



Back to Basics

Part 5: Asset Income Part 2

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Back to Basics...Again! | Part Five | Asset Income Part 2

Depending on which state you are in, HOTMA is either here or coming very soon. Legally it applied 1/1/2024, although all federal HUD offices affected by HOTMA have given grace periods into or through 2025, and some state LIHTC agencies have followed that model. Regardless, there is no time to waste! HCCPs, the foremost compliance professionals in the industry, are taking the lead and learning what they need to know to succeed at implementing HOTMA. Fortunately, we at the Credential are here to help! This article series will discuss what we need to know.

The last article discussed the foundational concepts related to assets. This article will cover how the calculations work.

When *total net family assets* (real property and non-necessary personal property) are valued over the asset threshold and actual returns on specific assets cannot be calculated, imputed returns are included in income. All actual returns that can be calculated continue to be included in income.

All personal property is categorized as necessary and non-necessary personal property.

- ***Necessary personal property*** is not counted or listed on the TIC.
- ***Non-necessary personal property*** (NNPP-see list below).
 - ***If totaling at or below the asset threshold*** will not be counted toward total net household assets. All individual assets in this case will show a \$0 value on the TIC, if they are required to be listed.
 - ***If totaling above the asset threshold*** all personal property assets are counted toward household assets.
 - ***Any actual income*** on NNPP is counted.
- ***If total real property and non-necessary personal property*** ("total net assets") exceeds the asset threshold asset income is imputed on individual assets that cannot otherwise have income determined.

HUD MFH Notice 2023-10 F.6.b.

Note: this does not include financial accounts, as they always have a determinable income, such as an interest rate or dividends, even if there is no income (\$0) for an asset.



Each asset type needs to be addressed in the correct order to establish the correct income. The following steps will accomplish that.

NOTE: The example Tenant Income Certification (TIC) used here is the NCSHA best practices TIC. The TIC for some states may differ.

Steps | Calculating Asset Value and Income

Examine household self-certification of asset values and income collected during the application process. Identify the three asset types listed:

1] Necessary personal property (NPP) 2] Non-necessary personal property (NNPP) 3] Real property.

Step 1 Address NPP

Identify and ***exclude any NPP and other excluded assets*** listed by the household.

Step 2 Address NNPP

Based on self-certification, determine ***if the value of all NNPP exceeds the asset threshold.***

If yes | Since NNPP alone totals over the asset threshold, all total net assets also exceeds the threshold. Verify all non-necessary and real property asset values and income with 3rd-documentation. List each asset's value and actual income on the TIC.

If no | List each NNPP asset as \$0 on the TIC but include actual income for each.

Step 3 Address Real Property and Imputed Income

Add the value of any real property to the non-necessary personal property (as counted in step 2) and determine if total net household assets exceed \$50,000.

Note: If a tax return or refundable credit was received in the last 12 months, subtract this amount from the net assets to determine total net assets before determining the above.

If yes | Verify all asset values and income with 3rd-party documentation (to the extent not already done per Step 2). Impute income on assets that have income that cannot otherwise be determined and add it to other income.

If no | Use self-certification to verify asset values and income if allowed by company policy. Do not impute asset income on any assets.



Example | 1

NNPP and Total Net Assets Do Not Exceed the Asset Threshold

A family reports the following assets.

- The asset threshold that year was \$51,600.
- The passbook savings rate that year was 0.45%.
- The household had tax returns in the last 12 months totaling \$4,500.

Complete the asset section of the TIC.

Asset	Value	Income	Type of asset
New Mac Book Pro	\$ 3,999	no income	NPP
3 ATVs	\$ 15,300	no income	NNPP
Checking account	\$ 840	with 0% interest	NNPP
Savings account	\$ 478	with .5% interest	NNPP

Step 1 The computer is NPP and is excluded

Step 2 The ATVs, checking, and saving accounts total \$16,618. The NNPP does not exceed the asset threshold that year of \$51,600 and each is valued at \$0.

Step 3 There is no real property, so the total NNPP (\$0) represents total assets. As the net assets are \$0, there is no value to subtract the tax returns from, so they are irrelevant. Total net assets total \$0 and do not exceed the asset threshold that year, so asset income is not imputed on the ATVs. Income on the checking account of \$0 is added to income from the savings account of \$3.39 (\$478 x 0.5%). Asset income thus totals \$3.39.

