



**Novogradac
Property Compliance
Workshop**

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NOVOGRADAC & COMPANY

Outline

- LIHTC Property Compliance Overview
- Household Size for Income Limits
- Household Income and Assets
- Calculating Rent Limits
- The Tenant Income Certification
- HOME and LIHTC Programs
- Rental Assistance
- Project-Based vs Voucher-Based Assistance



September 9, 2015 | Lansing, MI.

Outline

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Household Size for Income Limits

Household Income and Assets

Calculating Rent Limits

The Tenant Income Certification

HOME and LIHTC Programs

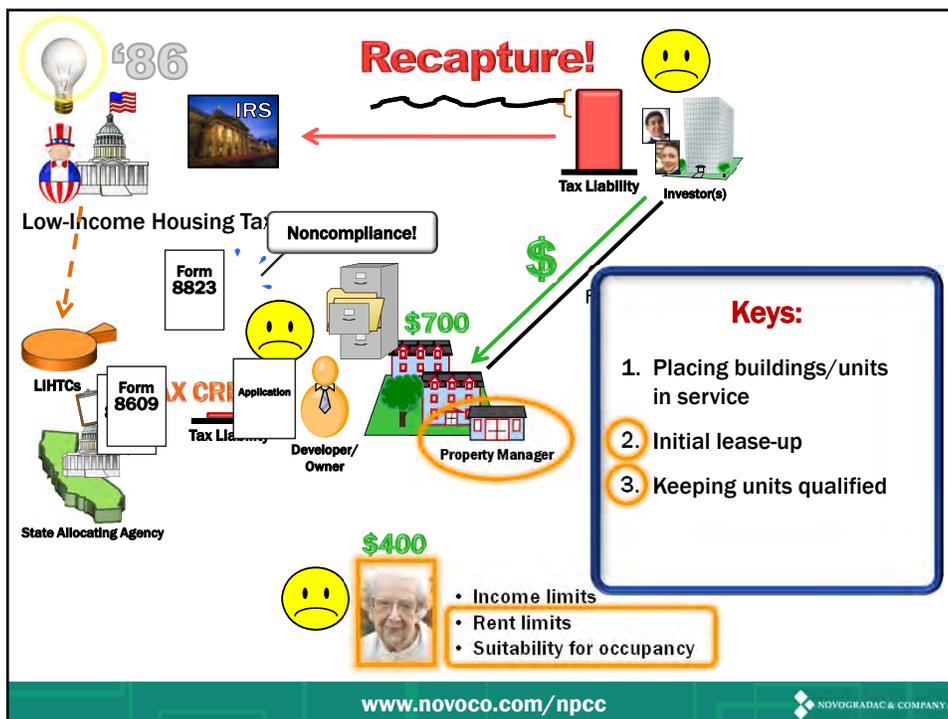
Rental Assistance

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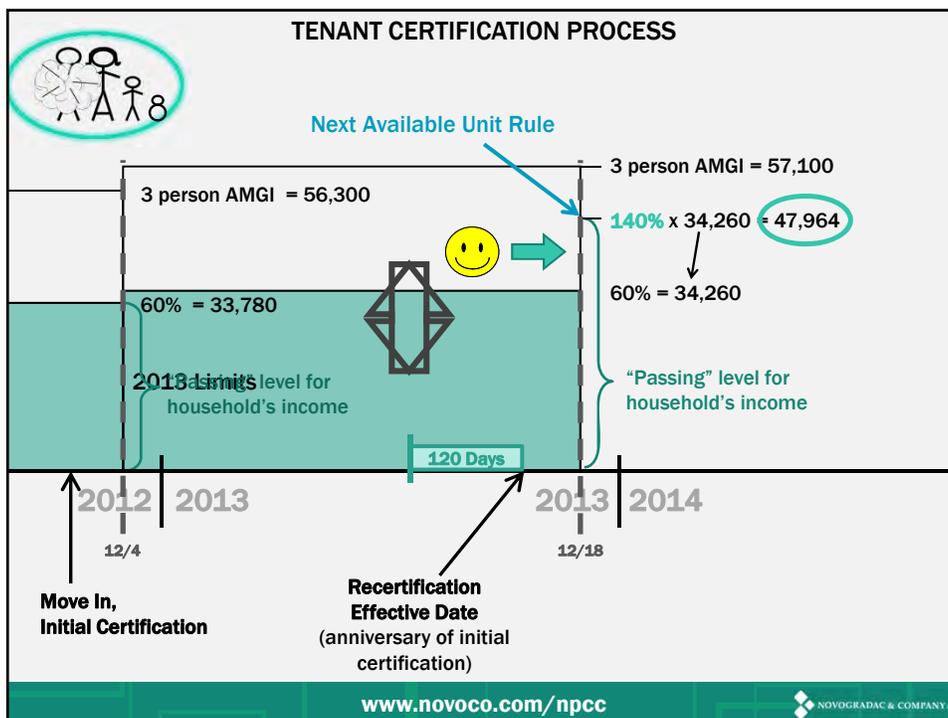
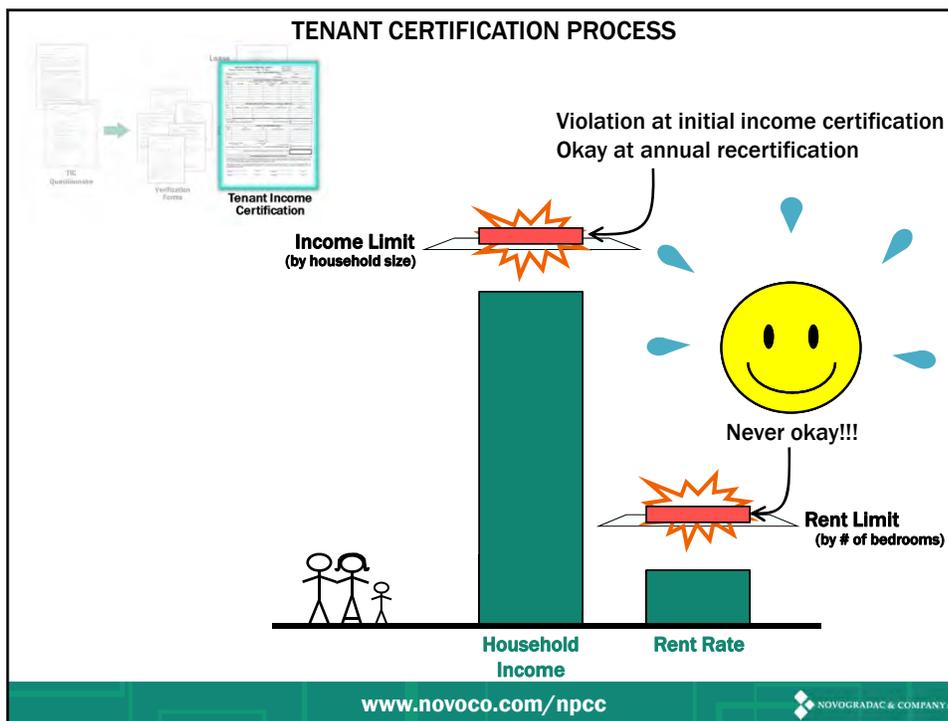
HOME and LIHTC Programs

