

## **EARNED INCOME DISALLOWANCE (EID)**

The purpose of the Earned Income Disallowance (EID) is to reward qualified residents who go to work or have increased earnings.

### **Applicability of the Earned Income Disallowance**

- This procedure applies only to people already living in Public Housing or are already HCV participants, **not** to new admissions. In other words, no one can receive an EID when he/she first comes off the waiting list. Although individuals are not eligible for EID at time of admission, a qualifying event can occur after admission and at that time the individual can qualify for EID. The length of time that the individual has been residing in Public Housing or assisted housing is irrelevant (2 weeks, 2 months, etc).
- The EID is granted to individuals. Although it benefits an entire family, this is an important concept because every adult family member may qualify for an EID.
- Each resident may receive one EID in a lifetime.
- Within a family, every adult member could potentially qualify for an EID at some time during their residency. Although not specifically addressed, a member of the family who does not have eligible immigration status would NOT qualify for EID because receiving the benefit of EID would result in “financial assistance.”
- If they qualify, more than one adult family member can receive an EID at the same time.
- Families that have already benefited from Income Disregards (in effect from 1996 to 10/1/99) may receive an EID if they meet the qualifications described below.
- When an employed 17 year old member of the family turns 18 and causes an increase in the family’s Annual Income, that individual would not qualify for EID because the Annual Income did not increase due to a qualifying event. If the same member of the family has a qualifying event after turning 18, that individual could qualify for EID.

## Description of the Earned Income Disallowance

- Since October 1, 1999, a mandatory EID has been in effect in the Public Housing program for qualifying individuals, called “EID recipients”. In the Housing Choice Voucher program, there is an additional qualifying factor besides those described below – a Voucher holder must be a person with a disability.
- The effect of the EID is to delay rent increases because of new or additional earned income when the family member qualifies.
- The amount of income subject to the EID is referred to as “incremental income”, the amount of earned income that exceeds the individual’s income immediately before qualifying.
- The amount of the EID equals:
  - 100 percent of incremental earned income for the first 12 months after qualification, the “Initial Period”; and
  - 50 percent of incremental earned income for the next 12 months, the “Phase-in Period”.
- The amount of the individual’s income immediately before qualifying is called the “baseline income”.
  - Specifically, baseline income is Annual Income of the EID recipient (not the entire family) certified for the 12 months before qualifying for the EID.
  - Use only the income received by the EID recipient, not income received by other members of the recipient’s family (if any).
  - Baseline income never changes when computing the EID.
- When a resident qualifies for an EID, the EID will begin the first day of the following month.
- During the initial period the amount of EID is:
  - New earned income;  
plus
  - Any unearned income that continues from the baseline period;  
minus
  - the baseline income.
- Income for rent will equal the baseline income plus the EID during the phase-in period.

- Changes in earned income will require the re-computation of the EID during the Phase-in Period.
- If an EID recipient's income drops below the baseline, the PHA does an Interim Reexamination of income and reduces the recipient's income and rent.
- As revised by the Streamlining Rule of 3/3/16, regardless of the number or length of breaks in employment, the maximum time limit for the EID is two years from the first month the EID was received.

### **Qualifying for an Income Disallowance [24 CFR 966.255 (a)]**

- An adult Public Housing resident qualifies for an EID when he/she has an increase in earned income and:
  - The individual, previously unemployed for 12 months or more, obtains employment; or
  - The individual experiences an increase in earnings during participation in any economic self-sufficiency or other job-training program; or
  - The individual experiences an increase in earnings as a result of new employment or increased earnings in existing employment during or within six months of receipt of assistance, benefits, or services under any state program for Temporary Assistance for Needy Families (TANF) or welfare-to-work.
- When one of these three situations occurs, the individual involved has experienced a "disallowance qualifying event".
- For HCV participants, there is a two-part qualifying test.
  - the adult family member who has an increase in earned income must be disabled. (Note that the family does not have to be designated as disabled, since the family member who has increased earned income is not required to be the head or spouse.)
  - the family member must qualify under one of the three criteria listed above.

### **Definition of Previously Unemployed per 24 CFR § 966.255 (a)**

- Previously unemployed does not mean that the family member was completely without work.

- Some earnings are permitted.
- Specifically, during the 12-month “unemployment period” a family member may earn no more than the equivalent of 10 hours of work per week at minimum wage (the higher of any state or federal standard) for 50 weeks.

