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**Interagency Physical Inspection Alignment Initiative Update Regarding  
Amendments to LIHTC Compliance-Monitoring Regulations**

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*26 CFR Part 1* has been amended to clarify rules in section 42 of the Internal Revenue Code, specifically those relating to state Housing Finance Agencies (HFAs) who are participating in the Physical Inspection Alignment Initiative. Revenue Procedure 2016-15 permits those HFAs to use the Real Estate Assessment Center (REAC) protocol to satisfy physical inspection requirements for Low-Income Housing Tax Credit (LIHTC) funded properties. In addition, the regulation decouples the physical inspection from the low-income certification review, so they can be done on different units.

This is an important step in facilitating the Alignment Initiative's efforts. The update also provides additional options for achieving LIHTC compliance through the use of the REAC inspection protocol, provided that the provisions of the Revenue Procedure 2016-15, Section 5.01 are adhered to, including those relating to properties that do not receive HUD financing.

For further information regarding this IRS Regulation or Revenue Procedure, contact Jian H. Grant at (202) 317-4137 or Martha M. Garcia, (202) 317-6853.