

PERSONAL
NET
WORTH
(PNW)
FORM
TRAINING

CITY OF AUSTIN
SMALL AND MINORITY BUSINESS
RESOURCES (SMBR)

[HTTP://AUSTINTEXAS.GOV/SMBR](http://austintexas.gov/smbr)

512-974-7645

Agenda

- ▶ PNW Historical Data
- ▶ Who is Considered Economically Disadvantaged
- ▶ Personal Net Worth Exclusions
- ▶ Supplemental Documents
- ▶ DBE/ACDBE PNW Differences
- ▶ Counselors Research
- ▶ M/WBE PNW Form
- ▶ M/WBE Alternate PNW
- ▶ PNW Completion Tips

PNW Historical Data

- ▶ PNW Ordinance was adopted June 8, 2006
- ▶ Began as certification requirement January 1, 2007
- ▶ The amount is indexed annually based on the South Region Consumer Price Index published by the US Department of Labor, Bureau of Labor Standards
- ▶ The PNW limit has increased each year
 - Initial PNW \$900K
 - Current PNW \$1.583M

Who is Considered Economically Disadvantaged: 4

- ▶ An economically disadvantaged individual is a business owner whose Personal Net Worth (PNW) does not exceed:
 - ▶ \$1.583 million for the MBE/WBE program*
*May change annually
 - ▶ \$1.32 million for the DBE/ACDBE program
- ▶ An individual's personal net worth includes only his or her share of assets and liabilities held separately AND/OR jointly

Exclusions from the PNW

An individual's PNW includes only the applicant's share of all assets held separately and/or jointly, or as community property.

The following may be excluded:

- ▶ Individual's ownership interest in the applicant firm and/or assets titled to the firm
- ▶ Individual's equity in his or her primary residence
- ▶ Tax and interest penalties that would accrue if retirement savings or investments (e.g., pension plans, Individual Retirement Accounts, 401(k) accounts, etc.) were distributed at the present time
- ▶ The value of an asset or liability not shared/co-owned by applicant
- ▶ The asset value of a vehicle you are leasing

Supplemental Documents Required

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- ▶ Full Copy of your most recent Personal Tax Return(s)
(include all schedules)
- ▶ Bank Statement Printouts – within 30 days of your PNW date
- ▶ Trust Documents: Trust, Bill of Sale, Trust Tax Returns
- ▶ Attachments for PNW Sections, as needed
- ▶ Certification staff may request additional documents if required

All information provided by the applicant is CONFIDENTIAL and protected
by the state's Open Records Act.

DBE/ACDBE PNW Differences:

- ▶ Both Programs require PNW at Initial Application and upon request, usually upon a major financial change
- ▶ IF applying for both programs, applicant should ONLY complete the DBE PNW
- ▶ Form Layout: PNW Calculation Section & Section 6
- ▶ Section 6: Other Personal Property breakdown
- ▶ You do not have the ability to indicate if an asset or liability is joint or separately owned or foreign or domestic.
- ▶ Your personal residence IS listed but is NOT included in the Net Worth calculation.
- ▶ The balance of your automobile loans is NOT included in the Notes Payable section, it is in Section 6.
- ▶ You do not have to list other sources of income or contingent liabilities
- ▶ The M/WBE PNW asks for additional information related to Other Business Investments/ Businesses Owned

Counselors Research

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- ▶ Texas Secretary of State
- ▶ County CAD information
- ▶ Personal Tax Returns
- ▶ Personal Bank Statements
- ▶ Other IRS documents if applicable
- ▶ Application and documents

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Small & Minority Business Resources Department, Certification Office, 4201 Ed Bluestein Blvd., Austin, TX 78721

Mailing Address: PO Box 1088, Austin, TX 78767-1088, Telephone (512) 974-7645

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Applicant Name:	Business Phone:	Residence Phone:
Residence Address: City, State & Zip Code & County		
Business Name:		
Spouse's Full Name:	Marital Status:	
	<input type="checkbox"/> Married <input type="checkbox"/> Single <input type="checkbox"/> Divorced <input type="checkbox"/> Union	