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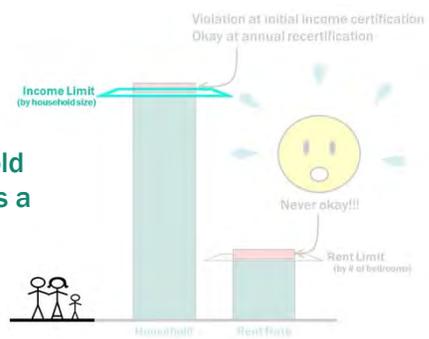
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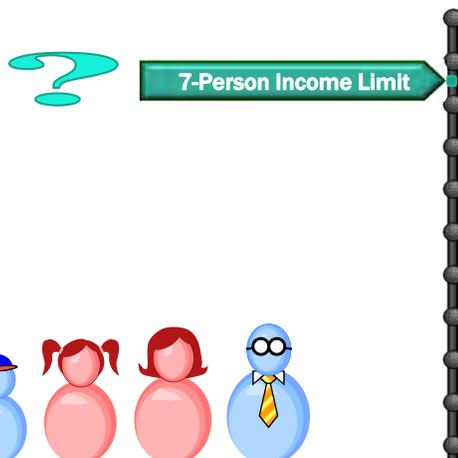
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If income limits are based on household size, we need to identify who counts as a member of the household.



Household Size:



HOUSEHOLD SIZE FOR INCOME LIMITS

Includes:

All persons living in the unit 50% or more of the time (including foster children and adults) plus:

- a. Children temporarily absent (in foster home)
- b. Children in joint-custody (present 50% or more)
- c. Children away at school (return during recesses)
- d. Unborn children of pregnant women
- e. Children in process of being adopted
- f. Temporarily absent family members who are still considered family members
- g. Family members in hospital or rehab for limited or fixed periods
- h. Persons permanently confined to hospital or nursing home*

(This is not the same as for occupancy standards)

Excludes:

- a. Live-in aides
- b. Guests

* Family chooses, but has to include income if they count the person in household)

HUD Handbook Chapter 3: Paragraphs 3-6.E.3&4

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HOUSEHOLD SIZE FOR INCOME LIMITS

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- c. Children away at school (return during recesses)
- d. Unborn children of pregnant women
- e. Children in process of being adopted
- f. Temporarily absent family members who are still considered family members
- g. Family members in hospital or rehab for limited or fixed periods
- h. Persons permanently confined to hospital or nursing home*

Excludes:

- a. Live-in aides
- b. Guests

* Family chooses, but has to include income if they count the person in household)

4350.3 REV.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Third Party*			Provided by Applicant	Self-Declaration	Verification Type
	Written Verif.	Phone Verif.	Oral			
<ul style="list-style-type: none"> • Family composition • *See Chapter 3, Paragraph 3-6.2.1.1 	<ul style="list-style-type: none"> • None required 	<ul style="list-style-type: none"> • None required 	<ul style="list-style-type: none"> • None required 	<ul style="list-style-type: none"> • EVI certificate • Driver's license • Employer records • Income tax returns • Marriage certificate • Social records • Social Security Administration records • Social service agency records • Support payment records • Utility bills • Voter Registration (US records) 		<ul style="list-style-type: none"> • All general rule verification only if the owner has not written policy

NOTE: Requests for verification from "a third party source" must be accompanied by a Consent to Release form "HUD-9887-A".

NOTE: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the source. The owner should also fill and date this notation in the file.

NOTE: For all the verifications, the documentation must include: Name, title and date of contact, and name and title of the third party.

NOTE: For use of EVI Income Reports as third party verification of employment and income a current Consent to Release form HUD-9887 must be on file.

NOTE: See examples and requirements found in Paragraph 3-6.3.1.

HUD Occupancy Handbook
Appendix 3: Acceptable Forms of Verification

11 613

22 pages

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HOUSEHOLD SIZE FOR INCOME LIMITS

Appendix 3 4350.3 REV-1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	*Provided by Applicant	Self-Declaration	Verification Tips
<ul style="list-style-type: none"> Family composition. 	<ul style="list-style-type: none"> Birth certificates Divorce actions Drivers' licenses Employer records Income tax returns Marriage certificates School records Social Security Administration records Social service agency records Support payment records Utility bills Veterans Administration (VA) records 		<ul style="list-style-type: none"> An owner may seek verification only if the owner has clear written policy. 

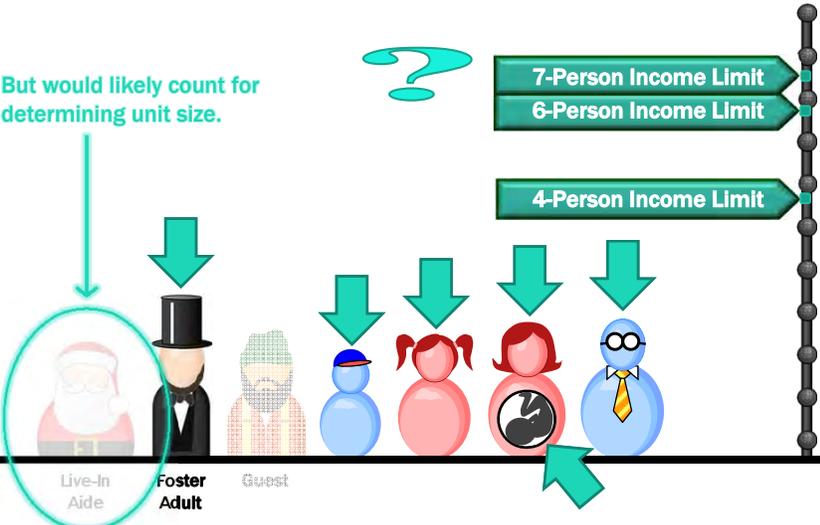
*NOTE: Requests for verification in HUD Occupancy Handbook Appendix 3, Acceptable Forms of Verification

22 pages

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Household Size:

But would likely count for determining unit size.



