

# ANNUAL INCOME

## Income for Eligibility (24 CFR § 960.201 and § 982.201)

Public Housing and HCV are "needs tested" programs. To be eligible for Public Housing, an applicant must have an Annual Income that is no more than either the "Low Income" limit (80 percent of area median income) for Public Housing or the "Very Low Income" limit (50 percent of the area median income) for the HCV program.

HUD publishes the income limits in the Federal Register and on their website at [www.huduser.org](http://www.huduser.org). The Income Limit chart published by HUD is named "Section 8 Income Limits" but is used by both Public Housing and HCV and contains income limits for Extra Low Income (30%), Very Low Income (50%) and Low Income (80%).

PHAs are not permitted to establish income limits for continued occupancy of Public Housing unless they are required to do so by local law, and there is decent, safe, and sanitary housing of the right size for a family at a rent not exceeding the family's Public Housing rent. Generally, market pressures and limits on unit size and amenities discourage families from remaining in Public Housing long after they need it. In the HCV program, a family who has not received any subsidy (because they are paying the full rent, for example) for six months will be terminated from the program.

***With the passage of the Housing Opportunity through Modernization Act of 2016 (HOTMA) there will be income limits for continued occupancy in the Public Housing program when HUD publishes the implementing regulations. Under HOTMA, PHAs will be required to consider as "over income families" those whose incomes exceed 120 percent of admission income limits for two consecutive years. These families will be required to pay the higher of the Fair Market Rent for their unit size and type or the amount of monthly subsidy (operating subsidy plus capital subsidy) for their unit size and type. At this writing (9/17) the applicable regulations have not been published. In the HCV program, the long-standing requirement that participant's Vouchers terminate when 180 days have elapsed since the payment of HAP on the participant's behalf establishes a de facto income limit for continued occupancy.***

## Annual Income Defined (24 CFR 5.609)

Annual Income is defined as amounts, monetary and non-monetary (cash and non-cash contributions), that go to, or on behalf of, the family head or spouse (even if temporarily

absent) or to any other family member, or are anticipated to be received from a source outside the family, in the 12 months following admission or the annual reexamination's effective date. Income also includes amounts derived from assets to which any member of the family has access, and that are not specifically excluded by federal regulations.

HUD has determined various categories of INCLUDED and EXCLUDED income. PHA staff must master what is and is not considered income in the Public Housing program, and at least annually, they also need to review on HUD'S website the list of excluded income, since the list changes from time to time. Congress and HUD periodically add new exclusions.

Most errors in determining income will also produce errors in rent calculations. A checklist of the various components of Annual Income to be used in an admission or reexamination interview may be used. The value of using such a checklist is that each family will be asked about all the types of potential income they might have, and the family head's signature documents that the family has been asked about all possible types of income.

## **What is Included in Income?**

1. **Gross Earned Income** full amount before any payroll deductions, of
  - wages and salary
  - overtime
  - commission and fees
  - tips and bonuses
  - other compensation for personal services
  
2. **Business Income/Self-Employment**
  - the PHA will use IRS Publication 535 for determining allowable business expense to be deducted from business income to arrive at a net figure.
  - expenditures for business expansion or amortization of capital indebtedness will not be used as deductions in determining net income.
  - Business expansion is defined as any capital expenditure made to add

new business activities, to expand current facilities, or to operate the business in additional locations.

- Capital indebtedness is defined as the principal portion of the payment on a capital asset such as land, buildings, and machinery - interest can be counted as a business expense, but not the principal payment
- Allowance for depreciation of assets used in business or profession may be deducted, based on straight-line depreciation, as provided in IRS regulations, in the figuring of net business income.
- Withdrawal of cash or assets from a business is counted as income EXCEPT when the withdrawal is used for reimbursement of amounts already put into the business by a family member.

*Most residents who own their own businesses keep much more detailed records than is otherwise typical. This can be helpful in projecting income, but keep in mind that newly established businesses may get off to a slow start and then produce more income in later years. PHAs cannot simply review the previous year's records to document income for the next 12 months. One way to deal with resident-owned businesses that produce irregular amounts of income is to set the family up on more frequent reexaminations – quarterly rather than annually, for example. If no other records are available, the business' checkbook can be used to document, for example, a quarter's income and expenses.*

### 3. **Social Security and SSI** - periodic payments

- Lump-sum amounts for the delayed start of a pension or annuity are income, but the same amounts are excluded if they are for Social Security or SSI.
- The key to handling this provision correctly is that amounts are always included in Annual Income if they are periodic. This does not mean that they must be received every month. Some periodic income is received quarterly.
- If Social Security or other periodic receipts have deductions taken out of the gross benefit (e.g., the Medicare deduction), the PHA should use the gross amount of the benefits, not the net amount after the deduction.
- In certain cases, a tenant's Social Security income may be reduced and you may need to count the net. For example, if a tenant's Social Security Income is reduced to make up for a prior overpayment, the PHA should calculate the Annual Income using the reduced amount and when the reduction changes, then complete an interim change, according to PHA

policy.

