

**RESOURCES
REAL PROPERTY
INCOME-PRODUCING**

Description: Real property may produce income as part of a business (for example, the building, which houses a store or factory and which, is listed as an asset of the business). In the alternative, real property can be used to produce income and not be part of a business (for example, the A/R owns a house, which s/he rents to someone else).

Policy: Income-producing real property, which is part of the A/R's homestead is exempt. (See **INCOME HOMESTEAD**)

All non-homestead income-producing real property is reviewed to determine if it is a countable resource. Income-producing real property of an SSI-related A/R used in a trade or business is exempt. Income-producing real property not used in a trade or business is subject to the \$12,000 and 6% test explained below.

If income-producing real property produces a net return on equity of 6% or more, the first \$12,000 of the SSI-related A/R's equity is not counted. Any remaining equity value plus any other countable resources owned by the SSI-related A/R are compared to the appropriate resource level. (See **RESOURCES LEVELS**)

If the net return is less than 6% of the equity value, the entire equity value of one income-producing real property is a countable resource. The entire real property equity value plus any other countable resources owned by the SSI-related A/R are compared to the appropriate resource level. (See **RESOURCES LEVELS**)

References:

SSL Sect	366 366-ee
Dept. Reg.	360-4.3 (c) & (d) 360-4.4 (b)(3) 360-4.4 (d) ADM 91 ADM-30
ADM	10 OHIP/ADM-01
GIS	09 MA/027

RESOURCES REAL PROPERTY

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Interpretation: When an SSI-related A/R owns income producing real property that is not used in a trade or business, that property is subject to the \$12,000 and 6% test. The local district determines the SSI-related A/R's equity value in the real property and the amount of net annual income the A/R receives from the property. Equity value is the current market value minus any legal encumbrances (e.g. mortgages). Equity value includes, but is not limited to the value of land and buildings.

In instances where there is a low rate of return, local districts must determine if the low rate of return is due to reasons beyond the A/R's control. Consideration is given for extraordinary circumstances, such as: drought, fire, etc. If the real property is producing a net annual rate of return below 6% due to extraordinary circumstances, beyond the A/R's control (e.g., drought, fire, illness, etc.), the first \$12,000 of equity value can be excluded for up to a 24 month grace period. After the 24-month period the property is evaluated to determine if it is producing a 6% net rate of return. The 24-month period begins the first day of the tax year following the year in which the net rate of return dropped below 6%.

If the SSI-related A/R owns more than one income-producing property not used in a trade or business, each parcel of real property producing income is subject to a 6% test. However, only a maximum equity value of \$12,000 can be exempt.

Net income is the gross annual income from the real property less the expenses, as allowed by the Internal Revenue Service (except depreciation and personal business deductions), to produce that income.

**Verification/
Documentation:**

Ownership of real property may be verified by:

- a) Deed or mortgage records;
- b) Property tax records; or
- c) Sales agreements or real estate records.

As with other sources of income, documentation of the income produced by real property is obtained. The preferred documentation is the A/R's tax returns.