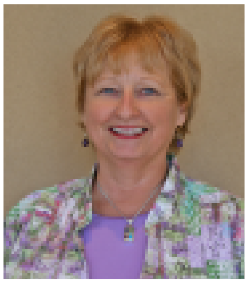
SHIP CLIPS Frequently Asked SHIP Questions

STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM



By Evelyn Rusciolelli

Q: *Does the Program Income collected during the 09/10 State Fiscal Year have to be expended on first time homebuyers in the same manner as FHOP funding?*

A: A jurisdiction may spend Program Income on any SHIP strategy UNLESS the program income comes from the repayment of a FHOP loan during the period before the end of the IRS tax credit. For some jurisdictions, program income could amount to tens of thousands of dollars during the 09/10 fiscal year. Jurisdictions receive bank interest, which may result mostly from SHIP 07/08 or 08/09 funds still in their local housing trust fund.

Q: *Can jurisdictions submit a close out annual report when the first FHOP annual report is submitted in September 2010?*

A: Yes, the Annual Report submitted in September 2010 may be a Closeout Report. By September 2010, it is likely that all FHOP money (and program income) will have been expended in many jurisdictions. Close Out should only be allowed for those that have expended the entire FHOP distribution along with all the program income received before June 30, 2010.

Q: *On the 09/10 Annual Report, will jurisdictions report on money expended for other strategies beyond the FHOP Strategy?*

A: Yes, a jurisdiction may expend program income on non-FHOP SHIP strategies, so the annual report must accept expense and encumbrance data for more strategies than just the FHOP strategy. Furthermore, once the IRS first-time homebuyer tax credit ends (currently scheduled to happen on December 1, 2009) a jurisdiction may expend the remainder of its FHOP allocation on any other SHIP strategy. The only way this would not happen is if the tax credit is extended past June 30, 2010; in such a case, all FHOP funding expended by June 30 must be spent on first time homebuyers.

Q: *What do I need to be tracking under our FHOP strategy so that I am prepared for next year's Annual Report?*

A: As staff members begin to assist first time homebuyers, they will need to collect some new types of data for FHOP. In 2010, the Florida Housing Finance Corporation will update its new web annual reporting system to include a handful of new FHOP data collection requirements. FHOP jurisdictions will need to report each FHOP buyer's income as reported on their tax return documentation provided to demonstrate eligibility for the first-time homebuyer tax credit. The buyer's income must be included on Annual Report Form 4 along with the buyer's name, address and amount of assistance. In addition, the sales price and date of purchase must be reported alongside each buyer's name on Form 4.

Between now and September 2010, each jurisdiction should track this new information in preparation for creating an FHOP annual report. The Coalition has updated its SHIP tracking spreadsheet to accommodate this data. The FHOP tracking spreadsheet will be available for download within a few weeks with the launch of our new Web page. A Member Update will also be sent to announce the Coalition's new web site with a link to the new tracking spreadsheet.

Throughout the new 'TRAKFHOP' spreadsheet, cells have been color coded where FHOP data must be provided.

- "Date FHOP Repaid" has been added to Form 1.
- "Date of Purchase" has been added alongside 'Sales Price or Value' on Form 3.
- New columns have been added to track FHOP buyers above the Moderate category.
- A blue box on the Summary Page reports the amount of expended funds per income category, including the 121-140% AMI and 'Above 140%' income categories.
- Form 1 includes a column for reporting the household's income, as reported on the tax return.
- The bottom left part of the Summary page distinguishes between FHOP repayments and other types of Program Income.

Since Senate Bill 360—enacted after the 2009 Legislative session—now permits assistance to households at 121-140% AMI, the ability to track this has been added for the first three strategies. SB 360 also redefined Recaptured Funds, so this has been changed on the summary page, alongside the sources of Program Income, which now includes the "Sale of Property".

Q: *Can you clarify the SHIP change as to mobile homes and are mobile homes also allowed with FHOP?*

A: Mobile Homes are now considered "eligible housing" and may be purchased or rehabilitated under the SHIP program. The FHOP program follows this same SHIP definition of eligible housing. Any home that qualifies as a principal residence under SHIP will also qualify for the IRS tax credit. The IRS definition of eligible housing includes "single-family detached homes, attached homes like townhouses and condominiums, manufactured homes, and houseboats."

