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New Income Limits Formula Makes It Easier to Find Qualified Residents

On April 6, 2001, HUD released new income limits, which took effect immediately. HUD calculated these 2001 income limits using a new formula, as discussed in a HUD memo dated Jan. 16. In about 25 percent of counties across the country, the income limits will rise dramatically because of the new formula, notes Margaret McFarland, general counsel for the District of Columbia Housing Authority. Income limits will also increase in most, if not all, of the remaining counties because of changes in economic factors. So you'll probably have an easier time finding income-eligible residents for your tax credit site, she adds. You must begin using the new limits to certify households by May 21, 2001, notes A.J. Johnson, president of A.J. Johnson Consulting Services, Inc.

Why did HUD change its formula? A study of the old formula by the National Association of Home Builders revealed that the income limits in almost 900 counties were lower than they should have been, considering actual housing costs and income in

each county, explains McFarland. For example, the 60 percent income limit for Shelby County, Ky.—the county hurt the most by the old formula—was \$19,080, when it should have been as high as \$31,940, based on the actual median income projections.

How to Use Income Limits

The income limits you must use to certify households are set at a percentage of area median gross income (AMGI), adjusted for household size. The percentage of AMGI your site must use depends on the site owner's agreement with your state housing agency. It's typically 40 percent, 50 percent, or 60 percent of AMGI.

The "very low-income" figures in the HUD release reflect 50 percent of AMGI adjusted for various household sizes, so start with these, says Johnson. Then determine from the owner's agreement what percentage of AMGI applies. For example, if your tax credit households are supposed to be at or below 50 percent of AMGI, you can use the very low-

income row. Move along the row until you reach the figure below the appropriate household size (for example, three-person). That number is your income limit for households of that size, says Johnson. If your tax credit households are supposed to be at 60 percent of AMGI, multiply the very low-income number for each household size by 1.2. If your households are supposed to be at 40 percent of AMGI, multiply the very low-income number by 0.8, Johnson adds.

To get the income limits for your state, contact HUD USER at 1-800-245-2691. You can also get a copy of the income limits from the HUD USER Web site, <www.huduser.org>. Click on "FY2001 Income Limits Released." 

Insider Sources

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