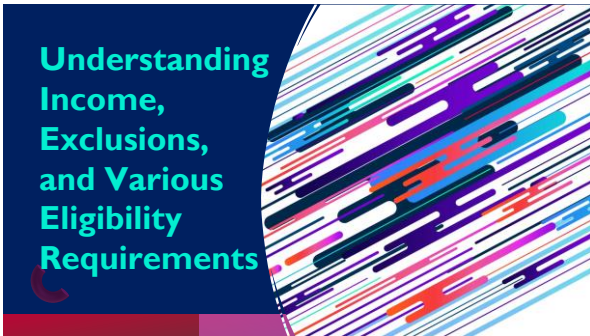




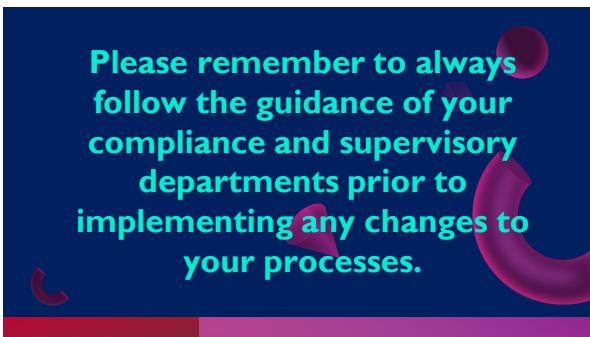
Understanding Income, Exclusions, and Various Eligibility Requirements
Katie Aguirre and Lisa Bettencourt



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Understanding Income, Exclusions, and Various Eligibility Requirements

Join us for an in-depth discussion on understanding income, exclusions, and various eligibility requirements in determining household annual income. This session will address frequently asked questions such as which income and assets are included and excluded, when the student rule applies, and the best practices for verifying income and assets. Gain insights into calculating assets disposed of for less than fair market value and learn practical tips to ensure accurate income assessments.



4

Income to Include

Tax Credit regulations generally follow HUD guidelines regarding the treatment of income with some exceptions. The recent HOTMA rollout affects how we treat various income and asset sources with regard to calculations and exclusions.

The HOTMA legislation does not significantly change the annual income definition from that previously noted in HUD 4350.

As a rule, all money received for the household should be counted and included in the total household income unless on the list of specifically excluded income.



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Income to Include

Annual income includes, with respect to the family:

- All amounts, not specifically excluded below, received from all sources by each member of the family 18 years or older or is the head of household or spouse of the head of household, plus
- Unearned income by or on behalf of each dependent who is under 18 years of age, and
- Imputed returns on net family assets exceeding \$50,000 (adjusted annually using the CPI-W) when the value of the actual returns from a given asset cannot be calculated. Imputed returns are based on the current passbook savings rate, as determined by HUD. (*Note: If it is possible to calculate actual returns from an asset, the PHA should use that amount as income.*) *HOTMA Update



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Income to Include- Wages & Earned Income

Income included on the certifications should be all amounts of income, not specifically excluded, received by each member of the household who is 18 years or older, or is the head, co-head, or spouse.

With the new HOTMA changes, CTCAC will continue to require 3-months of current and consecutive paystubs with a Verification of Employment (VOE) to determine income eligibility at move-in.

The site is required to collect all applicable information needed to fully complete the 4-way calculation. This includes the full 3 months of consecutive paystubs with gross income and YTD clearly broken down as well as a fully completed Verification of Employment completed by the employer.



Income to Include- Wages & Earned Income



4 Way Calculation

Wages are calculated at the highest value of the below:

- Annualized average of the Gross pay for 3 months of paystubs



Income to Include- Wages & Earned Income



4 Way Calculation

Wages are calculated at the highest value of the below:

- Annualized average of the Gross pay for 3 months of paystubs
 - 13 Paystubs for weekly payers
 - 7 Paystubs for Bi Weekly Payers
 - 6 Paystubs for Semi-Monthly Payers
 - 3 Paystubs for Monthly Payers



Income to Include- Wages & Earned Income



4 Way Calculation

Wages are calculated at the highest value of the below:

- Annualized average of the Gross pay for 3 months of paystubs
- Year To Date Value on the paystubs Annualized



Income to Include- Wages & Earned Income



4 Way Calculation

Wages are calculated at the highest value of the below:

- Annualized average of the Gross pay for 3 months of paystubs
- Year To Date Value on the paystubs Annualized
- Annual Wages as reported by the employer on the VOE



