
Tax Credit Essentials

Presented by: Professional Compliance Solutions

The purpose of this training is to :

Provide information for all interested personnel to successfully provide housing under the Section 42 Low Income Housing Tax Credit program. Understanding the details surrounding LIHTC is the key!

What are Tax Credits?

This started with the Tax Credit Reform Act of 1986.
Owners receive reduction in tax liability.

This is not a "deduction" – a "credit" is much better

This can be used for:

- New construction
- Rehab and
- Acquisition (if rehabbed)

Remember tax credits are NOT a Federal subsidy!

Retention of Tax Credits

To retain the credits, a development must:

- Rent to qualified households
 - Prove the above through supporting documentation
- Keep rents affordable
- Maintain the property in good repair.

Good site managers are vitally important. They must maintain and document on-going compliance. Failure to maintain compliance can result in loss of tax credits and major problems for the owners.

Details You Must Know About Your Development

- Building Identification Numbers
- IRS Notice 88-91
- "BIN"
- Defines "Building" for your property
- Not always the same as physical structure
- Example:
 - MO-99-00000
 - MO=State Postal Code
 - 99=Year Allocated Credits
 - Remaining 5-numbers are State-Specific

Minimum Set Aside

Choices: 20-50 or 40-60 (25-60 – NYC)

Establishes two things:

1. What % units (minimum) must be LIHTC AT ALL TIMES
Always figured on # of units!
2. The definition of "Low Income" at the property (50% or 60% AMI)
Irrevocably selected on IRS Form 8609 line 10(c)

Other Set Asides

Percentage of units allocated tax credits

Applicable Fraction

State Set-Asides

Are the LIHTC units Specific units or do they "float"?

Income and Rent Limits

Maximum allowable gross rents

Calculated Based on Income Limits

Resident rent + UA = gross rent

Utility Allowances

Utility Allowance (UA) includes anything a resident MUST pay to live in the unit

Rural Development (RD) project: Uses RD UA (any RD involvement)

HUD project (with no RD involvement): Uses HUD UA

Conventional LIHTC may choose between:

- Local PHA (always used for voucher holders)
- Estimate from utility company (must be used if gathered)
- HFA Estimate
- HUD's Utility Schedule Model (www.huduser.org/dataset/lihtc/html)
- An energy consumption model

Changes must be given to PHA and tenants 90 days in advance

Timelines: Development Through LURA

"Credit" and "Compliance" Periods

15 years accelerated to 10

"Credits Period" – time most credits are claimed

"Compliance Period" is the full 15 years

Period IRS monitors

Credits can be claimed on a unit when:

- ✓ The credits are Placed in Service AND
- ✓ A LIHTC-qualified household resides there.

Plan...Plan...Plan...

Income and Rent Limits

Income Limits

Every new move-in at a LIHC property must be at or below the applicable income limit

HUD publishes 50% and 60% MTSP Limits annually

Vacant Units

Continue to qualify for LIHTC as long as reasonable attempts are made to rent the unit before market units in the project are rented.

Work with State HFA.

Units must be made rent-ready ASAP (Do not allow vacant units to be "cannibalized" for parts).

It is not permissible to rent a tax credit unit to a non-qualified tenant.

For new developments, all units should be rented before any unit is rented to a second household.

Unit Transfers and Re-location

Every unit transfer to another BIN may no longer need to be treated as a new move-in.

An over-income (140%) household must re-locate within the same building.

Qualifying paperwork will

Move with household

Recert due at original move-in anniversary

OR

If re-done at transfer

Recert due at anniversary of transfer

Leasing is a separate issue!

Non-Transient Use

At least a 6-month initial term

After that, terms are management, state law and state HFA issues.

Tax Credit Essentials

Code forbids:

- Transient housing
- Dormitories
- How to avoid?
- Households made up entirely of full-time students do not qualify.
- 1st Question: Is everyone a FT student?

A Full-Time Student...

