Niagara Regional Housing

Notice No: 15-09

APPLICABLE TO: **DATE: October 26, 2015**

X	**Municipal & Private Non Profit**
X	**Co-operatives**
X	**Federal Non Profits *(information)***
X	**OCHAP/CSHP**
	Rent Supplement

X	**Mandatory**
	For Information

SUBJECT: 2015 Imputed Rate of Return for Non-Income Producing Assets

Legislation: ***Housing Services Act 2011 & O. Reg. 298/01, Section 50 (9).***

BACKGROUND

The *Housing Services Act 2011* and *O.Reg. 298/01* requires rent-geared-to-income (RGI) tenants/members who possess non-income producing assets to have an imputed income charge added to their gross income for these assets for the purposes of calculating rents/housing charges.

O. Reg. 298/01, Sec. 50 (9) states that calculations for imputed monthly income on non-income producing assets use the same interest rate of the most recent November issued series of Canada Savings Bonds, rounded down to the nearest percent.

IMPLEMENTATION

The imputed rate of return beginning November 1, 2015 remains at **0%.**

Imputed Income:

O. Reg. 298/01, Section 50(9) sets out the formula for determining the imputed income for the purpose of sub clause (1) (a) (ii). The following is an example of how imputed income would be calculated using the imputed rate of 0%.

Example

Tenant/member has mutual funds worth $20,000. Imputed rate of return is 1%. Calculation for determining the imputed income is ($20,000 x 1) divided by 100 = $200.00. The monthly imputed income is calculated by dividing the annual amount of $200.00 x 12 = $16.67.

$20,000 x 1% = $200 ÷ 12 = $16.67/month

Non-Income Producing Assets:

Non income producing assets include all assets, investments or holdings that are intended to increase in value and which do not normally generate regular income. An imputed income is also calculated for income-producing assets where the annual income is difficult to determine (for example: an RRSP that is not locked in). Written verification or appraisal of the non-income producing asset must be received from an appropriate institution or appraiser. Examples of non-income producing assets include, but are not limited to:

- financial holdings
- real estate (if the property can be lived in year round, the household must divest itself of the property, *O. Reg. 367/11, s. 32*)
- investments in precious metals, gems or art
- assets transferred outside the family unit

See Appendix “A” for a listing of detailed examples.

Service Manager’s Role

The Service Manager will monitor changes to the Canada Savings Bond rate and issue a NRH Notice to housing providers to announce the rate on an annual basis.

The Service Manager will monitor and ensure as part of ongoing operational reviews and RGI administration that the imputed income for non-income producing assets is being correctly applied when providers complete rental calculations.

Housing Provider’s Role

Housing providers are to verify non-income producing assets when completing RGI calculations.

If you have any questions or concerns regarding this notice, please contact your Housing Administrator at (905) 682-9201.

Ellen Balmain, Chief Executive Officer

Enclosure: Appendix “A”

Appendix "A"

Examples of Non-Income Producing Assets

Non-income producing assets include:

1. Financial Holdings;
2. Real Estate;
3. Precious metals, gems and art; and
4. Transferred Assets.

The imputed rate is applied to the current value of the investment or asset, for any income producing asset where the annual income is difficult to determine.

Funeral prepayments are not considered income producing or non-income producing unless the monies are withdrawn from the plan and not reinvested in another pre-paid funeral. The monies are considered assets and in this case, the actual or imputed income earned should be included in the RGI calculation.

1. Financial Holdings:

   Financial holdings that are considered to be non-income producing assets include:

   - Cash, non-interest bearing chequing accounts or bank accounts where interest is not provided (e.g. Credit Union);
   - Non Locked-In Registered Retirement Savings Plans;
   - Equity in a business or investment that does not generate an income;
   - Taxi cab plates, taxi licenses;
   - Life insurance with a cash surrender value;
   - Non-income producing stocks, mutual funds;
   - Mortgages or loans with loan interest rates less than the imputed rate of return.

2. Real Estate:

Residential Property

Residential property located in or outside of Ontario that is suitable for year-round occupancy. Residential property is defined as:

a) a property all of which is used for residential purposes or any portion of such a property; or
b) in the case of a property part of which is used for residential purposes and part of which is used for other purposes, any portion that is used for residential purposes. *O. Reg. 367/11 s. 32(5).*

Non-Residential Property

Non-residential property is defined as property that is:

- Not suitable for year round occupancy (non-winterized cottage);
- Landholding including farm land;
- Real estate producing rental income.

Non-residential property is treated as a non-income producing asset even if it is rented or producing some income.

3. <u>Precious metals, gems and art:</u>

The RGI calculation should include the imputed income based on the appraised value of the investments that are intended to increase in value rather than generate income such as previous metals, gems or art.

Possessions that should be excluded include: personal jewellery, family heirlooms, old family furniture, or other personal effects that do not normally increase in value (e.g. vehicles).

4. <u>Transferred Assets (*O. Reg. 298/01, Section 50 (10) (11)*)</u>

Non-income and income producing assets that are given away or transferred by an applicant or tenant/member are considered to be non-income producing assets for rent calculation purposes.

This applies to any assets transferred (by sale, lease or gift or in any other manner) during a period of 36 months before the date the household applies for rent-geared-to-income assistance or any time after the household applies for rent-geared-to-income assistance, unless the service manager is satisfied that the transfer was effected in good faith and not for the purpose of reducing the member’s imputed income so as to reduce the amount of RGI rent payable.

Tenants/member who transfer real estate will require a certified appraisal as soon as the transfer is complete.

Annual Write Down of Transferred Assets

The imputed income is based on the total value of all transferred assets at the time of transfer. If a tenant/member continues to have an interest in a transferred asset, $2000 will be deducted from the value at the time of the transfer, on each anniversary date of the transfer. This will continue until the full value of the asset has been deducted.

Verification of Transferred Assets

Documentation should be provided from tenants/members who have had a major reduction in asset(s), but have not sold them, to prove the reduce value of the asset(s).

Documentation is required to provide the current value of the asset(s) and/or proof is required to show that the assets were transferred prior to the 36 month period before applying for housing.