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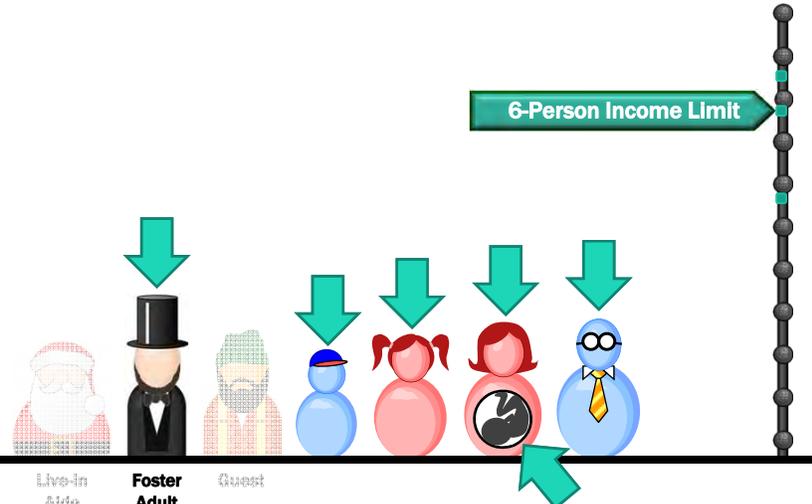
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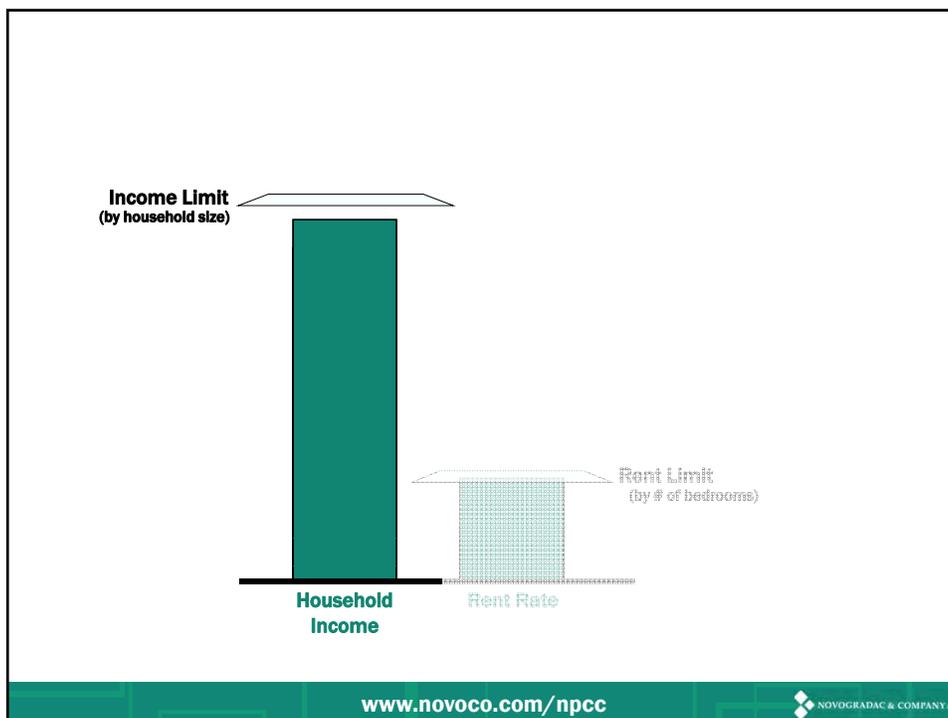
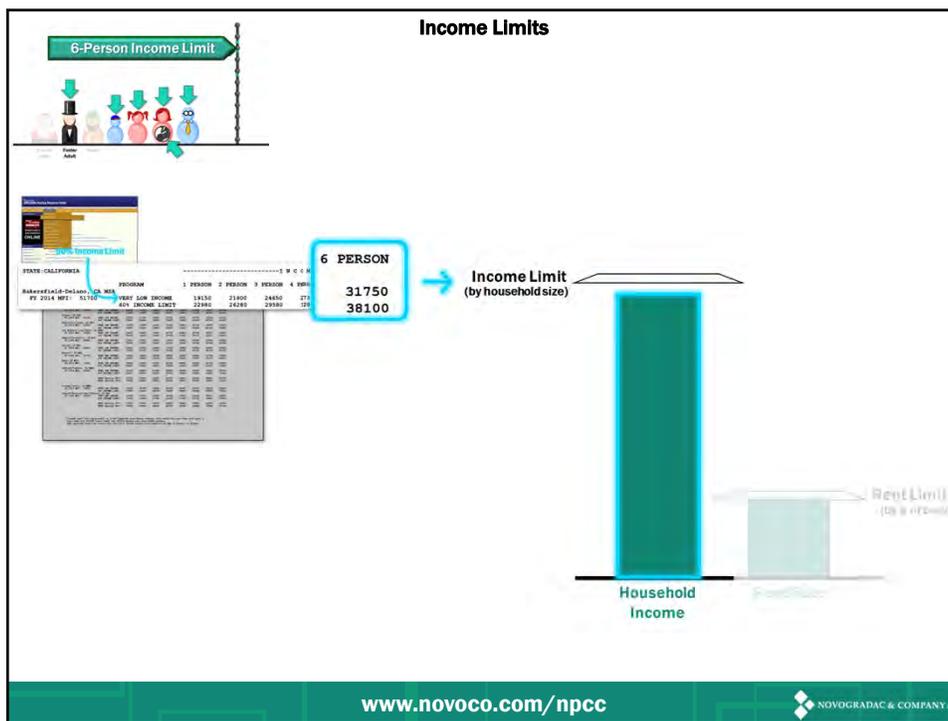
September 9, 2015 | Lansing, MI.

Household Size:



The diagram illustrates how different household members are counted towards a 6-person income limit. A vertical scale on the right is marked with 6 dots, with a green arrow labeled "6-Person Income Limit" pointing to the top. Below the scale, icons represent household members: a Live-In Aide (1 person), a Foster Adult (1 person), a Guest (1 person), a child (1 person), a pregnant woman (2 people), and another child (1 person). Green arrows point down from each icon to the scale, showing they all count towards the limit.

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Section 1
4350.3 REGM

5-4 Key Requirements

A. Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:

1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or
2. All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.

B. Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 5-1, Income Inclusions and Exclusions, provides the complete list of income inclusions and exclusions published in the regulations and *Federal Register* notices.

C. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

HUD Occupancy Handbook
Chapter 5: Determining Income & Calculating Rent

**HUD Handbook 4350.3, Chapter 5
Section 1: Determining Annual Income**

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TENANT CERTIFICATION PROCESS

TIC
Questionnaire

Verification
Forms

Lease

**Tenant Income
Certification**

TYPES OF INCOME

- **Employment income**
- **Income from other sources**
- Income from assets

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Exhibit 5-1: Income Inclusions and Exclusions

24 CFR 570.501(a)(2)

(Examples included in parentheses have been added to the regulatory language for clarification.)

INCOME INCLUSIONS

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.

(2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital expenditures shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital expenditures shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. (When the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.)

(4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic amounts, including a lump-sum amount or prospective monthly amounts for the designated term of a "periodic amount" (e.g., Black Lung Sick Benefits, Veterans Disability, Dependent Income Compensation, payments to the widow of a serviceman killed in action). (See paragraph (12) under Income Exclusions for an exception to this paragraph.)

(5) Payments in lieu of benefits, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions.

(6) **Welfare Assistance:**

(a) Welfare assistance received by the family.

(b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency or administrator with the actual cost of shelter and utilities, the amount of welfare assistance income to be included is

HUD Handbook 4350.3, Chapter 5
Exhibit 5-1

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ANNUAL INCOME

HUD Handbook 4350.3 Chapter 5

Sample of the 9 Inclusions:

- Wages, salaries, commissions, bonuses, etc. (before taxes)
- Social security (gross)
- Alimony and child support
- Unemployment & disability
- Interest and dividends

Sample of the 16 Exclusions:

- **Employment** income of children under 18 (including foster children)
- Meals on wheels
- **Lump sum** support, winnings, inheritances, etc.
- Earnings in excess of \$480 for each full-time student 18 years old or older

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Figure 5-2: Whose Income is Counted?

Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult (including foster adult)	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	See Note	Yes
Foster child under 18	No	Yes
Nonmembers Neither person for limit nor income		
Live-in aide	No	No

NOTE: The earned income of a full-time student 18 years old or older who is a dependent is excluded to the extent that it exceeds \$480.