- It is important to note, that if the Social Security income is reduced as a result of IRS garnishment, the PHA should still count the gross amount.

4. **Annuities, Retirement Funds, Pensions** - periodic payments and lump sum amount or prospective monthly amounts for the delayed start of a periodic amount.

*If a family's pension is reduced due to alimony, the PHA should still count the full amount of the pension.*

5. **Disability or Death or other similar types of benefits** - periodic payments and lump sum amount or prospective monthly amounts for the delayed start of a periodic amount.

6. **Insurance Policies** - periodic payments and lump sum amount or prospective monthly amounts for the delayed start of a periodic amount.

7. **Unemployment, Disability Compensation, Workers Compensation and Severance Pay** - paid to individual in lieu of earnings

- Lump sum settlements from worker's compensation are excluded as income (although they are assets), while periodic payments from worker's compensation are included.
- If the unemployment income is presented as an annual amount, then the PHA can use that amount as Annual Income.
- If the PHA can determine the amount that the family is eligible for, then the PHA can annualize that amount.
- The PHA should note when benefits are scheduled to expire since a recertification may be required at that time.

8. **TANF** (Temporary Assistance for Needy Families) - received by or on behalf of any family member.

9. **Child Support and Alimony** - periodic and determinable

10. **Regular Cash Contributions or Gifts** from agencies or persons not residing in the dwelling, made to or on behalf of family members - periodic and determinable.

PHA will count as income any REGULAR gifts and/or services provided to the family from an outside source. For contributions that may vary from month to month, the PH will include an average amount based upon past history.

#### EXAMPLE

A divorced woman and her three children do not receive child support from her ex-husband, but each month he brings the family groceries, clothing or money. On average, he provides \$100 each month in goods or cash. The \$100 value per month is included in the family's annual income.

*Of all the forms of income that should be included in Annual Income, this one is the most often missed. One reason is that PHA staff often does not question families closely enough about periodic contributions they receive. Furthermore, some PHAs do not understand that if a contribution is regular, it does not have to be cash. For example, if the children's grandmother (who does not live in the household) pays her daughter's telephone and cable TV bills directly to the phone and cable companies, it is **income** to the household. It is a regular contribution and can also be easily verified. Families who claim to have zero income (rather than having real income, such as from foster care, that is excluded) but who have cars, cable TV, telephones, cigarettes, etc. have some source of income and the PHA should be trying to establish its value.*

#### 11. **Military Pay** - regular, special and allowances

*Unless a member of the armed services intends to return to the Public Housing unit and live full-time with the family, this provision encourages them to remove themselves from the lease because rather than including the allotment sent home, this provision includes all the service person's income.*

#### 12. **Lump sum payments counted as income**

- lump sum payments caused by delays in processing periodic payments for unemployment or other kind of benefit (except Social Security and SSI) are counted as income.
- any portion of the lump sum that is payment for a period prior to the family's participation in the housing program will be counted as an asset instead of annual income.

*Lump-sum amounts for the delayed start of a pension or annuity are income, but the same amounts are excluded if they are for Social Security, VA disability benefits or SSI. Note that the key to handling this provision correctly is that amounts are always included in Annual Income if they are periodic. This does*

*not mean that they must be received every month. Some periodic income is received quarterly, twice and year or once a year. If Social Security or other periodic receipts have deductions taken out of the gross benefit, the PHA should use the gross amount of the benefits, not the net amount after the deduction.*

13. **Asset Income - Interest, dividends, and other net income** of any kind from real or personal property. (see section on Income From Assets)
14. **Imputed Welfare Income** - The amount of annual income not actually received by a family, as a result of a specified welfare benefit reduction due to fraud by a family member in connection with the welfare program; or because of welfare agency sanction against a family member for noncompliance with a welfare agency requirement to participate in an economic self-sufficiency program.
15. **Section 8 only - as provided in 24 CFR 5.612, any financial assistance** in excess of amounts received for tuition and any other required fees and charges, that an individual receives under the Higher Education Act of 1965, from private sources, or from an institution of higher education shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. Financial assistance does not include loan proceeds for the purpose of determining income.

### **What is Not Considered as Income (24 CFR 5.609) (3/16)**

1. Income from the employment of children (including foster children) under the age of 18 years (earned income);
2. Payments received for the care of foster children (includes kinship care payments) or foster adults (usually individuals with disabilities, unrelated to the resident family, who are unable to live alone);
3. Lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance, and worker's compensation), capital gains, one-time lottery winnings, and settlement for personal property losses
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Income of a live-in aide, provided the person meets the definition of a live-in aide;

6. The full amount of student financial assistance, including assistance to pay mandatory education fees, paid directly to the student or the educational institution;

NOTE: In the HCV program, the amount of financial assistance (which never includes student loan proceeds) that is excluded is only the amount received for tuition. Thus financial aid for room and board, books, fees, etc. is counted as income in the HCV program. An exception is granted for persons over age 23 with dependent children. For these clients, all financial assistance is excluded income.

