



Housing Contract Administration

Income Calculation Policies and Procedures

August 2018

SELF-EMPLOYMENT INCOME & INCOME FROM A BUSINESS

Kentucky Housing
Corporation
1231 Louisville Road
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Notice

Kentucky Housing Corporation (KHC) provides this cheat sheet as a resource for the administration of the Emergency Solutions Grant.

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Please contact a KHC technical assistance representative at the [Housing Contract Administration \(HCA\) Help Desk](#) if you have questions or need additional assistance.

INSTRUCTIONS FOR PROPERLY CALCULATING SELF-EMPLOYMENT INCOME OR INCOME FROM A BUSINESS

1. First determine what tax years to gather. To do this you need to consider the time of year it is. If it is the first quarter (January 1 – March 30), second quarter (April 1-June 30), or third quarter (July 1-September 30), then the current tax return may not have been filed yet.
For instance, if it is 2018, the current tax return that is due by April 15, 2018 is the 2017 Tax return. If the household has filed for an extension, they have until October 15 to file the current tax return. If the 2017 has not yet been filed, then you will need to obtain the 2016 and the 2015 tax returns and official transcripts. Once the current tax return is filed and accepted by the IRS, you will need to obtain a copy of the 2017 tax return.
2. Have the client complete IRS form 4506 and send this form to the IRS to obtain the official transcripts of the client's last two year's tax returns.
3. Next have the client household complete current year to date numbers, using KHC form HCA 140, "Affidavit of Self Employment Income." The household will also need to provide their copies of the last two year's tax returns. This form requires a notary. This form is considered the current YTD numbers.
4. Although you will need the official transcript to document your file, you do not need to let it hold you up on proceeding with a client household. The transcript is just "insurance" that the tax return they provided is the same tax return submitted to the IRS. Proceed with KHC form HCA 140 and the copies of the last two year's tax returns provided by the clients to do a calculation of income. TIP: When looking at the tax returns, most of the information you need for KHC form HCA-141 should be listed on Schedule C of the tax return.
5. Once the official transcripts arrive, verify the information in the official transcripts matches the tax returns provided by the clients. There will only be an issue, if the income information does not match. If the information does not match, further questioning of the client household will need to be conducted and written evidence provided to explain why the tax returns the client provided does not match the IRS documentation. Please note, Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.
6. You will need to annualize the net income on KHC form HCA 140 using the *year to date calculation method*. The YTD method counts the number of weeks between the beginning date and the ending date and then takes the net income and divides it by the number of weeks to give you an average weekly income, you then multiply the average weekly income by the number of weeks in a year. If you need help in calculating income using the *year to date calculation method*, contact the HCA Help desk for assistance.
7. Review the last two year's tax returns and/or matching transcripts from the IRS and use the information to complete KHC form HCA-141 Net Income Calculation.

7. Compare the ANNUALIZED net income from KHC form HCA 140 and the net incomes for the last two years on KHC form HCA 141 to determine if there are major fluctuations in income.

Definition of major fluctuation – A) a fluctuation of more than \$1,000 if the household income is less than \$1,999 under the HOME income limit; B) a fluctuation of more than \$2,000 if the household income is more than \$2,000 under the HOME income limit.

- a. If no major fluctuations of income have occurred or if the fluctuations show that the income has steadily increased every year, then average the ANNUALIZED net income on KHC Form HCA-140 and the net income only on the most recent tax return from KHC form HCA-141 and use this average as the annual income.
- b. If a major fluctuation has occurred or if the income for the current YTD and/or the most recent year is lower than in previous years' income, average all three (current YTD on KHC Form HCA-140, and both years on KHC Form HCA-141) and use this average as the annual income.
- c. If the current year's annualized net income indicates the income is going down and averaging with the two most recent years puts the household over the income limit, the household may ask for a reconsideration by providing the agency with a written explanation and documented evidence that the reduction in income is likely to continue. The written explanation and the documented evidence must be both reasonable and compelling as well as properly documented.

AFFIDAVIT OF SELF-EMPLOYMENT INCOME

This affiant(s) (Name) _____ of (Address) _____ being first duly sworn
deposes and says that _____ is self-employed, said occupation being _____.
The affiants' place of business is located at _____.

I sign this declaration under penalty of perjury and with full knowledge of the repercussions of willful falsification and false swearing under Kentucky law.

STATEMENT OF INCOME FROM BUSINESS

- A. GROSS INCOME: \$ _____
Time period covered by GROSS income (should be past 12 months or a shorter period):
Beginning date: _____ Ending date: _____
- B. EXPENSES – Add all expenses incurred in the performance of this business:
1. Cost of goods and/or materials \$ _____
 2. Rent (business location only) \$ _____
 3. Utilities (Water, Electric, phone, internet, etc. for business only) \$ _____
 4. License fees \$ _____
 5. Other (specify) _____ \$ _____
Other (specify) _____ \$ _____
 6. Number of Employees _____
 7. Employees' salaries (other than self and family) \$ _____
 8. Owner's salary (self and family) \$ _____
- C. GROSS INCOME (from "A." above) \$ _____
LESS TOTAL EXPENSES (from "B. 8" above) \$ _____
EQUALS NET INCOME \$ _____

*******YOU MUST ATTACH MOST RECENT COPY OF YOUR FEDERAL TAX RETURN*******

The above information is correct to the best of my knowledge, and I agree to notify _____ annually of any changes.

Signature

Date

NOTARY

State of _____

County of _____

I, _____, a Notary Public, do hereby certify that on this _____ day of _____, 20_____, the person whose signature is above appeared before me, known to me personally or provided evidence of same, and swore and acknowledged to me that he/she executed the same for the purpose and in the capacity here in expressed, and that the statements contained therein are true and correct.

Notary Public, State of _____

Name, Typed or Printed: _____

My Commission Expires: _____

WARNING: It is unlawful to provide false information to the government when applying for federal public benefit programs per Section 1001 of Title 18 of the United States Code.

KHC Form HCA-140 (Rev.8/18)



NET INCOME CALCULATION FORM

Using information supplied from the client's tax returns, complete the form below to calculate NET INCOME for self-employed persons or from a business. Only official transcripts from the IRS should be used to calculate official income.

Tax Year: _____	Tax Year: _____
Gross Income: _____	Gross Income: _____
EXPENSES	EXPENSES
Cost of goods and/or materials \$ _____	Cost of goods and/or materials \$ _____
Rent (of business location) \$ _____	Rent (of business location) \$ _____
Utilities (of business location) \$ _____	Utilities (of business location) \$ _____
License fees \$ _____	License fees \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Other: _____ \$ _____	Other: _____ \$ _____
Number of Employees _____	Number of Employees _____
Staff wages (not self/family) \$ _____	Staff wages (not self/family) \$ _____
Owner's salary (self/family) \$ _____	Owner's salary (self/family) \$ _____
EXPENSE TOTAL \$ _____	EXPENSE TOTAL \$ _____
Gross Income \$ _____	Gross Income \$ _____
(minus) Expenses \$ _____	(minus) Expenses \$ _____
(equals) NET INCOME \$ _____	(equals) NET INCOME \$ _____

Calculations completed by (print name): _____

Title: _____ Date: _____

Signature: _____

WARNING: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful, false statements of misrepresentation to any department or agency of the U.S. to any matter within its jurisdiction.

KHC form HCA-141 (Rev. 8/18)