- Attends a school with facilities and regular student body.
- Attends all or parts of any 5 months out of the year (not necessarily consecutively).
- Considered full-time by school that they attend.
- Includes Elementary, Junior and Senior High School Students.

Student Status Exceptions

- FT Student Households must meet one of FIVE exception continually to live in an LIHTC Unit
- All adults are married and ENTITLED TO file a joint tax return.
 - Verification: copy of return or marriage certificate
- All adult members are single parents with minor children and no member is a dependent of any third party, other than the other parent of the child(ren).
 - Verification: copy of tax return (if possible) or signed affidavit
- Household receives welfare (TANF in many states)
 - Verification: TANF award letter or 3rd-party verification
- A person who formerly received foster care assistance
- Verification: foster paperwork from welfare agency
- A single student gets assistance from the Job Training Partnership Act (JTPA) or similar program.
- "Workforce Investment Act" has replaced JTPA

How to identify "similar" programs:

The program must:

1. Get federal, state or local government funding AND
2. Have a mission similar to JTPA

Tax Credit Essentials

Student Status Example

Julie and Don, from the last section, now apply for occupancy as a two-person household. Don is a full-time student. Julie is a part-time student.

This couple qualifies, because Julie is not a full-time student.

If Julie becomes a full-time student later, they will submit a tax return or marriage certificate showing that they file jointly or are entitled to.

Practice: Student Status

Is this household student-status qualified?:

Mutt (age 25) FT Student at college
Jeff (age 37) FT Student at Vo-tech
Barry (age 24) not a student
Barry works part time at Netflix Video

Yes
No

Practice: Student Status

Is this household student-status qualified?:

Joe (age 18) FT Student in HS
Donna (age 37) FT Student at College
They are married and file jointly

Yes
No

Practice: Student Status

Is this household student-status qualified?:

Billy (age 23) FT Student
Missy (age 7) FT Student (Billy's Daughter)
They do not receive TANF.
Billy works full time at Dollar General.
Both are dependents on Billy's mothers' tax return.

Yes
No

Practice: Student Status

Is this household student-status qualified?:

John (age 39) FT Student
Zayden (age 13) FT Student (John's son)
John claims Zayden on his taxes
Zayden lives in the unit full-time

Yes
No

Practice: Student Status

Is this household student-status qualified?:

- Aaron (age 21) FT Student at college
- Aaron is disabled
- Aaron Participates in a JTPA-like program

Yes
No

Methods of Verification

All earned and unearned income, assets and household characteristics that affect eligibility or tenant rent, must be verified.

3 methods:

- ✓ Third party verification.
- ✓ Review of documents.
- ✓ Household written statement.

1. Third-Party Verification

Request directly from the third party

Not through the applicant's hands

Fax, email, view internet site or mail all requests. Repeat if necessary.

Due diligence necessary with verifications

Is it identifiable as coming from the source?

Examples: fax number supplied on faxes, web address on bottom of internet verification, company name in email address.

Missing information may be verified via phone, and recorded on a separate form, NOT the 3rd-party verification.

2. Review of Documentation

If a third party verification is not needed, such as, birth certificates or divorce papers: Copy the household member's documents.

If 3rd party verification is delayed for 2 weeks.

Include in file:

Note explaining why 3rd party verification was not obtainable.

Date-stamped original request.

Follow-up efforts.

If a 3rd party charges for verifications.

If employer will not respond, at least 4-6 consecutive pay stubs. Set policy. Keep originals or good copies in the file.

3. Household Affidavit

If the first two methods fail, get a notarized statement or a signed affidavit detailing the needed information.

Lifespan of Verification Forms

120 days from date received

When using any clarification record document:

Name, position and contact info of 3rd party

Your name

Date and time of conversation.

In many states, award letters are good if they are the most recent ones.

When Assets are Under \$5,000

It is not required to 3rd party verify assets if they do not exceed \$5,000

May not apply when other programs are on-site.

A thoroughly completed tenant-affidavit may suffice

State must approve.

