

Income Determination

Contents

1	Chapter Overview	4
2	Household Characteristics	4
2.1	Dependents	5
2.2	Full-time Students	5
2.3	Elderly Families	5
2.4	Disabled Families	6
2.5	Live-in Aides	6
2.6	Foster Care Children and Adults	6
2.7	Relation Codes on the HUD-50058	7
3	Annual Income	10
3.1	Temporarily and Permanently Absent Family Members	12
3.2	Temporary or Sporadic Income	12
3.3	Lump Sum Payments	13
3.4	Withdrawal from Investments as Income	13
3.5	Loans	13
3.6	Income from a Business and Self-employment	13
3.7	Student Financial Assistance	14
3.8	Training Programs	15
3.8.1	HUD-Funded Training Programs	15
3.8.2	State or Local Employment Training Programs	15
3.9	Social Security and Other Benefits Income	16
3.10	Payments for Foster or Guardianship Care	16
3.11	Alimony and Child Support	16

3.12	Public Assistance Income as As-Paid Localities.....	18
3.13	Treatment of Specified Welfare Benefit Reductions	18
3.13.1	Verifying a Specified Welfare Benefit Reduction	19
3.13.2	Calculating Imputed Welfare Income.....	19
4	Annualizing Income.....	22
5	Assets	23
5.1	Determining Income from Assets.....	23
5.1.1	Family’s Assets LESS THAN or EQUAL to \$5,000	23
5.1.2	Family’s Assets GREATER than \$5,000.....	24
5.2	Determining the PHA Passbook Rate	24
5.3	Contributions to Company Retirement/Pension Funds.....	25
5.4	Trusts	26
5.5	ABLE Accounts	26
5.6	Assets Disposed of for Less than Fair Market Value	26
6	Deductions	28
6.1	Dependent Allowance	28
6.2	Elderly or Disabled Family Allowance	28
6.3	Allowance for Disability Assistance Expenses.....	28
6.4	Allowance for Medical Expenses.....	30
6.5	Allowance for Childcare Expenses	32
6.6	Permissive Deductions	33
7	Adjusted Income	33
8	Verification Process Overview	34
8.1	HUD-9886 Authorization to Release Information	35
8.2	Verification.....	35
8.2.1	Verification of Income Sources to be Included in Annual Income	35
8.2.2	Verification Hierarchy.....	35
8.3	Enterprise Income Verification (EIV) System	36
8.4	Identifying the Family’s Sources of Income.....	37

8.4.1	Income Reported by Family	37
8.4.2	Income Reported in EIV	37
8.4.3	PHA Discretionary Income Checks	37
8.4.4	Identifying Underreported Income: Earned income sources that were reported by the family and appear in EIV.....	38
8.4.5	Identifying Underreported Income: Income sources that appear in EIV that were not reported by the family.....	38
8.4.6	Using EIV to Verify Income from Social Security and SSI.....	38
8.4.7	Zero-income Households.....	39
	Exhibit 1: Income Inclusions and Exclusions.....	40
	Exhibit 2: Summary of Asset Inclusions and Exclusions.....	45

1 Chapter Overview

This chapter outlines the U.S. Department of Housing and Urban Development's (HUD) income determination requirements for participation in the Public Housing (PH) program and provides guidance to Public Housing Authorities (PHAs) in how to determine income.¹ This chapter will:

- Define annual income and provide guidance on sources of income and assets;
- Define adjusted income and provide guidance on specific adjusted income components; and
- Provide guidance on the use of Enterprise Income Verification (EIV)² and determining the proper amounts to enter on the Form HUD-50058 (HUD-50058).

Although this chapter covers HUD requirements and provides examples of the types of income to be included and excluded as well as the verification hierarchy, PHAs retain some flexibility in establishing local policies and procedures related to income verification and total tenant payment (TTP) calculations. For unique scenarios, it is important to remember the general rules of income determination:

- Determine the best possible estimate of adjusted income for the coming year based on the information available; and
- Document decisions, calculations, and the information used for verification in the tenant file.

2 Household Characteristics

Household characteristics are important for determining annual and adjusted income, including the types of income included in the calculation, and the applicable deductions. PHAs must ensure that household characteristics are entered properly in their system of record and, subsequently, on the HUD-50058. Systems of record often assign certain calculations automatically based on the characteristics entered, so it is very important that these be entered accurately. This section summarizes certain household characteristics and the impact on annual and adjusted income.

¹ Please note that Moving to Work (MTW) PHAs may have flexibilities pertaining to income determination. The MTW Office should be consulted regarding MTW PHAs.

² EIV is a comprehensive on-line system used for determination and verification of income and resident information which PHAs must in determining rental subsidy.

2.1 Dependents

A dependent is a family member (except foster children and foster adults) who is either under the age of 18, a person with a disability, or a full-time student.³ The family head of household, co-head or spouse cannot be a dependent.⁴

- The family will receive a \$480 deduction for each dependent.⁵
- The income of family members under age 18 (including foster children) is excluded from annual income.⁶

2.2 Full-time Students

A family member is considered a full-time student if he or she is attending school or vocational training on a full-time basis.⁷ Full-time status is usually defined by the educational or vocational institution. Therefore, verification with the institution that the family member is enrolled full-time is required. Family members, other than the head, co-head, or spouse, who are age 18 or over and are full-time students are considered dependents.

- The family will receive a \$480 deduction for each dependent.⁸
- If a full-time student other than the head, co-head, or spouse receives earned income, any earned income above \$480 annually will be excluded from annual income.⁹
 - If the head, co-head, or spouse is a full-time student and receives earned income, the full amount of their earned income will be included in annual income.
 - For any student receiving financial assistance paid to the student or educational institution, including the head, co-head, or spouse, the full amount of assistance is excluded from annual income.¹⁰

2.3 Elderly Families

Elderly families are families in which the head, co-head, or spouse is 62 years or older. An elderly family may include one or more persons age 62 or older living with a live-in aide.¹¹

- Elderly families receive a \$400 deduction from annual income.¹²
- Elderly families may receive a deduction for unreimbursed medical expenses equal to the amount by which the expenses exceed 3% of the family's annual income.¹³

³ 24 CFR § 5.603(b)

⁴ 24 CFR § 5.603(b)

⁵ 24 CFR § 5.611(a)(1)

⁶ 24 CFR § 5.609(c)(1)

⁷ 24 CFR § 5.603(b)

⁸ 24 CFR §§ 5.603(b), 5.611(a)(1)

⁹ 24 CFR § 5.609(c)(11)

¹⁰ 24 CFR § 5.609(c)(6)

¹¹ 24 CFR § 5.403

¹² 24 CFR § 5.611(a)(2)

¹³ 24 CFR § 5.611(a)(3)

2.4 Disabled Families

Disabled families are families in which the head, co-head, spouse, or sole member is a person with a disability.¹⁴ To be eligible for certain deductions, the family member's disability status must be verified.¹⁵

- Disabled families receive a \$400 deduction from annual income.
- Disabled families may receive a deduction for the sum of the following in excess of 3% of annual income—
 - unreimbursed medical expenses,
 - unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member with a disability when necessary to enable any family member to be employed *if*
 - the deduction is less than the earned income of family members 18 and over who are able to work because of the attendant care or apparatus.
- Disabled families receive a \$480 deduction for each dependent.¹⁶

2.5 Live-in Aides

Elderly, near-elderly and disabled households may be eligible to have a live-in aide as a reasonable accommodation.¹⁷ A live-in aide is a person who lives with one or more elderly persons, near-elderly persons, or persons with a disability, and who: (1) is determined by the PHA to be essential to the care and well-being of the person(s); (2) is not financially responsible for paying bills for or sharing resources to support the tenant; and (3) would not be living in the unit except to provide necessary supportive services.¹⁸ The live-in aide as well as their children are coded as “L” on the HUD-50058. The live-in aide and the live-in aide's family residing in the unit are considered household members but not family members.¹⁹ The live-in aide must be coded properly on the HUD-50058 to ensure that their income and characteristics are not displayed on the tenant family's EIV Income Report.²⁰

- The live-in aide's income is not included in annual income and the household is not eligible for any deductions based on the live-in aide's characteristics.²¹

2.6 Foster Care Children and Adults

Participant families may host foster care children or adults under an official State foster care program. Generally, a **foster care child** is a member of the household who is under 18 years of age or a member who is 18 years or older, a full-time student, and under the parental control and responsibility of someone other than

¹⁴ 24 CFR § 5.403

¹⁵ 24 CFR § 5.611(a); If the disability is obvious, readily apparent or already known, the PHA cannot require verification of the disability. If the disability is not apparent or is not already known to the PHA, the PHA may verify that the person has a disability but must request only information that is necessary to make the determination. The PHA must not inquire about the nature or extent of any disability.

¹⁶ 24 CFR § 5.611(a)

¹⁷ 24 CFR § 5.403

¹⁸ 24 CFR § 5.403

¹⁹ The household includes everyone who lives in the unit. Household members are used to determine unit size. The family includes all household members except live-in aides and foster children and foster adults. Family members are used to calculate subsidies and payments.

