



## Back to Basics

### Part 2: Annual Adjustment Factors

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#### Back to Basics...Again! | Part Two | Annual Adjustment Factors

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 2024, 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.

Annual adjustments for items related to inflation or other adjustments are built into HOTMA. Inflation adjustments include the amount of assets that determine if imputing is necessary and if non-necessary assets are counted, and the dependent deduction that determines the amount of income counted for dependent full-time students and adoption assistance payments. HUD will annually publish the eight inflation-adjusted items in the list below no later than September 1, and the updated values will be shared online at the HUD User website. The revised amounts will be effective on January 1 of the following year. The first set of adjustments for inflation will be made effective January 1, 2025.

Chart from the Course "Achieve HOTMA Success" by Costello Compliance

#### Factors to be Adjusted Annually by Inflation

All apply to HUD, bolded items (2-5 and 7-8) apply to LIHTC/HOME/NHTF properties.

##### Joint Implementation Notice Table H1

**24 CFR § 5.618(a)(1)(i)**

1. Eligibility restriction on net family assets

**24 CFR §§ 5.609(a)(2) and (b)(1)**

2. **Threshold above which imputed income is calculated on assets**

**24 CFR § 5.603(b) Net family assets**

3. **Threshold above which non-necessary personal property is included in net family assets**

**24 CFR § 5.618(b)(1) and several others, by program**

4. **The amount of net assets for which the Owner may accept self-certification by the family**

**24 CFR § 5.611(a)(1)**

5. **Mandatory deduction for a dependent**

**24 CFR § 5.611(a)(2)**

6. Mandatory deduction for elderly and disabled households [applies to HOME over-income households]

**24 CFR § 5.609(b)(14)**

7. **Income exclusion for earned income of dependent full-time students**

**24 CFR § 5.609(b)(15)**

8. **Income exclusion for adoption assistance payments**



**One more adjustment item.** Although not related to inflation, the passbook savings rate will also be announced with the above. The rate is based on the average passbook rate as published by the FDIC.

### A Deeper Dive...

**The inflationary index** for all necessary adjustments will be based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) HUD has chosen to use the CPI-W based on public comments and because HUD believes this publicly available index is an accurate measure of inflation to use in making income and asset determinations in HUD programs. Moreover, the Cost-of-Living Adjustment (COLA) adjustment for Social Security and SSI benefits for approximately 70 million Americans is based on increases in the CPI-W and consequently many PHAs, owners/agents and applicant/tenants are familiar with it.

**Rounding** will be to the nearest dollar except the annual inflationary adjustments for the dependent deduction and the elderly or disabled family deduction will be rounded to the next lowest multiple of \$25. Of these, only the dependent deduction applies to LIHTC properties. This determines two income items, including the amount of income applied to adult full-time dependent students and adoption assistance payments. These were \$480 before HOTMA and in 2024, but will be adjusted annually thereafter.

### A note for auditors...

Because these factors may change each year, in the future people who must review past files for compliance will need to keep records of the adjusted amount for each past year back to 2024 to accurately determine if income related to these adjustments is correct in a file. These may include state LIHTC agencies or company auditors. A simple spreadsheet kept on the auditor's computer with a different sheet for each year, for instance, may be a good way to archive these.

Determining what your state and company process for the adjustments in the HOTMA will be important. This includes a specific plan as to who will collect the annual adjustments, who will disseminate the adjustments to those who need to know, and who will archive the information. Come back to the next Credential for more basic HOTMA information and action steps.

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