

## **Schedule H Frequently Asked Questions for Tax Year 2014 Only**

- 1. What is the DC Homeowner and Rental Property Tax Credit (Schedule H)?** The DC's Homeowner and Rental Property Tax Credit (Schedule H) is a property tax credit that is available to both homeowners and renters whose property taxes (or "rent constituting property taxes" in the case of renters) exceed a certain percentage of their tax filing unit AGI. The amount of your credit will vary depending on your tax filing unit AGI and the amount of rent or property taxes you paid.

| <b>Schedule H Formula for Residents <u>under</u> Age 70</b> |   |
|---|---|
| <b>If Tax Filing Unit AGI is:</b>                           | <b>Tax credit equals:</b>   |
| \$0-\$24,999  | The amount of property tax (or 20% of rent paid) that exceeds 3.0% of the adjusted gross income |
| \$25,000-\$40,000   | The amount of property tax (or 20% of rent paid) that exceeds 4.0% of the adjusted gross income |

Source: D.C. Code § 47-1806.06

**2. Who qualifies for Schedule H?**

You must meet all of the following requirements to claim this credit:

- You were a District of Columbia (DC) resident from Jan. 1 through Dec. 31, 2014;
- The total 2014 federal Adjusted Gross Income (AGI) of your "tax filing unit" was \$40,000 or less (\$60,000 or less if you are age 70 or older);
- You must not be claimed as a dependent on someone else's federal, state, or DC income tax return unless you reached age 65 on or before December 31, 2014.
- You rented or owned **and** lived in your home, apartment, rooming house, or condominium in DC during all of 2014;
- Your residence was not part of a public housing dwelling.

**Homeowners:** You must have been the owner of record and lived in a home in the District during the entire calendar year.

**Renters:** You must have been a lessee, tenant at will, or tenant at sufferance paying rent on a house or apartment in the District, during the entire calendar year.

- You did not rent from a landlord whose property was either exempt from real property taxes or who paid a percentage of rental income to DC instead of paying a real estate tax;
- Lessee. You leased the apartment or house.
- Tenant at will. You lived in your apartment or home without a lease but with the permission of your landlord.
- Tenant at Sufferance. You remained in the apartment or house after the lease expired, but before the landlord demanded that you quit(vacate) the premises.

### 3. Special Situations

#### a. What if I moved during the year?

When a claimant owns or rents two or more different homes in the District in the same calendar year, the amount of property taxes owed should be determined based on the claimant's status as an owner or renter on December 31st of such calendar year. (See [DC Code § 47-1806.06](#))

##### **Owned in DC then Rented in DC**

For example, if Mr. Jones **owned his home for the first part of the tax year, but then sold his home and moved into a rental unit for the second half of the tax year**, then the total amount of property taxes owed by Mr. Jones should be calculated based on the amount of Mr. Jones' monthly rent.

So if Mr. Jones was a renter on December 31, and paid \$1,000 a month for the last six months, the total amount of property taxes paid for the purposes of filing for Schedule H should be equal to \$2,400 [Monthly rent (\$1,000) multiplied by 12, and then multiplied by .20].

##### **Rented at two different locations**

If you **rented two or more homes in DC in the same calendar year**, the amount of rent paid for the tax year should be determined by dividing the amount of rent paid on the last rental agreement in force during that calendar year by the number of months during the calendar year for which this rent was paid and by multiplying the result by 12. (See [DC Code § 47-1806.06](#))

For example, Ms. Smith lived in a rental apartment from January 2014 to June 2014, and then moved to another rental apartment for the remainder of the tax year (July 2014 – December 2014) in which she paid \$800 a month. The amount of rent owed for the tax year would be based on her last rental agreement in which she was paying \$800 a month. Therefore the amount of rent paid for the year would be \$800 multiplied by 12 which equals \$9,600, and the amount of property taxes paid for the purposes of filing Schedule H should be \$9,600 multiplied by .20 = \$1,920.

#### b. What if I live in public housing?

You are not eligible for the credit.

