Procedure for Earned Income Disallowances

**The Earned Income Disallowance (EID): General Information**

1. The earned income disallowance, or EID for short, was designed by Congress to reward adult public housing residents and HCV/PBV participants with disabilities who go to work.
2. The way people who qualify for the EID are “rewarded” is that we do not increase their rent based on their increased earned income in the “initial period”, their first 12 months after they go to work (the new earnings are called “incremental earned income – income above what they used to have before going to work”).
3. In the “phase-in period”, the second 12 months after going to work, only half of the qualifying person’s earned income will be counted toward rent.
4. Whether people work continuously for 24 months or not, the EID only lasts 24 months.
5. Every adult public housing resident and every HCV participant with a disability could conceivably qualify for an EID.
6. All adult members of a family could receive an EID if they qualify as individuals, and more than one family member can receive an EID at the same time.
7. To qualify for an EID, a person must
8. Not already have received an EID at PHA or at any other PHA[[1]](#footnote-1)
9. Already be a public housing resident , PBV resident or HCV participant at the time of qualification. In other words, a person coming off the waiting list who is already employed cannot get an EID at that point, although he/she may qualify later
10. If a Voucher or PBV program participant, also be a person with a disability
11. Meet one of the three programmatic qualification factors
12. After being unemployed for the past 12 months or be employed but earning less than $3,639[[2]](#footnote-2) in the past 12 months, obtained employment and increased income
13. Have experienced an increase in earnings during participation in any education or economic self-sufficiency or other job training program
14. During the past 6 months, received any amount of direct cash assistance from TANF, or non-cash benefits from TANF worth at least $500. Examples of non-cash benefits could include child care subsidies, transportation subsidies or work clothes subsidies. Medicaid does not count.
15. When an adult public housing or PBV resident or an adult HCV participant qualifies for an EID, the EID starts the first of the following month, whether the person reports their new employment or not.

Example: Ralph Cramden has been unemployed for 15 months. He gets a job driving a bus in June 2017 and does not report his job or new income.

When his manager is doing Ralph’s recertification in March, 2018 she finds out about the new employment. Because Ralph never had an EID before, his EID started July 1, 2017 (we did not raise his rent – we did not even know he was working).

Ralph has already had 9 months of his 100% EID. The initial period will end June 30th, 2018, and the phase-in period will start July 1, 2018.

We will schedule a new recert effective July 1, 2018 and Ralph’s rent will go up based on 50% of his incremental earned income.

**The EID Procedure: Qualifying for the EID, the initial period**

1. As soon as staff become aware that an adult public housing or disabled PBV resident (or a voucher participant with a disability) has gone to work and might qualify for an EID, PHA staff will check the file to determine whether the individual has already had an EID.
2. Next, staff will schedule an interview with the resident/participant to verify the employment, determine whether or not the resident/participant qualifies for an EID, and what the start date was for the employment.
3. An EID always starts the first of the month following the month when an individual qualified. If someone goes to work and qualifies in April, the EID starts in May.
4. If a person qualifies for an EID and fails to report his/her new job and new income, PHA cannot take lease enforcement action because even if it were reported, we could not have raised their rent. In effect, this makes the failure to report unenforceable.
5. During the Initial Period – the first 12 months after a person qualifies – the amount we use as “annual Income” will be exactly the same as that person’s income right before they went to work. This is their “baseline income”.
6. Since we use baseline income as income for rent during the initial period, a person’s rent will not increase because of going to work in this first 12 month period. The only exception to this rule would be if a person began to receive a significant amount (more than $200 per month) of unearned income after qualifying for the EID. In this case rent would increase based on the new unearned income.
7. PHA staff will use the EID Worksheet (attached at the end of this procedure) to document the EID and calculate the disallowance amounts to be entered on the 50058 form)
8. It is essential to determine whether or not the person qualifying for the EID has an unearned income that will continue after the person is employed. Examples of types of unearned income that might continue would include interest income, child support, alimony, private pensions and, occasionally, social security retirement. Typically TANF, SSI and social security disability payments will stop or be reduced when a person goes to work.
9. The unearned income is entered on the EID form in Section 3 at the bottom of the first page and then it will be used again to calculate the EID amount that gets entered on the 50058 form.
10. The calculation of the amount of annual income to use for rent takes place on the second page of the EID worksheet. Section 4 is used to calculate the EID and annual income of the qualifying individual during the initial period.

	1. In Section 4, line 1, enter the individual’s baseline income – the amount of annual income of **this person** before he/she went to work and qualified for the EID.
	2. On line 2 enter the individual’s new (annual) earned income plus any continuing unearned income.
	3. On line 3, subtract the baseline income (line 1) from the new earned income plus continued unearned income (line 2). This is the disallowance amount you should enter in the correct location on the 50058 form.
	4. On line 4, enter the individual’s baseline income. This is the amount you will be using for rent calculation during the initial period.
	5. If the family includes other members who have income, you must now add all their income to complete the rent calculation.
11. Once PHA staff calculate the EID for the initial period and complete an interim 50058 form, they will schedule a new annual recert to be effective on the first day of the phase-in period.

