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IRS Housing Bond Audits and Compliance Checks in 2025

Last year, Kutak Rock's [public finance tax group](#) worked on about 30 tax-exempt bond issues which were going through IRS audits or "compliance checks" (document requests), a new IRS inquiry requesting information with respect to the bond issue (particularly tax compliance with any program financed by the bonds), but not opening a formal "audit" of the bond issue. None involved single-family bonds. But some targeted multi-family bond issues. Most of the multi-family financings were compliance checks, where the IRS wasn't focusing on bond-specific issues per se, such as arbitrage or use of proceeds, but were asking for proof that multi-family bond program requirements, and in some cases LIHTC requirements, were satisfied.

Audit or compliance check topics included the following:

- ≥ Verification that tax law occupancy and tenant income limits were satisfied
- ≥ IRS Form 8703, and project rent rolls information to complete an 8703
- ≥ Procedures for recertification of tenants' incomes
- ≥ Sample initial income certifications and recertifications
- ≥ 8609s
- ≥ Even a project site visit or two

As a result of responding to these audits and compliance checks, we can't stress enough the importance of good record-keeping, and being able to locate or obtain on a timely basis, the relevant records and information have been requested. Being able to produce accurate records in a timely manner not only expedites the process for completing these reviews, but is also an indicator that the HFA takes seriously its record keeping obligations under these programs. We understand this can be a practical challenge for many HFAs and can require a significant allocation of time and staff resources; however, we have seen first-hand the benefits of good record-keeping when responding to IRS requests.

A word of warning – treat the response to a compliance or document request the same as an audit request. In particular, to avoid additional information requests or even an audit, (1) respond timely, (2) provide only the information requested, and nothing more, and (3) be very careful in any written correspondence to not inadvertently include unnecessary language.

If you receive an audit request or compliance check/document request, or if you have any questions about either of these types of inquiries, please feel free to contact any of our [tax lawyers](#), or any of our [deal lawyers](#) for a referral to a tax lawyer. You may also visit us at www.kutakrock.com.



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