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## **FASB Proposal Addresses Affordable Housing Project Investments.**

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The Financial Accounting Standards Board on April 17 issued proposed guidance that would modify the conditions for allowing the use of an effective yield method to account for investments in affordable housing projects that qualify for the low-income housing tax credit.

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According to FASB, the proposed accounting standards update, "Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force)," would amend existing guidance and permit a reporting entity to use the effective yield method of accounting if specific conditions are met.

FASB noted in the proposal that stakeholders had indicated that the effective yield method of accounting provides users of financial statements with a better understanding of the entity's investment returns from affordable housing projects.

The board added that the proposed guidance would apply to all reporting entities that invest in a qualified affordable housing project "through a limited liability entity that is a flow-through entity for tax purposes." The board said that current guidance requires some LIHTC investments to be accounted for as an equity method investment or cost method investment in accordance with Accounting Standards Codification Topic 970, "Real Estate — General."

FASB's proposal also includes disclosure objectives that should enable users of financial statements to understand the nature of investments in qualified affordable housing projects and the effect those investments and related tax credits have on an entity's financial statements. The proposal provides some information an entity should consider disclosing in order to meet those objectives, including the amount of affordable housing tax credits recognized during the year and the amount and nature of write-downs during the year that resulted from the "forfeiture or ineligibility of tax credits or other circumstances."

FASB said that an effective date will be determined after the Emerging Issues Task Force (EITF) reviews the feedback received on the proposal. The board did confirm that the proposed amendments should be applied retrospectively and that early adoption of the guidance will be permitted.

FASB on March 28 agreed to ratify the EITF's final consensus to expose the proposed guidance on accounting for investments in affordable housing projects for a 60-day comment period. (Prior coverage .)

FASB will accept written comments on the proposal until June 17.

For the proposal, see:

[http://www.fasb.org/cs/ContentServer?c=Document\\_C&pagename=FASB%2FDocument\\_C%2FDocumentPage&cid=1176162357127](http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176162357127)

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