## **Assistance, Benefits or Services under TANF**

- Any level of cash benefits qualifies a family.
- Non-cash benefits, services, or assistance under TANF are not limited to income maintenance.
- Benefits such as wage subsidies, transportation assistance, child care subsidies, and one-time payments are included, provided that:
  - the total amount of such assistance, benefits, or services is at least \$500 over a six-month period; and
  - the benefits are funded by TANF.
- This is for the six-month period immediately before qualifying.
- Neither the receipt of Medicaid nor Food Stamps qualifies as TANF benefits.

## **Duration of the Disallowance**

- There is an initial 12-month period for the full disallowance, followed by a second 12-month phase-in period.
- The disallowance “clock” only runs when a resident is employed, and stops during periods of unemployment, but the initial disallowance period is 12 months (whether the individual is working during the whole period or not), and the phase in period is also 12 months.

## **Date of the Disallowance Event**

- The 12-month initial period begins on the first of the month following the date of the disallowance event—when a family member is first employed, or first experiences an increase in Annual Income attributable to employment and meets one of the qualifications.

- If a resident does not report the increase in income promptly, it does not change the date of the disallowance event.
- When PHA learns of the increase in earned income, it will inform the resident that he or she has used as many months of disallowance as have elapsed since the disallowance event.

## **24-Month Lifetime Limit on the Disallowance**

- The disallowance is restricted to the 24-month period (lifetime limit) that starts from the first month following the disallowance event.
- The 24 months equals the initial period of 12 months plus the phase-in period of 12
- There can be “breaks” when the resident is not employed, but the total time for the exclusion periods does not exceed the 24-month lifetime limit.

## **Processing the Income Disallowance**

- When a resident timely reports a situation that qualifies him/her for the disallowance, the staff shall complete the attached income disallowance form and complete the process in no more than 20 working days;
- At each recertification, staff will ask the resident if circumstances have changed since the last recertification that might qualify a family member for a disallowance.
  - If so, the recertification staff will verify the circumstances and complete the income disallowance form.
  - The resident will be informed about the number of months of disallowance that have already elapsed.
- When the EID is implemented for the first time, the recertification staff member must review the income history of each adult in the household to determine whether someone would have qualified for a disallowance. If a family member had a disallowance event after October 1, 1999 and the PHA raised the rent on the basis of the disallowance event, the family will be entitled to a retroactive disallowance.
- At the initial lease signing, the staff will review the income disallowance process with each new resident or HCV participant, explaining how the disallowance works and advising the resident to report in a timely manner should circumstances arise that entitle the family to a disallowance

- Staff members have a continuing responsibility to keep residents informed as to the availability of the disallowance.

## **Disallowance Worksheet**

- Attached to these procedures is a worksheet that may be used to determine if a family member is qualified to receive a disallowance.
- If a resident is qualified, the worksheet can also be used to determine the disallowance periods and the amount of the disallowance.
- A separate disallowance work sheet must be in the household's file for each family member entitled to a disallowance.

## **Retroactive Disallowances and Rent Credits**

- Before a family can qualify for a retroactive disallowance or disallowance-related rent credit, **all** of the following must be true:
  - An adult family member must have qualified for a disallowance (had a disallowance event) after October 1, 1999;
  - The PHA must have learned of the increased income;
  - The PHA must have raised the family's rent based on their new earned income; and
  - The family must have actually paid the higher rent.
- If all of these situations have occurred, the PHA uses the Earned Income Disallowance worksheet to calculate what rent the resident should have been charged, taking into account any breaks in employment (and breaks in disallowance).
- If no adult family member qualified for a disallowance there is no retroactive credit based for such a disallowance (although there could be a credit for some other reason).
- If an adult family member qualified for a disallowance but the family's rent was not raised because of the new earned income, the family has, effectively received a disallowance already. In fact, after the completion of the disallowance worksheet it may become apparent that the family's rent should have been raised (during the phase-in period) and the family may owe a retroactive balance to the PHA.

- When the disallowance worksheets have been completed, staff compares the difference between the rent that was charged and the rent that should have been charged to determine the family's eligibility for a rent credit.
- If a family is eligible for a rent credit, the credit amount is first applied to any delinquent balances owed by the family.
- If a credit remains, when all delinquent balances are satisfied, the PHA issues a check to the resident.