****Note:** because the total net assets do not exceed the asset threshold, only Part IVa is completed on the NCSHA best practices TIC. **

PART IV. ASSETS						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as LESS than or EQUAL to the Imputed Income Limitation						
Enter Total of ACTUAL INCOME earned from all Assets (F)						\$ 2.39
PART IVb. INCOME FROM ASSETS – GREATER THAN <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as GREATER than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
Enter Total Income from all Assets (M)						\$



Example | 2

NNPP Does Not Exceed the Asset Threshold, but Net Assets Do

A family reports the following assets.

- The asset threshold that year was \$51,600.
- The passbook savings rate that year was 0.45%.
- The household did not have a tax return in the last 12 months.

Complete the asset section of the TIC.

Asset	Value	Income	Type of asset
Wedding ring	\$ 2,300	no income	NPP
Checking account	\$ 2,400	with 0% interest	NNPP
Savings account	\$ 30,090	with 1.5% interest	NNPP
Real Estate:	\$ 62,000	no income	Real

Step 1 The wedding ring is NPP and is excluded

Step 2 The checking and saving accounts total \$32,490. This does not exceed the asset threshold that year of \$51,600 and each is valued at \$0.

Step 3 The total NNPP (\$0) and real property (\$62,000) total \$62,000. As net asset total over the asset threshold that year and the real estate has no income, income will be imputed on the real estate. Income on the checking account of \$0 is added to income from the savings account of \$451.35 (\$30,090 x 1.5%) and the imputed income on the real property of \$279 (\$62,000 x .45%). Asset income thus totals \$730.35.

**** Note:** because the total net assets exceed the asset threshold, Part IVb is completed on the NCSHA best practices TIC. **

PART IV. ASSETS						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO IMPUTED INCOME LIMITATION						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as LESS than or EQUAL to the Imputed Income Limitation						
Enter Total of ACTUAL INCOME earned from all Assets (F)						\$
PART IVB. INCOME FROM ASSETS – GREATER THAN IMPUTED INCOME LIMITATION						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as GREATER than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
1	Checking	C	NNPP	\$0	A	\$0.00
1	Savings	C	NNPP	\$0	A	\$451.35
1	Real Estate	C	Real	\$62,000	I	\$279.00
Enter Total Income from all Assets (M)						\$ 730.35



Example | 3

NNPP and Total Net Assets Exceed Asset Threshold

A family reports the following assets.

- The asset threshold that year was \$50,000.
- The passbook savings rate that year was 0.4%.
- The family received a tax return of \$960 in the last 12 months.

Complete the asset section of the TIC.

Asset	Value	Income	Type of asset
Checking account	\$ 2,400	0% interest	NNPP
Savings account	\$ 29,678	.75% interest	NNPP
Boat	\$ 12,901	no income	NNPP
A new game console	\$ 670	no income	NPP
IRA	\$ 479,025	4.3% rate of return	Excluded asset
Stocks	\$ 8,798	No dividends	NNPP

Step 1 The NPP game console and the IRA are excluded.

Step 2 The checking account, boat, and stocks total \$53,777. The NNPP exceeds the threshold that year of \$50,000 and the value of each is counted.

Step 3 Because there is no real property, total NNPP minus the tax return of \$960 results in total net assets of \$52,817. As total net assets exceed the asset threshold that year, income will be imputed on the boat, the asset that cannot have income determined. Income on the savings account of \$222.59 (\$29,678 x .75%) and the imputed income on the boat of \$51.60 (\$12,901 x .4%) totals \$274.19.

**** Note:** because the total net assets exceed the asset threshold, Part IVb is completed on the NCSHA best practices TIC. **

PART IV. ASSETS						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as LESS than or EQUAL to the Imputed Income Limitation						
Enter Total of ACTUAL INCOME earned from all Assets (F)						\$
PART IVB. INCOME FROM ASSETS – GREATER THAN <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as GREATER than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
1	Checking	C	NNPP	\$2,400.00	A	\$0.00
1	Savings	C	NNPP	\$29,678.00	A	\$222.59
1	Boat	C	NNPP	\$12,901.00	A	\$51.60
1	Stocks	C	NNPP	\$8,798.00	A	\$0.00
Enter Total Income from all Assets (M)						\$ 274.19



Scott Michael Dunn was HCCP of the Year in 2019. He is the CEO of Costello Compliance, a provider of many services to the affordable housing industry, including the Achieving HOTMA Success online on-demand/live hybrid course. He can be contacted at smdunn@costelloco.com.

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