7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

*Hostile fire pay is the only component of income earned by service persons on the lease that is not included in Annual Income.*

8. Certain amounts received that are related to participation in the following programs:
  - a. Amounts received under HUD funded training programs (e.g. Step-up program: excludes stipends, wages, transportation payments, child care vouchers, etc. for the duration of the training);
  - b. Amounts received by a person with disabilities that are disregarded for a limited time for purposes of Supplemental Security Income and benefits that are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
  - c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) to allow participation in a specific program;
  - d. A resident services stipend. A resident services stipend is a modest amount (not to exceed \$200/month) received by a public housing resident for performing a service for the PHA, on a part-time basis, that enhances the quality of life in public housing. Such services may include but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiatives coordination. No resident may receive more than one such stipend during the same period of time; and
  - e. Incremental earnings and/or benefits resulting to any family member from participation in qualifying state or local employment training program (including training programs not affiliated with the local government), and training of family members as resident management staff. Amounts excluded by this provision must be

received under employment training programs with clearly defined goals and objectives, and are excluded only for a limited period as determined in advance by the PHA;

9. Temporary, non-recurring, or sporadic income (including gifts);  
*if an individual receives income that is not received periodically and cannot be reliably predicted or verified, the income would be considered sporadic income and would not be counted. EXAMPLE: an individual works occasionally as a handyman; if future work cannot be anticipated and no historic, stable pattern exists, then the income would be considered as sporadic.*
10. Reparation payments paid by foreign governments pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
11. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of the household and spouse);
12. Adoption assistance payments in excess of \$480 per adopted child;
13. EID: The incremental earnings and benefits to any resident 1) whose annual income increases due to employment of a family member who was unemployed for one or more years previous to employment; or 2) whose annual income increases as the result of increased earnings by a family member during participation in any economic self sufficiency or other job training program; or 3) whose annual income increases due to new employment or increased earnings of a family member during or within six months of receiving state-funded assistance, benefits or services, will not be increased during the exclusion period. For purposes of this paragraph, the following definitions apply:
  - a. State-funded assistance, benefits or services means any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined by the PHA in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare-to-Work programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance – provided that the total amount over a six-month period is at least \$500.
  - b. During the 12 month period beginning when an EID qualified family member first qualifies for a disallowance, the PHA must exclude from Annual Income any increase in income as a result of



employment. For the 12 months following the exclusion period, 50% of the income increase shall be excluded.

- c. The maximum period for the disallowance (exclusion) is a straight 24 months.
14. Deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts;
15. Deferred payments of VA disability benefits that are received in a lump sum amount or in prospective monthly amounts;
16. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
17. Amounts paid by a State agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home;
18. Amounts specifically excluded by any other Federal Statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United States Housing Act of 1937. (A notice will be published by HUD in the Federal Register identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.)

The following is a list of benefits excluded by other Federal Statute:

- a. The value of the allotment provided to an eligible household under Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamp Program)
- b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 5044(f)(1), 5058);  
Examples of programs under this Act include but are not limited to:
  - the Retired Senior Volunteer Program (RSVP), Foster Grandparent Program (FGP), Senior Companion Program (SCP), and the Older American Committee Service Program;
  - National Volunteer Antipoverty Programs such as VISTA, Peace Corps, Service Learning Program, and Special Volunteer Programs;
  - Small Business Administration Programs such as the National Volunteer Program to Assist Small Business and Promote

Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE).

- c. Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c));
- d. Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
- e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
- f. Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94–540, section 6);
- g. The first \$2000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first \$2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407–1408). This exclusion does not include proceeds of gaming operations regulated by the Commission;
- h. Amounts of scholarships funded under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070), including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu). For section 8 programs only (42 U.S.C. 1437f), any financial assistance in excess of amounts received by an individual for tuition and any other required fees and charges under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall not be considered income to that individual if the individual is over the age of 23 with dependent children (Pub. L. 109–115, section 327) (as amended);
- i.. Payments received from programs funded under title V of the Older Americans Act of 1965 (42 U.S.C. 3056g);

Examples of programs under this act include but are not limited to: Senior Community Services Employment Program (CSEP), National Caucus Center on the Black Aged, National Urban League, Association National Pro Personas Mayores, National Council on Aging, American Association of Retired Persons, National Council on Senior Citizens, and Green Thumb.