HUD Handbook 4350.3, Chapter 5
Paragraph 5-6.A

Examples – Income Exclusions

- Resident service stipends. Rich Fuller receives \$50 a month for distributing flyers for management. This amount is excluded from annual income. **Include whole amount if > \$200/mo**
- Deferred periodic payments of social security benefits. Germain Johnson received \$32,000 in deferred social security benefits following a lengthy eligibility dispute. This delayed payment of social security benefits is treated as an asset, not as income. **Only if it still exists**
- Income from training programs. Jennifer Jones is participating in a qualified state-supported employment training program every afternoon to learn improved computer skills. Each morning, she continues her regular job as a typist. The \$250 a week she receives as a part-time typist is included in annual income. The \$150 a week she receives for participation in the training program is excluded in annual income.
- Earned Income Tax Credit refund payments. Mary Frances Jackson is eligible for an earned income tax credit. She receives payments from her employer each quarter because of the tax credit. These payments are excluded in annual income.

**

HUD Handbook 4350.3, Chapter 5
Paragraph 5-6.R

VERIFICATION REQUIREMENTS

- **ANTICIPATED** income not past income
- Verify directly from the source (if possible)
- Verifications good for **120 days**
- Use HUD Handbook 4350.3 Appendix 3 as your guide

Appendix 3: Acceptable Forms of Verification

Income Source	Acceptable Forms of Verification
Social Security	Statement from Social Security Administration; Social Security Administration printout; Social Security Administration letterhead document; Social Security Administration letterhead document with Social Security Administration signature; Social Security Administration letterhead document with Social Security Administration signature and Social Security Administration stamp; Social Security Administration letterhead document with Social Security Administration signature and Social Security Administration stamp and Social Security Administration seal.
Unemployment	Statement from State Unemployment Agency; State Unemployment Agency printout; State Unemployment Agency letterhead document; State Unemployment Agency letterhead document with State Unemployment Agency signature; State Unemployment Agency letterhead document with State Unemployment Agency signature and State Unemployment Agency stamp; State Unemployment Agency letterhead document with State Unemployment Agency signature and State Unemployment Agency stamp and State Unemployment Agency seal.
Other Income	Statement from source; Source printout; Source letterhead document; Source letterhead document with source signature; Source letterhead document with source signature and source stamp; Source letterhead document with source signature and source stamp and source seal.

22 pages

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Question

Which of the following would be included in household income?

- a. Income from a state-approved training program
- b. Earned income tax credit refund payments
- c. Resident service stipends if amount is greater than \$200 per month

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Examples

Example #1

Employment Income

Employment Verification

Tenant Income Certification

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EIV Not permitted for LIHTC!

Written	Third Party	Provided by Appl	Self-Declarat	Verification Tips
<ul style="list-style-type: none"> EIV Income Report (mandatory) Verification form completed by employer. See Paragraph 6.10.8. 	<ul style="list-style-type: none"> W-2 Forms, if applicant has had same employer for at least two years and increases can be accurately projected. Paycheck stubs or earning statements. 	<ul style="list-style-type: none"> Telephone person employ amount per pay length. Document the own 	<ul style="list-style-type: none"> Notarized letter or affidavit sign applicant that describe amount source of income 	<ul style="list-style-type: none"> It is mandatory that the EIV Income Report be used as third-party verification of employment and income (24 CFR 5.903). Always verify: frequency of gross pay (i.e., hourly, biweekly, monthly, bimonthly); anticipated increases in pay and effective dates; overtime. Require most recent "4-6" consecutive pay stubs; do not use check without stub. For fee: additional information can be obtained from The Work Number 800-566-7556; First American Registry 800-499-0350; and Verifax 800-968-5100. Fees are valid project expenses. Information does not replace third-party verification.

Appendix 3: Acceptable Forms of Verification

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EMPLOYMENT VERIFICATION
THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: Office & address of employer) Date _____

AP: _____
Approval/Owner Name Social Security Number Last 4 of employer

I hereby authorize release of any employment information:
Signature of Applicant/Owner Date

The individual named directly above is an applicant/tenant of a leasing program that requires verification of income. The information provided will remain confidential to individuals of that credit program only. Your prompt response is desired and greatly appreciated.

Project/Leasing Management Agent: _____
 Return Form To: _____

THIS SECTION TO BE COMPLETED BY EMPLOYER

Current Wages/Salary: \$ 26,000 (check one)
 hourly weekly bi-weekly semi-monthly monthly yearly other _____

Occupation Rate: _____ per year Average # of overtime hours per week: _____
 Shift Differential Rate: _____ per hour Average # of shift differential hours per week: _____

List any anticipated change in the employee's rate of pay within the next 12 months: \$2,000 Raise Effective date: 2/1/15

Additional needs: _____

Employer's Signature: _____ Employer's Printed Name: _____ Date: _____
 Employer's Complete Name and Address: _____
 Phone #: _____ Fax #: _____ Email: _____

NOTE: Section 1032 of Title 18 of the U.S. Code makes it a criminal offense to make a false statement or representation to any Department or Agency of the United States or to any federal officer or employee.
 Employment Verification (March 2009)

Employment Verification

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EMPLOYMENT VERIFICATION
THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: Office & address of employer) Date _____

AP: _____
Approval/Owner Name Social Security Number Last 4 of employer

I hereby authorize release of any employment information:
Signature of Applicant/Owner Date

The individual named directly above is an applicant/tenant of a leasing program that requires verification of income. The information provided will remain confidential to individuals of that credit program only. Your prompt response is desired and greatly appreciated.

Project/Leasing Management Agent: _____
 Return Form To: _____

THIS SECTION TO BE COMPLETED BY EMPLOYER

Current Wages/Salary: \$ 26,000 (check one)
 hourly weekly bi-weekly semi-monthly monthly yearly other _____

Occupation Rate: _____ per year Average # of overtime hours per week: _____
 Shift Differential Rate: _____ per hour Average # of shift differential hours per week: _____

List any anticipated change in the employee's rate of pay within the next 12 months: \$2,000 Raise Effective date: 2/1/15

$$\begin{aligned} \$26,000/12 \times 2 &= \$ 4,333.33 \\ \$28,000/12 \times 10 &= \$23,333.33 \\ \hline & \$27,666.66 \end{aligned}$$

Employment Verification

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Verification 11/9/2014 **Desired Move-In 12/1/2014** **Anticipated Raise 2/1/2015** **One-Year Mark 12/1/2015**

2 months \$26,000/yr 10 months \$28,000/yr

TENANT INCOME CERTIFICATION

Initial Certification Recertification Other Effective Date: _____
Move-in Date: (MM/DD/YYYY) _____

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BDN # _____
 Address: _____ Unit Number: _____ # Bedrooms: _____

PART II - HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security # (Last 4 Dg. Sh.)
1			HEAD			

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
1	\$27,666.66			
TOTALS	\$	\$	\$	\$
Add totals from (A) through (D), above				TOTAL INCOME (E): \$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. You have provided for each person(s) set forth in Part II acceptable verification of current reported annual income. You agree to verify the household composition upon any member becoming a full-time student.

Under penalty of perjury, I/We certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false information herein constitutes an act of fraud. Filing, submitting or attempting to submit this form in violation of the above agreement.