Income to Include- Wages & Earned Income



4 Way Calculation

Wages are calculated at the highest value of the below:

- Annualized average of the Gross pay for 3 months of paystubs
- Year To Date Value on the paystubs Annualized
- Annual Wages as reported by the employer on the VOE
 - Example \$20 an hour at Full time is calculated:

20 an Hour x 40 Hours per Week x 52 Weeks Per Year = \$41,600 Annual Wages



Income to Include- Wages & Earned Income

Self Employment:

Self Employment Wages are calculated at the highest value of the below:

- Self Affidavit form with Anticipated 12-month Net Pay
- Previous Year's Taxes and form Schedule C showing gross profit and expenses
- Annualized Profit and loss statement for last 3 months



Income to Include- Wages & Earned Income

Self Employment:

Self Employment Wages are calculated at the highest value of the below:

- Self Affidavit form with Anticipated 12 month Net Pay
- Previous Year's Taxes and form Schedule C showing gross profit and expenses
- Annualized Profit and loss statement for last 3 months

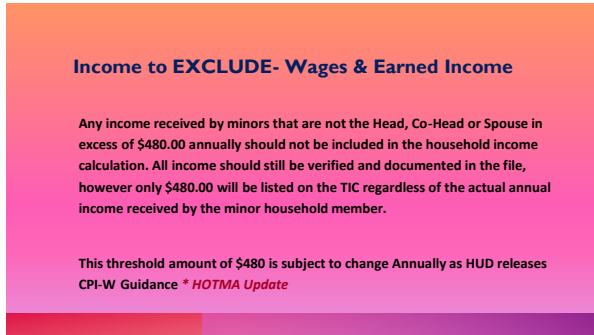
PLEASE NOTE: ONLY COUNT NET INCOME, NOT GROSS FOR SELF EMPLOYMENT



Income to EXCLUDE- Wages & Earned Income

Any income received by minors that are not the Head, Co-Head or Spouse in excess of \$480.00 annually should not be included in the household income calculation. All income should still be verified and documented in the file, however only \$480.00 will be listed on the TIC regardless of the actual annual income received by the minor household member.

This threshold amount of \$480 is subject to change Annually as HUD releases CPI-W Guidance * *HOTMA Update*



Income to Include- Child Support

Include the income as awarded on the original court order. This is a simple 12 month annualized calculation. Example: Award states \$350 monthly, Resident's annual income would be $350 \times 12 = \$4,200$

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Income to Include- Child Support

Include the income as awarded on the original court order. This is a simple 12-month annualized calculation. Example: Award states \$350 monthly, Resident's annual income would be $350 \times 12 = \$4,200$

If the income is being received at less than awarded, the resident is now allowed to provide current pay statements for the property to use to calculate current child support. *HOTMA Update

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Income to Include- Child Support

C.

1. Have you been awarded child or spousal support by court order? Yes No
Go to C.2 Sign Form

2. Provide copy of court order
 Enter amount of award:
 Frequency of award:
Go to C. 3

3. Is payment being received as awarded? Yes No
Go to 3.a Go to 3.b

a. Indicate the manner by which payment is received and sign form.
 i. Enforcement Agency Name of Agency:
Provide Agency Printout

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Income to Include- Annuities & Unearned Income

Annuities and other unearned income only require one pay statement or award letter dated within 120 days of the certification. All unearned income should be counted for all household members including minors.

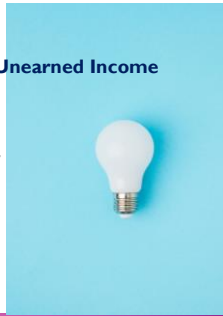
Types of Unearned Income (Not Limited to the below):

Social Security (SSA)	AFDC/CALWorks
Supplemental Security Income (SSI)	VA Payments
Pensions	Unemployment

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Income to Include- Annuities & Unearned Income

There is an exception to the 120-day rule where an annuity is awarded for the entire year and not anticipated to change, such as with Social Security (Not SSI), and Pensions which only adjust annually for the Cost-of-Living. In these cases, an award letter with the current year's information will be accepted.



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Income to EXCLUDE- Annuities & Unearned Income

Any income received as Adoption assistance excess of \$480.00 annually should not be included in the household income calculation. All income should still be verified and documented in the file, however only \$480.00 will be listed on the TIC regardless of the actual annual income received by household.