²⁰ Form HUD-50058

²¹ 24 CFR § 5.609(c)(5)

his or her mother or father due to placement by a State agency. A **foster care adult** is a member of the household (usually a person with a disability, unrelated to the tenant family, who is unable to live alone) who is 18 years of age or older and for whom the family provides necessary shelter, care, and protection.²²

Family members cannot be considered foster care children or adults unless they are participating in an official State foster care program. Foster care children and adults are considered household members but not family members, therefore they are not considered dependents and the family would not qualify for deductions.²³ They also do not contribute income to or have rights to the unit as a remaining family member. Foster care children and adults must be indicated properly on the HUD-50058 to ensure that their income and characteristics are not displayed on the family's EIV Income Report.²⁴

- Income received for the care of foster children or adults is not included in income.²⁵
- Income from employment of foster care children is not included in annual income.²⁶

Foster children and adults are not considered dependents and their disability and medical expenses cannot be deducted from annual income.²⁷

2.7 Relation Codes on the HUD-50058

Certain household characteristics are coded on line 3h under “relation code” of the Form HUD-50058, which is a module of HUD’s Inventory Management System/PIH Information Center (IMS/PIC). The relation codes must be entered accurately since a household member’s relation or characteristics may affect the family’s adjusted income as described in the sections above.²⁸

The table below provides information about each relation code, including the definition of the code, the effect on annual income, and the effect on expenses and deductions. Some private market systems of record assist PHA staff by automatically applying certain deductions or excluding income from certain family members based on their characteristics, however, none of this happens automatically in IMS/PIC.

²² 24 CFR § 5.609(c)(2)

²³ 24 CFR § 5.603(b)

²⁴ Form HUD-50058

²⁵ 24 CFR § 5.609(c)(2)

²⁶ 24 CFR § 5.609(c)(1)

²⁷ 24 CFR § 5.603(b)

²⁸ Form HUD-50058 Instruction Booklet

Relation Code		Definition ²⁹	Effect on Annual Income ³⁰	Applicable Deductions ³¹
Household members that are considered family members				
H	Head of household (HOH)	The one adult member of the household, designated by the family or by PHA policy as the head of household, who is wholly or partly responsible for rent payment.	All of this person's income must be counted, unless the source of income is specifically excluded.	If the HOH (or the co-head or spouse) is elderly or a person with disabilities, the family will be considered an Elderly or Disabled Family and must receive a \$400 deduction from annual income. An Elderly/Disabled family is also eligible to deduct medical and/or attendant care expenses as applicable.
S	Spouse	The marriage partner of the HOH.		
K	Co-head	An individual in the household who is equally responsible for the lease with the HOH. Indicate either a spouse or a co-head, but not both. A co-head never qualifies as a dependent. However, a co-head may be under 18 years old if declared an "emancipated minor," as many States will allow an emancipated minor to sign a lease.		
A	Other adult	A member of the household (excludes foster adults), other than the head or spouse or co-head, who is 18 years of age or older on the effective date of action (line 2b), regardless of disability status.	All of this person's income must be counted, unless the source of income is specifically excluded.	If a member marked as other adult is a person with disabilities, the member will be considered a dependent.
E	Full-time student 18 years of age or older	A member of the household, other than the head, spouse or co-head, or foster child or adult, 18 years of age or older on the effective date of action (line 2b) who carries a subject load considered full-time for students under the standards and practices of the educational institution attended.	Earned income is counted up to \$480.	Considered dependents and the family will receive a \$480 deduction for each dependent.
Y	Other youth under 18 years of age	A member of the household (regardless of disability status), who is under 18 years of age on the effective date of action (line 2b) and is not a foster child.	Earned income is not counted. Benefit income received by or on behalf of children is counted.	Considered dependents and the family will receive a \$480 deduction for each dependent.

²⁹ 24 CFR §§ 5.403,5.603; Form HUD-50058 Instruction Booklet

³⁰ 24 CFR § 5.609

³¹ 24 CFR § 5.611

Relation Code	Definition ²⁹	Effect on Annual Income ³⁰	Applicable Deductions ³¹
Household members that are not considered family members			
F	Foster child/adult A foster care child is a member of the household who is under 18 years of age or a member who is a full-time student, 18 years or older, and who is under the parental control and responsibility of someone other than his or her mother or father due to placement by a State agency. A foster care adult is a member of the household (usually a person with a disability, unrelated to the tenant family, who is unable to live alone) who is 18 years of age or older and for whom the family provides necessary shelter, care, and protection.	Payments received by the family to care for foster children or foster adults are not counted as income. Income received by or on behalf of foster care children/adults is not counted as income.	Not considered dependents. The household is not eligible for any deductions or expenses on behalf of foster care children or adults.
L	Live-in aide A person who lives with an elderly person or person with disabilities and who: (1) is determined by the PHA to be essential to the care and well-being of the person(s); (2) is not obligated to support the person(s); and (3) would not be living in the unit except to provide necessary supportive services. Children of live-in aides are also marked as “L” on the Form HUD-50058.	Income of live-in aides or their families is not counted as income.	The household is not eligible for any deductions or expenses on behalf of live-in aides or their families.

3 Annual Income

Annual income refers to all amounts, whether monetary or not, which are:

- made to or on behalf of the family’s HOH or spouse (even if temporarily absent) or to any other family member; or
- anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date and are not specifically excluded by regulation; and
- derived (during the 12-month period) from assets to which any member of the family has access.³²

Exhibit 1: Income Inclusions and Exclusions, provides a complete listing of annual income inclusions and exclusions as of this Guidebook’s publication date. The following chart, **General Rules for Included and Excluded Income**, summarizes the basic types of annual income.

General Rules for Included and Excluded Income ³³				
	Head, Co-head, Spouse, and Other Adults	Children under 18 years of age	Other Adults Who Qualify as Full-time Students	Live-in Aide, Family of Live-in Aide, Foster Care Children/Adults
Earned income Full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation ³⁴	Included Except participants qualifying for an earned income disallowance (EID) ³⁵ (see below)	Excluded ³⁶	Included up to \$480. Include the entire amount if the income is less than \$480 annually or if the full-time student is a head, co-head or spouse. ³⁷	Excluded
Asset income Amount earned over a 12-month period on assets to which the family has access ³⁸	Included	Included	Included	Excluded

³² 24 CFR § 5.609(a)

³³ 24 CFR § 5.609

³⁴ 24 CFR § 5.609(b)(1)

³⁵ Section 102(a)(2) of the Housing Opportunity Through Modernization Act of 2016 (HOTMA) eliminates section 3(d) of the U.S. Housing Act of 1937, which currently allows for a disallowance of earned income (EID) from rent determinations. The elimination of EID will correspond to the effective date of the Final HOTMA Rule. However, participants who are receiving the EID prior to the Final Rule effective date will continue to benefit from EID until the allowed time frame (24 months) expires.

³⁶ 24 CFR § 5.609(c)(1)

³⁷ 24 CFR § 5.609(c)(11)

³⁸ 24 CFR §§ 5.609(a)(4) and (b)(3)

General rules for included and excluded income continued	Head, Co-head, Spouse, and Other Adults	Children under 18 years of age	Other Adults Who Qualify as Full-time Students	Live-in Aide, Family of Live-in Aide, Foster Care Children/Adults
Benefit income For e.g., Social Security, Supplemental Security Income, disability, unemployment, TANF; see exceptions ³⁹	Included	Included	Included	Excluded
Regular contributions or gifts (cash or non-cash) provided on a regular basis. Contributions may include rent and utility payments paid on behalf of the family ⁴⁰	Included	Included	Included	Excluded

Public Housing program participants qualifying for an **Earned Income Disallowance or Disregard (EID)** may be eligible to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months.⁴¹

Qualifying individuals are current program participants (applicants are ineligible) who have had an increase in annual income as a result of:

- Employment, and they have been unemployed or experiencing “underemployment” for one or more years prior to employment,
 - Underemployment is defined as earning less than the amount calculated at 10 hours weekly for 50 weeks at the established minimum wage for the applicable locality;
- An increase in earnings during participation in a self-sufficiency or job training program; or
- Employment or an increase in earnings and the participant has received Temporary Assistance for Needy Families (TANF) benefits or services within the past six months.

For qualifying participants, PHAs are required to:

- Exclude the full amount of the increase in income for the initial 12 consecutive months out of 24 total months based on the date that the qualified individual became employed or experienced an increase in earned income.
- Exclude at least 50% of the increase in income for the remaining 12 consecutive months out of 24 total months after the initial 12-month period. PHAs may exclude more than 50% during the second 12-month period based on the policy in their Admission and Continued Occupancy Policy (ACOP).
- Begin the exclusion on the first of the month after the qualifying change.

³⁹ 24 CFR § 5.609(b)(4)-(6)

⁴⁰ 24 CFR § 5.609(b)(7)

⁴¹ 24 CFR § 960.255; see [Frequently Asked Questions](#) on the Mandatory Earned Income Disregard from Annual Income

If the PHA has established a policy for Individual Savings Accounts as an alternative to the disallowance, the PHA is required to advise the family that the option for a savings account is available. At the option of the family, they will be required to pay the income-based rent and PHAs will be required to deposit the total amount that would have been disallowed into a savings account. Amounts deposited on behalf of the family may only be withdrawn for the purpose of:

- Buying a home;
- Paying education costs for family members;
- Moving out of public housing; or
- Paying any other expenses authorized by the PHA to promote the economic self-sufficiency of residents of public housing.

3.1 Temporarily and Permanently Absent Family Members

PHAs must count all income of family members approved by the PHA to reside in the unit, even if they are temporarily absent.⁴² It is important for the PHA to make a distinction between permanent and temporary absence and define what constitutes permanent and temporary absence in its policies. For example, an absence of a family member employed at a temporary job on the other side of the State may be considered temporary, while an absence of a family member as a result of a divorce action may be considered permanent.

If a family member is confined to a nursing home or hospital on a permanent basis, PHAs may determine that that person is no longer a member of the assisted household and the income of that person is not counted. Public Housing program regulations do not define “temporarily or permanently absent” or specify a timeframe associated with a temporary versus a permanent absence. PHAs have broad discretion to define this and must include all associated definitions in their ACOP.