- j. Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund (Pub. L. 101–201) or any other fund established pursuant to the settlement in In Re Agent Orange Liability Litigation, M.D.L. No. 381 (E.D.N.Y.);
- k. Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96–420, 25 U.S.C. 1728);
- l. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- m. Earned income tax credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32(l));
- n. Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95–433);
- o. Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d));
- p. Any allowance paid under the provisions of 38 U.S.C. 1833(c) to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802–05), children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1811–16), and children of certain Korean service veterans born with spina bifida (38 U.S.C. 1821).
- q. Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602(c));
- r. Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931(a)(2));
- s. Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1760(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and

food under the Special Supplemental Food Program for Women, Infants, and Children (WIC);

- t. Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f(b));
- u. Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. §1437a(b)(4));
- v. Compensation received by or on behalf of a veteran for service-connected disability, death, dependency, or indemnity compensation as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111–269; 25 U.S.C. 4103(9)) to the definition of income applicable to programs authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA) (25 U.S.C. 4101 et seq.) and administered by the Office of Native American Programs;
- w. A lump sum or a periodic payment received by an individual 28940 Federal Register / Vol. 79, No. 97 / Tuesday, May 20, 2014 / Notices Indian pursuant to the Class Action Settlement Agreement in the case entitled Elouise Cobell et al. v. Ken Salazar et al., 816 F.Supp.2d 10 (Oct. 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111–291);
- x Any amounts in an “individual development account” as provided by the Assets for Independence Act, as amended in 2002 (Pub. L. 107–110, 42 U.S.C. 604(h)(4));
- y. Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013–30 “Exclusion from Income of Payments under Recent Tribal Trust Settlements” (25 U.S.C. 117b(a)); and
- z. Major disaster and emergency assistance received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93–288, as amended) and comparable disaster assistance provided by States, local governments, and disaster assistance organizations (42 U.S.C. 5155(d)).

## Valuing Assets

***When HUD publishes new rules on assets, as required by HOTMA, there will be a \$100,000 limit on assets, a prohibition of leasing to a family that owns a home they could be living in (unless it is for sale or the family is subject to VAWA protections), and the computation of imputed income from assets will only apply to families with assets valued at over \$50,000.***

### General

The PHA will generally use current circumstances to determine the value of assets. Many PHAs mistakenly do not ask about income from assets. Since banks and investment firms report this income to the IRS on 1099 forms annually, unreported asset income may result in the family's receiving a letter from HUD informing them that their income reported to the PHA does not match the income reported to the IRS. PHA staff needs to know how to determine "net family assets" correctly in order to calculate income from assets correctly.

- The following lump-sum payments are generally considered assets instead of income IF they are deposited in savings or checking accounts or another form recognizable as an asset.
  - inheritances
  - insurance payments (including payments under health and accident insurance)
  - Worker's Compensation
  - Capital Gains
  - Settlement for personal property losses
- In anticipating income on an asset, the value of the asset is not always required, for example, if the asset is a property with rental income. If it is required, the market value is used.
- If an asset is owned by more than one person and any family member has unrestricted access to the asset, the PHA will count the full value of the asset. Unrestricted access means that the individual can legally dispose of the asset without the consent of any of the other owners.
- If an asset is owned by more than one person, including a family member, but

the family does not have unrestricted access to the asset, the PHA will prorate the asset according to the percentage of ownership. If no percentage is specified or provided for by state or local law, the PHA will prorate the asset evenly among all owners.

- When determining the value of net family assets, deduct the cost of converting the asset to cash. If an asset is an Individual Retirement Account, for example, there will be income tax and interest penalties due in the case of early withdrawal. Likewise, if a family sells stocks or bonds, they would typically have a broker's commission to pay. Certificates of deposit have penalties for early withdrawal. Sale of real estate will typically involve a commission to the real estate agent plus various seller's settlement costs (which will vary from state to state). If a resident has to hire an attorney to obtain, for example, an insurance settlement, the lawyer's fee would be deducted to determine the net cash value.

**Regular checking and savings accounts** cash value has the same meaning as market value

- In determining the value of a checking account, the PHA will use the average monthly balance for the last six months
- In determining the value of a savings account, the PHA will use the current balance
- In determining anticipated income from an interest-bearing checking or savings account, the PHA will multiply the value of the account by the current rate of interest paid on the account.
- If a checking account does not bear interest, the anticipated income from the account is zero.

**Investment accounts** (stocks, bonds, saving certificates, money market funds

- Interest or dividends earned by investment accounts are counted as actual income from assets even when the earnings are reinvested.
- When actual interest rate is known, anticipated income will be calculated by multiplying the rate by market value of the account.
- When interest rate is not known (e.g., stocks), the PHA will calculate income based on the earnings for the most recent reporting period.

- In determining the market value of an investment account, the PHA will use the value of the account on the most recent investment report.
- In determining the case value of an investment account, broker fees, penalties for early withdrawal or other costs of converting the asset to cash will be deducted from the market value.

