

Free Sample Issue

Use Right Forms to Get Information About Households

When certifying and recertifying low-income households at your tax credit site, you may encounter situations that require you to use special forms to get more information about household income. Sometimes, you'll need to get household members to complete and sign these forms. At other times, you'll need to send the forms to a third party. For example, if you discover that a household member gets disability income, you must get the agency providing benefits to sign a special form to verify this income. Whatever the situation, it's important that you handle it properly by using the right form to get the information you need.

Not using the right forms can lead to two possible compliance problems, warns Mark S. Alper, senior trainer for the National Center for Housing Management. You won't have the right documentation to prove to your state housing agency and the IRS that a household meets the tax credit program's income-eligibility requirements. And you may miscalculate a household's income. If this happens, you may either mistakenly turn away a household that you think isn't income-eligible or mistakenly lease a low-income unit to a household that's over-income. If your state housing agency discovers your mistake, the owner of your site will risk losing credits for the unit, Alper warns. And if you need to count the unit to meet your site's minimum set-aside, all the owner's credits may be in jeopardy, he adds.

With so much at stake, it's essential that you and any staff members who conduct certifications and recertifications know how to recognize situations that call for special forms. We'll tell you about two situations where you'll need to give household members special forms to complete and sign and three situations where you'll need to get third parties to complete and sign special forms. And we'll tell you the right forms to use in each situation.

WHEN HOUSEHOLD MEMBERS MUST COMPLETE AND SIGN SPECIAL FORMS

Here are two situations that may arise during certification or recertification where you'll need to get household members to complete and sign special forms.

Situation #1: Household's Assets Total Less than \$5,000

If a household's net assets total less than \$5,000, you can avoid the administrative burden of verifying these assets.

Form required. Have the household head sign a "less than \$5,000" affidavit, says Sara Shimek, compliance coordinator for Heartland Properties, Inc.

Ask your state housing agency whether it has its own affidavit form that you must use. The National Council of State Housing Agencies (NCSHA), in its *Recommended Practices* (published Sept. 23, 2000), recommends that agencies adopt a form that asks a household head that claims less than \$5,000 in household assets to:

- Swear that the household's net assets total less than \$5,000;
- Say whether the household sold any assets for less than fair market value within the past two years; and
- Specify the cash value of, and annual income from, each asset (including assets sold for less than fair market value within the past two years) or say that the household currently doesn't have any assets.

Make sure the household head signs the affidavit under penalty of perjury and in the presence of a notary public.

Also, check with your state housing agency to see if it requires any documentation other than the affidavit, Shimek adds.

Insider Says: Although you may not have to include the household's assets if they total less than \$5,000, you must still include any income from these assets [HUD Handbook 4350.3, par. 3-15]. Also, if your site gets assistance through another federal program, such as Section 8, you can't use the affidavit, Shimek points out. Instead, you must get verifications for all the household's assets [Handbook 4350.3, par. 3-30].

Situation #2: Household Member Gets No Income

If a household member tells you that she has no income, you're required to take an extra step—even if you know that other members of the household have income.

Form required. Get all adult household members who claim that they have no income to sign a "zero income certification" form, advises Alper. Ask your state housing agency whether it has a special certification form you must use. If the agency doesn't have a special form, you can use the form that the NCSHA recommends that state housing agencies adopt. To download the NCSHA form as a pdf file, visit www.ncsha.org, click on "site map," then "Housing Credit," and then "NCSHA's Recommended Practices in Compliance Monitoring (Adopted in 2000)."

The zero income certification should do the following:

► *List possible sources of income.* The certification should spell out the various possible sources of income a household member could have, as listed in the HUD Handbook [Handbook 4350.3, exh. 3-5]. This includes income from operating a business, interest or dividends from assets, and death benefits. You should also include a catchall phrase at the end of your list so you'll be sure that you've covered everything. For instance, the NCSHA form says, "Any other source not named above."

► *Require household member to swear she doesn't expect her income to change.* The household member should swear on the certification that she expects no change in her financial status or employment status during the next 12 months, which is the length of a household's certification year.

► *Say how the member's household expects to pay for the unit.* Finally, the certification should require the household member to state how her household will get the funds to pay for rent and other necessities. For instance, another household member may use her income to pay the rent. Or a generous relative who isn't a household member may have arranged to pay the rent.

The household member should sign the certification under penalty of perjury and in the presence of a notary public. For more information about dealing with household members who get no income, see "Certifying Residents: Take Four Steps if Household Members Claim No Income," *Insider*, Nov. 2000, p. 4.

WHEN THIRD PARTIES MUST COMPLETE AND SIGN SPECIAL FORMS

Here are three situations that may arise during certification or recertification when you'll need to get third parties to complete and sign special forms.

Situation #1: Household Member Is Away in the Military

If you learn that a household member is away in the military, find out whether the member left behind a spouse or dependents in the unit, says Alper. If he did, the member is considered "temporarily absent," and you must count his income [Handbook 4350.3, par. 3-17].

When counting the income of a household member who's in the military, you must include any income the member gets that's related to his military service, such as monthly base pay, clothing allowance, and hazardous duty pay [Handbook 4350.3, app. 4, §(2)(a)(1)(b)]. And you must include all the member's income in the household's total—even if the member keeps a portion of his income for his own expenses, notes Alper.

Form required. If a household member gets income from the military, you'll need to verify it by sending the military a "military pay verification" form. Check your state housing agency's compliance manual for its form. If your state housing agency doesn't have a special form, ask the agency what you should use.

Insider Says: If a household member who's away in the military doesn't leave behind a spouse or dependents, the member can no longer be considered a household member, says Alper. So you mustn't count his income when certifying or recertifying the household.

Situation #2: Household Member Gets Disability Income

Say a household member tells you she's stopped working because she's disabled, and she's not sure when she'll return to work. Ask the member whether she gets disability income, advises Alper. If she does, you must verify the member's disability income, he says.

Form required. To verify disability income, send the agency that's providing the benefits a "disability income verification" form. You should create the form by following the suggestions outlined in the HUD Handbook [Handbook 4350.3, app. 4, §(2)(c)].

Alper also recommends taking two other steps to ensure that your state housing agency will be satisfied that you've properly verified a household member's disability income. Send a letter to the member's doctor asking her to verify that no date has been set for the member to return to work. And ask the member's regular employer to confirm in writing the date the member stopped getting regular wages at her job.

Situation #3: Household Member Is Unemployed

If you learn that a household member is unemployed, you must find out whether the member gets unemployment compensation, says Alper. If he does, you must include the compensation as part of the household's income.

Form required. To verify the income, send a "verification of unemployment benefits" form to the unemployment agency to complete. Check your compliance manual or ask your state housing agency for a copy of the form you must use.

Your verification form should ask the unemployment agency for the following information:

- The household member's weekly benefits;
- The household member's potential benefits;
- The date the household member's benefits will end, if known; and
- Whether the household member may be entitled to an extension of his benefits. ■

INSIDER SOURCES

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