

2026 Carryover Manual

A Development Owner (Owner) in receipt of a 2026 Commitment Notice from the Texas Department of Housing and Community Affairs (TDHCA or Department) must file the 2026 carryover package to obtain a Carryover Allocation. Under Internal Revenue Regulations, a Carryover Allocation Agreement (CAA) must be signed by both the Owner and the Department by December 31 of the year of the award. If this requirement is not met, the award will be treated as though it was not made. The federal rules for Carryover Allocations are stated in Internal Revenue Code (IRC), §42(h)(1)(E) - (F), and Title 26, Code of Federal Regulations (CFR), §1.42-6. The Department's carryover rules are stated in the 2026 Qualified Allocation Plan (QAP), 10 TAC §11.907, and 10 TAC §10.401(a), regarding the 10% Test.

When all conditions and requirements of carryover are satisfied, the Department will execute the CAA and return a copy to the Owner. The Department will account for all Carryover Allocations in its annual report to the Internal Revenue Service. The Department will not execute the CAA until all commitment and carryover documentation has been reviewed and found acceptable.

Carryover Documentation Delivery Instructions

All carryover documentation, except the executed CAA, must be submitted in electronic format via the Department's FTP server by 5:00 p.m., CST, Monday, November 2, 2026, pursuant to §11.1(f). **Do not submit paper copies of the carryover package.** Development Owners will receive the CAA via DocuSign. The executed CAA must be delivered to the Department via DocuSign by 5:00 p.m., CST, Monday, November 2, 2026, so that all parts of the carryover submission are in the Department's possession by this deadline. These requirements are reflected in 10 TAC §11.2 and 10 TAC §11.907.

If a Carryover Allocation Agreement must be delivered on paper instead of via DocuSign, it must be delivered by 5:00 p.m., CST, Monday, November 2, 2026, and it must be the original wet-signed document (including notarization if applicable). The paper document can be delivered to one of the following addresses:

Deliver To: Multifamily Finance Division
(Overnight/hand delivery) Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Regular Mail: P.O. Box 13941
Austin, Texas 78711

WARNING: Applicants sending the agreement via regular mail must account for the additional delivery time required for delivery of mail to state offices.

Submit the carryover package as an Acrobat (pdf) file. Staff cannot process carryover package submissions that are on paper. Please note that the Development Owner is responsible for the timely delivery of complete carryover documentation. **Commitments for housing tax credits will be terminated**

if the carryover documentation is not received by 5 p.m., CST, Monday, November 2, 2026 [pursuant to §11.1(f) that extends §11.2], unless an extension has been approved. The termination of a commitment is subject to appeal directly to the Board, and if so determined by the Board, immediately upon final termination by the Board, staff is directed to award the credits to other qualified Applicants on the approved waiting list [§11.907(1)].

Instructions for Completing the Carryover Allocation Submission Package

All carryover allocations of 2026 housing tax credits require the use of 2026 carryover forms in the 2026 Carryover Allocation Submission Package. There is a link to this package on the Competitive (9%) Housing Tax Credits page in the Multifamily Finance Division section of the TDHCA website under the heading, 2026 9% HTC Carryover Allocation Information, <https://www.tdhca.texas.gov/competitive-9-housing-tax-credits>. Delivery of the executed CAA starts with Multifamily Finance Division staff filling out the electronic document with information provided by the Development Owner in the Application, Commitment Notice, and 2026 Carryover Allocation Questionnaire. Staff will transmit the completed electronic CAA to the Development Owner through DocuSign. Regarding the 2026 carryover package:

- After downloading the electronic Excel template, fill in the applicable areas. Some areas of the forms are unlocked to allow awardees to add additional columns or rows, or format text as necessary. If the space provided is insufficient for the number of characters that must be entered, decrease the font size or append an additional page.
- All questions are intended to elicit a response. Therefore, please do not omit any requested information. DO NOT include cell references to external spreadsheets. The submission must be entirely self-contained.
- Instructions for converting the completed Excel file to pdf may be found in the 2026 Multifamily Programs Application Procedures Manual that is posted at this link, https://www.tdhca.texas.gov/sites/default/files/multifamily/docs/25-MFProceduresManual_0.pdf, under the heading on the TDHCA website at Multifamily Programs\Apply for Funds. Bookmarks are not required in the Carryover Package, but instructions for their creation may be found in the 2026 Multifamily Programs Application Procedures Manual if they are desired.