Anticipating Annual Income

Types of Income

Applicants must qualify by gross income.

Earned Income

+ Unearned Income

+ Income from Assets

= Annual Income

"Gross" = income before any deductions. "Anticipated income" includes all raises, new jobs or any other income expected during the next year.

Zero Income

Household members claiming to have no income must sign a zero income statement and state whether or not they will have any income in the next 12 months and how they expect to pay expenses.

Seek state-specific requirements (tax returns, etc)

IRS has provided some limited guidance when an entire household has no income...

- ❖ Zero-Income Due Diligence
- Prior Work? Why not working? Seeking employment? How covered expenses the past year?
- Ask about Income from all specific sources.
- How will they pay for living expenses (groceries, clothing, rent, utilities...)?
- Review verification of bank accounts. Extent of deposits and withdrawals?
- Check for loans.
- Roommates? May not be hiding income from you; may be hiding an additional tenant in the unit!

Tax Credit Essentials

➤ Annual Income Includes: Overview

1. Employment
2. Self-Employment
3. Income from Assets
4. Social Security and Other Benefits
5. Payments in Lieu of Earnings
6. Welfare Assistance
7. Periodic Allowances (child support, gifts)
8. Military Pay
9. Student Financial Assistance

Annual Income Includes: 1. Employment

“The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips bonuses and compensation” for all adults.

How to Annualize Wages

For Full-Time Employment: multiply

hourly wages by (40 hrs/wk)	2,080
weekly wages by	52
bi-weekly wages by	26
semi-monthly wages by	24
monthly wages by	12
annual salary by	1

Note: only 1 of 2 available HUD methods work for LIHTC. We MUST include verifiable anticipated income

For Temporary Employment: multiply by the number of periods expected to be worked.

How to Annualize Wages

Note: Always start with the effective date, not verification or other date!

Example of changing hourly wage:

Certification date, February 1

Current hourly rate \$7.50/hour

Rate starting March 15 \$8.00/hour

February 1 to March 15 (6 weeks)

6 wks x 40 hours x \$7.50 = \$1,800

46 wks x 40 hours x \$8.00 = \$14,720

Annual Income = \$16,520

For verifications that give a range, use the highest amounts listed to annualize the income.

If the higher figure causes the income limits to be exceeded, attempt further clarification from the employer.

Year-to-Date Information

Compare YTD to other provided information.

Watch date of hire to see if it is later than the beginning of the year!

Example: Move-in 7/15/05

Annual Income

Job started in previous year.

Anticipated wages – 40 hours a week at \$ 7.50 = _____

Tax Credit Essentials

Anticipated Overtime – 5 hours a week at \$11.25 = _____
Total = _____

YTD Total (through 6/30/05) – \$10,051 (x 2) = _____
In absence of further clarification, use the YTD annualized figure

Annual Income Example

Julie will move-in on July 1st.

Her Income verifies at \$700 semi-monthly

Anticipated expected raise to \$725 on September 1.

	\$700 X 4	=	\$2,800
	\$725 X 20	=	\$14,500
Total			\$17,300

Practice: Employment

John works at Dave and Busters. Cert Effective Jan. 1st

Weekly Hours: 35

Wage: \$8.50

No Raise

35 X 8.50 X 52 = _____

Practice: Employment

John works at Dave and Busters Cert Effective Jan. 1st

Weekly Hours: 35

Wage: \$8.50

Raise \$ 0.50 on Mar 10th

(42 weeks at new amount*)

35 X 8.50 X 52 = _____

35 X .50 X 42 = _____

Practice: Employment

John works at Dave and Busters Cert Effective Jan. 1st

Weekly Hours: 35

Wage: \$8.50

Raise \$0.50 on Mar 10th and \$0.25 on Oct 15th

(42 and 11 weeks at the new amounts*)

35 X 8.50 X 52 = _____

35 X .50 X 42 = _____

35 X .25 X 11 = _____

Tax Credit Essentials

Practice: Child Support
Do we need to count?