# EARNED INCOME DISALLOWANCE (EID) WORKSHEET

## Public Housing & Housing Choice Voucher Programs

### Basic Guide for use of the worksheet

1. Use a separate worksheet for each family member who qualifies for an EID.
2. **This is not a rent worksheet.** These forms calculate the amount of earned income and continuing unearned income of the EID recipient that will be included in the family's Annual Income.
  - a) Unearned income of the EID recipient that begins **after** the EID starts is not included on this work-sheet and must be added to the income from this form when determining Annual Income for the Family.
  - b) Earned or unearned income of **other family members** must also be added to the income from this form when determining Annual Income for the Family.
3. Baseline income is the most recently certified Annual Income of the EID recipient. Use only the income received by the EID recipient, not income received by other members of the recipient's family (if any). Baseline income never changes.
4. The EID is only in effect while the recipient is working. If there is a break in employment, the EID will stop until the recipient begins working again (either at the same job or at a new job).
5. When an EID recipient is not working, rent is based on actual income for the non-working period.
6. When a Public Housing resident or housing choice Voucher participant qualifies for an EID (See Section 2 of this worksheet), the EID begins the first of the following month.
7. In the first 12 months of the EID (the Initial Period) the disallowance is the sum of the amount of new earned income plus any unearned income that continues from the baseline period minus the baseline income. Income for rent will equal the baseline income. Use Section 4 of this worksheet. Changes in earned income will not affect the EID during the Initial period because rent will be based on the recipient's baseline income.

8. In the second 12 months of the EID (the Phase-in Period) the disallowance is one half of the sum of the amount of new earned income at the time the Phase-in begins plus any unearned income that continues from the baseline period minus the baseline income. Income for rent will equal the baseline income plus the disallowance amount. Changes in earned income will require the recomputation of the EID during the Phase-in Period. Use Section 5 of this worksheet.
9. If an EID recipient's income drops below the baseline, the PHA must do an Interim reexamination of income and reduce the recipient's income and rent. The individual will not be receiving an EID even if he/she is still employed, because the individual has no "incremental earned income" if the amount earned is less than baseline income.
10. Regardless of the number or length of breaks in employment, the maximum time limit for the EID is 2 years from the first month the EID was received.
11. An individual may qualify for only 1 EID in his/her lifetime, although every adult member of a Public Housing family and every adult member of a Housing Choice Voucher family who has a disability could, potentially, qualify for an EID.

**EID Worksheet**  
**Section 1: Individual with the EID**

Initial worksheet date: _____	Processed by: _____
Revision # : _____, _____, _____	Date: _____
Processed by: _____	
Name of person with disallowance _____ Social Security# _____	

**Section 2: Qualification for the Disallowance**

Description of Qualifying Factors	Yes	No
<p style="text-align: center;"><b>Qualifying Factor #1</b></p> <p>(a) Has family member, unemployed for past 12 months, or earning less than minimum wage x 10 hrs/wk x 50 wks, obtained employment and increased income? <span style="float: right;">_____</span></p> <p>(b) If yes insert date of employment (mo/day/yr): ____/____/____ This is the EID qualification date            Annual Amount of new Earned Income: _____.</p>	_____	_____
<p style="text-align: center;"><b>Qualifying Factor #2</b></p> <p>(c) Has this family member experienced an increase in earnings <b>during</b> participation in any economic self-sufficiency or other job training program? <span style="float: right;">_____</span></p> <p>(d) If yes insert date of increase (mo/day/yr): ____/____/____ This is the EID qualification date            Annual Amount of new Earned Income _____.</p>	_____	_____
<p style="text-align: center;"><b>Qualifying Factor #3</b></p> <p>(e) During or within the past six months, has family member received direct cash assistance, benefits or services under any state program for Temporary Assistance for Needy Families (TANF) or welfare-to-work? <span style="float: right;">_____</span></p> <p>(f) If (e) is yes, describe type of assistance or program:            _____.</p> <p>(g) If non-cash benefits, are these services worth at least \$500 over the previous six-month period? <span style="float: right;">_____</span></p> <p>(h) If yes to (g) give value of services: _____</p> <p>(i) If lines (e) and (g) are yes, has this family member also experienced an increase in earnings as a result of new employment or increased earnings in existing employment after receiving assistance, benefits, or services from the program described above? <span style="float: right;">_____</span></p> <p>If (i) is also yes identify date of increase(mo/day/yr): ____/____/____ This is the EID qualification date            Annual Amount of new Earned Income _____.</p>	_____	_____
<p style="text-align: center;"><b>Section 8 Qualifying Factor</b></p> <p>(j) Is the family member a person with a disability who has gone to work and has incremental earned income in accordance with Qualifying factors 1, 2 or 3 above? <span style="float: right;">_____</span></p> <p>(k) If yes, insert date of employment (mo/day/yr): ____/____/____ This is the EID qualification date.            Annual Amount of new Earned Income _____.</p>	_____	_____

