



Developed for Customers of RBD Inc

RBD FASTFACTS - RIDE HAILING AND OTHER GIG INCOME

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FASTFacts Ride Hailing and Other Gig Income

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Disclaimer

The material contained in this document is not comprehensive of the continually emerging issues surrounding policies in The Multifamily Housing industry. In addition, the handbook guidance is derived from The HUD Handbook 4350.3 Rev 1 Change 4 released in August 2013 and in December 2013 and subsequent notices and memos from HUD.

These materials were updated 1/2021.

The reader should understand that these materials are not designed for, nor should be relied upon, as a source of legal guidance or as a final authority with respect to any particular circumstance.

Ross Business Development makes no warranty of merchantability or fitness for a particular purpose or any other warranty of any type with regard to these materials.

Owners and management should seek competent legal advice in developing and carrying out housing policies and procedures.

We have been diligent in our efforts to provide comprehensive and accurate regulatory instruction; Ross Business Development shall not be responsible for errors or inaccuracies.

FASTFacts Ride Hailing and Other Gig Income

GIG INCOME

Gig work is certain activity a resident does to earn income, often through an app or website (digital platform), like:

- Drive a car for booked rides or deliveries
- Rent out property or part of it
- Run errands or complete tasks
- Sell goods online
- Rent equipment
- Provide creative or professional services
- Provide other temporary, on-demand or freelance work

Note: This list does not include all types of gig work.

RIDE HAILING AND OTHER GIG INCOME

It seems as if a lot of residents have embraced the Ride Hailing organizations (e.g., Uber, Lyft, etc.) and other service providers as an opportunity to earn income.

However, in most cases, residents want you to treat this income as self-employment. This means you advise them to provide information that allows you to verify “net income from a business”.

You can refer to HUD Handbook 4350.3 Revision 1, Appendix 6C for guidance when developing your own policies.

PROJECTING INCOME

The following documents show income for the prior years.

Owners must consult with tenants and use this data to estimate income for the next 12 months.

- IRS Tax Return, Form 1040, including any:
- Schedule C (Small Business);
- Schedule E (Rental Property Income); and
- Schedule F (Farm Income).
- An accountant's calculation of depreciation expense, computed using straight-line depreciation rules. (Required when accelerated depreciation was used on the tax return or financial statement.)
- Audited or unaudited financial statement(s) of the business.
- Loan Application listing income derived from the business during the previous 12 months.
- Applicant's notarized statement or affidavit as to net income realized from the business during the previous years.

Because customers frequently ask how to establish a policy when addressing this type of income, we offer the following suggestions using HUD's guidance above. Develop a policy so that all residents with “like employment” are treated the same.

Most Ride Hailing organizations provide income statements showing monthly, quarterly and annual earnings. This information is reported to the IRS but may not show up in EIV.

Outside of these official tax documents, Uber provides a tax summary to all drivers that provides a detailed breakdown of annual income and possible business expenses. The possible business tax deductions include a breakdown of miles logged, some expenses, fees, and taxes. Driver and delivery partners receive a monthly tax statement.

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Please note monthly tax statements are not official tax documents but are provided to help drivers understand earnings throughout the year.

Drivers can access monthly tax statements by signing in to partners.uber.com and clicking "Tax Information."

Lyft also provides a Driver Dashboard Annual Summary that provides a breakdown of annual income and total miles driven. The breakdown of annual income includes tolls charged to passengers and Lyft's commission fees, as well as miles driven. These expenses, fees, and miles should be deducted from Gross Income.

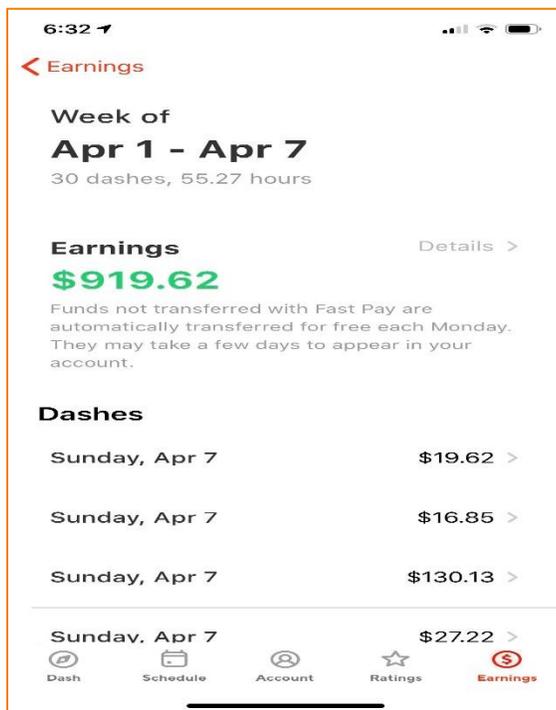
In the policy we created for our customers, site staff should request copies of most recent concurrent statements showing eight weeks of income (but you may want to say four weeks or six weeks - it's up to you).