This threshold amount of \$480 is subject to change Annually as HUD releases CPI-W Guidance * HOTMA Update

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Income to EXCLUDE- Annuities & Unearned Income

Any income received by a household to maintain the needs of a household member with a disability, such as IHS payments, Medicaid or other state agency, that help offset the costs of services and equipment.

HOTMA changed this from "Developmental Disability" to any individual with a verified disability that allows them to continue to reside in the home *HOTMA Update

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Income to EXCLUDE- Annuities & Unearned Income

Any income or interest received from an IRS-recognized retirement plan is no longer counted towards the family's calculated income unless they are regular and reoccurring disbursements.

* HOTMA Update

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Income to EXCLUDE- Annuities & Unearned Income

Other Exclusions are not limited to:

- | | |
|------------------------------------|----------------------------|
| Aid and attendance for Veterans | Reparation repayments |
| Coverdell Account Distributions | Resident Service Stipends |
| Baby Bond Distributions | Reimbursements |
| Live-In Aid Income | Deferred lump sum payments |
| Hostile Fire payments for Military | Tax Refunds |

* HOTMA Update

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Income to Include- Gift Income

If the applicant or resident receives regular gifts from persons not residing in the household these amounts would be included in the income calculation where not specifically excluded. These gift should be regular, repeating or substantial to be included in the income calculation. Gift income must be verified directly with the gifter. It is recommended that you either complete this verification in person or have the forms notarized to ensure accuracy.

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Income to EXCLUDE- Gift Income

Temporary, sporadic, non-reoccurring gifts and payments are not to be counted as income on the certification. This includes but is not limited to:

- Gifts for birthdays or other milestones
- Non-Monetary gifts
- Tax refunds
- Stimulus Payments
- Lottery winnings
- Lump Sum/settlement Payments

HOTMA clarified that non-regular or sporadic payments received from employment, EDD unemployment or workers compensation must be included on the certification* *HOTMA Update*

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Income to Include- Financial Aid

Under previous regulations, IRS provided guidance that the rules for financial assistance from the 2006 Consolidated Appropriations Act would only apply in a LIHTC unit if the household also received Section 8 rental assistance.

If the LIHTC applicant/tenant did not receive Section 8 rental assistance, all amounts of student financial assistance were excluded from income for the purposes of LIHTC income eligibility, even if those amounts were more than the amounts received for tuition.

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Income to Include- Financial Aid

New changes due to HOTMA

CTCAC- "The final HOTMA legislation significantly changes the methodology for determining the type and amount of financial aid that needs to be calculated for households with students. Prior to the final rule being published, financial aid was only counted for those households receiving Section 8 assistance and who did not meet one of two exceptions. Those exceptions were over age 23 with a dependent child or living at home with their parents and claimed as a dependent. The legislation removes the Section 8 exception and will apply to any household receiving financial aid assistance as of January 1, 2024."

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Income to Include- Financial Aid

The site is required to first determine the source of the income as well as verify and calculate the total costs of education for the resident or applicant to determine the total that will be calculated and included on the certification.

The site must separate the financial aid received into **two categories**, aid received through section 479B of the Higher Education Act of 1965 (HEA) and private aid such as scholarships provided by the university, non-profits and private entities.

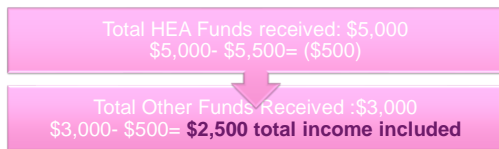
HEA Funds include federal awards such as Pell Grant and Federal Work study programs

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Income to Include- Financial Aid

Once you have the income separated, you'll deduct the total expenses from the income received starting with the HEA category amounts.

Example: HH Member received Tuition waiver, Pell Grant for \$5,000 and a private scholarship for \$3000. Total paid expenses include \$2,500 in books, \$3,000 in supplies (Total \$5,500 in expenses).

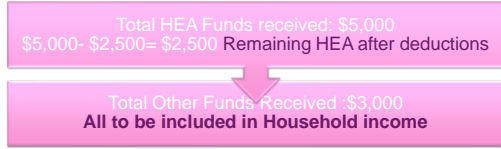


33

Income to Include- Financial Aid

Once you have the income separated, you'll deduct the total expenses from the income received starting with the HEA category amounts.