3.2 Temporary or Sporadic Income

Temporary, non-recurring, or sporadic income (including gifts) is not counted as income.⁴³ Sporadic income generally is defined as income that is neither reliable nor periodic. A common factor in determining if income is truly sporadic or temporary is whether the family expects to receive income from this source again in the coming year.

- If the family does NOT expect to receive income from the source in the coming year, it may be considered temporary or sporadic and may be excluded from income.
- If the family expects to receive additional income from the source in the coming year, even if payments are made on an irregular basis, the anticipated income should be estimated and counted as income.

If the family receives income irregularly, PHAs may estimate based on the best information available, with 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 amount (albeit with a lag in one quarter in order to help annualize income that is not received in a regular pattern).

⁴² 24 CFR § 5.609(a)(1)

⁴³ 24 CFR § 5.609(c)(9)

Examples of temporary, sporadic, or non-recurring income include:

- One-time contributions from friends or family
- Income from a one-time odd job
- Gifts for holidays or birthdays
- Lottery or other contest winnings paid in a lump sum

Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment are considered temporary employment income and excluded from annual income.⁴⁴ Verification of employment dates and income must be maintained in the participant's file.⁴⁵

3.3 Lump Sum Payments

Generally, lump sum amounts received by a family, such as insurance payments and settlements for personal or property losses are considered assets, not income.⁴⁶ Lump sum payments caused by delays in processing periodic payments, such as unemployment or welfare assistance, are included as income.⁴⁷ However, any portion of the lump sum that is payment for a period prior to the family's participation in the public housing program would not be counted as annual income.

3.4 Withdrawal from Investments as Income

PHAs must include periodic payments from investments as income except to the extent the withdrawal is reimbursement of cash or assets invested by the family.⁴⁸ For example, if a tenant invested \$5,000 to purchase an annuity which is now worth \$20,000 and is now receiving monthly installments, income would not be counted until the full \$5,000 amount invested has been reimbursed.

3.5 Loans

Loans that must be paid back are not considered income. This includes loan proceeds and loan repayments.

3.6 Income from a Business and Self-employment

The net income from the operation of a business or profession must be counted as income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. However, expenditures for amortization of capital indebtedness are not deducted.⁴⁹

⁴⁴ Notice PIH 2017-05, Income Exclusion under Temporary Census Employment and Census Access

⁴⁵ Notice PIH 2017-12, Administrative Guidance for Effective and Mandated Use of the Enterprise Income Verification (EIV) System

⁴⁶ 24 CFR § 5.609(c)(3)

⁴⁷ 24 CFR § 5.609(b)(4)

⁴⁸ 24 CFR § 5.609(b)(3)

⁴⁹ 24 CFR §§ 5.609(b)(2) and (b)(3); see 26 CFR § 1.167(b)-1 for Internal Revenue Service rules on straight line depreciation

Withdrawal of cash or assets from a business is counted as income except when the withdrawal is for reimbursement of amounts the family has invested in the business.⁵⁰ If the business is operating as a loss, the income on the Form HUD-50058 for that source of income is not deducted from other sources of income the family receives, but will be recorded as \$0.⁵¹

Counting Income from a Business or Self-Employment		
Income Source	Verified Income	Income to be Counted on HUD-50058
Loss from Business	(\$5,000)	\$0
Social Security	\$24,000	\$24,000
Wages	\$10,000	\$10,000

Example: Capital Assets and Business Expenses

A self-employed house painter owns a truck he uses for his business as well as several ladders, buckets and spray paint guns. He also purchases paint rollers and hand brushes each time he is hired to do a job. The painter may deduct as business expenses the depreciation on his truck and ladders (capital equipment) as well as the cost of the paint, paint thinner, disposable rollers and paint brushes he purchases throughout the year (business expenses).

3.7 Student Financial Assistance

Student financial assistance refers to any amount paid directly to the educational institution or to the student for an educational program, including but not limited to post-secondary and graduate school.⁵² Student financial assistance received for tuition and other required fees is not included in annual income.

All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income for students residing with their parents or guardians in public housing, including those who live away at school. This remains true whether the assistance is paid to the student or directly to the educational institution.⁵³

⁵⁰ 24 CFR § 5.609(b)(2)

⁵¹ Form HUD-50058 Instruction Booklet

⁵² 24 CFR § 5.609(c)(6)

⁵³ 24 CFR § 5.609(c)(6)

Example: Full-time Student Income

A 27-year old family member who is not the head, co-head of household or spouse, is a full-time student, and works earning \$12,000 a year and also receives a \$1,000 book stipend per semester.

The student income exclusion applies in this case because the family member is a full-time student, is 18 or older and is not the head, co-head or spouse. Only \$480 of the student's income is included in the family's income; all income in excess of \$480 must be excluded from the family's income. The book stipend is a form of financial assistance and is excluded from annual income. As a full-time student, this family member would also be considered a dependent and would qualify the family for a \$480 deduction. As a result, the income factored into the calculation for this family member would be zero.

Note that the regulations do not provide a maximum age for excluding student income, only a minimum age of 18. (See 24 CFR 5.609 (c)(11))

3.8 Training Programs

3.8.1 HUD-Funded Training Programs

All amounts received under any training program funded by HUD are excluded.⁵⁴

3.8.2 State or Local Employment Training Programs

PHAs must exclude incremental earnings and benefits for any family member resulting from participation in qualifying State or local employment training programs and training of resident management staff from the income calculation. Incremental earnings refer to the increase between the total amount of welfare and earnings of a family member prior to enrollment, and their welfare and earnings after enrollment. PHAs must only exclude the increased compensation related to the training for the period during which the family member participates in the employment training program and must make sure that other sources of household income are still included.⁵⁵

A qualified training program is one that is part of a State or local employment training program and has clear goals and objectives.⁵⁶ This would include programs that have the goal of assisting participants in obtaining employment skills, are authorized or funded by State or local law, or operated by a public agency. Such programs may also be privately funded and operated. The training program may:

- Take place in a series of sessions over a period of time;
- Be designed to lead to a higher level of proficiency;
- Enhance the individual's ability to become employed;
- Have performance standards;
- Provide classroom training;

⁵⁴ 24 CFR § 5.609(c)(8)(i)

⁵⁵ 24 CFR § 5.609(c)(8)(v)

⁵⁶ 24 CFR § 5.609(c)(8)(v)

- Provide on-the-job training;
- Provide basic education.

3.9 Social Security and Other Benefits Income

The gross amount of social security benefit income, prior to Medicare or other deductions, must be counted as income, except for specific amounts excluded under 24 CFR 5.609(c)(14).⁵⁷ If social security benefits are reduced to make up for prior overpayments, HUD's policy dictates that PHAs count the income the Social Security Administration will provide (the amount received)—not the amount that would have been provided if no error had been made. This policy also applies to other similar benefits as well as social security.⁵⁸ When Social Security, Supplemental Security Income (SSI), or veterans' disability benefits are paid in a lump sum or in prospective monthly amounts as a result of deferred periodic payments, that amount is excluded from annual income.⁵⁹

3.10 Payments for Foster or Guardianship Care

Payments received by the family to care for foster children or foster adults are not counted as income.⁶⁰ This guidance applies only to payments made through the official foster care relationships with local social service agencies.

Kinship Guardian Assistance Payments (Kin-GAP), kinship care payments, and other guardianship payments are similar to traditional foster care payments and are also excluded from annual income. These forms of care are alternatives to traditional foster care.⁶¹

3.11 Alimony and Child Support

PHAs must count as income alimony and child support amounts received, such as part of a divorce or separation agreement.⁶²

HUD strongly encourages PHAs to determine in their policies what documentation is required to show what the family receives. For example, if the household has filed with the local support enforcement agency, printouts from the agency may indicate the frequency and amount of payments actually received.

⁵⁷ 24 CFR § 5.609(b)(4)

⁵⁸ 24 CFR § 5.609(b)(4)

⁵⁹ 24 CFR § 5.609(c)(14)

⁶⁰ 24 CFR § 5.609(c)(2)

⁶¹ 24 CFR § 5.609(c)(2); Notice PIH-2012-01, Income Exclusion of Kinship, Kin-GAP and Other Guardianship Care Payments

⁶² 24 CFR § 5.609(b)(7)

PHA Options: Calculating Child Support

Child support can be one of the most difficult types of income to calculate. A clear PHA procedure ensures that all tenants are treated fairly. The procedure will depend on the information typically available from the local government office managing child support. Depending on the agency, parents who owe child support arrears may have a large lump sum taken from their annual tax refund. The PHA will need to determine how to handle these lump sums. However, HUD advises PHAs to avoid annualizing these amounts, which can result in grossly over counting the tenant's anticipated income from child support.

Sample Child Support Verification Procedures with Annotations

Sampletown Housing Authority's (SHA's) child support verification and calculation procedure

Annotations to SHA's procedure to explain the PHA's options

SHA will look up all family members with children in the Sampletown County Social Services online child support payment database.

The PHA can choose to look up all family members who are parents in all households or only those family members who report receiving child support.

Sampletown County's system provides the last year of payments. SHA will review the report to determine if payments have been made regularly over the past 3 months.

Available Upfront Income Verification (UIV) data will vary based on the PHA's local social service agency.

If no payments have been made in the past 3 months and there are no lump sums (defined as one payment greater than \$1,000), SHA will not include child support in annual income.

Most PHAs do not count child support benefits that are not currently being paid. Specify in the PHA's policy the time period considered to be a lapse in payments.