PNW STATEMENT DATE: _____							
If an item does not apply mark it with a "N/A". If it applies but there is no value, mark it with a "\$0.00"							
Domestic & Foreign Assets	Indicate if Owned Separately and/or Jointly		Current Market Value:	Domestic & Foreign Liabilities	Indicate if Owned Separately and/or Jointly		Current Market Value:
	S	J			S	J	
Cash on Hand or in Banks			\$	Accounts Payable (shareholder loan, Promissory note, etc.)			\$
Savings Accounts, C/Ds			\$	Balance of Auto Loans			\$
Automobile(s) – Current Market Value			\$	Balance of Loans from Life Insurance			\$
Other Personal Property (value of furniture, electronics, RVs, boat, artwork, tools, securities, etc.)			\$	Balance of Unpaid Mortgages for Other Real Estate From Section 6			\$
Balance of Loans, Accounts and/or Notes Receivable			\$	Balance of Unpaid Personal Taxes Complete Section 8			\$
Life Insurance Cash Surrender Value - Complete Section 1			\$	Balance of Notes Payable to Banks AND Other Installment Accounts (credit cards, revolving accounts, etc.) Complete Section 7			\$
Retirement Accounts Complete Section 2			\$	Any Other liabilities (payments for other assets)			\$
Stocks and Bonds Complete Section 3			\$				
Other Business Assets Complete Section 4			\$				
Other Real Estate Owned Complete Section 5			\$				
TOTAL FOREIGN & DOMESTIC ASSETS:			\$	TOTAL FOREIGN & DOMESTIC LIABILITIES:			\$
TOTAL NET WORTH: (assets minus liabilities)				\$			

M/WBE
PNW
Form

What is an Asset & Liability?

(A & L)

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All Foreign and Domestic Assets and Liabilities must be included on the PNW

- ▶ In financial accounting, net worth is the difference between the assets and liabilities of a person or business.
- ▶ In financial accounting, an asset is an economic resource. Anything tangible or intangible that can be owned or controlled to produce value and that is held to have positive economic value is considered an asset.
- ▶ In financial accounting, a liability is defined as the future sacrifices of economic benefits that the entity is obliged to make to other entities as a result of past transactions or other past events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future.

Completing the M/WBE PNW

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Complete the M/WBE Form if:

- ▶ Applying for M/WBE Certification*
- ▶ A major financial change has occurred

Who should complete the PNW form:

- ▶ Each socially disadvantaged proprietor,
- ▶ Each socially disadvantaged limited and general partner whose combined interest totals 51% or more
- ▶ Each socially disadvantaged stockholder owning 51% or more of voting stock.

*If applying for DBE Certification at the same time, only complete the DBE PNW.

*An **Alternate PNW** is also available for MBE/WBE Program

A: Cash on Hand, Cash Equivalents, Cash In Banks or CDs

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Domestic & Foreign Assets	Indicate if Owned Separately and/or Jointly		Current Market Value:
	S	J	
Cash on Hand or in Banks			\$
Savings Accounts, C/Ds			\$

Include the following:

- ▶ Combined cash value of ALL accounts owned separately
- ▶ Value of monies you own in a joint account(s)

You can check separately owned AND jointly owned if you have both types of accounts

A: Current Market Value of Vehicles

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Automobile(s) – Current Market Value			\$

- ▶ List the total current market value of all vehicles TITLED to you
- ▶ Vehicles titled to the applicant business are NOT included
- ▶ Use an auto value estimating website as a guide
- ▶ Indicate Separate or Jointly Owned

A: Other Personal Property 14

Other Personal Property (value of furniture, electronics, RVs, boat, artwork, tools, securities, etc.)			\$
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- ▶ List the combined total value of non-real estate property owned separately and/or jointly.

