CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: February 7, 2025

TO: Low Income Housing Tax Credit Project Owners and Property Managers

FROM: California Tax Credit Allocation Committee – Compliance Section

RE: VA Service-Connected Disability Benefits Exclusion for Veterans

This Memorandum ("Memo") provides guidance to Low Income Housing Tax Credit ("LIHTC") project owners and property managers in response to Internal Revenue Service ("IRS") Revenue Procedure 2024-38 ("Rev. Proc. 2024-38").

Background

On August 13, 2024, the Department of Housing and Urban Development ("HUD") published "Section 8 Housing Choice Vouchers: Revised Implementation of the HUD Veterans Affairs Supporting Housing Program" (FR–6476–N–01) providing new requirements to exclude veterans' service-connected disability benefits from household income calculations for the purpose of determining HUD-VASH applicants' income eligibility for both project-based and tenant-based vouchers. Under this HUD-VASH special rule, VA service-connected disability benefits are excluded only for the purposes of determining income eligibility but are included when calculating the tenant-paid portion of rent. This alternate income requirement applies specifically to the HUD-VASH program and is not applicable to other HUD Section 8 Housing Choice Voucher programs. This ensures homeless veterans are not excluded from the HUD-VASH program because of their VA service-connected disability benefits.

Final determination from the IRS

On September 24, 2024, Treasury followed suit and issued Rev. Proc. 2024-38 that applies the same waiver for all LIHTC projects by excluding VA service-connected disability benefits only from determining income eligibility, not rent determination, for prospective and current tenants approved to receive or currently receiving assistance under the HUD-VASH program and to whom the HUD-VASH income eligibility waiver applies. The waiver applies to income determinations occurring on or after October 24, 2024 for LIHTC projects.

LIHTC File Review - HUD-VASH Projects

LIHTC project owners and property managers shall verify income for HUD-VASH recipients and include the verified service-connected disability benefits documentation in tenant files. Tenants shall complete the Certification of Zero Income form identifying how rent and other necessities will be paid.

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.

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