Appendix C – Technical Guide for Determining Income and Allowances for the HOME Program

Technical Guide for Determining Income and Allowances for the HOME Program

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Preface

The HOME Investment Partnerships (HOME) Program is a flexible and versatile funding resource for affordable housing. A fundamental component of using HOME funds effectively is ensuring that they are targeted to households that are low- and very low-income.

The HOME Program requires that participating jurisdictions (PJs) use one of three definitions of annual income in order to determine the income eligibility of applicants to their programs. PJs can choose from these options:

- *Annual income as used in HUD programs like Section 8 and defined in 24 CFR 5.609,*
- *Annual income as reported on the Census long form for the most recent decennial census, and*
- *Adjusted gross income as defined by the Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax reporting purposes.*

This guide will be useful for most PJs, since all PJs must verify the income eligibility of every HOME program participant. Using this guide provides an opportunity for a PJ to review and understand the differences in each of the three income definitions and to determine which definition(s) is most appropriate for each of the HOME activities the PJ undertakes. In addition, some PJs may be familiar with the process of determining income eligibility for one or two of the three allowable income definitions. As a result of staff turnover, or other circumstances, other PJs may need to develop expertise in understanding all of the possible definitions. Regardless of the PJ's experience level, PJs will find that there are certain rules unique to each of the three definitions, but in general the rules are understandable and relatively easy to work with.

This self-study guide provides explanations of each of the three definitions of income, and describes what sources of income must be included or excluded when conducting income verification. In addition to a description of these basic requirements, the guide provides exercises and case studies to enable readers to test their understanding of the key concepts. This HOME model program guide is a companion to other guides published by the Office of Affordable Housing Programs of the U.S. Department of Housing and Urban Development. These guides are available through the HOME Program's Model Program Guides website at: http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm.

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Chapter One

Overview

The HOME Investment Partnerships (HOME) Program has historically required that participating jurisdictions (PJs) use the Section 8 program definition of annual (also referred to as gross) income to measure the eligibility of applicants to their HOME programs. However, with the publication of the HOME Final Rule, effective October 16, 1996, PJs were given the flexibility to choose one of three definitions of annual income -- annual income as defined in 24 CFR 5.609,[1] annual income as reported on the Census long form for the most recent decennial census, and adjusted gross income[2] as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.

This change in the HOME regulations is consistent with a similar change to the Community Development Block Grant (CDBG) regulations, which went into effect December 11, 1995. The change in the HOME regulations was intended to ease administration for PJs when projects are funded by multiple sources, including CDBG.

In several specific circumstances, PJs are required to adjust the income of households participating in the HOME Program. Chapter Four details these circumstances and the process of adjusting household income using the rules at 24 CFR 5.611. When PJs are required to use adjusted income, they must use the HUD rules at 24 CFR 5.611 *regardless of the definition of annual income originally used* to qualify the household for participation in the HOME Program. Throughout this guide, the term "annual income" will be used to refer to annual income as calculated using one of the three definitions allowed under the HOME Program, unless otherwise specified. The term "Part 5 annual income" will be used to refer to annual income as defined at 24 CFR 5.609. This was formerly called the "Section 8" definition of income. Further, "adjusted income" will be used to refer to adjusted income calculated according to the rules at 24 CFR 5.611.

Income-Related Program Requirements

Exhibit 1.1 summarizes the uses of the income definitions under the HOME Program.

Household income must be calculated for a number of different uses under the HOME Program, including:

- **Eligibility**. To receive HOME assistance, households must have incomes at or below 80 percent of the area median household income, adjusted for household size, and determined annually by HUD. This is commonly referred to as "the Section 8 Low-Income Limit." To determine whether a household is eligible, a PJ must determine its annual income using one of the three allowable income definitions and comparing that income to the Section 8 Low-Income Limit. For HOME rental projects and tenant based rental assistance (TBRA) programs, income eligibility must be re-established annually (refer to Chapter 2).
- **Targeting of Funds**. Income determinations are also necessary to comply with HOME targeting requirements. For each annual HOME allocation a PJ receives, ninety percent of the occupants of HOME-funded rental housing units and households assisted with TBRA must have annual incomes at or below 60 percent of the area median income.
- **Occupancy of Rental Projects**. In addition to the program targeting requirements, at least 20 percent of the

HOME-assisted units in rental projects with five or more HOME-assisted units must be occupied by households with incomes at or below 50 percent of the area median income.