Phillis has never been married and does not have a court order. She receives \$500 a month from the father of her child.

Yes

No

Practice: Child Support
Do we need to count?

Jane has a court order to receive \$609 a month, but her ex-husband does not pay, and no effort has been made to collect.

Yes

No

Practice: Child Support

Jim is court ordered to receive \$625 a month. Management verifies that he is has pursued the amounts he is not receiving and gets a printout from child support enforcement showing what he IS getting:

January	\$ 175
February	\$ 250
March	\$ 175
April	\$ 175
May	\$ 150
June	\$ 100

6-Month Total _____ x 2 = _____

Annual Income Includes: 8. Military Pay

All regular pay, special pay, and allowances of a member of the Armed Forces, except..."
...the special pay to a family member serving in the Armed Forces who is exposed to hostile fire"

NOTE: Include ALL allowances

Annual Income Includes 9. Student Aid

We must count student financial assistance for adult students (full or part time) at institutes of higher learning EXCEPT:

- Adult students who are over 23 who have a dependent child
- Adults who are dependents of the household

Student Assistance

"Financial Assistance" includes:

Pell Grants and other programs funded by the Higher Education Act of 1965

Assistance from private sources

(example - parents, grandparents)

Assistance from an institute of higher learning

(example - scholarships)

Note: Financial Assistance Does NOT include loans

Tax Credit Essentials

What we count as income:

- Amounts in excess of tuition (as defined by the school)
- What we need to determine:
- Are any adults enrolled in an institute of higher learning?
- How is schooling paid for?
- What is the amount of tuition?

Practice: Student Financial Aid

Joe is 22 lives in a unit with his dependent daughter. He goes to school part-time. His tuition is \$5,000 a year, and his grandparents pay \$7,000 a year to pay his tuition and other school-related expenses. What is the amount of student financial assistance that will need to be counted as income?

Practice: Student Financial Aid

Cindy is age 44 and a student. Her tuition is \$15,000 a year. She has a Pell Grant and other financial assistance totaling \$19,000. She lives with her two dependent sons, Josh (age 15) and Kyle (21). Kyle's tuition is \$28,000 a year, and his father (who is not living in the household) contributes \$24,000 a year to his schooling expenses. What is the student financial assistance that will be counted as income for this household?

Practice: Student Income

Rex is the head of the household. He works a job with a total anticipated income of \$24,000. His wife, Susan, is a full-time student and works a full-time job with an anticipated annual income of \$36,000. The manager determines that the household income is \$24,480 (Rex's job + \$480 from the adult full-time student Susan). Is this correct?

Yes

No

Practice: Student Income

Rex is the head of the household. He works a job with a total anticipated income of \$24,000. His wife, Susan, is a full-time student and works a full-time job with an anticipated annual income of \$36,000. The manager determines that the household income is \$24,480 (Rex's job + \$480 from the adult full-time student Susan). Is this correct?

\$24,000 (Head earned income)

\$36,000 (Spouse earned income)

\$60,000

Practice: Student Income

16 year old Austin is a dependent of his mother, who is the head of the household and a widow. He makes \$16,000 a year working for a local fast-food restaurant. He also receives \$6,000 annual gross benefits from his deceased father. He puts his earnings and benefit money into a savings account which is anticipated to generate \$100 a year in interest. He is the sole owner of the account. The manager determines that his income contribution to the household is \$480 (the first \$480 of his benefit income). Is this correct?

Yes

No

Practice: Student Income

16 year old Austin is a dependent of his mother, who is the head of the household and a widow. He makes \$16,000 a year working for a local fast-food restaurant. He also receives \$6,000 annual gross benefits from his deceased father. He puts his earnings and benefit money into a savings account which is anticipated to generate \$100 a year in interest. He is the sole owner of the account. The manager determines that his income contribution to the household is \$480 (the first \$480 of his benefit income). Is this correct?