#### c. What if I receive a Housing Assistance/voucher?

You may still be eligible for Schedule H. On line 2, you will only report the amount of rent you paid to the landlord. Do not include any amounts paid with housing assistance/vouchers received from any District or other government agency. If the housing assistance/vouchers are not received under the provisions of title III of the Rental Housing Act of 1977, leave line 4 blank.

For example: If the total rent was \$1200/month, your voucher paid \$1000 and you paid \$200 a month, on line 2 you would enter \$2400 (\$200 x 12), and you leave line 4 blank.

#### d. What if I receive rental supplements under the provisions of title III of the Rental Housing Act of 1977?

If the total supplements were \$1,000 or more for the entire year, you will not qualify for the Schedule H credit. On line 2, you will only report the amount of rent you paid to the landlord. Do not include any amounts paid with housing assistance/vouchers received from any District or other government agency. However, the amount of any housing assistance received under the provisions of title III of the Rental Housing Act of 1977 must be reported on line 4 and subtracted from the credit amount.

For example, If the total rent was \$1200/month, your rental assistance paid \$200 and you paid \$1000 a month, on line 2 you would enter \$12,000 (\$1,000 x 12), and on line 4 you would enter \$2,400 (\$200 x 12).

**e. What if I share housing?**

**If two tax filing units share an apartment, can each tax filing unit claim the credit based on the portion of rent they paid?** Yes. Each tax filing unit should report only the amount of rent paid by the claimant of that tax filing unit.

**If there is more than one eligible member of the tax filing unit paying rent, can they choose which eligible member claims the credit?** Yes.

**If my roommate and I each pay part of the rent and are separate tax filing units do we each claim the credit based on the amount of rent we pay?** Yes, that is correct.

**What if only one of us is named on the lease?** Provide documentation of rent paid in the form of rent receipts.

**If the payer of the real estate taxes is not on the deed, can they claim the credit?** No. The statute says the claimant must be a renter or "owner of record" of a home in the District.

**f. If my child does not live with me, but his father fills out IRS Form 8332 allowing me to claim him as a dependent, does this mean I have to include his AGI on my DC Schedule H even though he does not live with me? Or**

**My child lives with me and is my qualifying child for head of household, but I fill IRS Form 8332 so his mother can claim him as a dependent. Do I include his AGI on my DC Schedule H?**

The individual who includes the child as a dependent on their tax return is the individual who must include the child's income for Schedule H purposes.

**g. What if I sublet to others?**

If you sublet part of your home to one or more persons, who are not part of your tax filing unit then the amount of rent you paid for the tax year is the amount you paid minus the amount of rent you received from your subletters, and the subletters can claim the credit based on the amount of rent paid to you.

If the subletters are part of your tax filing unit, you will include their AGI on Schedule H but you may only make the claim based upon the rent that you actually paid.

If you are sharing expenses with a roommate, and you are in different tax filing units, each of you will file Schedule H based on the portion of the rent you pay.

**h. What if I sublet from others?**

If you sublet from someone and are not part of their tax filing unit, you would claim the rent you pay.

**i. What if I pay rent for my dependent who does not live with me?**

You cannot make a claim based upon the rent paid for your dependent. The claimant must live in the home that is the subject of the claim.

**j. What if I receive help from my family/friends to pay my living expenses including rent/property tax?**

You do not need to include that income in your AGI unless it is taxable for federal purposes. You should include on Schedule H the total amount of rent you paid including with your own money and the gifts/loans from friends and family.

- k. **What if I am preparing a tax return for someone who died during the tax year? The person rented an apartment in DC and lived there the entire time they were alive during the year. May I include a Schedule H with this person's tax return?**

No. A taxpayer must be alive for the entire tax year to qualify for the credit.

- l. **If I rolled over my retirement savings from one qualified retirement plan (401(k), 403(b), IRA, other) to another within 60 days, would this be included as part of my tax filing unit AGI?**

No, the amount of savings that is rolled over from one qualified retirement plan to another within 60 days should not be included as part of your total AGI.