- **Subsidy Amounts**. For HOME-funded TBRA programs, annual income is used to determine eligibility and adjusted income is used to determine the amount of subsidy an eligible household can receive.
- **Displacement Activities**. Income calculations are also used to determine assistance to families who may be displaced as a result of HOME-funded activities. Exhibit 1.1 provides additional detail on these calculations.

Using this Guide

This guide has been organized to help the reader absorb income rules one at a time. Within each chapter, examples and exercises provide the opportunity to think about the practical applications of the rules.

- **Chapter Two**. This chapter reviews the general requirements that relate to determining and calculating income. These rules apply regardless of the definition of annual income used by the PJ.
- **Chapter Three**. Chapter Three provides detailed information on how to calculate income using each of the three allowable income definitions. This chapter also discusses and illustrates the differences between the three definitions.
- **Chapter Four**. This chapter discusses the circumstances under which PJs must adjust annual household income and describes how to do so.
- **Chapter Five**. Chapter Five provides detailed guidance on calculating assistance amounts in HOME TBRA programs and when conducting displacement activities.

A number of appendices follow Chapter Five, including a glossary of terms and sample forms.

Additional Resources

In addition to this guide, there are several other HUD resources PJs can use as reference material:

- **HOME Program Regulations**. The HOME Program regulations can be found at 24 CFR Part 92.
- **General HUD Program Requirements found at 24 CFR Part 5**. The requirements pertaining to annual and adjusted income for HUD programs are found in this regulation. These regulations are updated periodically, with notification provided through the Federal Register.[3] Agencies are given 60 days from the date of publication to implement changes.
- **HUD Handbook 4350.3**. This handbook, entitled "Occupancy Requirements of Subsidized Multifamily Housing Programs," applies to many of HUD's multifamily housing programs, including Section 8 and Section 236. The HOME Program does not require the use of this handbook, but many PJs will find the information in it, particularly Chapter 5, helpful in understanding and clarifying the Part 5 income rules and requirements. The handbook is updated whenever changes are made to the regulations.

The HOME Program statute, regulations, notices, and waivers can be obtained through the HOME Program page of the HUD web site. This site is located at www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm. Federal regulations, HUD handbooks, and notices can be obtained through HUD offices or on the Internet at www.hud.gov and www.hudclips.org.

Further guidance on the calculation of annual income under the HOME Program is available online at www.hud.gov/offices/cpd/affordablehousing/training/calculator/index.cfm.

Census publications, including sample forms and instructions, are available on the Census Bureau's website (www.census.gov) or by calling its customer service center at (301) 763-4636. IRS forms, instructions and other publications are also available on online at www.irs.ustreas.gov, or by calling the IRS at 1-800-829-3676.

Exhibit 1.1 – Summary of Uses of Income Definitions in the HOME Program

HOME Program Activities	Uses of Income Definitions
Homeowner Rehabilitation	Use one of three definitions of annual (gross) income[4].
Homebuyer Activities	Use one of three definitions of annual (gross) income.
Rental Activities	Use one of three definitions of annual (gross) income for initial determination and at recertification. Use adjusted income[5] to determine rent for tenants whose income increases above 80% of median. Can use annual (gross) income and adjusted income to determine project rents for tenants below 50% of median and occupying at least 20% of the units in a project with five or more HOME-assisted units, although most PJs use standard High and Low HOME rents.
TBRA	Use one of three definitions of annual (gross) income to determine income initially and at annual recertification. Use one of three definitions of annual (gross) and Part 5 adjusted income to determine the tenant's share of the rent.
Relocation and Displacement Activities	
Uniform Relocation Act	Use Part 5 annual (gross)[6] and adjusted income to determine if a low-income household is economically displaced. Use Part 5 annual (gross) income to compute Replacement Housing Payments.
Section 104(d) – Displacement, Relocation Assistance, and Real Property Acquisition for HUD and HUD-Assisted Programs	Use Part 5 annual (gross) income to determine Replacement Housing Payments.