**The Phase-in Period**

1. The phase-in period starts the first of the 13th month after the individual went to work, exactly one year after the beginning of the initial period.
2. Even if the EID recipient stopped working at some point during the initial period, the phase-in period starts the first of the 13th month.
3. Staff should prepare for the phase-in recert exactly the same way they would for any recert, a few months in advance. One permanent effect of an EID is that the family’s recert date will change.
4. The reason for the change in the recert date is to ensure that the correct income is used in the phase-in year.
5. Unlike all other small (less than $200 per month) interim increases in income which do not trigger rent increases, we are required to increase rent during the phase-in period for every income increase.
6. Section 5 of the worksheet is used to calculate the EID and annual income of the qualifying individual during the phase-in period.
	1. In Section 5 of the worksheet on line 1, enter the EID individual’s baseline income. It will be the same amount you used for line 1 in the initial period – that person’s income before he/she went to work.
	2. On line 2, enter the earned income as of the 13th month of the EID. Do not use the same amount you used for the initial period unless the person has not received a raise or changed to a better job. To this “new earned income” amount add the continuing unearned income.
	3. On line 3, subtract baseline income (line 1) from the new earned and unearned income (line 2) and multiply the result by .50. This is 50%of the person’s incremental earned income – the phase-in year disallowance amount. When you do the 50058 form, this is the amount to be entered in the Disallowance Amount space.
	4. Line 4 is calculated by adding the disallowance amount on line 3 to the baseline income on line 1. The result is the amount of annual income for this individual to be used in the coming year.
	5. As in the initial period, remember to add any income from other family members when determining the family’s annual income and computing rent.

**When the EID is completed**

1. Two years from the month the EID started, it is over. No matter whether a person experiences breaks in employment or not, the EID never lasts more than 24 months.
2. The annual recert for the year after the phase in year will use the EID individual’s full earned and unearned income.

Earned Income Disallowance (EID) Worksheet:
Public Housing & Housing Choice Voucher Programs

**Basic Guide for use of this 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 worksheet 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 before qualifying for the EID. Use only the income received by the EID recipient, not income of 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 (at the same job or at a new job).

5. If an EID recipient stops 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 re-computing 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 does an Interim and reduces 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, but 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. Section 1: Individual with the EID

**Section 1: Individual with the EID**

|  |
| --- |
| **Initial worksheet date:** **Processed by:** **Revision # :**  , ,  **Date:** . **Processed by:**  |
| **Name of person with disallowance Social Security # last 4**  |

**Section 2 : Qualification for the Disallowance**

|  |  |  |
| --- | --- | --- |
| **Description of Qualifying Factors** | **Yes** | **No** |
| **Qualifying Factor #1** 1. 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?
2. If yes insert date of employment (mo/day/yr): \_\_\_\_\_/\_\_\_\_/\_\_\_\_\_ This is the EID qualifying date

Annual Amount of new Earned Income: . | \_\_\_ | \_\_\_ |
| **Qualifying Factor #2**1. Has this family member experienced an increase in earnings **during** participation in any economic self-sufficiency or other job training program?
2. If yes insert date of increase (mo/day/yr): \_\_\_\_\_/\_\_\_\_/\_\_\_\_\_ This is the EID qualification date

Annual Amount of new Earned Income .  | \_\_\_ | \_\_\_ |
| **Qualifying Factor #3**1. 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?
2. If (e) is yes, describe type of assistance or program:
3. If non-cash benefits, are these services worth at least $500 over the previous six-month period?
4. If yes to (g) give value of services:
5. 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?

If (i) is also yes identify date of increase(mo/day/yr): \_\_\_\_\_/\_\_\_\_/\_\_\_\_\_ This is the EID qualification dateAnnual Amount of new Earned Income . | \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_|\_\_\_ |
| **Section 8 Qualifying Factor** 1. 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?
2. If yes insert date of increase (mo/day/yr): \_\_\_\_\_/\_\_\_\_/\_\_\_\_\_ This is the EID qualification date

Annual Amount of new Earned Income  |  \_\_\_  | \_\_\_ |

**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. **Baseline income never changes**. 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 **0.50** is the annual disallowance amount. | $ . |
| 4. Annual Income (to compute rent) is Line 1 plus Line 3 | $ . |

1. From 1996 to 1998 an “earned income disregard was available in the public housing program. Having received this benefit does not disqualify someone from receiving an EID. [↑](#footnote-ref-1)
2. $3639 is the minimum wage ($7.25/hour) times 10 hours/week times a 50 week year. [↑](#footnote-ref-2)