

Virginia Housing Average Income Test

The IRS published the final Average Income Test (AIT) Regulations on Oct. 12, 2022 for the third minimum set-aside test under Section 42 of the Internal Revenue Code. The AIT permits a diverse mix of incomes and helps to house middle-income households with income between 60% - 80% AMI.

How Average Income Will Work

The project owner must designate the unit's income limitation at 20%, 30%, 40%, 50%, 60%, 70%, or 80% AMI at the time of move-in. The project owner also has the flexibility to change the unit income limitations on occupied units to maintain compliance according to their written guidance. Virginia Housing approval is not required for unit designation changes.

The AIT is satisfied when the project owner identifies and reports a Qualified Group of Units that meets the following criteria as of Dec. 31 of the taxable year:

- 40% or more of the residential low-income units in the Project are designated at income limitations from 20% to 80% AMI and each unit is:
 - habitable and does not have uncorrected non-compliance,
 - occupied or previously occupied by a qualified Tenant for the unit's designated income limitation,
 - rent-restricted, **and**
 - the designated income limitations collectively average 60% or less of AMI.

Average Income Test Reporting

The project owner must report:

1. unit designation changes as they occur, using the online tenant monitoring system **and annually as of Dec. 31,**
2. the Qualified Group of Units for the AIT, including 40% or more of the residential low-income units designated between 20% and 80%, which collectively average 60% or less of AMI **and**
3. the Qualified Group of Units for the Applicable Fraction, with all qualified and habitable designated units with income limitations from 20% and 80%, which collectively average 60% or less of AMI **and**
4. all Excluded Units, which includes all ineligible units and eligible units removed to maintain compliance in a Qualified Group of Units. Approved Exempt Units are also Excluded Units.

Review the [Virginia Housing Average Income Test Written Guidance](#) on our [website](#) and email your questions to Compliance-AssetManagement@VirginiaHousing.com.