For questions, contact Ben Sheppard at (512) 475-2122 or bsheppar@tdhca.texas.gov.

Required Forms and Exhibits for the Carryover

If deficiencies are found in a carryover submission, Department staff will notify the Development Owner, who will be given three business days to correct the deficiencies, unless a shorter period is necessary to meet the December 31 execution deadline. Timely response to a deficiency notice is critical so that the carryover documentation can be processed and the CAA can be fully executed before midnight, December 31, 2026, a federal deadline that cannot be extended.

Carryover Allocation Agreement

The Carryover Allocation Agreement conveys the allocation of tax credits pursuant to IRC §42(h)(1). A Carryover Allocation Agreement will be transmitted to the Development Owner by Department staff for the Owner's review and execution. If revisions are necessary, the Owner must request that staff make them.

- If the CAA is transmitted via DocuSign, the Owner must complete the signing process no later than 5:00 p.m., CST, Monday, November 2, 2026, the Carryover Documentation Delivery Date [2026 QAP, 10 TAC §11.2(a) and 10 TAC §11.1(f)].
- If the CAA is delivered as a paper document, it must be physically delivered to the Department no later than 5:00 p.m., CST, Monday, November 2, 2026 [Carryover Documentation Delivery Date, 2026 QAP, 10 TAC §11.2(a) as modified by §11.1(f)], on paper (PRINTED ON ONE SIDE PER PAGE, ONLY, PLEASE), as an original document, signed and, if applicable, notarized in ink.
- Development Owners are responsible for all information in the Carryover Allocation Agreement. Therefore, Owners should review all entries for accuracy. Revisions will be made by Department staff as stated above.
- The Taxpayer's Reasonably Expected Basis (TREB) stated in the CAA must be sufficient to support the value of the tax credits allocated. Therefore, the TREB minus the land value must be greater than or equal to the eligible basis used in calculating the credit award by the eligible basis method (as compared to the gap method or owner's request). Generally, TREB includes the value of the site and all items of eligible basis. Other items of cost that can be depreciated or capitalized for tax purposes may also be included. It is important to remember that the limits and exclusions that are applied for underwriting purposes to "voluntary" eligible basis, "voluntary" costs, demolition cost, contingency amounts, contractor fees, soft costs, and developer fees, generally do not apply to the amounts that should be included in TREB. A CPA or tax attorney should be consulted to assure the validity and sufficiency of the TREB because a TREB that is insupportably low can invalidate the carryover allocation.
- **Elections have no effect on the applicable percentage unless the published rate for the month of the election is higher than 9% for any non-federally subsidized new building or higher than 4% for any other new or existing building.** Section §42(b)(2)(B) established the 9% minimum, and §42(b)(3) established the 4% minimum. IRS Notice 2008-106 clarified that if the published rate for the month of an election is more than 9%, such higher rate can be elected. Section

42(b)(1) states that elections are irrevocable. Therefore, an election made at carryover might preclude adopting a higher rate (above 9% or 4%) that becomes applicable at placement in service. If the published rate is higher than 9% or 4%, an election pursuant to §42(b)(1)(A)(ii)(I) to fix the applicable percentage as the rate that is effective in the month that the Department signs the CAA is possible if the Owner informs the Department that it desires to make such election. The Department will process a CAA to include an election subject to the Department's sole discretion in view of constraints of time, availability of staff, and a reasonable expectation that including the election will produce a meaningful result, e.g., the IRS publishes applicable percentages for the effective month of CAA execution that exceed 9% and/or 4%. An election requires the Department to execute and notarize the CAA in the same month as the Owner. CAAs that do not include elections do not require notarization. Because the Department must complete its review of applicable Carryover documentation before signing the CAA, the month that an election can be effective is typically December. Therefore, CAAs issued to Owners in October to meet the requirement to submit by 5 p.m., CST, November 2, 2026, will not contain representations of elections. [26 CFR §1.42-8, §42(b)(1)(A)(ii)(I), §42(b)(2)(B), §42(b)(3), IRS Notice 2008-106,]