Chapter Two

General Requirements

While PJs have the option of choosing one of three definitions of annual (gross) income to determine income eligibility of applicants to their HOME Program activities, certain rules and requirements apply regardless of the definition used. These overarching requirements include how to determine whose income to count, anticipate and verify income, and compare income to HUD income limits. This chapter reviews these requirements.

Determining Whose Income to Count

The HOME Program regulations require that income of all family members be included in the determination of income.

The Part 5 definition of annual income provides specific guidance pertaining to whose income in a household must be included in that calculation. Chapter Three reviews this in detail.

Anticipating Income

The HOME regulations at 24 CFR 92.203(d)(1) require that, for the purpose of determining eligibility for HOME assistance, a PJ must project a household's income in the future. To do so, a "snapshot" of the household's current circumstances is used to project future income. In general, a PJ should assume that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, if a head of household is currently working for $7.00 per hour, 40 hours per week, the PJ should assume that this family member will continue to do so for the next year. Thus, estimated earnings will be $7.00 per hour multiplied by 2,080 hours, or $14,560 per year.

This method should be used even when it is not clear that the type of income received currently will continue in the coming year. For example, assume a family member has been receiving unemployment benefits of $100 per month for 16 weeks at the time of income certification. It is unlikely that the family member will continue on unemployment for another 52 weeks. However, because it is not known whether or when the family member will find employment, the PJ should use the current circumstances to anticipate annual (gross) income. Income would therefore be calculated as follows: $100 per week x 52 weeks, or $5,200.

The exception to this rule is when documentation is provided that current circumstances are about to change. For example, an employer might report that an employee currently makes $7.50 an hour, but a negotiated union contract will increase this amount to $8.25 an hour eight weeks from the date of assistance. In such cases, income can be calculated based on the information provided. In this example, the calculation would be as follows:

- $7.50/hour x 40 hours/week x 8 weeks = $2,400
- $8.25/hour x 40 hours/week x 44 weeks = $14,520
- $2,400 + $14,520 = $16,920.

Verifying Income

The HOME regulations at 24 CFR 92.203(a) require that PJs determine income eligibility of HOME applicants by examining source documents (such as wage statements or interest statements) as evidence of annual income.

PJs may develop their own verification procedures provided that they collect source documentation and that this documentation is sufficient for HUD to monitor program compliance. (Sample verification forms are provided in Appendix H.)

PJs may use two of the three verification procedures provided to public housing agencies (PHAs) for the Section 8 Program

as a basis for developing their procedures. These forms of verification are third party verification and review of documents. (The third method provided to PHAs, applicant certification, does not provide adequate source documentation for the HOME Program.)

Third-Party Verification

Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information to verify income. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person, information conveyed, and date of call. In addition, a PJ may obtain third party written verification by facsimile, email, or Internet. The PJ must make adequate effort to ensure the sender is a valid third-party source.

To conduct third-party verifications, a PJ must obtain a written release from the household that authorizes the third party to release required information. (See Appendix H for a sample release form, "HOME Program Eligibility Release Form.")

Third-party verifications are helpful because they provide independent verification of information and permit the PJ to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.

Some third-party providers (such as banks) may charge a fee to provide the information. In such cases, the PJ should attempt to find suitable documentation without the third-party verification – for example, bank statements or a savings passbook. If suitable documentation is not available, costs associated with third party verifications are eligible administrative or project expenses under the HOME Program; however, low-income beneficiaries must not be required to pay for verifications as a condition of receiving assistance.