- \$ 0 (Earned income from a minor)
- \$6,000 (Unearned income from a minor)
- \$ 100 (Asset income for a minor)
- \$6,100

Practice: Student Income

21 year old Austin is still a dependent of his mother, because he is an adult full-time student. He now makes \$21,000 a year working for the restaurant. He also receives \$7,000 annual gross benefits from his deceased father. He puts his earnings and benefit money into a savings account which is anticipated to generate \$300 a year in interest. He is the sole owner of the account. The manager determines that his income contribution to the household is \$7,780. Is this correct?

- Yes
- No

Practice: Student Income

21 year old Austin is still a dependent of his mother, because he is an adult full-time student. He now makes \$21,000 a year working for the restaurant. He also receives \$7,000 annual gross benefits from his deceased father. He puts his earnings and benefit money into a savings account which is anticipated to generate \$300 a year in interest. He is the sole owner of the account. The manager determines that his income contribution to the household is \$7,780. Is this correct?

- \$ 480 (Earned income for adult dependent FT Student)
- \$7,000 (Unearned income)
- \$ 300 (Asset income)
- \$7,780

Annual Income Does Not Include:

Generally, if an item is not specifically excluded, it is included. Some examples of exclusions:

- "Meals on Wheels" or other programs providing food for the needy.
- WIC
- Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head, spouse and co-head).
- Student financial assistance for tuition.
- Resident services stipend up to \$200/mo.
- If \$201 or more a month, all must be counted
- Deferred Social Security and SSI payments in a lump sum.
- Payments for the care of foster children or adults. (See also 5-6 A g/ 5-7 to 8)
- Food Stamps.
- Amounts paid by a state agency to offset the costs of keeping a developmentally disabled household member at home.
- Income from HUD training programs

Determining

Asset Income

Assets are...

HB-2-3560 6.10.B page 6-13

4350.3 5-7 A 1 / 5-20 4350.3 5-7 Example/ 5-23

"Assets are items of value that may be turned into cash".

An asset has "Market" and "Cash" value

The market value is "simply its dollar value on the open market".

Important note: actual income is based on Market value.

"The cash value is the market value less reasonable expenses to turn the asset into cash."

Net Family Assets Do Not Include:

HB-2-3560 Attachment 6-A(c)

Exhibit 5-2 B 1-7 / 5-89 & 90

Some Examples:

The value of necessary items of personal property such as furniture, and automobile(s)

Understanding RD Compliance

© Professional Compliance Solutions www.trainingpcs.com

Assets that are part of an active business.

The face value of life insurance policies.

Prepaid funerary arrangements and expenses.

Retirement funds not accessible for withdrawal.

Assets that are not effectively owned by the applicant.

Assets that are not accessible to the applicant and provide no income to the applicant .

Assets Owned Jointly

4350.3 5-7 D / 5-22 to 24

If an asset is owned by more than one person, its value may be pro-rated.

Just having your name on an account does not mean that you "own" it.

Example: children may be on parents checking account for survivorship reasons.

The following questions are helpful in determining who "owns" an asset:

Who receives any income?

Who pays taxes on the income?

Gather documentation to establish ownership.

Withdrawals from Investments

4350.3 5-6 O / 5-16

"The withdrawal of cash or assets from an investment received as periodic payments should be counted as income..."

HUD, RD and Assets

HB-2-3560 Attachment 6-D

Reminder: RD draws from HUD's rules related to income and assets

3560 Attachment 6-D contains an overview of assets, but the 4350.3 has the most complete discussion of assets available.

We will use the HUD list from 4350.3 Exhibit 5-2 as a basis for this discussion.

Net Family Assets Include: Overview

HB-2-3560 Attachment 6-D

4350.3 5-7 A-P / 5-20 to 5-36 Exhibit 5-2 / 5-86 to 90

Cash and checking & savings accounts.

Revocable trusts.

Equity in real property.

Tax Credit Essentials

Stocks, bonds, T-bills, CD's, mutual funds & money market accounts.