### **Equity in Real Property or other capital investments**

- If the asset is a property for which the family receives rental income, the anticipated income is determined by annualizing the actual monthly rental amount received for the property.
- If the property generates no income, actual anticipated income from assets will be zero.
- In the case of a mortgage or deed of trust held by a family member, the outstanding balance (unpaid principal) is the cash value of the asset and only the interest portion of payments made to the family is counted as anticipated asset income.
- Equity (or cash value) in a property or other capital asset is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.
- In a case of capital investments owned jointly with others not living in a family's unit, a prorated share of the property's cash value will be counted as an asset unless the PHA determines that the family receives no income from the property and is unable to sell or otherwise convert the asset to cash.
- The following equity positions are NOT counted in the value of assets
  - equity accounts in HUD homeownership programs
  - equity in real property when a family member's main occupation is real estate--this would be considered a business asset
  - interests in Indian Trust lands
  - real property and capital assets that are part of an active business or farming operation

## **Trusts**

- If any member of the family has the right to withdraw the funds in a trust, the value of the trust is considered an asset.
- In cases where a trust is not revocable by or under the control of any member of a family, the value of the trust is NOT considered an asset. An example would be a resident family whose relatives established an irrevocable trust for the education of the children with the requirements that the funds not be used until the children each turned 18, and then only for educational purposes. If the children are six and eight when the PHA is admitting them, the funds in this sort of trust would not be considered as part of the family's net family assets.
- Revocable Trust - Any income earned as a result of investment of trust funds is counted as actual asset income, whether the income is paid to the family or deposited in the trust.
- Non-revocable Trust - An income distributed to the family from such a trust is counted as a periodic payment or a lump-sum receipt, which is counted as income.

## **Retirement Accounts**

- While a family member is employed, only the amount the family member can withdraw without retiring or terminating employment is counted as an asset
- After a family member retires or terminates employment, any amount distributed to the family is counted as a periodic payment or a lump-sum receipt. The balance in the account is counted as an asset only if it remains accessible to the family member.
- IRA, Keogh and similar retirement savings accounts are counted as assets even though early withdrawal would result in a penalty.

## **Personal property** (gems, jewelry, coin collections, etc)

- In determining the value of personal property, the PHA will use the family's estimate of the value.
- PHA may also obtain an appraisal but must not charge the family for any costs associated with an appraisal.



- Generally personal property held as an investment generates no income until it is disposed of.
- If regular income is generated (e.g., income from renting the personal property) the amount that is expected to be earned in the coming year is counted as actual income from the asset.

### **Life Insurance**

The cash value of a life insurance policy available to a family member before death, such as whole life or universal life, is included in the calculation of the value of family's assets

### **Assets disposed of**

- When considering the disposition of an asset for less than fair market value (FMV), the PHA must consider the cumulative value of all assets disposed of for less than FMV during the last two years. Assets are considered to be disposed of for less than FMV if the net FMV of the assets disposed of exceeds the gross amount that was received by more than \$1,000.
- Assets placed by the family in non-revocable trusts are considered assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgments.
- Assets disposed of as part of a separation or divorce settlement or foreclosure or bankruptcy will not be considered assets disposed of for less than fair market value
- When the two-year period for "assets disposed of for less than fair market value" has expired, the income assigned to the disposed asset also expires.
- If the two-year period ends between annual re-certifications, the family may request an interim recertification to eliminate consideration of the asset.

## **Cash withdrawal or liquidation of investments**

Any withdrawal of cash or assets from an investment will be included in income except to the extent the withdrawal reimburses amounts invested by the family.

### **EXAMPLE**

When a family member retires, the amount received by the family from a retirement plan is not counted as income until the family has received payments equal to the amount the family member deposited into the retirement fund.

## **Figuring Total Family Annual Income**

***This is another section of the current regulation that will be changed when/if HUD publishes Interim or Final HOTMA regulations. HOTMA requires PHAs to base eligibility and rent on projected income at the time of admission or when considering Interim decreases to rent. Thereafter, PHAs will be using the former year's income or income as calculated by state SSI, Medicaid or TANF programs (to the extent that such information is available to the PHA).***

## **Annualizing Earned Income**

Most errors in determining income will also produce errors in rent calculations. A checklist of the various components of Annual Income to be used in an admission or reexamination interview may be used. The value of using such a checklist is that each family will be asked about all the types of potential income they might have, and the family head's signature documents that the family has been asked about all possible types of income.