Review of Documents

Documents provided by the applicant (e.g., pay stubs, tax returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third party verifications. (Note, however, that if a copy of a tax return is needed, IRS Form 4506 "Request for Copy of Tax Form" must be completed and signed.) Copies of documents should be retained in project files.

Although easier to obtain than third-party verifications, a review of documents provided by the applicant often does not provide all necessary information. For instance, an employed applicant's pay stubs may not provide sufficient information about the average number of hours worked, overtime, tips, and bonuses. In this case, the PJ may also need to contact the employer to accurately project annual income.

Assessing Information

PJs must assess all the facts underlying the income information collected. Below are some of the considerations PJs must take into account.

Pay period. The PJ should determine the basis on which employees are paid (hourly, weekly or monthly, and with or without overtime). An employee who gets paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).

An annual salary is counted as annual income regardless of the payment schedule. For example, if a teacher's annual salary is $30,000, this is the annual income regardless of whether the teacher is paid over a nine- or 12-month period.

Variations in pay. For applicants whose jobs provide steady employment (e.g., 40 hours a week, 50 weeks a year), it can be assumed that there will only be slight

variations in the amount of earnings reflected in monthly or bi-weekly pay stubs. In such cases, three consecutive month's worth of income documentation is an appropriate amount upon which to base a projection of income over the following 12-month period.

For those whose annual employment is less stable or does not conform to a twelve-month schedule (e.g., seasonal laborers, construction workers, teachers), PJs should examine income documentation that covers the entire previous twelve-month period. Such workers can experience substantial variations in earned income over the course of a year. As such, an examination of three month's worth of income documentation may not provide an accurate basis upon which to project the applicant's income over the following 12 months.

Sources of earned income. In addition to hourly earnings, PJs must account for all earned income. In addition to the base salary, this will include annual cost of living adjustments (COLAs), bonuses, raises, and overtime pay. In the case of overtime, it is important to clarify whether overtime is sporadic or a predictable component of an employee's income. If it is determined that an applicant has earned and will continue to earn overtime pay on a regular basis, PJs should calculate the average amount of overtime pay earned by the applicant over the pay period the PJ is using to calculate income eligibility (3 months or 12 months). This average amount is then to be added to the total amount of projected earned income over the following 12-month period. Exhibit 2.1 provides a step-by-step explanation of the standard methodology for projecting annual income.

Comparing Annual Income to Published Income Limits

Once household and income information has been established and verified, a PJ must compare the information to the appropriate HUD income limits to determine if the household is eligible for participation in the HOME Program.

To determine eligibility, PJs must use a copy of the most recent HUD income limits, adjusted for family size and by geographic area (county or metropolitan area). The income limits are updated annually and are available through HUD offices or on the Internet at www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm.

Exhibit 2.2 provides a sample income limits table.

Determining Household Size

The income limits are adjusted by household[7] size; therefore, one of the first steps in determining eligibility is to determine the size of the applicant household.

Some households may include persons who are not considered as family members for the purposes of determining household size and income eligibility, including:

- Foster children;
- Foster adults;
- Live-in aides; and
- Children of live-in aides.

These persons should not be counted as household members when determining household size, and their income, if any, is not included when calculating annual income.

A child who is subject to a shared-custody agreement in which the child resides with the household at least 50 percent of the time can be counted in the household.

Comparing Household Income to the HUD Limits

To compare a household's annual income information to the HUD income limits, follow these steps:

1. Find the geographic area in which the PJ is located on the HUD income limit chart.
2. Find the column that corresponds to the number of persons in the household (i.e., family size).

3. Compare the verified income of the household with the income limit for that household size.

Using the sample income limits chart in Exhibit 2.2, consider the following example:

> *Mr. and Mrs. Jackson have three children that permanently reside with them. It has been determined by the PJ staff that the Jackson's have an annual household income of $48,500. Based on the income limits, the Jackson family must have an income of less than $59,250 in order to participate in the HOME Program. Since the Jackson's income of $48,500 is less than the Low-Income Limit of $59,250, they are eligible for HOME assistance.*

Timing of Income Certifications

All households that receive HOME assistance must be income-eligible at the time assistance is provided. Generally, the HOME Program permits income verification dated no earlier than six months prior to receipt of assistance. Households must qualify as low-income at the time of occupancy or at the time HOME funds are invested, whichever is later.