The PHA must also determine what it will consider to be a lump sum payment and whether to include that payment in the family's annualized amount.

SHA will determine if payments are being made on a regular basis. If so, SHA will determine the frequency of recent payments and take the average of the last 6 payments to annualize. Any lump sum payments will not be included.

PHAs may want to distinguish between regular and irregular payments.

If payments were made in the past 3 months but SHA cannot determine a regular pattern of payments, SHA will take the total amount paid in the past 3 months and annualize by multiplying by 4. Any lump sum payments (those over \$1,000) in the past 3 months will be removed prior to annualizing, then added back to the annualized amount.

The PHA's policy will determine how it will handle irregular child support payments. The PHA can specify a time period to add payments and then annualize. The PHA's policy also will determine if lump sum payments will be added after annualizing.

3.12 Public Assistance Income as As-Paid Localities

Special calculations of public assistance income are required for "as-paid" state, county, or local public assistance programs. An "as-paid" system is one in which the family:

- Receives an amount from a public agency specifically for shelter and utilities; *and*
- The amount is adjusted based upon the actual amount the family pays for shelter and utilities.

Since there are variations in how as-paid localities calculate shelter and utilities, the PHA may discuss the rules for computing income and rents for welfare recipients with the HUD PIH field office.

The public assistance amount specifically designated for rent and utilities is called the "welfare rent". In general, the welfare rent is treated as a "pass through" from the welfare agency to the PHA. To determine annual income for public assistance recipients in "as-paid" localities, include:

- The amount of the family's grant less the amount included for shelter and utilities; plus
- The maximum amount the welfare department can pay for shelter and utilities for a family of that size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.

In some as-paid systems, the shelter and utilities payment is "ratably reduced," i.e., the grant the family actually receives is reduced from the scheduled amount by a percentage. In these circumstances, the income to be counted is the maximum amount payable for shelter and utilities reduced by the appropriate percentage.⁶³

Example: Including Public Assistance Income in As -paid Localities	
A family receives public assistance totaling \$800, which includes \$350 for basic necessities and \$450 for shelter and utilities. The maximum amount for shelter and utilities for a family of this size is \$500, which has been ratably reduced by 10%.	
The following would be counted as income:	
\$350	Basic Necessities
<u>+\$500</u>	Shelter and Utilities
\$850	Public Assistance Income

3.13 Treatment of Specified Welfare Benefit Reductions

A specified welfare benefit reduction (also known as a Welfare sanction) occurs when a family's welfare benefits are reduced because of either fraud or noncompliance with a requirement to participate in an economic self-sufficiency program. A public housing participant does not receive a reduction in annual income when the family experiences a specified welfare benefit reduction.⁶⁴ A specified welfare benefit reduction does not include a reduction or termination of welfare assistance because of an (i) expiration of a lifetime or other time limit on welfare payments; or (ii) inability of a family member to obtain employment

⁶³ 24 CFR § 5.609(b)(6)(B)(ii)

⁶⁴ 24 CFR § 5.615(b)

despite that individuals' compliance with an economic self-sufficiency requirement; or (iii) noncompliance with other welfare agency requirements.⁶⁵

3.13.1 Verifying a Specified Welfare Benefit Reduction

The PHA must request written verification from the welfare agency that the benefit reduction was caused by noncompliance with economic self-sufficiency requirements or welfare fraud before determining annual income or denying a family's request for a reduction in annual income in the case of a specified welfare benefit reduction. The PHA also must verify the amount and term of the specified welfare benefit reduction.⁶⁶

HUD strongly encourages PHAs to make good faith efforts to enter into cooperation agreements with local welfare agencies, not only to obtain the necessary information regarding welfare sanctions, but also to target economic self-sufficiency and other services to families. Any family whose assistance is adversely affected because of PHA enforcement of these requirements must be notified of their right to an informal hearing.⁶⁷

3.13.2 Calculating Imputed Welfare Income

The amount of annual income not actually received because of a specified welfare benefit reduction but included in annual income for determining rent is called **imputed welfare income**. When a specified welfare benefit reduction occurs, the family's annual income includes the amount of the imputed welfare income plus the total amount of other annual income.⁶⁸ If the family was not an assisted family at the time of the sanction, the PHA must not include imputed welfare income in annual income.⁶⁹

The below table breaks down the possible reasons for benefit reduction or termination and whether imputed welfare assistance needs to be included in annual income.

Reasons for welfare benefits reduction or termination	Is imputed welfare assistance included in annual income? ⁷⁰
Due to a limit of how long benefits may be received.	No, imputed welfare assistance is not included in income.
The family was not able to obtain required employment however the family complied with welfare program economic self-sufficiency requirements.	No, imputed welfare assistance is not included in income.
The family has not complied with other welfare agency requirements. For example, the family did not attend their welfare recertification appointment.	No, imputed welfare assistance is not included in income.

⁶⁵ 24 CFR § 5.615(b)(2)

⁶⁶ 24 CFR § 5.615(c)(2)

⁶⁷ 24 CFR § 5.615(d)(1)

⁶⁸ 24 CFR § 5.615 (c)(1)

⁶⁹ 24 CFR § 5.615 (c)(5)

⁷⁰ 24 CFR § 5.615(b)

Reasons for welfare benefits reduction or termination	Is imputed welfare assistance included in annual income? ⁷⁰
The family committed welfare fraud.	Yes, imputed welfare assistance must be included in income.
The family did not comply with economic self-sufficiency requirements.	Yes, imputed welfare assistance must be included in income.

Income from other sources received by the family after the sanction is imposed offsets the amount of imputed welfare income. For example, 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 were to be equal to or greater than the imputed welfare income, there would be no need to include the imputed welfare income in the determination of annual income.⁷¹

⁷¹ 24 CFR § 5.615(c)(4)

Imputed Welfare Income Examples			
	Scenario #1	Scenario #2	Scenario#3
	An assisted family is receiving \$500/month in welfare benefits (TANF). Benefits stop due to welfare fraud.	An assisted family is receiving \$500/month in welfare benefits (TANF). Benefits are reduced to \$200/month due to noncompliance with economic self-sufficiency.	A previously unassisted family was receiving \$500/month in welfare benefits (TANF). Benefits stopped due to fraud.
TANF Income before specified welfare benefit reduction	\$500	\$500	\$500
Current TANF Income	\$0	\$200	\$0
Imputed Welfare Income	\$500	\$300	\$0
Total Monthly Income	\$500	\$500	\$0
	A family member begins working, earning \$200/month.	A family member begins working, earning \$200/month.	A family member begins working, earning \$400/month.
TANF Income	\$0	\$200	\$0
Employment Income (offsets imputed welfare income)	\$200	\$200	\$400
Imputed Welfare Income (prior imputed welfare income – employment income)	\$300 (\$500 - \$200)	\$100 (\$300-\$200)	\$0 <i>(\$0) no imputed welfare income as sanction imposed prior to the family receiving housing assistance</i>
Total Monthly Income	\$500	\$500	\$400

4 Annualizing Income

Once all household characteristics and sources of income are known and verified, the PHA must anticipate the family's income over the next 12 months.⁷² PHAs may choose among several methods of annualizing income to determine the anticipated annual income. Policies for determining annual income are to be included in the agency's ACOP and PHAs must inform the families of the income calculation method that would be applied to them so that the family can plan accordingly.⁷³

The following table describes popular acceptable methods of calculating annual income and when they are most appropriate to use.

Calculation Method	Description	When to Use
Year-to-date	Divide the total gross YTD income on most recent pay stub by number of pay periods as of date on pay stub then multiply by total number of pay periods in a full year. Check the frequency table to determine the number of pay periods in a year.	Participant has held the same job since before January 1 st of the current year, and the most recent paystub is dated after March 1 st of the current year. There are fluctuations in the participant's income throughout the year.
Average gross pay	Take the average gross pay on the most recent paystubs (at least 2 and up to 6).	When participants' pay varies between pay periods, has multiple jobs or schedule includes periodic mandatory overtime and participant has not held the same job since January 1 st of the current year.
Base times (x) rate	Take the estimated number of hours from the offer letter, contract or employment verification (if range of hours provided, take the average) and multiply it by the verified hourly rate to determine the amount per pay period. Then multiply by the total number of pay periods in a full year. Check the frequency table to determine the number of pay periods in a year.	When participant has started a new job and does not have enough pay stubs to estimate income.

⁷² 24 CFR § 5.609(a)(2) and (d)

⁷³ 24 CFR § 960.253(e)

Calculation Method	Description	When to Use
Irregular	Gather income information from all sources over a specific time frame (all pay from a 1-month or 3-month period depending on frequency). Average the amount over that timeframe and annualize it over a full year (i.e. average pay over 3 months multiplied by 4 would provide an average for the full year).	When participant has a temporary, variable or seasonal schedule, has worked sporadically throughout the year, has a combination of any of the above or an on-call or otherwise unpredictable schedule or rate of pay (i.e. day work/construction work based on project need or ride-share driver).
Frequency of Pay	Number of Pay Periods Annually	
Weekly	52	
Bi-weekly	26	
Bi-monthly	24	
Monthly	12	

If it is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclic income) or the PHA believes that past income is the best available indicator of expected future income, the PHA may annualize the income anticipated for a shorter period, subject to redetermination at the end of the shorter period.⁷⁴

5 Assets

PHAs must include in the calculation of annual income any interest, dividends, or net income earned on assets, i.e., real or personal property, held by the family.⁷⁵ See paragraph (3) of Exhibit 1 for the full HUD definition of asset income to be included in the calculation of annual income and see Exhibit 2: Summary of Asset Inclusions and Exclusions, for a more detailed description.