Example: HH Member received Tuition waiver, Pell Grant for \$5,000 and a private scholarship for \$3000. Total reported paid expenses include \$2,500 in books and supplies

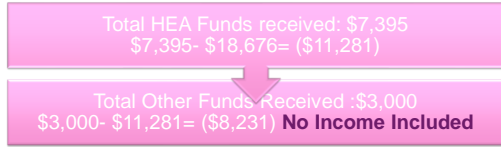


34

Income to Include- Financial Aid

Once you have the income separated, you'll deduct the total expenses from the income received starting with the HEA category amounts.

Example: HH Member received Pell Grant for \$7,395 and a private scholarship for \$3000. Total paid expenses include \$2,500 in books, \$3,000 in supplies, \$13,176 for tuition (Total \$18,676)



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Income to EXCLUDE- Financial Aid

All financial Aid under HOTMA must be considered towards the family household income regardless of their Section 8 participation.

Sites must always exclude any HEA funds received in excess of the calculated expenses. * *HOTMA Update*

Sites must always exclude funds received where expenses paid by the family is more than what was awarded.

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Income to EXCLUDE- Financial Aid

All financial Aid under HOTMA must be considered towards the family household income regardless of their Section 8 participation.

Sites must always exclude any HEA funds received in excess of the calculated expenses. * HOTMA Update

Sites must always exclude funds received where expenses paid by the family is more than what was awarded.

Student Loans are never included in income

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Eligibility Check- Student Rule

If a household is comprised entirely of full time students they do not qualify to reside in a LIHTC project unless they meet certain exemption criteria.

A full time student is defined as an individual who is a full time student at a Kindergarten through 12th Grade school or qualifying educational organization for any time within any 5 months of the last calendar year. The Months do not need to be consecutive, and a full month is counted even if they only attended for 1 day of that month. "Full-Time" status is determined by the school.

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Eligibility Check- Student Rule

Student Exemptions:

- Receiving assistance under Title IV of the Social Security Act (AFDC, TANF, CalWorks - not SSA/SSI)
- Enrolled in a job training program receiving assistance through the Job Training Participation Act (JTPA), Workforce Investment Act (WIA), or other similar federal, state, or county government program
- Married and filing (or are entitled to file) a joint tax return (please provide copy of marriage certificate or tax return)
- Single Parent with a dependent child(ren) and neither you or your child(ren) are dependents of another individual Previously enrolled in the Foster Care Program (currently age 18-24)

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Income to Include- Income from Assets

CTCAC: "In the final rules for the HOTMA legislation, HUD clarifies that "net family assets" do not include the value of all non-necessary items of personal property with a combined value of \$50,000 or less, as adjusted by an inflationary factor (passbook rate). Non-necessary in this context refers to most assets previously accounted for by HUD 4350 Chapter 5, including savings accounts, checking accounts, CDs, etc.

The final rule also removes some specific types of assets formerly included in the Net Family Assets definition and either excludes them from calculation as part of household eligibility or modifies the way the asset is to be calculated. These include excluding the balance of retirements accounts such as IRAs, 401Ks, or CalPERS or similar pension, changes to checking account average calculation, changes to revocable trust asset income determination, specifies that undeterminable asset values use the HUD Passbook rate, and clarifies that the calculation of asset income is either the actual or imputed, dependent on which can be determined, not the greater of the two."

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Income to Include- Income from Assets

- Types of assets to Include in Calculation:
(Not Limited to the Below)
- > Checking Accounts
 - > Savings Accounts
 - > CD Accounts
 - > Money Market Accounts
 - > Prepaid Card (EBT, Cash card, Direct Express Etc.)
 - > Stocks Bonds (Robinhood, ETrade, Acorns etc.)
 - > Real Estate (After applicable fees)
 - > Life Insurance (Cash Value Only)
 - > Income from a revocable or irrevocable Trust

- Types of assets to Exclude from Calculation:
- > 401K, Pension, CalPers, IRA's and Other retirement/Pension accounts *HOTMA Update
 - > Vehicles, furniture, jewelry and other necessary Personal Property not held for investment purposes
 - > Real Estate in which the HH member is part owner has no right to sell

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Income to Include- Income from Assets



How to determine income from assets:

At application or recertification, all adult household members are required to self certify their assets on their TIC Questionnaire. As long as their household's combined assets are under \$50,000, each household member will self certify on the Under \$50,000 Asset Certification Form (previously Under 5,000). No further verification will be required. * HOTMA Update

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Income to Include- Income from Assets



How to determine income from assets:

If the household has more than \$50,000 in assets based on their self certification, the household members must provide a statement showing the current asset value dated within 120 days of the certification effective date. This includes checking account verification. * *HOTMA Update*



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Income to Include- Income from Assets



How to determine income from assets:

Prior to HOTMA, sites would take whichever was larger from the total of the imputed income OR the Actual Income from the assets.