IRA, 401(k) & Keogh Accounts.

Retirement & Pension Funds

Whole Life Insurance.

Personal property held as an investment.

Lump-sum, one-time receipts

A mortgage or Deed of Trust held in a household members name.

Assets Include: 1. Cash, Checking &

Savings

Understanding RD Compliance

© Professional Compliance Solutions www.trainingpcs.com

HB-2-3560 Attachment 6-D

Exhibit 5-2 A 1 / 5-86

"Cash held in savings and checking accounts, safe deposit boxes, homes, etc."

For savings accounts, use the current balance.

For checking accounts, use the average balance for the last six months.

Assets held in foreign countries are considered assets.

Assets Include: 2. Revocable Trusts

HB-2-3560 Attachment 6-D4350.3 5-7 G 1 / 5-26 thru 29 Exhibit 5-2 A 2 / 5-86

"Include the cash value of any revocable trust available to the family"

Trust Terms

4350.3 5-7 G 1 / 5-26 thru 29 Exhibit 5-2 A 2 / 5-86

Family has access to "Revocable" trusts that they have set up (as the "creator" or "grantor").

The trust is set up for the "Beneficiary".

"Non-Revocable" – grantor family does not have access to, but it may be a "disposed asset".

A trust that is not an asset because it is not accessible to the beneficiary may generate income to the household.

Assets Include: 3. Equity in Real Property

HB-2-3560 Attachment 6-D4350.3 Exhibit 5-2 A 3 / 5-86

"Equity in rental property or other capital investments.

Include the current fair market value less

any unpaid balance on any loans secured by the property and

reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.)."

Assets Include: 4. Stocks, Bonds, CDs etc...

HB-2-3560 Attachment 6-D4350.3 Exhibit 5-2 A 4 / 5-86

"Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.

Interest or dividends earned are counted as income from assets even when the earnings are reinvested."

Stock Market Vehicles

4350.3 Exhibit 5-2 A 4 / 5-86

Individual Stocks and Mutual Funds

Understanding RD Compliance

© Professional Compliance Solutions www.trainingpcs.com

Market Value = # of shares owned X price per share

Cash Value = Market Value less costs to sell

(commissions)

Actual Income = Annual Dividend X # of shares

CDs and Money Markets

4350.3 Exhibit 5-2 A 4 / 5-86

Tax Credit Essentials

Market Value = Current Balance

Cash Value = Market Value less penalties for early withdrawal.

Actual Income = Interest rate X Market Value

Bonds

4350.3 Exhibit 5-2 A 4 / 5-86

Market Value = Redeemable Value

Cash Value = Redeemable Value

Actual Income = Interest rate X Market Value

A great tool:

www.savingsbonds.gov

You just need a photocopy of the bonds, or a listing the Bond Type (EE, for example), Face Value and Date Issued

Assets Include: 5. IRA, 401(k) and Keogh

HB-2-3560 Attach. 6-D4350.3 Exhibit 5-2 A 5 / 5-86

"These are included when the holder has access to the funds, even though a penalty may be assessed."

Always assets, unless they have no access.

Workshop: 401(k)

SEE 4350.3 5-6 O. / 5-16

George is employed and has a 401(K) with his employer

Cash value: \$35,000

Anticipated Income: "Can't tell"

Last 12 months total income: \$350

Anticipated Income?

Understanding RD Compliance

© Professional Compliance Solutions www.trainingpcs.com

Workshop: 401(k)

SEE 4350.3 5-6 O. / 5-16

George retires the following month and is withdrawing \$1,000 a month

Anticipated Income from withdrawals?

AGAIN - A Special Case...Annuities

4350.3 5-7 G 2 / 5-30 thru 32

An annuity may be either income (periodic payments) or an asset

If there is no "lump sum" that can be cashed in, just periodic payments, it is income only.

If the household is not receiving periodic payments AND has ACCESS and could cash out a lump sum— the annuity is an asset.

