



## **What Does NAUR and UVR Mean to You?**

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Unit vacancy rule (UVR) and next available unit rule (NAUR) are two common terms often heard in the tax credits industry. While OneSite Leasing & Rents Tax Credits follows these rules to ensure your property stays in compliance, let's explore exactly what they mean to you and your compliance staff.

### **Unit Vacancy Rule (UVR)**

The UVR allows a vacant unit to still be considered qualified if it was previously occupied by a qualified household. Once a qualified household moves out, the unit may remain vacant for any time length as long as management can prove reasonable marketing attempts have been made to rent the unit. Section 1.42-5 (c) of Title 26 CFR Treasury Department Regulations states:

*“Under the certification provision, the owner of a low-income housing project must be required to certify at least annually to the Agency that, for the preceding 12-month period –*

*(ix) If a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income.”*

The UVR also requires that management rent the vacant unit or any other units of comparable or smaller size to a qualified household. Moving in an unqualified resident to this unit or another of comparable or smaller size would cause the unit to lose its qualification status, and would drop your applicable fraction and set-aside percentages below target. Although the IRS has provided clarification that the UVR is a project rule, when applying this rule you should consult your management or state monitoring agency to determine if this applies per project or per building for your property.

The UVR does not apply to projects that are in lease-up with units that have never been qualified or for any vacant unit that was formerly occupied by low-income residents. Therefore, the UVR does not apply until a qualified household has occupied the unit for the first time and then vacated.

### **Next Available Unit Rule (NAUR)**

A resident that qualifies at move-in is allowed to have an income increase of up to 140 percent of the income limit (170 percent for deep rent skewed properties) according to Section 42 (g)(2)(D)(i). Once the occupant in the qualified unit goes over the 140 percent



of income limit (170 percent for deep rent skewed properties) at recertification, the NAUR is invoked. The household may still occupy the unit and have the rent restricted as long as the next unit of comparable or smaller size in the same building is rented to a qualified resident until the building's applicable fraction is met again (excluding the over-income household). However, when an ineligible household moves into a unit of comparable or smaller size in the same building that has over-income units, all over-income units in the building would no longer be considered in compliance and therefore not counted toward the set-aside and applicable fraction percentages since NAUR is a one-for-all rule.

As you can see, following the UVR and the NAUR plays a key role in keeping your property in compliance. Violating or not following these rules will put your property at a high risk of being out of compliance. It is wise to consult your management company on its policies while enforcing these rules.