5.1 Determining Income from Assets

The requirements for asset verification and the determination of income from assets depends on the amount of the family's assets. The PHA may accept self-certification that the family's assets are equal to or less than \$5,000.

5.1.1 Family's Assets LESS THAN or EQUAL to \$5,000

PHAs must obtain third party verification of all family assets at the time of admission and again at least every three years thereafter.⁷⁶ A PHA may accept, for the purposes of recertification of income, a family's

⁷⁴ 24 CFR § 5.609(d)

⁷⁵ 24 CFR § 5.609(b)(3)

⁷⁶ 24 CFR § 960.259; Notice PIH 2016-05, Streamlining Administrative Regulations for Programs Administered by Public Housing Agencies

declaration that it has net assets of \$5,000 or less without additional verification. When the cash value of net family assets total \$5,000 or less, actual income from the assets is used to determine assets. The family's declaration must show each asset and the amount of income expected from that asset. This amount must be included in the family income.⁷⁷

5.1.2 Family's Assets GREATER than \$5,000

Where the family has net assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on HUD's current passbook savings rate.⁷⁸ In calculating net family assets, PHAs must calculate the cash value after deducting reasonable costs that would be incurred in disposing of the assets.⁷⁹ PHAs are to use the market value to determine the cash value of assets. The market value is simply what the asset is worth, or what a buyer would pay for real property. The cash value is the actual amount that would be received if the asset were converted to cash.

Steps for determining cash value of assets

- Calculate the cash value of an asset by subtracting the estimated expenses required if the family were to convert the asset to cash from the market value of the asset. Expense to convert to cash includes costs such as:
 - Penalties for premature withdrawal (e.g., the 10% penalty paid when a retirement account is closed prior to retirement age, or a certificate of deposit is withdrawn prior to maturity); or
 - Broker and legal fees (e.g., a percentage of the value of the asset incurred in the sale of stocks, bonds, etc.).
 - Expenses to convert real estate to cash may include costs such as sales commissions, settlement costs, and transfer taxes. For purposes of calculating expenses to convert real property to cash, the PHA may consider establishing a policy of using 10 percent of the market value of the home as reasonable expenses to convert to cash when there is no actual sales transaction taking place.
- When the cash value of net family assets totals more than \$5,000, use the greater of:
 - Actual income from assets; or
 - A percentage of the cash value of all such assets based upon the current passbook savings rate as determined by HUD and established by the PHA.⁸⁰ This is called imputed income from assets.

5.2 Determining the PHA Passbook Rate

Rather than have the PHA or the HUD Field Office periodically conduct a survey of local banks to determine a reasonable passbook rate, PHAs are to rely upon recent market data as found in the savings national rate,

⁷⁷ 24 CFR § 960.259(c)(2); Notice PIH 2016-05

⁷⁸ 24 CFR § 5.609(b)(3)

⁷⁹ 24 CFR § 5.603

⁸⁰ 24 CFR § 5.609(b)(3)

which is published weekly.⁸¹ The PHA can access the current savings national rate at:
<https://www.fdic.gov/regulations/resources/rates/>.

Safe harbor guidance recommends that the PHA establish a passbook rate within 0.75 percentage points of the savings national rate in effect at the time the PHA is setting its passbook rate. For example, if the savings national rate is 0.12 percent, the PHA passbook rate could be set from zero to 0.87 percent. The passbook rate may not be less than zero. The PHA is to review its passbook rate annually to ensure that it is still within 0.75 percentage points of the current savings national rate.⁸² The passbook rate is only used in determining final asset income when the total cash value of all the family's assets is greater than \$5,000.⁸³

Compare Actual Income from Assets to Imputed Income from Assets

Applicant has \$17,900 in cash value from all assets. Assume passbook rate of 0.75 percent. Applicant's actual anticipated income from all assets is \$89.

Cash value from all assets:	\$ 17,900
PHA-determined passbook rate	x .0075
Imputed income from assets	\$ 134

Compare actual anticipated income of \$89 to imputed income of \$134. The imputed income of \$134 (the greater of the two) will be used as the final asset income in the calculation of annual income.

5.3 Contributions to Company Retirement/Pension Funds

While an individual is employed, the PHA must count as an asset only amounts the family could withdraw from a company retirement or pension fund without retiring or terminating employment.⁸⁴ After retirement or termination of employment, the PHA must count as an asset any amount the employee elects to receive as a lump sum or prospective monthly income from the company retirement/pension fund, provided the lump sum is retained and verifiable.⁸⁵ HUD requires PHAs to include in annual income any retirement benefits received through periodic payments. The PHA would first have to determine whether the money held in retirement/pension funds is accessible before retirement in order to correctly include or exclude any amount as assets for employed persons.

If a tenant puts \$10,000 in an Individual Retirement Account (IRA), and 10 years later the IRA is worth \$15,000 and that tenant began withdrawing monthly amounts from the IRA, are the amounts withdrawn considered income?

The withdrawal of cash or assets from an investment that is received as periodic payments must be counted as income, unless the family can document, and the PHA verifies, that amounts withdrawn are

⁸¹ Notice PIH 2012-29, Establishing the Passbook Savings Rate

⁸² Notice PIH 2012-29, Establishing the Passbook Savings Rate

⁸³ 24 CFR § 5.609(b)(3)

⁸⁴ 24 CFR § 5.609(a)(4)

⁸⁵ 24 CFR § 5.609(b)(4)

reimbursement of amounts invested. When a family is making a withdrawal from an account in which it has made an investment, the withdrawals will count as income only after the initial investment is totally paid out.

5.4 Trusts

Trusts represent assets to the family. In the case of irrevocable trusts, such as Special Needs Trusts, the value of the trust will not be considered in the calculation of income as long as the funds are held in the trust. However, any distribution from the trust will be considered as income, unless specifically excluded under one of the enumerated exclusions listed in 24 CFR 5.609(c).⁸⁶

5.5 ABLA Accounts

An Achieving a Better Life Experience (ABLE) account is a type of tax-advantaged savings account that an eligible individual can use to pay for qualified disability expenses. The eligible individual is the owner and designated beneficiary of the ABLE account. An eligible individual may establish an ABLE account provided that the individual is blind or disabled by a condition that began before the individual's 26th birthday.⁸⁷

Section 103 of the ABLE Act mandates that an individual's ABLE account (specifically, its account balance, contributions to the account, and distributions from the account) is excluded when determining the designated beneficiary's eligibility and continued occupancy under certain federal means-tested programs. In determining a family's income, HUD will exclude amounts in the individual's ABLE account and the entire value of the individual's ABLE account will be excluded from the household's assets. This means actual or imputed interest on the ABLE account balance will not be counted as income. Distributions from the ABLE account also are not considered income. However, all wage income received, regardless of which account the money is paid to, is included as income.⁸⁸

5.6 Assets Disposed of for Less than Fair Market Value

PHAs must ask whether a household has disposed of or given away any business or family assets for less than its market value within the past two years. If the family has, the PHA must determine the difference between the cash value of the asset at time of sale or other disposal and the actual payment received for the asset. This amount must be added to the total family assets.⁸⁹

Generally, assets disposed of as a result of a divorce, separation, foreclosure, or bankruptcy are not considered assets disposed of for less than fair market value. Types of assets that are to be considered include cash, real property, stocks, bonds, and certificates of deposit.

HUD does not specify a minimum threshold for counting assets disposed of for less than fair market value. A PHA may establish a threshold in its ACOP that will enable the PHA to ignore small amounts such as charitable

⁸⁶ 24 CFR § 5.609(c)

⁸⁷ To learn more about ABLE accounts, visit <https://secure.ssa.gov/apps10/poms.nsf/lnx/0501130740>

⁸⁸ Achieving a Better Life Experience (ABLE) Act (Public Law 113-295); 24 CFR 5.609(c)(17); Notice PIH-2019-09

⁸⁹ 24 CFR § 5.603(b)(3); Form HUD-50058 Instruction Booklet, Section 6: Assets

contributions. Verification of assets disposed of for less than fair market value is generally done by applicant self-certification.

Example: Assets Disposed of for Less than Fair Market Value		
	Real Estate	Stocks
	Mrs. Jones "sold" her home to her daughter for \$5,000. The home was valued at \$19,500 and had no loans secured against it. Mrs. Jones paid broker's fees and settlement costs of \$1,700 (approx. 8.7% of the sales price – this is a realistic estimate for the locality). The amount to be included in family assets is \$12,800.	Ten months ago, the Daniel family gave their son 300 shares of ABC, Inc. stock. The market value was \$3,735 (\$12.45/share). They incurred a broker's fee of \$175 for the transaction. The amount to be included in family assets is \$3,560.
Market Value	\$19,500	\$3,735
Expense to Convert to Cash	-\$1,700	-\$175
Cash Value	\$17,800	\$3,560
Amount Received when Asset Disposed	-\$5,000	\$0
Value of Asset Disposed of for Less than Fair Market Value	\$12,800	\$3,560

6 Deductions

When determining a family's adjusted income, PHAs must consider certain mandatory deductions and may consider additional deductions if established by a written policy.