See also 5-6 O / 5-16

AGAIN - A Special Case...Annuities

4350.3 5-7 G 2 / 5-30 thru 32

What needs to be verified:

"Is holder receiving periodic payments?" and "Can holder withdraw balance?"

To determine if annuity is an asset or income.

If "NO" and "YES":

Full value of annuity.

Growth basis expected in coming year.

To determine anticipated income from the asset.

Surrender or early withdrawal fees and tax rate and penalties.

To establish cash value

Assets Include: 6. Retirement & Pensions

Tax Credit Essentials

HB-2-3560 Attachment 6-D4350.3 5-7 G 4 / 5-33 Exhibit 5-2 A 6 / 5-87

Note that these are different from IRAs, Keoghs and 401(k)s
(see previous slides)

While the person is employed:

Include amount the family can withdraw without retiring or terminating employment. 5-7 G 4 of the chapter on determining the value of assets.

At retirement, termination of employment, or withdrawal:

Periodic receipts counted as income. Lump-sum receipts are counted as assets.

Assets Include: 7. Whole Life Insurance

Understanding RD Compliance

© Professional Compliance Solutions www.trainingpcs.com

HB-2-3560 Attachment 6-D4350.3 Exhibit 5-2 A 7 / 5-88

"Cash value of life insurance policies available to the individual before death (e.g., the surrender value of a whole life policy or a universal life policy)."

Does not include term insurance, which has no cash value to the individual before death.

Assets Include: 8. Personal Prop. Investments

HB-2-3560 Attachment 6-D4350.3 Exhibit 5-2 A 8 and B 1 / 5-88 to 89

"Include gems, jewelry, coin collections, or antique cars held as an investment.

Personal jewelry is NOT considered an asset."

also not included:

"Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities)."

Assets Include: 9. Lump-sum, 1-Time Receipts

HB-2-3560 Attachment 6-D 4350.3 5-6 P / 5-17 Exhibit 5-2 A 9 / 5-88

These are usually verified when they become part of some other asset (checking, savings, etc...)

Assets Include: 10. Mortgage/Deed of Trust

HB-2-3560 Attachment 6-D 4350.3 5-7 G 7 / 5-34 Exhibit 5-2 A 10 / 5-88

AKA - "Contract for Deed"

Seller-financed mortgage

Get amortization schedule:

Starting at effective date:

Cash and Market Value = Principle Value at
effective date of certification

Actual Income = Interest Payment for 12 months from certification effective date.

Two Final Asset Details

Imputing asset income

Assets disposed of

1. IMPUTING Income From Assets

HB-2-3560 Attachment 6-D4350.3 5-7 E / 5-24

Use the greater of the actual income received or the "imputed" income.

Only impute income if the assets exceed \$5,000. If net assets are \$5,000 or less, use the actual income received.

Example: Assets \$4,500

Income \$250

Use the \$250 income and do not impute.

Imputed income: actual CASH value of all assets X the current HUD Passbook Rate.

Understanding RD Compliance

© Professional Compliance Solutions www.trainingpcs.com

Tax Credit Essentials

2. Previously Disposed Assets

HB-2-3560 Attachment 6-D 4350.3 5-7 G 7 / 5-35

A special rule for assets disposed of for less than fair market value in the last 2 years.

If Market Value of asset was \$1,000 more than the amount received.

Disposed Asset Value = Cash Value less amount received.

Do not count assets lost in foreclosure, bankruptcy, divorce or separation settlements.

Disposed Asset Example

4350.3 Example page 5-36

Jane Doe sold a house worth \$89,000 to her daughter for \$10,000.

Reasonable realtor and legal fees are determined to be \$1,800.

\$77,200 must be counted as an asset for 2 years after the sale

$(\$89,000 - \$1,800 - \$10,000 = 77,200)$

Workshop: Disposed Assets

John and June Move-in 01/01/07

Gave family farmland to sons 02-02-05

Estimated market value: \$230,000

Estimated cash value: \$209,105

Must count it as if they still owned it until: _____