casualty loss that involve multiple units, a “corrected” Form 8823 will be completed when documentation showing all units are repaired and habitable. CTCAC cannot report the repair of individual units.

The average time for the owner to receive notice from the IRS regarding casualty loss submission may vary. CTCAC processes and submits the Form 8823s to the IRS monthly.

Depending on the date the notification or correction letter is received and correspondence for missing or incomplete information is received, the “corrected” Form 8823 may be processed in the month following receipt of documentation.

Changes to stated policies or procedures on this Memo may be changed or revised in accordance with subject matter changes, regulatory changes, or updates to the program.

If you have any questions regarding the policies or information noted above, you may contact CTCAC Compliance Management at: ctcaccompliance@treasurer.ca.gov or by telephone at 916-654-6340.

Elizabeth Gutierrez-Ramos, Division Chief
Mayra Lozano, Section Chief