Signature: _____ Date: _____ Signature: _____ Date: _____
 Signature: _____ Date: _____ Signature: _____ Date: _____

Tenant Income Certification

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EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

THIS SECTION TO BE COMPLETED BY EMPLOYEE

Employee Name: _____

Presently Employed: Yes _____ Date: _____ No _____ Last Day of Employment: _____

Current Wages/Earnings: _____ (check one)
 hourly weekly bi-weekly semi-monthly monthly yearly other

_____ hours per week Year-to-date earnings: \$ _____ from ____/____/____ through ____/____/____

Overtime Rate: \$ _____ per hour Average # of overtime hours per week: _____

Shift Differential Rate: \$ _____ per hour Average # of shift differential hours per week: _____

Commissions, bonuses, tips, other: \$ _____ (check one)
 hourly weekly bi-weekly semi-monthly monthly yearly other

List any anticipated change in the employee's rate of pay within the next 12 months: _____ Effective date: _____

If the employee's work is seasonal or sporadic, please indicate the layoff period(s): **(only completed if it applies)** _____

Additional remarks: _____

Employer's Signature: _____ Employer's Printed Name: _____ Date: _____

Employer [Company] Name and Address: _____

Phone #: _____ Fax #: _____ E-mail: _____

Employment Verification

www.novoco.com/npsc



EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of employer) _____ Date _____

RE: _____

I hereby endorse release of any employment information:

Signature of Applicant/Former _____ Date _____

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your program requires a criminal and poverty application.

Project/Owner/Management Agent: _____

Returns Form To: _____

THIS SECTION TO BE COMPLETED BY EMPLOYER

Employee Name _____ Job Title _____

Previously Employed: Yes _____ Date First Employed _____ No _____ Last Day of Employment _____

Current Wages/Salary: \$ _____ (check one)

Average # of regular hours per week: _____

Overtime Rate: \$ _____ per _____

Shift Differential Rate: \$ _____ per line Average # of shift differential hours per week: _____

Commission, bonus, tip, other: \$ _____ (check one)

bi-weekly bi-monthly weekly semi-monthly monthly yearly other _____

For any retroactive change in the employee's rate of pay within the next 12 months: _____ Effective date: _____

If the employee's work is seasonal or sporadic, please indicate the type of periodicity: _____

Additional remarks: _____

Employer's Signature _____ Employer's Printed Name _____ Date _____

Employer (Company) Name and Address: _____

Address _____ City _____ State _____ Zip _____

NOTE: Section 1033 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or omissions in any document or agency of the United States or in any matter within its jurisdiction.

Employment Verification (March 2005)

Year-to-date earnings: \$ 18,500 from: 1 / 1 / 14 through: 10/31/ 14

Employment Verification

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EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of employer) _____ Date _____

RE: _____

I hereby endorse release of any employment information:

Signature of Applicant/Former _____ Date _____

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your program requires a criminal and poverty application.

Project/Owner/Management Agent: _____

Returns Form To: _____

THIS SECTION TO BE COMPLETED BY EMPLOYER

Employee Name _____ Job Title _____

Previously Employed: Yes _____ Date First Employed _____ No _____ Last Day of Employment _____

Current Wages/Salary: \$ **26,000** (check one)

hourly weekly bi-weekly semi-monthly monthly yearly other _____

Average # of regular hours per week: _____

Overtime Rate: \$ _____ per _____

Shift Differential Rate: \$ _____ per line Average # of shift differential hours per week: _____

Commission, bonus, tip, other: \$ _____ (check one)

bi-weekly bi-monthly weekly semi-monthly monthly yearly other _____

For any retroactive change in the employee's rate of pay within the next 12 months: _____ Effective date: _____

If the employee's work is seasonal or sporadic, please indicate the type of periodicity: _____

Additional remarks: _____

Employer's Signature _____ Employer's Printed Name _____ Date _____

Employer (Company) Name and Address: _____

Address _____ City _____ State _____ Zip _____

NOTE: Section 1033 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or omissions in any document or agency of the United States or in any matter within its jurisdiction.

Employment Verification (March 2005)

Year-to-date earnings: \$ 18,500 from: 1 / 1 / 14 through: 10/31/ 14

Year-to-date earnings:	\$18,500.00
Divided by 10 months	÷ 10
Earnings per month	\$1,850.00
Multiplied by 12 months	x 12
Annualized income	\$22,200.00

Employment Verification

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Examples – Irregular Employment Income

Seasonal work. Clyde Kunkel is a roofer. He works from April through September. He does not work in rain or windstorms. His employer is able to provide information showing the total number of regular and overtime hours Clyde worked during the past three years. To calculate Clyde's anticipated income, use the average number of regular hours over the past three years times his current regular pay rate, and the average overtime hours times his current overtime rate.

Sporadic work. Justine Cowan is not always well enough to work full-time. When she is well, she works as a typist with a temporary agency. Last year was a good year and she worked a total of nearly six months. This year, however, she has more medical problems and does not know when or how much she will be able to work. Because she is not working at the time of her recertification, it will be best to exclude her employment income and remind her that she must return for an ~~interim recertification~~ when she resumes work.

HUD Occupancy Handbook
Chapter 5: Determining Income & Calculating Rent

Interim recertification is N/A for Section 42 properties.

HUD Handbook 4350.3, Chapter 5
Paragraph 5-5.C

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Section 5
Calculating Annual Income

Examples – Irregular Employment Income

Sporadic work. Sam Daniels receives social security disability. He reports that he works as a handyman periodically. He cannot remember when or how often he worked last year: he says it was a couple of times. Sam's earnings appear to fit into the category of nonrecurring, sporadic income that is not included in annual income. Tell Sam that his earnings are not being included in annual income this year, but he must report to the owner any regular work or steady jobs he takes. at annual recertification

Records of the owner other than a copy of the HUD Form 5042 due the next year. With no other information available, the owner will use the amount reflected on May's copy of her Form 1042 as her annual income.

5-4 Calculating Income—Elements of Annual Income
A. Income of Adults and Dependents
1. Figure 5-2 summarizes where income is reported.

HUD Occupancy Handbook
Chapter 5: Determining Income & Calculating Rent

HUD Handbook 4350.3, Chapter 5
Paragraph 5-5.C

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Question

A prospective tenant's desired move-in date is July 1, 2014. The Employment Verification form indicates the prospective tenant has an annual income of \$40,000 but that she is due for a 5% pay increase (to \$42,000) beginning January 1, 2015 (six months later). At what amount should employment income be listed on the Tenant Income Certification form?

- a. \$40,000
- b. \$42,000
- c. \$40,500
- d. None of the above

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Example #2

Child Support

Third Party ^a		
Written ^{b and c}	*Provided by Applicant ^d	Oral ^e
<ul style="list-style-type: none"> Alimony or child support. <p>*(See Chapter 5, Paragraphs 5-6,F and 5-10,F)*</p> <p>Copy of separation or divorce agreement provided by ex-spouse or court indicating type of support, amount, and payment schedule.</p> <ul style="list-style-type: none"> Written statement provided by ex-spouse or income source indicating all of above. If applicable, written statement from court/attorney that payments are not being received and anticipated date of resumption of payments. 	<ul style="list-style-type: none"> Recent original letters from the court. 	<ul style="list-style-type: none"> Telephone or in-person contact with ex-spouse or income source documented in file by the owner.