This includes; art, electronics, RV's, boats, tools, furniture, collectibles, jewelry, clothing, ...anything that could be sold for a value.

- ▶ Indicate if Separately AND/OR Jointly owned
- ▶ A value must be provided

A: Balance of Loans & Notes Receivable

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Balance of Loans, Accounts and/or Notes Receivable			\$
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- List total value of documented loans, promissory notes, and shareholders loans owed to you

A: Life Insurance – Cash Surrender Value¹⁶

Life Insurance <u>Cash Surrender</u> Value - Complete Section 1			\$
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Section 1: Applicant's Cash Surrender Value from Life Insurance Policy(ies)	
Please provide the Insurance Company(ies), Total Payout Value(s) and Beneficiary(ies) for your policy(ies):	
Total Cash Surrender Value (not payout value):	\$

- ▶ Usually part of a Whole-Life or Universal-Life policy
- ▶ The cash surrender value is the amount of money you can take out of the insurance policy, NOT the payout value, and use for personal expenses, a down payment, etc.
- ▶ Since a life insurance policy is assigned to one SSN, there is no joint ownership
- ▶ If you are unsure if you have a cash value, call your insurance policy provider

A: Retirement Accounts

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Retirement Accounts Complete Section 2			\$
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Section 2: Applicant's Retirement Accounts and/or Trust(s) (Provide attachments if needed)	Sep. owned	Jointly owned	Foreign or Domestic	Current Market Value
IRAs, Roths, 401Ks, 403Bs and Pension(s)		N/A	F / D	\$
Other Retirement Account(s)			F / D	\$
Trust(s): Indicate if: Revocable or Irrevocable Please provide a copy of the trust and a copy of its tax return (if a filing entity)			F / D	\$
Total Current Market Value for Retirement Accounts:				\$

- ▶ List the total value of retirement account, without withdrawal penalties, assigned to your SSN.
- ▶ Foreign/Offshore account MUST be included. We review the FBAR & Sched. B form from your personal tax returns.
- ▶ Jointly held retirement accounts are listed under "Other"
- ▶ List the value of items held by a Trust.

A: Retirement Accounts Cont'd. Trust Documents

- ▶ Can be Revocable (changeable) or Irrevocable (un-changeable)
- ▶ Revocable trusts typically allow a trustee to manipulate the assets held at any time. This can be important if an asset has recently been transferred to you or from you to the trust.
- ▶ Items that can be held in a trust: personal property, jewelry, art, collectibles, real estate, etc.
- ▶ We will ask for the trust document, the bill of sale (if applicable) and the tax return for review.

A: Stocks & Bonds

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Stocks and Bonds Complete Section 3			\$
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Section 3: Stocks and Bonds NOTE: Quote must be within five (5) business days of this statement date. (Use an attachment if necessary. Each attachment must be identified as part of this statement and signed.)					
Number of Shares	Name of Securities	Cost	Market Value Quotation or Exchange	Date of Quotation Or Exchange	Current Market Value
		\$	\$		\$
		\$	\$		\$
Total Current Value for Stocks & Bonds:					\$

- ▶ Provide the values as indicated for the stock and brokerage accounts you own
- ▶ You can provide printouts of the accounts if that is easier

A: Other Business Assets

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Other Business Assets Complete Section 4			\$
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Section 4: Other Business Asset(s) Provide the value of assets held in other businesses. Do not include applicant firm assets (Use an attachment if necessary)				
	Title	% Owned	Nature of Business: (What does this company do)	Current Market Value of Assets Invested:
Business Name & Address:				\$
Business Name & Address:				\$
Total Current Market Value of Other Business Assets:				\$

- ▶ Provide the asset value you have in other businesses. To include Sole Proprietorships, LLCs, LLPs, and INCs
- ▶ Fill in the information related to other business ownership
- ▶ We are looking to gauge the asset but also determine if this firm is a possible affiliate

A & L: Business Affiliate Defined 21

- ▶ Applies to M/WBE and DBE Program Rules
- ▶ Affiliate business tax returns must be provided on a yearly basis
- ▶ A business affiliate for SMBR purposes is defined by the Small Business Administration:
 - ▶ SBA's regulations on affiliation are contained in 13 CFR § 121.103, available at www.sba.gov/size
 - ▶ Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses. Control may arise through ownership, management, or other relationships or interactions between the parties.