The method that a PHA uses to determine Annual Income depends on how the information is presented and verified. If the verification is for a period other than a full year, the PHA must convert the reported income to an annual figure. The PHA should use the following calculations:

- Multiply weekly amount by 52
- Multiply bi-weekly amount by 26

- Multiply bi-monthly amount by 24
- Multiply monthly amount by 12
- Multiply annual hours in a 40 hour work week by 2080
- Multiply quarterly amounts by 4

If it is not feasible to anticipate a level of income over a 12-month period (e.g. seasonal or cyclic income), the PHA may use the annualized income anticipated for a shorter period, subject to an Interim adjustment at the end of the shorter period. (This method would be used, for example for school bus drivers or teachers who are paid for only nine months or for tenants receiving unemployment compensation.) (24 CFR §5.609(d))

The PHA should never be arbitrary in adopting a method for calculating income or assume circumstances that do not exist.

- Projections of Annual Income shall be based on the best available information, with due consideration to the past year's income, current income rate and effective date, and shall include estimates for each income recipient in the family group. (§ 5.617)
- The income of irregular workers will be estimated on the basis of the best information available, with due consideration to earning ability and work history. Some PHAs have success in requiring the resident to report actual income quarterly and adjusting the rent to reflect that actual (albeit one quarter behind). It is obviously dangerous to base the current year's rent on last year's income, since the two years can be radically different.
- When a tenant or applicant reports zero income: If the tenant has a car, a telephone, smokes, uses disposable diapers on a baby, or has other evidence of some form of income, the applicant will be asked to explain the source of income supporting cash expenditures when zero income is present. Many applicants and tenants may be unaware that regular contributions (even non-cash contributions) to the household would be considered income if they are not for food or medical expenses. For example, if someone who is not a household member pays the telephone bill every month, or buys gas, tires and insurance for the car, these contributions would be considered income. A family budget or statement of financial responsibility may be required from the applicant. Investigations may include ordering a credit report on the tenant.
- Overtime income will be computed in accordance with verification obtained from the employer, in the absence of more reliable or accurate information.
- When the PHA cannot readily anticipate income based on current circumstances, the PHA will

- review and analyze historical data for patterns of employment, paid benefits, and receipt of other income and use the results to establish annual income.
- rationale for why current circumstances were not used will be documented in the family file
- If the PHA has verified an upcoming increase or decrease in income, income will be figured by applying each income amount to the appropriate part of the 12-month period
- EXAMPLE: An employer reports that a full-time employee who has been receiving \$6/hour will begin to receive \$6.25/hour in the eighth week after the effective date of the re-examination. In such a case, the PHA would calculate annual income as follows:  $(\$6/\text{hour} \times 40 \text{ hours} \times 7 \text{ weeks}) + (\$6.25 \times 40 \text{ hours} \times 45 \text{ weeks})$
- If the family presents information that demonstrates that implementing a change before the effective date would create a hardship for the family, the PHA will calculate income using current circumstances and then conduct an interim re-examination when the change actually occurs.
- If the family's gross income is being garnished for any reason (e.g., child support, IRS), the full amount of the income is still counted.

### **Bonuses and commissions**

- For persons who regularly receive bonuses or commissions, the PHA will average amounts received for the two years preceding admission or re-examination
- If only a one-year history is available, the PHA will use the prior year amounts.
- If family can provide credible justification for not using this history to anticipate future amounts, PHA will use the family's estimate of future earnings.
- If a new employee has not yet received any bonuses or commissions, the PHA will count only the amount estimated by the employer.

*It is more challenging to verify tips, bonuses, and overtime pay than it is to verify base wages. Electronic verification (through EIV) will typically report on wages/salaries paid from a period 3 months before the electronic report is run, backward in time. These reports do not include tips and often do not cover bonuses either, although overtime will be reflected. The written employment income verification form (that can be mailed, faxed or emailed to the employer by the PHA) queries the employer about all the forms*

*of employment income that are considered by the regulation. When a family's earned income varies significantly from one pay period to the next because of uneven numbers of hours worked or tips or overtime, many PHAs establish reexaminations of income more frequently than annually. This approach avoids both overestimating or underestimating income.*

### **Income from Assets**

- When the value of family assets totals \$5,000 or less, the actual income from all assets will be used in the calculation of total annual income *(For purposes of recertification verification, PHA will accept a family's declaration of assets when net assets are \$5,000 or less. PHA will obtain third party verification of all family assets every three years.)*
- When the value of family assets is greater than \$5,000, the greater of the following will be used in calculation of total annual income
  - Actual income from assets; or
  - Imputed income - A percentage of the value of such assets based upon the current passbook savings rate as established according to PIH 2012-29 (PHAs may establish a passbook rate within 75 basis points (plus or minus 75 percent) of the Savings National Rate in effect at the time the PHA establishes the passbook rate. The passbook rate may not be less than 0 percent. The Savings National Rate is a simple average of rates by United States (US) depository institutions as calculated by the Federal Deposit Insurance Corporation (FDIC). The FDIC publishes this rate on a weekly basis. The PHA can access historical and current Savings National Rates at the following website: [www.fdic.gov/regulations/resources/rates/](http://www.fdic.gov/regulations/resources/rates/).)