- Regarding the Nonprofit Set-Aside, Nonprofit Organizations must receive at least 10% of the competitive tax credits that are available in any year. An award made in the Nonprofit Set-Aside requires the "Nonprofit" box on the third page of the Carryover Allocation Agreement to be marked and the name of the nonprofit organization to be entered. This Nonprofit Set-Aside information will be filled out by Multifamily staff and should be reviewed for accuracy. The development will have a condition in its Land Use Restriction Agreement ("LURA") requiring the nonprofit organization's participation throughout the Compliance Period.
- Each member of the Development Owner that is in the signature block of the CAA must be on record as of the date of signature as a legally formed organization in the state in which it was organized. In addition, the legal entity that is the Development Owner must be on record with the Texas Secretary of State. The organization names on the signature page should exactly match the names of the applicable state records in both spelling and punctuation (except that the Department may capitalize all letters of the name in the CAA). No part of an organization's recorded name should be truncated or abbreviated. If the ownership entity name was filed to include the words, "Limited Partnership," it is not permissible to substitute "Ltd." or "L.P." If "L.P." or "LP" is in the name, include or exclude the periods after each letter as applicable. Submit evidence of legal formation of the ownership entity as detailed in the discussion of Tab 3, below.
- Any errors in the Carryover Allocation Agreement may only be corrected by Department staff.

Carryover Allocation Package

A complete electronic PDF carryover file must be submitted in the order presented in the Excel file template and detailed below. Tabs in the Excel workbook are forms for the Development Owner to complete and/or placeholders where certain documents must be inserted.

❖ **Tab 1: Owner and Development Summary.**

- This form must be completed in its entirety.
- The carryover package must communicate the existence of any approved extension and any request for or approval of an amendment or ownership change by including the letter of request or the Department's letter of approval behind Tab 7. The documentation associated with these letters of request or approval should not be placed in the carryover package, only the letters themselves. The requests with supporting documentation should be submitted as separate packages before submission of the carryover package as described below.
 - Development Owner must ensure that all fees associated with all developments in which any Affiliate of the Development Owner was a principal have been paid.
 - Carryover packages submitted after the submission deadline without an approved extension will be terminated pursuant to 10 TAC §11.907(1). A carryover package that has a significant omission may be terminated unless it includes an approved extension.
 - Documentation evidencing the submission or approval of requests for Amendments or Ownership Changes prior to submission of the carryover package is to be included in Tab 7. Do not submit the requests themselves in the carryover package. Owners are cautioned to consult the Post Award Activities Manual at <https://www.tdhca.texas.gov/post-award-activities-manual> regarding the process for submission. Documentation of changes in the Application that do not constitute Amendments or Ownership Changes is to be included in Tab 7 as detailed in the discussion of Tab 7 below. Requests for ownership changes and amendments of the application that can be processed before December 31, 2026, must be submitted to the Multifamily Finance Division, not to Asset Management. However, such requests are to be made as instructed in the Asset Management Division's Post Award Activities Manual. Submit the requests via the FTP portal and notify Ben Sheppard, ben.sheppard@tdhca.texas.gov.
- The Limited Partnership Agreement (LPA) (signature page or pages, only) should be included behind this tab (Tab 1). Do not submit any pages of the limited partnership agreement except the signature page(s) of the original document showing execution by all relevant parties. **If the LPA has not been signed by the final limited partner investor, do not submit this item.**

❖ **Tab 2: Table of BINs for Developments with Previous Allocations.**

- This tab is not applicable for developments without previous allocations but is required for all developments with previous allocations, regardless of when those allocations were made or whether the Development is beyond its affordability period. If the current development contains one or more buildings for which a carryover allocation or IRS Form 8609 was issued (or will be issued) in relation to a past award of tax credits, provide the following:

- Provide a list of all building identification numbers ("BINs") assigned in the past to the buildings of the current allocation and attach the 8609 of each building of the previous allocation. If one or more buildings were assigned BINs in a previous carryover allocation but have never, or not yet, received 8609s, provide the page of the carryover allocation that assigned the BINs and explain the buildings' current status.
- If the development of the previous allocation contained any buildings that were assigned BINs in the previous Carryover Allocation Agreement, LURA or 8609s, identify any BINs that will not be used in association with the current carryover allocation. This instruction is applicable, for example, in cases where buildings that were assigned BINs have been destroyed or will not be rehabilitated using tax credits from the current allocation. Explain why the BINs will not be used. Attach a page with a heading such as, "Explanation of Previous BINs Not Used," that includes the explanation. BINs that were assigned in a Carryover Allocation Agreement in excess of the BINs actually needed for the previous development proposal do not need to be explained. Only BINs that were actually assigned to buildings need to be discussed. For example, if a range containing 99 BINs was stated in the Carryover Allocation Agreement, but the development only needed three BINs, then only the BINs among these three applicable BINs that are not to be used in the current carryover allocation agreement must be discussed.

❖ **Tab 3: Employer Identification Number (EIN) Form and Certificate of Fact from Texas Secretary of State.**

- Submit the document from the IRS showing the EIN of the Development Owner (not the general partner). The name of the Development Owner must be the same as the name registered with the Texas Secretary of State and stated in the Application and Commitment Notice, unless a change was otherwise approved by the Department. Please do not provide an EIN for any organization in the ownership structure other than the Development Owner.
- A Certificate of Fact or certificate of authority (i.e., certificate of authority to do business in Texas for entities organized outside Texas), as applicable, from the Texas Secretary of State must be submitted for the Development Owner [10 TAC §11.907(4)]. Documentation of the existence and membership of each organization in the signature block of the Carryover Allocation Agreement must be available on the internet, or from the Development Owner at the request of the Department. The availability of this documentation is required for entities organized in Texas and outside Texas. Any organization name in the carryover execution block should exactly match the name in the entity's organizational records in both spelling and punctuation. No part of an organization's name should be truncated or abbreviated in the execution block. As an example, if the ownership entity name includes the words "Limited Partnership," it is incorrect to substitute "Ltd." or "L.P." **If an organization named in the signature block was organized in Delaware or any other state whose online records do not provide evidence at no charge that the organization is**

formed, active and in good standing (i.e., has legal standing to make a valid execution of the CAA) provide the evidence in the carryover submission in the form of a state record acknowledging such standing.

- A certificate of Franchise Tax Account Status from the Texas Comptroller of Public Accounts must be available for the organization that is the Development Owner. [10 TAC §11.907(4)]

❖ **Tab 4: Fair Housing Training.**

- Note that the exact language to fulfill this requirement will be provided by the Department in Tab 4 of the Carryover Package. Note that the requirement for this carryover package is for a statement, not evidence of attendance. Please do not submit the documentation of attendance itself; submit the statement, only. Certificates of attendance indicating satisfactory completion are due with the 10% Test submission and must be submitted at that time pursuant to 10 TAC §10.401(a)(6). The fair housing training course dates must not be more than three (3) years prior to the 10% Test submission. *Note: the 10% Test for 2026 Awardees will be processed by the Department's Asset Management Division, and the instructions for submitting the 10% Test documentation will be part of the Post Award Activities Manual that is posted at the time for submission on the Asset Management page of the Department's website at the link: <https://www.tdhca.texas.gov/post-award-activities-manual>.*

❖ **Tab 5: Evidence of Site Control – Deed or Contract to Purchase or Lease the Land.**

- Complete the form, indicating either an actual closing date or a projected closing date.
- Evidence of site control consistent with 10 TAC §11.204(9) must be included in the carryover submission package. The evidence must be for the same site proposed in the application, unless an amendment of the site has been approved by the Department or by the Board. In addition, the evidence must show that control is already in place and will remain in place until a projected closing date or the 10% Test, whichever is earlier as stated in 10 TAC §11.907(3).
- Evidence should be submitted to show the ability to retain site control through January 1, 2027, or to closing if closing will occur before this date. Submit an executed extension to the contract, closing statement, or deed to meet this requirement, as applicable.

❖ **Tab 6: Resolution of Conditions of the Commitment Notice and/or Carryover.**

- Documentation that the conditions stated in the Commitment Notice and/or Carryover have been satisfied must be provided behind this tab. For each condition, include a narrative explaining how the documentation submitted satisfies the condition – please include this narrative no matter how obvious the explanation seems. If documentation to clear a condition must be submitted to the Real Estate Analysis Division or another division of the Department, include confirmation from the applicable division that the documentation has been submitted and/or that the condition has been cleared.