A & L: Other Real Estate Owned

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Other Real Estate Owned Complete Section 5			\$
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Section 5: Other Real Estate Owned. (Do not include the personal residence). List each property parcel separately. Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)			
	Property A	Property B	Property C
Applicant's Ownership %			
* Current Market Value (Or percentage owned)	\$	\$	\$
Type of Property			
Address: Street, City, State, Zip, County & Country (if foreign)			
Date Purchased			
Original Cost	\$	\$	\$
Name and Address of Mortgage Holder			
Mortgage Account Number			
Amount of Payment per Month/Year	\$	\$	\$
** Mortgage Balance (Or percentage owned)	\$	\$	\$
Status of Mortgage			
*ASSET:	Total Current Value of Other Real Estate Owned: \$		
**LIABILITY:	Total Amount of Remaining Mortgages on Other Real Estate Owned: \$		

A: Other Real Estate Owned, Con't.

- ▶ Only list your ownership percent and the values related to that percent owned
- ▶ Properties deeded to you, even if used for the applicant business, are included
- ▶ Type of property includes: Rental, Land, Farm, Vacation Home, Commercial, etc.
- ▶ We will verify property owned under each County Appraisal District website
- ▶ Please break properties up by parcel
- ▶ Please include foreign and domestic properties

L: Accounts Payable

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Accounts Payable (shareholder loan, Promissory note, etc.)			\$
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- List value of all shareholder loans, promissory notes that you are paying to another individual, entity or company

L: Balance of Auto Loans 25

Balance of Auto Loans			\$
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- ▶ List the owed amount remaining of all auto loans for vehicles TITLED to you
- ▶ Vehicle loan balances of vehicles titled to the applicant business are NOT included
- ▶ List the total value of lease payments remaining for vehicles you are leasing

L: Balance of Loans from Life Insurance

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Balance of Loans from Life Insurance			\$
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- ▶ If you have taken the Cash Surrender Value out of your Whole-Life or Universal-Life Policy, you will have a loan agreement to pay it back
- ▶ List the value of the remaining balance of the loan associated

L: Balance of Unpaid Mortgages

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Balance of Unpaid Mortgages for Other Real Estate From Section 5			\$
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*ASSET:	Total Current Value of Other Real Estate Owned:	\$
**LIABILITY:	Total Amount of Remaining Mortgages on Other Real Estate Owned:	\$

- ▶ Only list your the amounts owed related to your percent owned
- ▶ From Section 5, insert the total value of unpaid mortgages you have on the other real estate owned

L: Balance of Unpaid Personal Tax

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Balance of Unpaid Personal Taxes			\$
Complete Section 6			

Section 6: Applicant's Balance of Unpaid Personal Taxes Please provide a description and amount of unpaid personal taxes. Provide backup documentation if needed. Do not include applicant firm taxes.	Unpaid Personal Tax Amount
Balance of Unpaid Personal Taxes	\$
Are these foreign or domestic unpaid taxes: Foreign / Domestic. If foreign, provide country: _____	
Please describe in detail the type, to whom payable, when due, and to what property. If there is a tax lien, please provide a copy.	