6.1 Dependent Allowance

The family receives an allowance of \$480 for each family member who is:

- Under 18 years of age,
- A person with disabilities, or
- A full-time student.⁹⁰

A head of household, co-head, spouse, foster child, foster adult, or live-in aide is never counted as a dependent.⁹¹

6.2 Elderly or Disabled Family Allowance

An elderly or disabled family receives a \$400 allowance. Because this is a “family allowance”, the family receives only one allowance, even if both the head and the spouse/co-head are elderly and/or persons with a disability.⁹² An elderly or disabled family is any family in which the head, spouse, or co-head (or the sole member) is at least 62 years of age or a person with disabilities.⁹³

6.3 Allowance for Disability Assistance Expenses

Families are entitled to a deduction for unreimbursed expenses to cover attendant care and auxiliary apparatus expenses for any family member who is a person with disabilities, to the extent these expenses are necessary to enable a family member (including the member who is a person with disabilities) 18 years of age or older to be employed.⁹⁴ Auxiliary apparatus are items such as for example, wheelchairs, ramps, adaptations to vehicles, guide dogs, assistance animals, or special equipment to enable a person who is blind or has low vision to read or type or special equipment to assist a person who is deaf or hard of hearing.

The allowance for disability assistance expenses equals the portion of the cost of the attendant care or auxiliary apparatus that exceeds three percent (3%) of the family's annual income.⁹⁵ The allowance may not exceed the earned income received by the family member(s) age 18 years or older and able to work because of such attendant care or auxiliary apparatus. If it can be demonstrated that more than one adult family member is enabled to work, their combined incomes will determine the cap on allowable disability assistance expenses.⁹⁶

⁹⁰ 24 CFR §§ 5.611(a)(1), 5.603(b)

⁹¹ 24 CFR § 5.603(b)

⁹² 24 CFR § 5.611(a)(2)

⁹³ 24 CFR § 5.403

⁹⁴ 24 CFR § 5.611(a)(3)(ii)

⁹⁵ 24 CFR § 5.611(a)(3)(ii)

⁹⁶ 24 CFR § 5.611(a)(3)(ii)

Example: Calculating a Deduction for Child Care and Disability Assistance Expenses

HOH's earned income	\$15,000
Spouse's earned income	+ \$ 6,200
Total income	\$21,200

The family has two children; a nine-year old daughter and a 16-year old son who has a disability. The care provider cares for both children and charges \$200 per week. The care provider verifies that the cost for caring for the nine-year old daughter is \$125 per week and the cost for caring for the 16-year old son is \$75 per week. The child-care expense enables the spouse to work.

Child-care expense	\$125 x 52 = \$6,500
--------------------	----------------------

Total disability assistance expense	\$75 x 52 = \$3,900
-------------------------------------	---------------------

Total disability assistance expense (\$3,900) less 3% of annual income (\$636) = \$3264

Child-care deduction	\$6,200 (capped by earned income)
Disability assistance deduction	+ \$3,264
Total deductions	\$9,464

Total deductions for child-care when compared to the spouse's earnings cannot exceed employment earnings of \$6,200. Assuming the disability assistance enables the HOH to work, the total deductions must not exceed \$15,000.

When the attendant care enabling an adult to work is for a child under the age of 13 with disabilities, the PHA is to determine whether to deduct the expenses as childcare or disability assistance.

- When more than one family member is enabled to work, the PHA combines those family members' incomes to determine the cap on disability assistance expenses; whereas, with childcare expenses the PHA has to decide which adult was enabled to work to determine the cap (if expenses are associated with attending school or seeking employment, there is no cap. The only stipulation is reasonableness).
- Disability assistance expense calculations apply three (3) percent of total annual income against the unreimbursed expenses; whereas, childcare calculations do not.

If a family has a child age 12 or under plus a child with disabilities over the age of 12 and is paying a care provider for both children in order to enable an adult family member to work, expenses must be applied appropriately since the rules differ for the two allowances.⁹⁷

⁹⁷ 24 CFR §§ 5.611(a)(3)(ii) and (a)(4)

6.4 Allowance for Medical Expenses

The medical expense deduction is permitted only for families in which the head, spouse, co-head, or sole member is at least 62 or a person with disabilities (elderly or disabled families) and who otherwise qualify as described in this section.⁹⁸ If the family is eligible for a medical expense deduction, the medical expenses of all family members may be counted (e.g., the orthodontist expenses for a child's braces may be deducted if the family is an elderly or disabled family).

Medical expenses are expenses anticipated to be incurred during the 12 months following certification or reexamination which are not covered by an outside source, such as insurance.⁹⁹ The medical allowance is not intended to give a family an allowance equal to last year's expenses, but to anticipate regular ongoing and anticipated expenses during the coming year. For example, the large cost to be incurred by a family member for a surgery is an anticipated expense.

Not all elderly or disabled families are aware that their expenses for medical care are included in the calculation of adjusted income. For that reason, it is important for the PHA's staff to fully inform all families about how adjusted income is calculated and what information is needed, including allowable medical expenses. PHA staff also may need to probe for information on allowable medical expenses, for example:

- Services of doctors and health care professionals;
- Services of health care facilities;
- Medical insurance premiums;
- Prescription/non-prescription medicines (prescribed by a physician);
- Transportation to treatment (cab fare, bus fare, mileage);
- Dental expenses, eyeglasses, hearing aids, batteries;
- Live-in or periodic medical assistance (e.g., Braille or recorded books, home modifications to accommodate a person with a disability, additional expenses to assist individuals who are blind or have low vision, or are deaf or hard of hearing); and
- Monthly payment on accumulated medical bills (regular monthly payments on a bill that was previously incurred). The allowance may include only the amount expected to be paid in the coming 12 months.

What happens if a PHA calculated a medical expense deduction based on projected medical expenses, but the family then does not incur the medical expenses? Can the PHA calculate an underpayment by the family?

All components of annual and adjusted income, including medical expenses are, by definition, based on what is anticipated for the 12-month period following admission or reexamination. Therefore, it is likely that actual expenses will not match what was anticipated. Typically, this would not be considered an underpayment as long as at the time of the annual re-examination, the expenses were calculated based on the appropriate verification.

⁹⁸ 24 CFR § 5.611(a)(3)(i)

⁹⁹ 24 CFR § 5.603(b)

Some other items may not be considered for medical expense deductions, unless these items are recommended as treatment by a specific medical practitioner licensed in the locality where he/she is practicing, for example:

- Cosmetic surgery;
- Health club dues;
- Household help;
- Medical savings account (MSA); and
- Nutritional supplements (such as vitamins, herbal supplements, etc.) and nonprescription medicines.

PHAs may consult IRS Publication 502 for guidance on medical expenses.¹⁰⁰ PHAs are to have policies in their ACOP explaining what will be accepted as allowable medical expenses. PHAs must make exceptions to their policies on allowable medical expenses as a reasonable accommodation for a client with disabilities. Regarding a reasonable accommodation to modify a PHA's policy, the PHA must grant the reasonable accommodation request if there is a nexus between what is being requested and the person's disability unless the request poses an undue financial and administrative burden or a fundamental alteration to the program.¹⁰¹

If a qualifying family has medical expenses and no disability assistance expenses, the allowable medical expense is that portion of the total medical expenses that exceeds three percent (3%) of annual income.¹⁰²

Can the upkeep and care of an assistance animal count as unreimbursed medical expense costs?

Yes. PHAs must determine on a case-by-case basis whether an animal is an assistance animal. An assistance animal's costs for upkeep and care would count as medical expenses in calculating a family's income. The IRS has stated that medical expenses include the costs for a "guide dog or other service animal to assist a visually-impaired or hearing-impaired person, or a person with other physical disabilities" as medical expenses. In addition, an Information Letter from the IRS states, "The costs of buying, training, and maintaining a service animal to assist an individual with mental disabilities may qualify as medical care if the taxpayer can establish that the taxpayer is using the service animal primarily for medical care to alleviate a mental defect or illness and that the taxpayer would not have paid the expenses but for the disease or illness."¹⁰³ PHAs may rely on both or either of these documents as reference in including the costs of an assistance animal for a household member with disabilities as medical expense costs if the family otherwise qualifies to deduct unreimbursed medical expenses. In addition, PHAs must provide reasonable accommodations to their policies, including policies regarding unreimbursed medical expenses, when they may be necessary for a person with a disability.

¹⁰⁰ U.S. Department of Treasury. IRS (2018) *Medical and Dental Expenses*.

¹⁰¹ 24 CFR §§ 8.24; 8.33; 28 C.F.R. § 35.130. HUD/DOJ Joint Statement on Reasonable Accommodations Under The Fair Housing Act, May 17, 2004

¹⁰² 24 CFR § 5.611(a)(3)

¹⁰³ IRS Information Letter Number: INFO 2010-0129, released June 25, 2010

6.5 Allowance for Childcare Expenses

Reasonable childcare expenses for the care of children including foster children, age 12 and younger, must be deducted from the family's annual income if all the following are true:

- The care is necessary to enable a family member to work, look for work, or further his/her education (academic or vocational);
- The expense is not reimbursed by an agency or individual outside the household; and
- The expenses incurred to enable a family member to work do not exceed the amount of employment income.¹⁰⁴

PHAs determine whether childcare costs are reasonable and clearly identify what costs are reasonable in their ACOP.¹⁰⁵ Reasonable costs for in-home care may be very different from reasonable day-care center costs. Families choose the type of care to be provided. PHAs do not have the discretion to limit deductions to certain types of care, *i.e.*, in-home care instead of at a childcare center. However, PHAs have the discretion to establish a guideline for how to determine if the childcare costs are reasonable. When inquiring about childcare expenses, PHAs are encouraged to clarify that the person and/or childcare facility does not need to be licensed to provide care and may also include relatives outside of the home; however, all expenses should be verifiable by third-party request.

Example: Allowable Child Care Deduction

Mrs. Williams pays \$500 per month for full-time childcare for her 3-year old son. In response to the PHA's inquiry, Mrs. Williams explains that she works 20 hours per week on weekday mornings and attends school 20 hours per week on weekday afternoons. She earns \$8.00 per hour at her job.