**4. What documentation do I need?**

Only some of the documents listed below are required in order to file for Schedule H. The other documentation listed simply may help in filling out the tax form.

- Property tax bill if you are a homeowner.
- Lease, or other documentation of the amount of rent paid for the year if you are a renter.
- Adjusted Gross Income of all members. See FAQ 5 below. *(required)*
- Names and social security numbers of all members of your tax filing unit. *(required)*
- Name and contact information for your landlord. *(required)*

**5. What is included in "Adjusted Gross Income"?**

Follow the IRS instructions. Some examples are below.

| Included in Adjusted Income (partial List)   | Not Included in Adjusted Gross Income (partial list)   |
|--|--|
| <ul style="list-style-type: none"><li>• Wages, commissions or salary</li><li>• Interest/Dividends</li><li>• Business Income</li><li>• Military wages or retirement</li><li>• taxable portion of Pensions or annuities (retirement income)</li><li>• Alimony</li><li>• taxable portion of Social Security and Railroad</li><li>• Workers Compensation</li><li>• Rental income from a tenant or border</li><li>• Capital Gains</li><li>• taxable portion of income tax refunds</li></ul> | <ul style="list-style-type: none"><li>• Public assistance benefits (e.g. TANF) received</li><li>• Gifts from governmental and nongovernmental sources</li><li>• Food Stamps and/or surplus foods or other relief in kind supplied by a governmental agency</li></ul> |

**6. When is my claim due?**

If you file a DC income tax return, your claim for Schedule H for calendar year 2014 should be filed with your tax return on or before April 15<sup>th</sup>, 2015. If you do not file a DC income tax return, you may file Schedule H as a standalone form.

**7. Can I file a previous year's claim?**

Yes. It is possible to file previous years' claims. The statute of limitations is the later of three years from the due date of the return or three years from the payment of the tax, to claim a refund. The Schedule H for tax year 2014 may be filed up until April 15<sup>th</sup>, 2018. The credit and requirements for years 2013 and earlier were different than for 2014. Make sure to follow the instructions for the year for which you are claiming the credit.

**8. If I paid two years of property in 2014, do I include the total amount paid when calculating the credit?**

No. You can only include the amount of tax paid for 2014, you can not include any late payments, interest or penalties.

**9. What is the definition of "rent paid"?**

The term "rent paid" is that amount paid by the tenant to a landlord to occupy a residence. Utility charges may be included in the amount of rent paid if they are part of the monthly rent paid to the landlord to reside in the rental unit. The term "rent paid" does not include:

- Rental supplements, e.g. Section 8 vouchers;
- Advance rental payments for another period;
- Rental deposits, whether or not expressly set out in the rental agreement;
- Any charges for medical services or food provided by the landlord; or
- Payments made to a landlord to occupy a property which is exempt from District real property taxes.

**10. How do I find out if my landlord's property taxes are exempt?**

If your landlord is exempt from property tax, or if the amount of property tax they pay is based on a percent of the rent they receive, you do not qualify for the Schedule H Credit. If you are not able to obtain this information from your landlord and you file the Schedule H, then OTR will determine the tax status of your landlord using their name and contact information you have provided on your tax form and if OTR determines that the property taxes are not exempt, you will not be eligible for the Schedule H credit. If the credit (refund) is issued and OTR later determines the property taxes are exempt, you will have to pay back the credit.

**11. Common Filing Errors ( Found at**

**<http://otr.cfo.dc.gov/book/common-errors-faqs/common-errors-individual-income-taxpayers>**

**If you file a DC Schedule H - Homeowner and Renter Property Tax Credit Return, remember to:**

- Include the square, suffix and lot numbers if you own the real property for which you are claiming the credit;
- Include your landlord's name, address and telephone number and the dollar amount of your rent for the year if claiming the credit based on rent paid;
- Report adjusted gross income of all those living in your tax filing unit, and include their names and Social Security numbers; and
- Do not file a DC Schedule H to claim the property tax credit if you lived in public or subsidized housing during the year.
- For more information on Schedule H, see DC Code § 47-1806.06 .