New HOTMA guidance requires that you take the Actual Income from the assets whenever you can determine the amount including where the total assets are less than \$50,000, and then the imputed income of .4% if the total assets are over \$50,000 * *HOTMA Update*



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Income to Include- Income from Assets



How to determine income from assets:

Example:

HH Mbr #	Type of Asset	Bank/Source	Last 4 of Account #	C/I	Cash Value of Asset	Actual Income from Asset	If total assets > \$5k and no actual impute @ 40%
1	Savings	Bank of America	0000	C - 2%	\$10,000	\$20	N/A
2	Checking	Wells Fargo	0001	I - 40%	\$15,000	N/A	\$60
3	CD	Bank of America	0002	C - 2%	\$30,000	\$600	N/A
TOTAL:						\$680	



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Eligibility Check- Assets

If an applicant or resident has over \$100,000 in assets AND/OR owns a home that is suitable for residency, then the household would not qualify to live at an assisted property.

It is the site's responsibility to do their due diligence to determine if the property is habitable through real estate searches, satellite images, home visits, Etc.

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Income to Include- Assets Disposed for Less than Fair Market Value

As part of the TIC Questionnaire, all adult household members are asked if they have disposed of assets for less than Fair Market Value.

26.	<input type="checkbox"/>	I have disposed of assets (i.e. given away money/assets) for less than the fair market value in the last 2 years. If yes, list items and date disposed.		
	1.		\$	
	2.		\$	

Examples of this could be: Selling a home under market rate for a quick sale, signing over an account to a relative, Donating asset.

Assets are considered to be disposed of for less than FMV if the net FMV of the assets disposed of exceeds the gross amount that was received by more than \$1,000.

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Income to Include- Assets Disposed for Less than Fair Market Value

The purpose of this question is to reduce the likelihood of applicants or residents divesting themselves of assets in order to qualify for affordable housing or reduce their rents when in an applicable Section 8 program.

The Most common example of this is with home sales.

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Income to Include- Assets Disposed for Less than Fair Market Value

New Applicant John owned a mobile home appraised at \$25,000. The home was sold for \$19,000 prior to application which cost the applicant \$2,500 in fees.

\$25,000-\$2,500= \$22,500 in FMV.
\$22,500-\$19,000=\$3,500 Under FMV
As the variance is greater than \$1,000, you count the \$3,500 as an asset for 2 years from the date of the sale



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Income to Include- Assets Disposed for Less than Fair Market Value

Frank had a CD account worth \$15,000. He decided to close this account and gave his grandkids a gift of \$500, transferring the remaining money into his regular checking account

\$15,000 in FMV.
\$15,000-\$14,500=\$500 Under FMV
As the variance is less than \$1,000, and the remaining asset was transferred to another asset, you do not include this on the certification, document the closure in the file.



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Income to Include- Assets Disposed for Less than Fair Market Value

Mary owns a plot of land she does not use. She decided to gift it to her adult child to use as she does not have the funds to develop the site. She purchased it originally for \$5,000, but comparable land in the area goes for \$40,000. Her child covered the fees for the transfer.

\$40,000 in FMV.
\$40,000-\$0=\$40,000 Under FMV
As the variance is more than \$1,000, the entire \$40,000 is counted on the certifications for 2 years from the date of the transfer.



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Income to EXCLUDE- Income from Assets

- > Imputed income from assets under \$50,000 is no longer counted.
- > Real Estate partially owned by a household member, but that they do not have the authority to sell is not counted
- > If a bank statement shows a tax refund in the deposits, reduce the asset value by this amount
- > Assets that are otherwise inaccessible to the resident are not counted (access must be verified)
- > Full amount of assets held in an Irrevocable trust
- > Full amount of assets where the household member is the beneficiary, and the grantor and trustee are not a member of the household

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Income to EXCLUDE- Income from Assets

HOTMA raised the Asset threshold from \$5,000 to \$50,000 and increased the imputed rate from .06% to .4% to reduce the administrative burden on the site staff and residents of assisted projects.

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QUESTIONS?



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Thank you!!