In order to calculate the allowable childcare cost, the PHA must calculate Mrs. Williams' childcare costs for work and compare this amount to the amount earned.

- Annual childcare costs: $\$500/\text{month} \times 12 = \$6,000$
 - Cost attributed to work: \$3,000
 - Cost attributed to school: \$3,000
- Annual earned income: $\$8.00 \times 20 \text{ hours} \times 52 \text{ weeks} = \$8,320$
(exceeds childcare costs attributed to work)
- Allowable childcare costs:
 - Work \$3,000
 - School \$3,000
- Total allowable childcare deduction: \$6,000

Childcare expenses necessary to permit a family member to work must not exceed the amount of employment income that is included in annual income. PHAs must deduct all reasonable childcare expenses necessary to permit a family member to seek employment or to further their education.¹⁰⁶ An unemployed adult family

¹⁰⁴ 24 CFR § 5.603(b)

¹⁰⁵ 24 CFR § 5.611(a)(4)

¹⁰⁶ 24 CFR § 5.603(b)

member who may appear to be available to provide care would not be cause to prohibit a family from receiving a deduction for childcare expenses. Families decide who will provide childcare for their children.

Child support payments made on behalf of a minor who is not living with the individual making the payments may not be deducted as childcare expenses since the minor is not a member of the assisted family. Expenses for the care of family members with disabilities over the age of 12 cannot be deducted as a childcare expense but can be deducted as disability assistance as described in section 5.3.¹⁰⁷

6.6 Permissive Deductions

For the Public Housing Program, PHAs may adopt additional, or “permissive,” deductions from annual income only if the PHA establishes a written policy for such deductions.¹⁰⁸ Permissive deductions may be used to incentivize or encourage self-sufficiency and economic mobility. A permissive deduction might include, for example, an amount of any family earned income, established at the discretion of the PHA, which may be based on—

- the amount earned by particular members of the family;
- the amount earned by families having certain characteristics; or
- the amount earned by families or members during certain periods or from certain sources.

7 Adjusted Income

After determining the family’s annual income, the PHA can calculate the family’s adjusted income. **Adjusted income** is the annual income of all family members residing in or intending to reside in the unit after all mandatory deductions are applied:

- \$480 for each dependent;¹⁰⁹
- \$400 for any elderly family or disabled family;
- Reasonable childcare expenses necessary to enable a family member to be employed to further their education;
- Unreimbursed medical expenses for each family member of an elderly or a disabled family to the extent the expenses total more than 3% of the family’s annual income;
- Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each family member with a disability when necessary to enable any family member to be employed to the extent the expenses total more than 3% of the family’s income. This deduction cannot be more than the earned income received by family members who are 18 or older and working because of the attendant care or auxiliary apparatus; and
- Unreimbursed medical expenses or reasonable childcare expenses for families who have medical or childcare expense that do not meet the requirements above, but who demonstrate an inability to pay calculated rents because of financial hardship.¹¹⁰

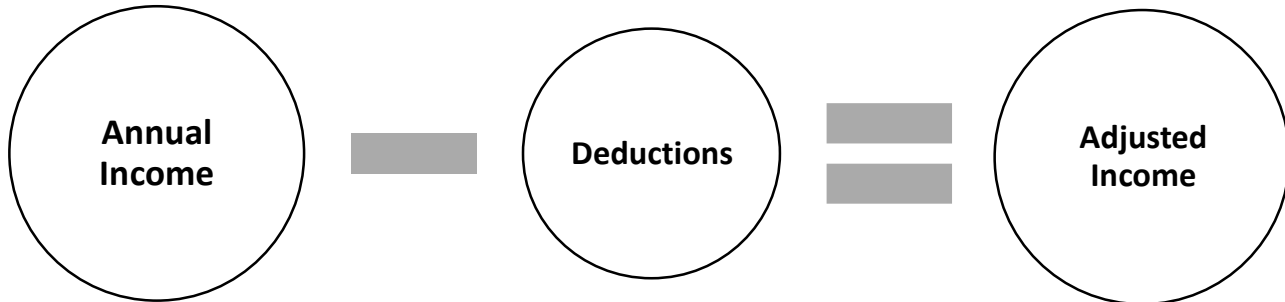
¹⁰⁷ 24 CFR § 5.603(b)

¹⁰⁸ 24 CFR § 5.611(b)

¹⁰⁹ The term “dependent” is defined under 24 CFR § 5.603.

¹¹⁰ 24 CFR § 5.611(a)

A PHA may establish additional deductions from annual income for its public housing program if the PHA has established a written policy for the additional deductions.¹¹¹



8 Verification Process Overview

In order to accurately calculate the family's adjusted income, the PHA must obtain and document verifications in the tenant file related to the tenant's annual income including:

- Reported family annual income;
- The cash value of assets and income derived from assets;
- Expenses related to deductions from annual income; and
- Any other factors that affect the calculation of adjusted income.¹¹²

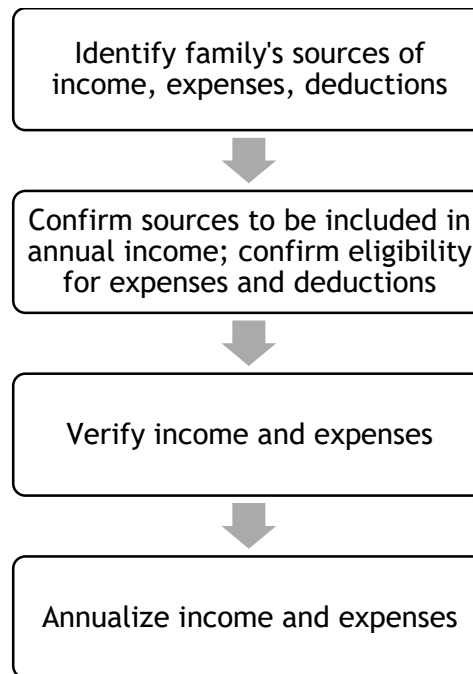
HUD does not explicitly require PHAs to have verification procedures under certain circumstances such as verifying assets, however, having written procedures is in the PHA's best interest for a variety of reasons as they:

- Ensure that tenants receive fair and consistent treatment;
- May protect the PHA in the case of an audit or legal inquiry; and
- Serve as a training tool for new staff.

The following graph demonstrates the general guideline for completing the income verification process and calculating annual income.

¹¹¹ 24 CFR § 5.611(b)(1)

¹¹² 24 CFR § 960.259(c)



8.1 HUD-9886 Authorization to Release Information

PHAs must maintain a valid HUD-9886 Authorization to Release Information on file signed by all adult household members (age 18 and over, as well as heads, co-heads, and spouses, regardless of age).¹¹³ The form shall remain effective for 15 months.

8.2 Verification

8.2.1 Verification of Income Sources to be Included in Annual Income

After identifying the tenant's sources of income, the PHA must determine if the sources of income will be counted as a part of annual income. If a family reports a source of income on their application or questionnaire that is not obviously excluded, it is always a best practice to make a note in the file to explain why the income was not included.

8.2.2 Verification Hierarchy

PHAs must use HUD's verification hierarchy when verifying the family's income, assets, deductions, and expenses.¹¹⁴

¹¹³ Form HUD-9886

¹¹⁴ 24 CFR § 5.233; Notice PIH 2017-12

Level	Verification Technique	Mandatory or Optional	Description
Level 6	Enterprise Income Verification (EIV)	Mandatory (i.e. must review EIV Income Report for all families when verifying income).	<ul style="list-style-type: none"> • Includes wages, Social Security/SSI, unemployment • Cannot be used to calculate earned income.
Level 5	Upfront Income Verification (UIV)	Optional.	<ul style="list-style-type: none"> • UIV sources are those that can be accessed directly by the PHA either online or via automated telephone system. • There are paid services that provide wage information, like The Work Number. • PHAs may also be able to access local and state government databases.
Level 4	Written Third Party Verification	Mandatory to supplement EIV-reported income sources and for income sources not in EIV.	<ul style="list-style-type: none"> • Third-party generated documents, i.e. paystubs, bank statement, print outs from online system, benefit letter. • Must collect at least two consecutive paystubs for employment income.
Level 3	Written Third Party Verification Form	Mandatory if higher levels not available or unacceptable.	PHA sends form via e-mail, fax, or mail directly to third-party (i.e. employer, bank) requesting information required to accurately calculate annual income.
Level 2	Oral Third-Party Verification	Mandatory if higher levels not available or unacceptable.	PHA calls third-party (i.e. employer, bank) requesting information required to accurately calculate annual income.
Level 1	Tenant Declaration	Only use as a last resort if higher levels are not available.	<ul style="list-style-type: none"> • A signed statement from the tenant. • PHA must document why higher levels were not available.

8.3 Enterprise Income Verification (EIV) System

The EIV System is a web-based application with employment, wage, unemployment compensation and social security benefit information for tenants in assisted housing programs. This information is used to validate, not

calculate, tenant-reported income information for all household members whose identities have been verified.¹¹⁵

PHAs are required to view the EIV Income Report and confirm with the tenant that the current listed benefit amounts for certain benefits (SSI, social security, etc.) are correct. If the tenant agrees with the current EIV reported amounts, the PHA is required to use the EIV-reported gross benefit amount to calculate annual income from social security and SSI benefits. The PHA is only required to obtain third-party written verification of SS or SSI benefits if the family disputes the information or the information is not available in EIV.¹¹⁶

8.4 Identifying the Family's Sources of Income

Identifying the family's sources of income is one of the first steps in determining the family's total annual income. HUD requires that PHAs: 1) ask the family to report their sources of income; and 2) check the family's EIV Income Report for potentially unreported or underreported income sources.¹¹⁷ PHAs may choose to establish additional procedures to prevent fraud and underreporting of income.