### **Imputed Welfare income**

- If the family's TANF grant is reduced as the result of fraud, failure to participate in an economic self-sufficiency program or failure to comply with a work requirement, the amount by which the grant has been reduced is counted as "imputed welfare income." This imputed income is included in family income.
- Before determining annual income when there has been a reduction, the PHA must receive written verification from HHS that the benefit reduction was caused by noncompliance or fraud, before denying a family's request for a re-examination of income and rent reduction.

- If the reduction in TANF is due to the lifetime limit expiring or a situation where the family has complied with the program requirements but cannot obtain employment, the actual reduction will be taken into account in figuring income.
- The amount of imputed welfare income is offset by income from other sources that starts after the sanction is imposed. If the family has found employment in the time between the sanction and the income certification, the new employment income would be subtracted from the imputed welfare income. If the new employment income is greater than the imputed welfare income, the imputed welfare income amount would no longer be included in annual income.

#### EXAMPLE

Family grant was		\$3600
grant was reduced by		\$3600
the "imputed welfare income" is		\$3600
When family comes in for re-examination its other annual income from before the sanction is		\$2000
Family's total annual income is (the "imputed welfare income" plus all other income)		\$5600
At its next re-examination, the family reports income from a new part-time job in the amount of (family's other income is unchanged)		\$2000
	\$3600	
The new income is subtracted	<u>\$2000</u>	
from the "imputed welfare income	\$1600	
The amount remaining is added		\$1600
to the other annual income		<u>\$2000</u>
Total annual income is now		\$3600

### Acceptable Forms of Income Verification

- Upfront Income Verification (from electronic data bases such as The Work Number) and HUD's Enterprise Income Verification (EIV) for existing tenants/participants
- Verification forms completed, signed, and obtained directly from third parties

- Electronic information received directly from verification sources
- Credit Reports
- Tenant/Participant-supplied documents
  - Consecutive and original pay stubs (generally at least two months consecutive);
  - Payroll Summary Report
  - Employer Notice Letter of hire or termination
  - Social Security Administration award letter;
  - Bank statements (generally at least three months, all pages);
  - Child Support payment stubs
  - Pension benefit statements;
  - Temporary Assistance to Needy Families (TANF) award letters and/or printouts
  - Unemployment monetary benefit notices
  - W2s and IRS Tax Returns
  - Other official and authentic documents from a federal, state, or local agency.

See Exhibit 2 for more detail on the verification process.





## ANNUAL INCOME CHECKLIST

NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

At initial certification and each annual reexamination, complete the questions about income expected in the coming 12 months. Some income reported in #12 may be excluded from Annual Income.

Income Recipient and Source	Income Amt	Date Verified
<p><b>1. Will any family members receive income from employment</b>    <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive employment income and name and address of income source:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<p><b>2. Will any family members receive income from a family-owned business or be otherwise self-employed?</b>    <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List of names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>
<p><b>3. Will any family members receive Social Security or SSI benefits?</b>    <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such benefits and name and address of income source:</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>
<p><b>4. Will any family members receive periodic payments from annuities, insurance policies, retirement funds, pensions, disability or death benefits or other similar periodic receipts?</b>    <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<p><b>5. Will any family members receive unemployment comp, disability comp, workers comp or severance pay?</b>    <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>

Income Recipient and Source	Income Amt	Date Verified
<p><b>6. Will any family members receive welfare payments?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<p><b>7. Will any family members receive alimony or child or child support?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<p><b>8. Will any family members receive income from assets?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p> <p><b>Has anyone in the family disposed of assets for less than market value in the past two years?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>
<p><b>9. Will any family members receive pay as a member of the armed services?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>
<p><b>10. Will anyone in the family receive lottery payments paid periodically?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p>	<p>_____</p>	<p>_____</p>
<p><b>11. Will anyone in the family receive monetary or non-monetary gifts or contributions on a regular basis from someone who does not live in the household?</b>      <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>

Income Recipient and Source	Income Amt	Date Verified
<p><b>12. Will anyone in the family receive any other type of income? <input type="checkbox"/> YES <input type="checkbox"/> NO</b></p> <p>List names of family members who will receive such income and name and address of income source:</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>

**Applicant / Resident Certification**

I hereby certify that I have answered the questions on this checklist truthfully and that the income listed on the form represents all the income available to my household.

Head of Household Name \_\_\_\_\_

Head of Household Signature \_\_\_\_\_

Housing Authority Witness \_\_\_\_\_



## ASSET CHECKLIST

NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

At initial certification and each annual reexamination, complete the questions about net family assets for the next 12 months.