We are also writing the policy to state that the resident must provide a copy of the Schedule C (from the tax return if the resident was required to file taxes) or copies of annual financial statements.

However, when the employment is new, it can be more challenging to effectively project this type of income.

For example, if a resident started working July 1, 2020, and reported the new income on July 20, 2020, they will not have filed a tax return (including Schedule C) for 2020. Tax returns for 2020 are not due until March 15, 2021. Quarterly taxes are due if the resident earns \$5000 or more per year.

So, when the income is new (resident reports that he/she is now working for a Ride Hailing service), get as much income information as you can.



If the resident has been working for one week, get one week's worth of income information.

If the resident has been working for one month, get one month's worth of income information.

Use what you can to project income.

If the resident made \$919.62 per week for two weeks, projected income is \$47,820.

Please refer to HH 4350.3 R1, C4, Paragraph 5-13 B for guidance re: documenting the file when 3rd party verification is not available. Document the file explaining why you did not get eight statements (or whatever your policy calls for).

For example: Could not obtain eight statements because resident has only worked for two weeks.

Project income based on available documentation and advised resident to report if they believe income was over or under stated.

Any valid business expenses can be deducted if the resident is able to provide receipts or other documents (e.g., mileage log, cell phone bill) to verify the projected expense.

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Profit & Loss	
January 1 through August 8, 2020	
Jan 1 - Aug 8, 20	
Ordinary Income/Expense	
Income	
Gross Delivery Income	
Doordash Income	2,420.13
Grubhub Income	8,162.69
Uber Eats Income	8,038.63
Total Gross Delivery Income	18,641.45
Total Income	18,641.45
Expense	
09 - Automobile Expense	
Car Depreciation	787.00
Car Wash	16.00
Fuel	1,257.16
Insurance	716.25
Maintenance	135.14
Parking and Tolls	3.75
Registration/Taxes	318.25
Repairs	435.17
Total 09 - Automobile Expense	3,668.72
20 - Rent Expense	
Cell Phone Lease	128.00
Total 20 - Rent Expense	128.00
21 - Repairs and Maintenance	
	238.28
22 - Supplies	
Cleaning/Sanitation	89.97
Delivery Bags	213.95
Work Uniform	164.80
22 - Supplies - Other	35.02
Total 22 - Supplies	503.74
27 - Other Expenses	
Cell Phone	251.16
Memberships and Dues	9.99
Total 27 - Other Expenses	261.15
Total Expense	4,800.69
Net Ordinary Income	13,840.76
Net Income	13,840.76

We recommend that you establish a specific timeframe for providing such information (e.g., within 10 business days).

Note: Residents should contact an accounting professional to understand which expenses can be applied and how to apply those expenses.

We suggest that you don't act as your resident's accountant. If a resident wants you to consider net income instead of gross income, they should provide their own financial statements. Financial statements can be produced using any "off the shelf" accounting product.

Using this example, the resident is providing income information from January 1, 2020 through August 8, 2020.

- Total net income is 13840.76.
- The statement is for 31 weeks and 3 days. That's 220 days.
- \$62.91 per day x 365 days = \$22,962.00 annually.

Alternatively, you can create a verification form that allows the resident to break down expenses.

If you have questions about which expenses are

valid, you should contact your own accountant or accounting department. You can also conduct research on the web to see what counts as an expense and what does not.

The IRS provides guidance on their web site at https://www.irs.gov/site-index-search?search=gig&field_pup_historical_1=1&field_pup_historical=1.

As for any new business, first year expenses will be higher than expenses incurred in subsequent years if the resident has to purchase software, cell phones, etc.

We have created a sample *Self Certification – Income – Ride Hailing*, that you may want to use to get some ideas when creating your own verification form.

Residents have the choice of deducting expenses or mileage, but not both. If the resident wants to use mileage, the resident will have to track business mileage versus personal mileage. Be sure to check the IRS mileage reimbursement information each year.

This sample is available on our FASTForms page.

- Ask for receipts or other documents (e.g., mileage log) to verify expenses shown on the financial statement or other verification form.
- Copy the receipts and include them in the tenant file. (Residents should keep these receipts because they will need them for tax purposes.)

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Keep in mind that, when this income is not included on the EIV Income Report, EIV will generate an Income Discrepancy indicating that the 50059 shows too much income.

In these cases, investigate the Income Report and, if appropriate, document the tenant file to explain that the income is not available in EIV but was verified and is accurate.

No additional action would be required in this case.

RBD offers a sample verification form on our FASTForms Individual Forms web site.

The form is called Self Certification Self Employment Ride Hailing. You can find this form at <https://www.rbdnow.com/fast-forms/individual-forms/annual-recertification>.