❖ **Tab 7: Documentation of Changes.**

- Changes that constitute amendments of the application or ownership changes put the award in jeopardy. If changes are contemplated that impact the development proposal or information presented in the application, see Tex. Gov't Code §2306.6712 and §2306.6713. In the Multifamily Rules, see 10 TAC §10.405 and §10.406. Submit changes for the Department's review as described in the Post Award Activities Manual. Changes in Developments with current year awards are to be submitted to the Multifamily Finance Division.
- Ownership change requests should be made before the carryover submission deadline, and the letter approving the change, or evidence of the Department's receipt of the request, should be included behind Tab 7 of the carryover package. Do not submit the request itself in Tab 7. These requests are governed by 10 TAC §10.406 (relating to Tex Gov't Code §2306.6713) and the related fees are governed by 10 TAC §11.901(14). Consult the Post Award Activities Manual of the Asset Management Division at <https://www.tdhca.texas.gov/post-award-activities-manual> for instructions on submitting such a request. Changes in the Developer, Guarantor or person used to meet the experience requirement are amendments, rather than ownership changes, as discussed below. If the Department or Board will make a determination about the request before December 31, 2026, submit the request in the FTP portal and notify Ben Sheppard, ben.sheppard@tdhca.texas.gov.
- Amendment requests should be made before the carryover submission deadline, and the approval, or evidence of the Department's receipt of the request, should be submitted behind Tab 7 of the carryover package. Do not submit the request itself. 10 TAC §10.405 governs amendments and 10 TAC §11.901(10) establishes the associated fees. Owners should consult the Asset Management Division's Post Award Activities Manual at <https://www.tdhca.texas.gov/post-award-activities-manual> for descriptions of the types of changes that constitute amendments requiring approval from the Department or the Board. If the Department or Board will make a determination about the request before December 31, 2026, submit the request in the FTP portal and notify Ben Sheppard, ben.sheppard@tdhca.texas.gov.
- As stated in 10 TAC §11.907(2), "If the interim or permanent financing structure, syndication rate, amount of debt or syndication proceeds are finalized but different at the time of carryover from what was proposed in the original Application, applicable documentation of the changes must be provided and the Development may be re-evaluated by the Department for a reduction of credit or change in conditions." In Tab 7 of the Carryover Package, submit confirmation that documentation of these changes has been submitted for acceptance to the underwriter and manager that signed the TDHCA underwriting report for the Real Estate Analysis Division. Submit acknowledgement, acceptance/approval or clearance from REA as well as the changes themselves behind Tab 7 to be reviewed by Multifamily Finance staff for any effect on scoring. Replacements of Application exhibits must be submitted if the original application exhibits no longer reflect the anticipated financing, revenues, expenses or costs that were represented in

the application. Changes in financing, revenues, expenses and costs that will not cause changes in the score of the application generally will not be treated as amendments of the application.

- Changes in the development proposal require review for conformity with programmatic requirements and may require additional underwriting review, either of which may affect the allocation of credits. Owners should be sure that any changes reported reflect the anticipated final form of the development proposal to avoid unnecessary delay. If there have been no changes in the development proposal since the time of underwriting the application, the underwriting performed at the time of application will remain effective for the carryover, and there will be no decrease in the carryover allocation from the amount of tax credits recommended in the original underwriting.

Examples of Application forms that may be applicable to reporting changes:

- Rent Schedule
- Utility Allowances
- Annual Operating Expenses
- 15-Year Rental Housing Operating Pro Forma
- Development Cost Schedule
- Scope and Cost Review (only required if rehabilitation is proposed). See 10 TAC §11.306, Scope and Cost Review Guidelines, for a description of requirements.
- Offsite Cost Breakdown
- Site Work Cost Breakdown. This form is required if site work costs have changed, and if that change results in total site work costs exceeding \$15,000 per unit, the form must be accompanied by a CPA letter identifying the part of these costs that can be included in Eligible Basis in the Development Cost Schedule.
- Schedule of Sources of Funds and Financing Narrative. If financing changes, submit the form and amended commitment letters.
- Permanent (or other) lender financing letter that includes the terms necessary for scoring Financial Feasibility points.