### Section 3: Continuing Unearned Income (if any)

(a) Will any unearned income from the Baseline year continue after the EID in the Initial Period? (b) What is the source of the income? _____ _____	—	—
(c) What is the amount of income that will continue for the next 12 months? _____		
(d) Will any unearned income from the Baseline year continue after the EID in the Phase-in Period? (e) What is the source of the income? _____ _____	—	—
(f) What is the amount of income that will continue for the next 12 months? _____		

Name of EID recipient: \_\_\_\_\_

### Section 4: Calculate the EID for Initial Period

1. Enter the most recently certified Annual Income of the qualifying individual (not the entire family). This is Baseline Income. <b>Baseline income never changes.</b> This is also the amount of income that will be used to compute rent for the Initial Period.	\$ _____.
2. Enter the amount of new earned income (Section 2) plus continuing unearned income (Section 3) for the next 12 months.	\$ _____.
3. Line 2 minus Line 1 is the annual disallowance amount.	\$ _____.
4. Annual Income (to compute rent) is Line 1	\$ _____.

### Section 5: Calculate EID for the Phase-In Period

1. Enter the most recently certified Annual Income of the qualifying individual (not the entire family). This is Baseline Income.	\$ _____.
2. Enter the amount of new earned income and continuing unearned income for the next 12 months. Do not enter the same amounts you entered in Section 4 above unless there have been no changes in earned or unearned income.	\$ _____.
3. Line 2 minus Line 1 times <b>0.50</b> is the annual disallowance amount.	\$ _____.
4. Annual Income (to compute rent) is Line 1 plus Line 3	\$ _____.

## Calendar of Disallowance Periods

Name of EID recipient: \_\_\_\_\_

**Chart 1: Year:**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<i>D</i>												
<i>B</i>												
\$												
L												

**Chart 2: Year:**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<i>D</i>												
<i>B</i>												
\$												
L												

**Chart 3: Year:**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<i>D</i>												
<i>B</i>												
\$												
L												

### Setting up the Calendar

1. Calendars are presented for three years because the two year lifetime limit will likely span three calendar years. On the line next to Chart 1, enter the year of the EID qualification date. If you are completing a retroactive EID, this date may be in a prior year.
  
2. Enter the consecutive years following the EID qualification date on the lines next to Charts 2 and 3.
  
3. There are four rows in each calendar. Row D tracks the Disallowance, which only runs while the recipient is working. Row B tracks breaks in employment. Row \$ tracks the EID amount. Row L tracks the two-year Lifetime Limit,

4. Under the month in which the recipient first qualifies for the EID, enter an X in Row D. This is the EID qualification month. The EID begins the first of the following month.
5. In the next month, begin numbering the months in Row D from Month 1 (the month after the EID qualification) to Month 12 (one year after the EID qualification). Twelve (12) months from the date of the EID qualification is the earliest the Initial Period can be over.
6. Enter the dollar amount of the EID for the Initial Period in Row \$ under Month 1 (Section 4).
7. Count 24 months (two years) from the first month of the EID. This is the Lifetime limit. Place an-X in Row L at this month:
8. Wait until the earliest of the eighth month of the Initial Period or the first break in employment to fill in any additional information on the calendar.

### **Breaks in Employment**

9. Breaks in employment are tracked in Row B. Enter SB, for Start Break, under the month in which a break occurs. This will be a month in which the individual receives the EID because rent will be billed and paid based on the EID. Re-compute rent for the following break months using the actual income received during that period.
10. When a break begins, the EID stops. The EID months in Row D must be renumbered. Months following the break in which there is no employment will not be counted in Row D because no EID is being received.
11. When the EID recipient begins working again (whether at the same job or in a new job), enter EB, for End Break, under the month in which employment begins again. This will not be an EID month because rent will be billed and paid based on the non-working income. The following month will be the next month of the EID. Number the EID months consecutively until the next break or the eighth month of the Initial Period, whichever comes first.
12. Stop numbering if you come to the 24 month Lifetime Limit. The EID cannot extend beyond this point.