Procedure for Imputed Welfare (TANF) Income

**General Information**

1. In 1998, with the passage of QHWRA, Congress linked welfare reform and housing reform. This policy does not apply to Social Security or SSI benefits.
2. To give public housing and housing choice voucher program residents greater incentive to comply with welfare requirements on moving toward economic independence, in two situations the PHA is **not** **permitted** to reduce rents, even though resident families have reduced incomes.
3. The two situations in which rent is not reduced are when the family’s welfare grant (TANF) is reduced because:  
   1. the Welfare agency finds that the family has committed welfare fraud; and
   2. the family has failed to comply with the Welfare agency’s economic self- sufficiency requirements.
4. Instead of reducing rent, the PHA must “impute” welfare income to the family in an amount equal to the reduction in benefits.

**Economic Self Sufficiency Requirements**

1. The imputed income provisions apply only to residents whose welfare assistance requires a family member to participate in an economic self-sufficiency program.
2. In other words, imputed welfare income rules are not applicable to Social Security benefits, SSI, or general assistance.
3. The programs to which the imputed welfare income rules apply are funded under the Temporary Assistance to Needy Families (TANF) program, although some state and local programs also have similar economic self-sufficiency requirements.
4. **24 CFR § 5.603 (b)** defines an economic self-sufficiency program as, “Any program designed to encourage, assist, train, or facilitate the economic independence of HUD-assisted families or to provide work for such families.
5. These programs include programs for
   1. job training
   2. employment counseling
   3. work placement
   4. basic skills training
   5. education
   6. English proficiency
   7. workfare
   8. financial or household management
   9. apprenticeship
6. any program necessary to ready a participant for work including:
   1. a substance abuse or mental health treatment program or
   2. other work activities
7. Also included would be   
   1. General Equivalency Diploma (GED) programs
   2. certain higher education
   3. work readiness programs
8. Economic self-sufficiency requirements are generally tailored to each welfare recipient’s situation, so the same programs will not be required for every resident.

**When the PHA Must Not Reduce Rent**

1. There are two situations in which the PHA is not permitted to reduce rent, even though the family has experienced a reduction in benefits:
2. When welfare benefits are verified to have been reduced because of welfare fraud; or
3. When welfare benefits are verified to have been reduced because of noncompliance with economic self-sufficiency requirements.
4. These are the only situations in which welfare income is imputed.

**When the PHA Must Reduce Rent**

1. Any other time a resident’s welfare grant is reduced or terminated, the PHA must reduce rent in accordance with the ACOP. Examples include
2. at expiration of lifetime or other time limit on the payment of welfare benefits
3. if a family member cannot find a job, even though he or she has completed all the required economic self-sufficiency requirements
4. because the family’s welfare grant was reduced for noncompliance with some other welfare agency requirement
5. because of an earlier inadvertent overpayment
6. This is not an all-inclusive list of situations in which welfare benefits might be reduced and the PHA would reduce rent.

**Verification Standards**

1. Before the PHA can make a determination about whether or not to impute welfare income, the PHA must obtain written verification from the welfare agency of the dollar amount of welfare reduction, the term of the reduction, and the reason for the reduction.
2. With this information, the PHA can make a determination about whether or not to impute welfare income.
3. The PHA is expressly permitted to rely on the welfare agency’s verification.
4. If a resident wishes to dispute the welfare agency’s allegations about welfare fraud or failure to comply with economic self-sufficiency requirements, the resident must appeal through the welfare program’s channels.
5. The PHA is permitted, but not required, to delay imputing welfare income until such appeals are exhausted.

**Method for Imputing Welfare Income**

1. After the PHA receives verification that it is appropriate to impute welfare income, the PHA can determine the imputed welfare amount.
2. Simply, it is the amount by which the welfare grant has been reduced.
3. The amount of time during which welfare income will be imputed is the term of the welfare benefit reduction.
4. The PHA is required to compute rent exactly as if the welfare benefit reduction had not occurred until either the benefit reduction ceases, or the resident obtains some additional type of income.