In June, the Governor signed into law Senate Bill 360, the Housing Omnibus bill. Among the changes to SHIP, the definition of "eligible housing" now includes "manufactured housing constructed after June 1994 and installed in accordance with the installation standards for mobile or manufactured homes contained in rules of the Department of Highway Safety and Motor Vehicles, for home ownership or rental for eligible persons as designated by each county or eligible municipality participating in the State Housing Initiatives Partnership Program."

Furthermore, section 420.9075 (5) c of the SHIP Statute is amended to read "Not more than 20 percent of the funds made available in each county and eligible municipality from the local housing distribution may be used for manufactured housing."

If your local jurisdiction wants to assist with purchase or repair of mobile homes, you will need to revise your strategies by adding mobile homes as defined in the statute as an eligible housing category.

Q: *An applicant is single now but will soon be getting married. The fiancé lives with her and they are buying the house together. When determining SHIP income eligibility, how much income can the entire household earn and still be eligible?*

A: Eligibility for the tax credit is determined on the date of purchase. The applicants must be married at the time of purchase. If the applicant is single at the time of purchase, the income is limited to $75,000.

Detail of this answer is found in IRS FAQ: S1. If a single person (Taxpayer A) qualifies as a first-time homebuyer at the time he/she purchases a home with someone (Taxpayer B) that is not a first-time homebuyer and then later that year they marry each other, is the credit still allowed?

A: Eligibility for the first-time homebuyer credit is determined on the date of purchase. If Taxpayer A, a first-time homebuyer, buys a house and then later that year marries Taxpayer B, not a first-time homebuyer, the credit is allowable to Taxpayer A. Taxpayer A may take the maximum credit.

Q: *If a person does not file taxes because they are getting on Social Security (which is not taxable income), are they still eligible to apply for the FHOP funds?*

A: The applicant is eligible as provided in the following IRS FAQ:

Q: *I don't owe taxes and/or my income is exempt from tax and I do not have a filing requirement. Do I qualify for the credit?*

A: The credit is fully refundable and, if you qualify as a first-time homebuyer, having tax-exempt income will not preclude eligibility. Although there are maximum income limits for qualifying first-time homebuyers, there are no minimum income criteria. Thus, someone with no taxable income who qualifies as a first-time homebuyer may file for the sole purpose of claiming the credit for a refund.

Q: *If two unmarried people buy a house together, how do they determine how much each may take of the credit?*

A: The IRS has created Notice 2009-12 to provide guidance for allocating the first-time homebuyer credit between taxpayers who are not married. It prescribes many methods in which the first-time homebuyer credit is allocated between two or more taxpayers who are not married and who purchase a principal residence. According to this notice, "the total credit allocated between the taxpayers cannot exceed $7,500." There are six examples of different situations. The first two give you an example of the many ways to split the tax credit.

Example 1.
A contributes $45,000 and B contributes $15,000 towards the $60,000 purchase price of a residence. Each owns a one-half interest in the residence as tenants in common. Under § 36(a), the allowable credit is limited to 10 percent of the purchase price, or $6,000. A and B may allocate the allowable $6,000 credit three-fourths to A and one-fourth to B based on their contributions toward the purchase price of the residence, one-half to each based on their ownership interests in the residence, or using any other reasonable method (for example, the entire credit to A or B because both A and B are eligible to claim the entire allowable credit).

Example 2.
A contributes $10,000 for a down payment towards the $100,000 purchase price of a residence, and A and B obtain and are jointly liable for a $90,000 mortgage for the remainder of the purchase price. Each owns a one-half interest in the residence as tenants in common. Under § 36(b)(1)(A), the allowable credit is not $10,000 (10 percent of the purchase price) but is limited to $7,500. A and B may allocate the allowable $7,500 credit 55 percent to A and 45 percent to B based on their contributions toward the purchase price, one-half to each based on their ownership interests in the residence, or using any other reasonable method (for example, the entire credit to A or B because both A and B are eligible to claim the entire allowable credit).