NOTE: Requests for verification from "a third party source" must be accompanied by a Consent to Release form "HUD-9887-A".
NOTE: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
NOTE: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
NOTE: For use of EVI Income Reports as third party verification of employment and income a current Consent to Release form HUD-9887 must be on file.
NOTE: See examples and requirements found in Paragraph 5-13.B.1
 HUD Occupancy Handbook
 Appendix 3. Acceptable Forms of Verification

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Amounts awarded but not received can be excluded from annual income only when applicants have made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments.

Appendix 3: Acceptable Forms of Verification

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The noncustodial parent is court ordered to pay:
 \$195.00 child support per month to the above custodial party.
 \$0.00 spousal support per month to the above custodial party.

Last support payment was received: 3/8/14 in the amount of \$130.00

Child Support Documentation

Previous three months' payments

Date	Amount
03/08/14	\$130.00
02/10/14	\$125.00
01/10/14	<u>\$168.00</u>
	423
	<u>÷ 3</u>
	141
	<u>x 12</u>
Total household income from child support →	\$1,692

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HH Mbr #	(A) Employment or Wages	(B) Sec. Security/Pensions	(C) Public Assistance	(D) Other Income
1				\$1,692
TOTALS \$		\$	\$	\$
Add totals from (A) through (D), above			TOTAL INCOME (E): \$	

Tenant Income Certification

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Question

A family includes on their application that they are receiving child support and include a form from the Department of Child Support Services indicating the court-ordered amount that they receive is \$127 per month. The Department also includes the previous 3 months payments which were \$97, \$103, and \$125. Since the family is actively making efforts to collect their child support, what should you include as their total household income from child support for the year?

- a. \$1,524 (\$127 x 12 mo.)
- b. \$1,164 (\$97 x 12 mo.)
- c. \$1,300 (average of previous three month's payments x 12 mo.)

Example #3

Regular Cash Contributions

1. ANTICIPATED HOUSEHOLD INCOME: PERIOD EMPLOYMENT AND OTHER INCOME RECEIVED BY APPLICANT(S) AND RESIDENT(S) IN THE HOUSEHOLD

YES	NO	Do you or anyone in your household have:	Annual Amount
<input type="checkbox"/>	<input type="checkbox"/>	Child Support (Include child support you are paying for any month occurring)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Alimony (Do not include any you are entitled to but may not be receiving)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Spousal Support	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Wages/Salary (Include overtime (OT))	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Public Assistance (Federal, State, Local, TANF/AFDC)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Transfer Adjustments Benefits	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Retiree Income	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Unemployment Compensation	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Severance Pay/Retirement Payouts	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Disability, Death Benefits and/or Life Insurance Proceeds	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Trust or Dividends	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Investment Prof.	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Post-Natal Birth & Support	\$ _____
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Regular Contributions and/or Gifts from Person not residing at unit	\$ <u>2,400</u>
			(\$200/mo)
<input type="checkbox"/>	<input type="checkbox"/>	All other per year (include if you expect to receive)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Assets	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Employment Incentive Plan (EIP/401K/403b)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Education Grant, Scholarship or Other Student Benefits	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Self-Employment	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Other	\$ _____
TOTAL			\$ _____

4. ASSET INCOME: List all assets (include both joint and individual assets) and the cash value of each. The cash value is the market value of the asset less any debts owed to or by the asset. Do not include the value of any assets that are not yours.

YES NO Do not list assets in this household area. Cash Value: \$ _____

5. A Savings Account? \$ _____

Rental Application

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INCOME INCLUSIONS

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and

INCOME EXCLUSIONS:

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

HUD Handbook 4350.3, Chapter 5
Exhibit 5-1
www.novoco.com/npsc

Section 7: Determining Annual Income

F. Alimony or Child Support

Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made and that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

- The owner may accept proof from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received.
- Child support paid to the custodial parent through a state child support enforcement or welfare agency may be included in the family's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. In these states, it is important to determine which portion is child support and not to count it twice. In other states, the payment may be listed as child support or as "pass-through" payments. These amounts must be counted as annual income.
- When no documentation of child support, divorce, or separation is available, either because there was no marriage or for another reason, the owner may require the family to sign a certification stating the amount of child support received.

D. Regular Cash Contributions and Gifts

- Owners shall count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the family, and other cash or non-cash contributions provided on a regular basis.

Examples - Regular Cash Contributions

- The letter of a young single parent pays her monthly utility bills. On average he provides \$100 each month. The \$100 per month must be included in the family's annual income.

2. Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.

HUD Handbook 4350.3, Chapter 5
Paragraph 5-6.G.2
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Appendix 3 4350.3 REV-1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
	Written	Third Party	Oral	Self-Declaration	
Net Income for a Business *(See Chapter 5, Paragraph 5-6.4)*	Not applicable.	Form 1040 with Schedule C, E, or F. Financial Statement(s) of the business (audited or unaudited) including an accountant's calculation of straight-line depreciation expense if accelerated depreciation was used on the tax return or financial statement. For rental property, copies of annual rent rolls or lease agreements.	Not applicable.	Any loan application (e.g., insurance) derived from business during the preceding 12 months.	Notarized statement showing net income for a business.
Recurring contributions and gifts. *(See Chapter 5, Paragraph 5-6.G)*	Not applicable.	Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts.	Telephone or in-person contact with source documented in file by the owner.	Notarized statement or affidavit signed by applicant stating purpose, dates, and value of gifts.	Sporadic contributions and gifts are not counted as income.

NOTES: Requests for verification from a third party source must be accompanied by a Consent to Release form "HUD-9887-A".
 *NOTE: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
 *NOTE: For all oral verification, the documentation must include facts, time and date of contact, and name and title of the third party.
 *NOTE: For use of EIV Income Reports as third party verification of employment and income a current Consent to Release form HUD-9887 must be on file.
 *NOTE: See examples and requirements found in Paragraph 5-13.B.1

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Appendix 3: Acceptable Forms of Verification
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RECURRING GIFT VERIFICATION

TO: Address Details FROM: Family Web Advisors
 ADDRESS: 1801 28th Street ADDRESS: 1411 SANTA MONICA, SAN RAMON, CA
 TEL: (925) 452-2222 TEL: (925) 452-2222

THE FOLLOWING TO BE COMPLETED BY INFORMATION PROVIDER:
 I, John Johnson hereby certify that I contribute \$ 125 (s) per month (b) (frequency: weekly, monthly, yearly, etc...) to the above named household for the purpose of helping.
 Are any changes to the above amount expected within the next twelve (12) months? Yes No
 If yes, please complete the following:
 Date of Expected Change: _____
 Anticipated Monthly Gross Amount: _____

I hereby certify that the information provided is true and complete to the best of my knowledge.
Albert Chavez 11/5/11
 SIGNATURE OF APPLICANT/ISSUANT DATE
 JOHN JOHNSON TELEPHONE: _____
 RENTERS NAME: _____

Monthly gift: \$ 125
 x 12 x 12
 Total gift amount \$ 1,500

RECURRING GIFT VERIFICATION

Recurring Gift Verification
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2. ANTICIPATED HOUSEHOLD INCOME: PERIODIC EMPLOYMENT AND OTHER INCOME EXPECTED BY APPLICANTS IN SUBSEQUENT YEARS