- This value should not include contingent tax liabilities or anticipated taxes for a current year

L: Balance of Notes Payable

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Balance of Notes Payable to Banks AND Other Installment Accounts (credit cards, revolving accounts, etc.) Complete Section 7			\$
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Section 7: Applicant's Notes Payable & Other Installment Accounts (use attachment if necessary)						
Name of Noteholder(s)	Original Balance	Payment Amount	Frequency (mo./yr., etc.)	How Secured, Endorsed; Type of Collateral	Foreign or Domestic	Current Market Value
	\$	\$			F / D	\$
	\$	\$			F / D	\$
	\$	\$			F / D	\$
Total Current Market Value of Notes Payable & Other Installment Accounts						\$

- ▶ Include all accounts that you owe money towards and carry a balance on
- ▶ Credit cards that are paid off each month should not be included
- ▶ Do NOT include loans associated **with the** applicant firm
- ▶ Include amounts owed for other businesses owned

L: Any Other Liabilities

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Any Other liabilities (payments for other assets)			\$
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- ▶ Include the payoff value of any other liabilities you have.

Examples:

- ▶ Other business liabilities
- ▶ Student loans
- ▶ Other loans

L: Transfer of Assets

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Section 8: Transfer of Assets

Have you, the individual claiming disadvantaged status, transferred assets within two (2) years, in full or in part, to a spouse or any other person or entity, including a trust? ☐ YES ☐ NO

If yes, provide the following information as an attachment: the date of the transfer, to whom the assets were transferred, amount paid for the assets and market value of the assets at the time of the transfer

NOTE: Individuals may exclude assets transferred to an immediate family member that are consistent with the customary recognition of special occasions and may also exclude any transfers to an immediate family member for educational, medical or essential support purposes.

- ▶ Indicate “Yes” if you have also transferred to and from a trust, another entity and/or an individual
- ▶ If “Yes” is checked, please provide an attachment describing the transfer as indicated
- ▶ Exclude the transfer types listed in the note above



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Mailing Address: PO Box 1088, Austin, TX 78767-1088, Telephone (512) 974-7645

SWORN STATEMENT OF ALTERNATE PERSONAL NET WORTH VERIFICATION

APPLICANT OR CERTIFIED OWNER SEEKING RECERTIFICATION

I certify, as evidenced by my signature below, that I have provided all supporting documentation to

Name of CPA

Business Address of CPA

a Texas Certified Public Accountant ("CPA"), in order that this CPA may verify my personal net worth. I further certify that all information and statements that I have provided to the CPA are true and correct. I understand that all documents I have provided to the CPA may be subject to review by representatives of the City of Austin. If a request is made by the City to review such documents, I understand these documents must be provided for review within seven (7) business days.

Printed Name of Eligible Applicant

Signature of Eligible Applicant

Subscribed and sworn to before me, the undersigned notary public, on this _____ day of _____ (month), _____ (year).

Notary Public's Signature

My Commission Expires (Notary Seal)

CERTIFIED PUBLIC ACCOUNTANT

I certify as evidenced by my signature below that I am a Texas Certified Public Accountant in good standing with the Texas State Board of Public Accountancy, that I have reviewed the PNW Statement and supporting documentation provided by the applicant, and that I have verified the personal net worth of (business owner) _____, to be equal to or less than \$1,457,000.

Printed Name of CPA

Signature of CPA

Texas License No.

Subscribed and sworn to before me, the undersigned notary public, on this _____ day of _____ (month), _____ (year).

Notary Public's Signature

My Commission Expires (Notary Seal)

The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.

v.20160104

Alternate
M/WBE
PNW

Alternate M/WBE PNW Form

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- ▶ Only applicable to the City of Austin M/WBE program
- ▶ Must be completed by a Texas CPA in good standing with the Texas State Board of Accountancy
- ▶ Supporting documents provided to CPA can be requested and viewed by an SMBR Certification team staff member.
- ▶ Personal Tax Returns are not typically due with the Alternate PNW form

PNW Completion Tips

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- ▶ Read the instructions BEFORE you begin to fill out the PNW
- ▶ Provide attachments dated within 30 days of the date you complete the PNW, unless otherwise noted in the instructions.
- ▶ If you are unsure about an item, contact the lender, bank, account manager, policy issuer, county appraisal district, etc.
- ▶ Make sure to leave *nothing* blank
- ▶ We have a free notary service at SMBR
- ▶ Call us or come in and meet with us if you have any questions