8.4.1 Income Reported by Family

PHAs must ask the family to report all their income and declare their assets at admission and at every full reexamination.¹¹⁸ The PHA decides how to collect this information, usually by asking the family to complete an electronic or paper form. The tenant's reported income must be kept in the tenant file.¹¹⁹

8.4.2 Income Reported in EIV

PHAs must also pull the family's Income Report from the EIV system within 120 days prior to the reexamination effective date to identify unreported or underreported income sources.¹²⁰ The PHA also must consult the EIV Income Report when verifying income at an interim reexamination of family income. For newly admitted families, the PHA has 120 days after the effective date of the New Admission (HUD- 50058 action code 1) to pull the family's Income Report from EIV and compare income sources and amounts. A copy of the EIV Income Report must be kept in the tenant file.¹²¹

8.4.3 PHA Discretionary Income Checks

PHAs may add additional procedures for determining current income and reducing potential fraud. For example, a PHA may choose to review previously reported income from the most recent HUD-50058 to identify and inquire about sources that were not reported during the last reexamination. Some PHAs review checking account statement deposits for additional sources of income or implement additional upfront income verification (UIV) checks. For example, the PHA may set a procedure to check with local government agencies for TANF assistance or child support. PHAs may also choose to use paid UIV services like The Work Number (<https://www.theworknumber.com/>) to identify and verify sources of earned income.

¹¹⁵ Notice PIH 2017-12

¹¹⁶ Notice PIH 2017-12

¹¹⁷ Notice PIH 2017-12

¹¹⁸ 24 CFR § 960.259(a)(2)

¹¹⁹ 24 CFR § 960.259(c)(1)

¹²⁰ 24 CFR § 5.233 (a); Notice PIH 2017-12

¹²¹ Notice PIH 2017-12

If a PHA chooses to implement additional checks, HUD highly recommends that the PHA establish a written procedure to identify which additional steps staff will take and under which circumstances. For example, will staff contact a specific social service agency to check for child support income for all tenants with children, or only those who report receiving child support income? While these procedures are at the discretion of the PHA, they are to be applied consistently. Some of the benefits of additional income verification procedures may include:

- Enhanced program integrity as more accurate information may reduce income errors; and
- Increased program savings as more accurate information may reduce subsidy overpayments.

When deciding to implement additional income verification procedures, also consider the additional time required for staff to complete other income verification. While additional steps may take more time, some easily attainable UIV sources may save time as the UIV printouts can be used in lieu of tenant-provided documentation.

8.4.4 Identifying Underreported Income: Earned income sources that were reported by the family and appear in EIV

When the family reports a source of earned income that also appears in EIV, the PHA must annualize the income based on the Level 4 tenant-provided third-party documents and the income information displayed in EIV. If the difference between the annualized income based on written third party verification (Level 4) and the annualized income based on EIV (Level 6) is an amount equal to or greater than \$2,400, then the PHA must investigate the discrepancy.¹²²

Before contacting the tenant or collecting more verification, the PHA may review the existing Level 4 tenant-provided third-party documents to determine if a different method of calculation would result in a more accurate annualized amount. For example, if the tenant provided two consecutive paystubs and the PHA used the Average Gross Pay method of calculation, those two pay periods may have represented lower than average number of hours worked. The PHA may instead use the Year-to-Date calculation to better annualize income, including pay fluctuations throughout the year.

8.4.5 Identifying Underreported Income: Income sources that appear in EIV that were not reported by the family

When a source of income appears in EIV that the family did not report, the PHA must investigate to determine if the family is currently receiving income from that source. Follow-up includes asking the tenant about the potentially unreported income source and following the levels of verification. If the tenant claims to not have the income, the PHA must request proof from the third-party source, for example the employer.¹²³

8.4.6 Using EIV to Verify Income from Social Security and SSI

PHAs may use the EIV Income Report as the only source of verification for Social Security and SSI as long as the family does not dispute the amount listed in EIV. The gross amount of social security benefit income, prior

¹²² Notice PIH 2017-12

¹²³ Notice PIH 2017-12

to Medicare or other deductions, must be counted as income, except for specific amounts excluded under 24 CFR 5.609(c)(14).¹²⁴

8.4.7 Zero-income Households

When families report zero income, and have no income excluded for rent computation, a common practice is for PHAs to pursue verification of income that reflects the family's lifestyle. One method is to examine the family's circumstances every 90 days until they have a stable income. PHAs can request zero income families to complete a zero-income form. The form asks tenants to estimate how much they spend for: telephone, cable TV, food, clothing, transportation, health care, childcare, debts, household items, etc., and whether any of these costs are being paid by an individual outside the family. If any such payments are received, they are to be verified accordingly and considered income.

PHAs may also choose to take a more risk-based approach to zero income. There are a few options:

- Use the EIV No Income Report to cross-reference their list of zero-income households. The PHA can then follow up with those zero-income families who do not appear on the No Income Report. While this option may save time, it requires at least one staff member who has the time and skillset to pull and compare reports from EIV and the system of record.
- Check another Upfront Income Verification source to determine if zero-income families have any newly reported income. Complete additional verification for those families only.

¹²⁴ 24 CFR § 5.609(b)(4); Notice PIH 2017-12

Exhibit 1: Income Inclusions and Exclusions

INCOME INCLUSIONS

1. The full amount—before any payroll deductions—of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by the PHA;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, lotteries, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (but see No. 13 under Income Exclusions);
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (but see No. 3 under Income Exclusions);
6. Welfare Assistance.
 - a. Welfare payments made under the Temporary Assistance to Needy Families (TANF) program are included in annual income only to the extent such payments:
 - i. Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
 - ii. Are not otherwise excluded.
 - b. The amount of reduced welfare income that is disregarded specifically because the family engaged in fraud or failed to comply with an economic self-sufficiency or work activities requirement.
 - c. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustments by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare income to be included as income shall consist of:
 - i. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - ii. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
8. All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not temporarily absent) (but see paragraph (7) under Income Exclusions).

INCOME EXCLUSIONS

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities unrelated to the tenant family who are unable to live alone);
3. Insurance payments and settlement for personal or property losses (but see No. 5 under Income Inclusions);
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Any amount recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to the family member arising out of law, that resulted in a member of the family being disabled;
6. Income of a live-in aide (as defined by regulation);
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
8. Amounts received:
 - a. Under training programs funded by HUD;
 - b. By a person with disabilities that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
 - c. By a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program;
 - d. A resident service stipend. This is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development;
 - e. Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in a qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member 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 the period during which the family member participates in the employment training program.
9. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
10. Earned income for each dependent who is a full-time student up to the deduction provided for dependents;
11. Adoption assistance payments in excess of \$480 per adopted child;
12. Deferred periodic payments of supplemental security income and social security benefits that are received in a lump-sum payment or in prospective monthly amounts;
13. Payments related to the aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance;
14. 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;

15. Payments provided by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the member who has a developmental disability living at home; and
16. Amounts that HUD is required by Federal statute to exclude from consideration as income for the purposes of determining eligibility or benefits under a category of assistance under any program to which the exclusions set forth in 24 CFR 5.609(b) apply. An updated notice will be published in the Federal Register and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion when necessary. As of May 20, 2014 (79 Fed. Reg. 97), such amounts include, but may not be limited to:
 - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b));
 - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 5044(f)(1), 5058);
 - c. Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c));
 - d. Income derived from certain sub marginal 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. Payments received from programs funded under title V of the Older Americans Act of 1965 (42 U.S.C. 3056g);
 - i. 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.);
 - j. Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 25 U.S.C. 1728);
 - k. 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);
 - l. 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));
 - m. 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);
 - n. Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d));
 - o. 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).

- p. 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));
- q. 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);
- r. Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f(b));
- s. 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));
- t. A lump sum or a periodic payment received by an individual 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); and
- u. 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));
- v. The entire value of an individual’s account established under the Achieving Better Life Experience (ABLE) Act (P.L. 113-295);
- w. 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);
- x. Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931(a)(2));
- y. 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;
- z. 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)); and
- aa. 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)).

Exhibit 2: Summary of Asset Inclusions and Exclusions

A key factor in whether to include an asset in the calculation of annual income is whether any member of the family has access to the asset.

A. Assets Include:	B. Assets do NOT Include:
<ol style="list-style-type: none"> 1. Amounts in savings and checking accounts. 2. Stocks, bonds, savings certificates, money market funds, and other investment accounts. 3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset <i>and</i> reasonable costs (such as broker fees) that would be incurred in selling the assets. 4. The cash value of trusts that may be withdrawn by the family. 5. IRA, Keogh, and similar retirement savings accounts, even though withdrawal would result in a penalty. 6. Some contributions to company retirement/pension funds. Note the discussion below on accessibility of the funds. 7. Assets which, although owned by more than one person, allow unrestricted access by the applicant or participant. 8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims, if retained and verifiable. 9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc. 10. Cash value of life insurance policies. 11. Assets disposed of for less than fair 12. Market value during the two years preceding certification or recertification. 	<ol style="list-style-type: none"> 1. Necessary personal property, except as noted in A.9. 2. Interest in Indian trust lands. 3. Assets that are part of an active business or farming operation. <i>NOTE:</i> Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's/tenant's main occupation. 4. Assets not controlled by or accessible to the family and which provide no income for the family. 5. Vehicles, including those equipped for persons with disabilities. 6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.