YES	NO	Do you or anyone in your household have:	Annual Amount
<input type="checkbox"/>	<input type="checkbox"/>	Child Support (includes child support from any source) (see note on the reverse)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Alimony (see notes on reverse you are entitled to for each year for which you are eligible)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Spousal Support	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Supplemental Security Income (SSI)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Public Assistance (includes Rental Subsidy, TANF/AFDC)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Transit Assistance (Transit Benefits)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Business Income	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Compensation Commission	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Income from Real Estate Activities	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Dividends, Stock Receipts and/or Life Insurance Cash Value	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Trust or Disbursement	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Retirement Plan	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Real Estate (rental property, land ownership or other forms of real estate)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Gifts, Dividends & Other Income from Real Estate Assets	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Regular Contributions and/or VA/State Pension and Disability Payout	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Unemployment or Subsidized (if it is necessary)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	All regular pay (paid to members of the Armed Forces)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Assets	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Retirement Savings Plans (IRA/401K/Keogh)	\$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Education Grants, Scholarships or Other Student Benefits	\$ _____

Self Employment \$ 18,500

YES NO Do you or anyone in your household have: Check Value

A Single Annual

Rental Application

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Appendix 3

4350.3 REV-1

Factor to be Verified	Third Party*		Forms of Verification	Self-Declaration
	Written	*Provided by Applicant*		
<ul style="list-style-type: none"> Self-employment, tips, gratuities, etc. <p>*(See Paragraph 5-5.C and Paragraph 5-6.H)*</p>	<ul style="list-style-type: none"> None available. 	<ul style="list-style-type: none"> Form 1040/1040A showing amount earned and employment period. 	<ul style="list-style-type: none"> Notarized statement or affidavit signed by applicant showing amount earned and pay period. 	<p>Verification Tips</p>

NOTE: Requests for verification from "a third party source" must be accompanied by a Consent to Release form "HUD-9887-A".

NOTE: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

NOTE: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

NOTE: For use of EVI Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.

NOTE: See examples and requirements found in Paragraph 5-13.B.1

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Appendix 3: Acceptable Forms of Verification

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SCHEDULE C
Form 1040
Profit or Loss From Business

31 **Net profit or (loss).** Subtract line 30 from line 29.
 • If a profit, enter on both **Form 1040**, line 12 (or **Form 1040NR**, line 13) and on **Schedule SE**, line 2.
 If you entered an amount on line 1c, see instr. Estates and trusts, enter on **Form 1041**, line 3.

31 **18,500**

IRS Form 1040
 Schedule C

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Other Notes Re: Self Employment

- States or investors may require additional procedures
 - Self-employment affidavit (indicating when business began, previous earnings, expected earnings, etc.)
 - May require more than one year’s tax return
- Clarify if employment income listed on prior year(s) tax return(s)
- Consider using IRS form **4506-T** to confirm that no tax return was actually filed if the renter *only* signs an affidavit

The Stark Family

Ned and Catlin Stark arrive at Winterfell Walk Apartments looking for a 4 bedroom unit for themselves along with their 2 daughters, Sansa age 16 and Arya age 13 and 2 of their sons, Bran 11 and Rickon 7.

Cat works part-time as a seamstress and, verified through 3rd-party verifications earns at \$20 per hour and averages 25 hours a week. She receives one bonus a year around the holidays for \$500. Ned is a personal trainer and charges clients \$80 per hour

Assets and Income from Assets

HUD Handbook 4350.3, Chapter 5
4350.3-5-7

EXAMPLES – Income Exclusions
• **Personal property interests.** Rent. Public housing HUD A month for determining terms for management. This amount is excluded from...

5-7 Calculating Income from Assets

Annual income includes amounts derived from assets to which family members have access.

A. What is Considered an Asset?

1. Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the income from that asset.
2. Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset; it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.
3. Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 5-2 summarizes the items that are considered assets and those that are not.

HUD Handbook 4350.3, Chapter 5
Paragraph 5-7.A

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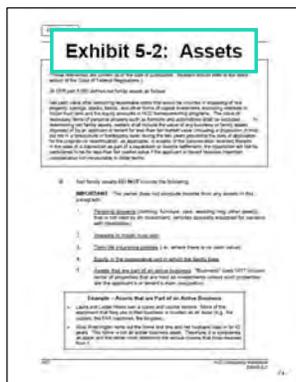
HUD Handbook 4350.3, Chapter 5
Exhibit 5-2: Assets

HUD Handbook 4350.3, Chapter 5
Exhibit 5-2
 (5 pages)

Included in Net Family Assets:

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc.
2. Revocable trusts
3. Equity in rental property or other capital investments
4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts
5. Individual retirement, 401K, and Keogh accounts
6. Retirement and pension funds
7. Cash value of life insurance policies available to the individual before death
8. Personal property held as an investment
9. Lump-sum receipts or one-time receipts
10. A mortgage or deed of trust held by an applicant