**Offsetting Imputed Welfare Income with Additional Income**

1. If the PHA is imputing welfare income and the resident’s income increases for any reason (e.g., earned or unearned income), the new income is not added to the former income (which includes the imputed welfare income).
2. Instead, the new income takes the place of the imputed welfare income.
3. When a resident with imputed welfare income obtains any additional income, it is not added to the overall income until it exceeds the amount of the welfare sanction.

**Imputed Welfare Income Example**

1. Provided below is an example of imputed welfare income, and what happens when a resident with imputed welfare income obtains additional income.  
   1. Monica Smith’s welfare grant is being reduced because of failure to comply with economic self sufficiency requirements.
   2. PHA has written verification that Monica’s former monthly grant of $500 is going to be reduced to $300 per month for six months.
   3. Previous welfare grant: $500 per month
   4. Amount of welfare benefit reduction: $200 per month
   5. New welfare income (next six months): $300 per month
   6. PHA’s imputed welfare income amount: $200 per month   
      (same as the welfare benefit reduction)
   7. New monthly income for rent: $500 per month

(includes $300 welfare income + $200 imputed welfare income)

* 1. Even though Monica’s actual cash income has been reduced by 40 percent, the PHA is required to impute welfare income and use $500 in computing her rent.
  2. If Monica gets a job to make up for the reduction in her welfare grant it will be applied as follows:

If she earns $200 per month, her rent will be based on: $500 per month

($300 in welfare, $200 in earnings, offsetting the imputed welfare income)

If she earns $250 per month, her rent will be based on: $550 per month

($300 in welfare, $250 in earnings, offsetting the imputed welfare income)

If she earns $150 per month, her rent will be based on: $500 per month

($300 in welfare, $150 in earnings, $50 in imputed welfare income)

1. Under no circumstances will a resident under an imputed welfare income sanction pay less rent than the share of rent based on the former welfare income.

**Imputed Welfare Income and Earned Income Disallowance**

1. Occasionally a resident who is having welfare income imputed will go to work and qualify for an earned income disallowance.
2. The baseline income for such a resident will include the imputed welfare income, rather than being based on the actual cash welfare income.
3. In the Monica Smith example above, if Monica got a very good job paying $1,000 per month, her $500 income (based on actual and imputed welfare income), would be the income used to compute the rent she would pay, not the rent based on her $300 cash welfare income. See the **Procedure on Earned Income Disallowance**

**Applicants and Imputed Welfare Income**

1. Only a resident who is admitted to the PHA before the welfare sanction takes effect will have welfare income imputed.
2. If an applicant is sanctioned by the welfare department and admitted while under the reduction, rent will be based upon actual income, not imputed welfare income.

**Resident Challenges to Welfare Department Grant Sanctions**

1. If a Resident challenges the Welfare Department’s determination that they have committed welfare fraud or failed to comply with economic self-sufficiency requirements, the resident informs the Manager.
2. While the Welfare Department challenge is taking place, the Manager processes and Interim reduction in rent, based on the verified reduction in the welfare grant.
3. If the result of the Welfare Department challenge is to uphold the grant reduction, the Manager will process a retroactive interim rent increase, back to the time the interim reduction in “2” was granted;
4. If the result of the Welfare Department challenge is to overturn the grant reduction, the Manager will process an interim rent increase, effective the first of the month after the grant is restored.

**Imputed Welfare Income Verification Form**

Public Assistance Office

(*date*)

**RE: Reason for Reduction in Public Assistance Benefits**

Client Name:

Client Address:

Social Security Number:

Dear :

The individual named above has reported a reduction in public assistance benefits and requested a reduction in rent. HUD requires that we verify in writing whether the reduction in benefits is because of one of the reasons listed below. Please review these statements and check whichever is the case for this individual:

Benefits have been reduced because the named individual committed welfare fraud; or

Benefits have been reduced because the named individual has not participated in required economic self-sufficiency activities; or

Benefits have been reduced for some other reason. Please specify:

The amount by which benefits will be cut is $ per month, resulting in a new monthly benefit of $ . The number of months that this benefit reduction will apply is months.

Thank you for your cooperation.

Sincerely;

Property Manager