Type of Asset	Yes or No	Date Verified
<b>1. a. Does your family have cash:</b> in a checking account? in a savings account? in a safety deposit box? at home? anywhere else? <b>b. Verification source: Amount of cash held by family</b> _____ _____	Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	/ / . / / . / / . / / . / / . / / .
<b>2. a. Do you have trust funds available to your family?</b> <b>b. Verification source: Amount and source of trust funds:</b> _____ _____	Yes <input type="checkbox"/> No <input type="checkbox"/>	/ / . / / .
<b>3. a. Do you own any real estate?</b> a house? equity in a rental property? land? <b>b. Do you owe any debt on the real estate?</b> <b>c. Verification source: Fair market value, debt, and cost to dispose of real estate</b> _____ _____	Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	/ / . / / . / / . / / . / / .
<b>4. a. Do you own any investments such as</b> stocks? bonds? mutual funds? treasury bills? money market funds? certificates of deposit? annuity? <b>b. Verification source: Value and cost to dispose of investments</b> _____ _____	Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	/ / . / / . / / . / / . / / . / / . / / .

Type of Asset	Yes or No	Date Verified
<p>5. a. Are you vested in any retirement, 401k or pension funds?  b. Verification source: Value and terms of retirement or pension funds  _____  _____.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ ____ / ____ / ____
<p>6. a. Do you expect to receive any lump sum receipts?  b. If yes, describe type and amount of lump sum receipts:  _____  _____  c. Verification source: Lump sum receipts  _____  _____.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ ____ / ____ / ____
<p>7. a. Are you holding any personal property as an investment?  coins?  stamps?  automobiles?  collectibles?  b. Verification source: Value of personal property held as investment  _____  _____.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ ____ / ____ / ____ ____ / ____ / ____ ____ / ____ / ____
<p>8. a. Do you own a “whole life” insurance policy?  b. Verification source: Value and terms of whole life policy:  _____  _____.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ ____ / ____ / ____
<p>9. a. Have you disposed of any assets for less than fair market value in the past two years?  b. Verification source: Date and amount of assets disposed:  _____  _____.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ ____ / ____ / ____

**Applicant / Resident Certification**

I hereby certify that I have answered the questions on this checklist truthfully and that the deductions listed on the form represents all the income deductions available to my household.

Head of Household Name \_\_\_\_\_  
Head of Household Signature \_\_\_\_\_  
PHA Witness \_\_\_\_\_

## ASSET INCOME WORKSHEET (PH and Section 8)

Use this form in connection with the verified information collected from the Asset Checklist. In the column 1 list the type of asset (e.g. bank account, CD, real estate). Check column 2 or 3 depending on whether the asset is current or has been divested. In column 4 indicate the date any divested assets were sold or given away. In column 5 list the actual cash value of each asset and in column 6 indicate the actual income (if any) from the assets listed.

1. Type of Asset	2. Current	3. Divested	Date vested	5. Market Value of Asset	6. Cash income from assets
a)				\$	\$
b)				\$	\$
c)				\$	\$
d)				\$	\$
e)				\$	\$
<b>Totals</b>				\$	\$

When two years have elapsed since any assets were divested, you need not enter them on this form, since they are no longer used to compute income from assets.

### 7. No imputed income from Assets

If the sum of the amounts in column 5, market value of assets is less than \$5,000, income from assets equals the total of the amounts in column 6, Cash Income from Assets.

### 8. Imputed income from Assets

If the sum of the amounts in the column 5, market value of assets, exceeds \$5,000, you must compute imputed income from assets using the following formula.

**Total Cash Value of Assets X passbook savings rate \_\_\_\_ % = \_\_\_\_ imputed income from assets.**

Asset income equals the higher of actual income from assets or imputed income from assets. Enter this amount on the Annual Income Worksheet





## ANNUAL INCOME WORKSHEET (PH and Section 8)

Use this form in connection with the verified information collected from the Annual income Checklist. In the left-hand column list the family member who receives income and in the columns to the right enter the amount of income anticipated for the next 12 months, by family member name.

Family Member Name	Earned Income	Welfare, Soc Sec, SSI	Pension, VA, Annuity, Retirement	Unemplymnt Workers comp Disability	Contributions, Other Income
1.	\$	\$	\$	\$	\$
2.	\$	\$	\$	\$	\$
3.	\$	\$	\$	\$	\$
4.	\$	\$	\$	\$	\$
5.	\$	\$	\$	\$	\$
6.	\$	\$	\$	\$	\$
7.	\$	\$	\$	\$	\$
8.	\$	\$	\$	\$	\$
9.	\$	\$	\$	\$	\$
<b>Totals</b>	\$	\$	\$	\$	\$

Once you have every family member's income entered in the correct column, total each column. Next, total all columns and enter the total below:

**SUM OF TOTALS:** \_\_\_\_\_

**ASSET INCOME** \_\_\_\_\_

**From Asset Income Worksheet**

**ANNUAL INCOME:** \_\_\_\_\_