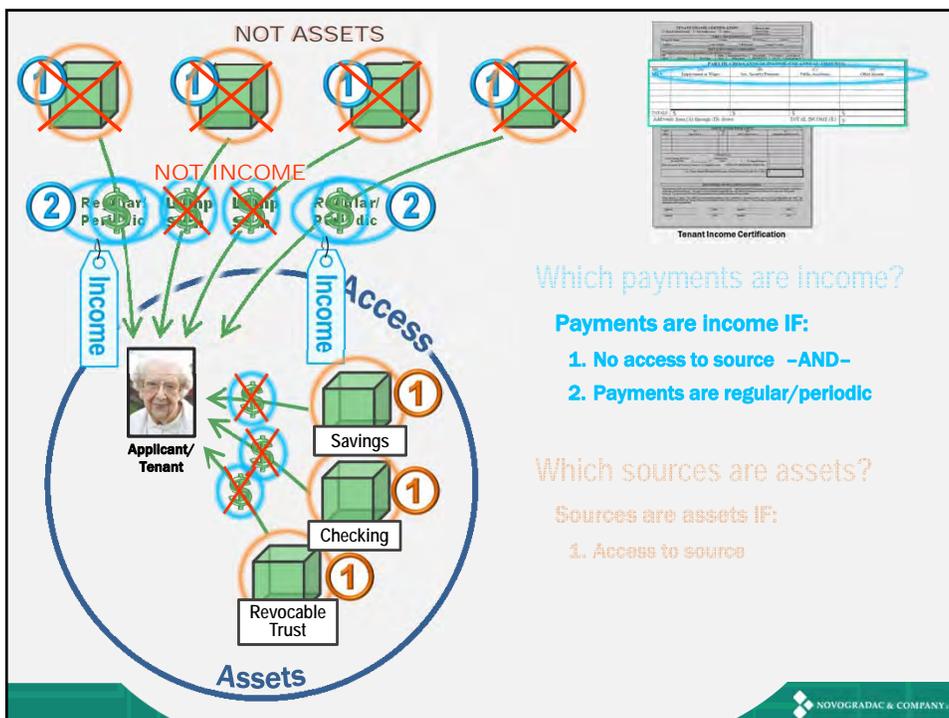
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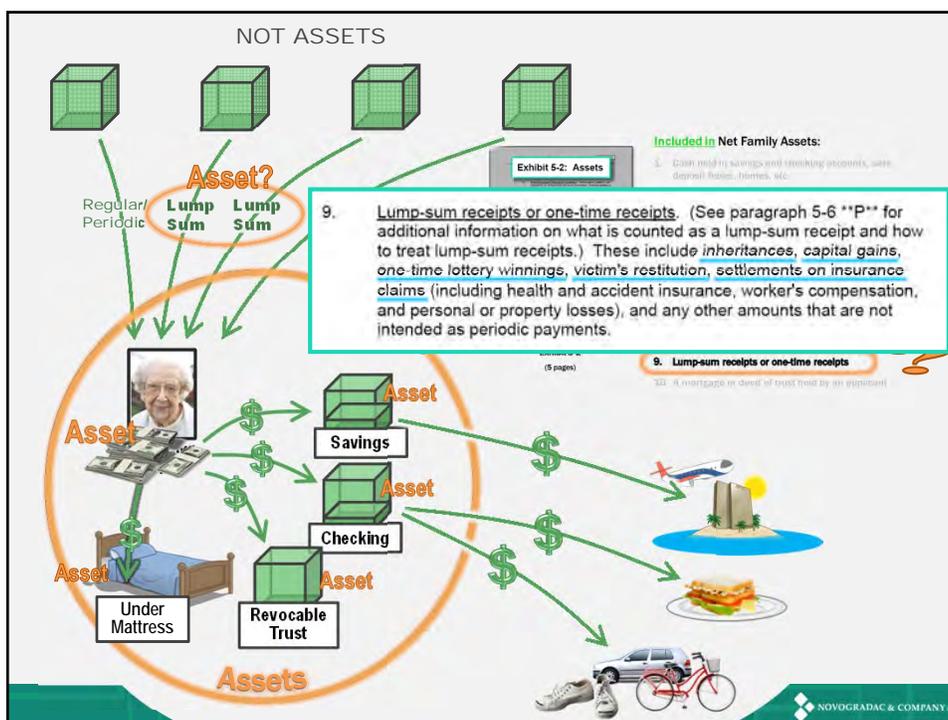
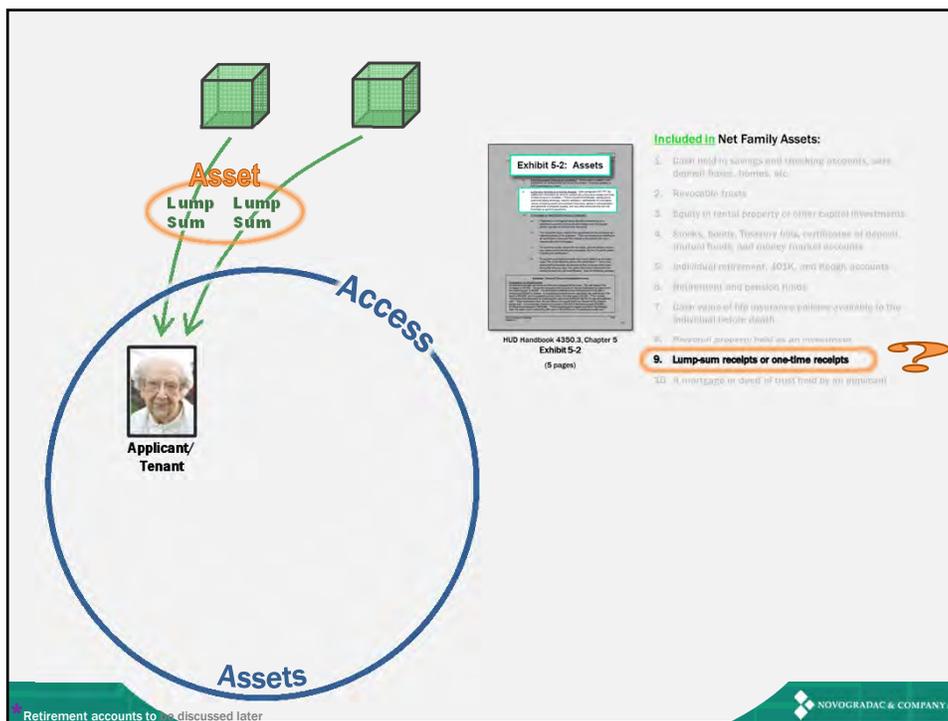


HUD Handbook 4350.3, Chapter 5
Exhibit 5-2
 (5 pages)

Excluded from Net Family Assets:

1. Personal property
2. Interests in Indian trust land
3. Term life insurance policies
4. Equity in the cooperative unit in which the family lives
5. Assets that are part of an active business
6. Assets that are NOT effectively owned by the applicant
7. Assets that are not accessible to the applicant and provide no income to the applicant





Example – Retirement Benefits as Lump-Sum and Periodic Payments

Upon retirement, Eleanor Reilly received a lump-sum payment of \$15,000. She will also receive periodic pension payments of \$350 a month.

The lump-sum amount of \$15,000 is generally treated as an asset. In this instance, however, Eleanor spent \$5,000 of the lump sum on a trip following her retirement. The remaining \$10,000 she placed in her mutual fund with other savings. The entire mutual fund will be counted as an asset.

Example from: Exhibit 5-2 Assets

*Of course it is!
It's in the circle!*

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Examples – Assets Owned Assets

- Helen Wright is an assisted-living resident. She and her daughter, Ellen Carlson, have a joint bank account. Helen and Ellen have been contributing to the account. They have spent the account to buy together and to cover emergency needs for either of them. Income to the account that either one owns but cannot manage there. Ellen should receive Helen Wright's 50% of the account. Helen's daughter, Ellen Carlson, should receive the other 50% of the account.
- Ellen Carlson's name is on the rental agreement to receive that when she leaves the house for

E. Calculating Income from Assets When Assets Total \$5,000 or Less

If the total cash value of all the family's assets is \$5,000 or less, the actual income the family receives from assets is the amount that is included in annual income as income from assets.

7. To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by (2). The result is the "potential" income from assets. Then, add the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

**HUD Handbook 4350.3, Chapter 5
Paragraph 5-7.E**

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4350.3(5)(1)

Examples – Imputed Income

• Helen Wright is an assumed-income tenant. She and her husband, Peter, own a home in a poor savings account. Mother and daughter have contributed to the account. They have used the account for Helen together and to cover emergency needs for either of them. Income to the mortgage that adds new debt but doesn't cash out. Even though Helen and Peter Wright or Peter Wright could withdraw the entire sum for his own use (and Helen's earnings are 50% of the account).

F. Calculating Income from Assets When Assets Exceed \$5,000

1. When net family assets are more than \$5,000, annual income includes the greater of the following:

- a. Actual income from assets; or
- b. A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called imputed income from assets. The passbook rate is currently set at 2%.

HUD Occupancy Handbook
Chapter 5: Determining Income & Calculating Rent

HUD Handbook 4350.3, Chapter 5
Paragraph 5-7.F

NOTE: The passbook savings rate is now 0.06% as of February 1, 2015

- HUD Housing Notice 2014-15

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It's a cliff test!

Unless you're in Michigan!

\$5k or less

(No third-party verification required)

Income is actual income
(no 0.06% calculation)

\$5,000

More than \$5k

(Must verify with third party)

Income is greater of 0.06%
imputed income or actual

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For all initial certifications, third-party verifications of ALL assets, regardless of the total cash value, MUST be obtained.