A preliminary determination of eligibility should, however, be made much earlier in the process. Application processing is labor intensive. Early screening for income eligibility can eliminate excessive work in processing an ineligible applicant. For example, when considering an application from a developer to rehabilitate an existing rental project, it is important for a PJ to know whether the current tenants will continue to be eligible once HOME funds are invested in the project.

Establishing a deadline for formal eligibility determinations is a challenging part of the planning process. The formal determination of income eligibility must be made shortly before a household receives assistance. Because eligibility determination involves verification of income, waiting too long can delay a project. Conducting income certifications too early in the process, however, might mean that certifications become outdated and must be redone.

Income Certifications for Lease-Purchase or Contract-to-Purchase Housing

PJs have some flexibility when certifying the income of homebuyers in lease-purchase or contract-to-purchase programs. Homebuyers are required to qualify as low-income:

- In the case of a contract to purchase existing housing, at the time of purchase;
- In the case of a lease-purchase agreement for existing housing or for housing to be constructed, at the time the agreement is signed; or
- In the case of a contract to purchase housing to be constructed, at the time the contract is signed.

Income Recertification for Rental Housing

In addition to initial certifications at the time of eligibility determinations, tenants receiving TBRA or occupying HOME-assisted rental units must have their incomes recertified annually. Because new income certifications should be effective on each tenant's "anniversary date" (one year from the start of assistance or last recertification date), the income certification process should begin 60 to 90 days prior to that time.

For rental housing projects, the PJ must use one of the following three methods for recertifying tenant incomes:

- **Review of source documents.** This involves a review of source documentation, such as that done for a household's initial eligibility determination.
- **Statement and certification from the family.** This is a written statement from the family indicating family size and annual income. This must include a certification from the family that

information is complete and accurate, and must indicate that source documents will be provided upon request. A sample certification is provided in Appendix J.

- **Statement from another government program**. This is a written statement from the administrator of another government program under which the family receives benefits, and that examines the annual (gross) income of the family each year. The statement must indicate the family size, or provide the current income limit for the program and a statement that the family's income does not exceed that limit. A sample of this type of certification is found in Appendix J.

If the PJ chooses to allow rental project owners to accept the written statement from the family or other governmental entity at income recertification, it must require owners to review full source documentation every sixth year of the affordability period. For a rental project with a 20-year affordability period, for example, source documentation must be used to certify all tenants' income at initial lease-up, and in years six, 12 and 18 of the affordability period. In the other years, the family or government program statement may be accepted without further verification of income.

Exhibit 2.1 – Step-by-Step Methodology for Projecting Annual Income

Steps	Instructions
Step 1: Collect appropriate income documentation.	Appropriate documentation includes pay stubs, third-party verification, bank statements (checking and/or savings), or certified copies of tax returns. (These can be acquired by submitting an IRS Form 4506, "Request for Copy of Tax Form.")
Step 2: Calculate the applicant household's projected income based upon documentation.	This calculation must include hourly wage figures, overtime figures, bonuses, anticipated raises, COLAs, or other anticipated changes in income. Other specific inclusions must also be reflected in the calculation, depending upon which definition of annual income the PJ has elected to use for its program. Specific instructions for each of the three definitions of income under HOME are provided later in this guide.
Step 3: Compare the amount of projected income against current HOME income limits.	Once the PJ has calculated the household's income, based on its selected definition, it must compare the household's final projected figure to annual HOME income limits, which are adjusted according to household size. These limits are posted online at: www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index/cfm. This information is also available through the CPD office of your state or local HUD Field Office. Households whose projected annual income is less than the current HOME income limits are eligible for HOME assistance.

Exhibit 2.2 – Sample Income Limits Schedule (FY 2004)
Area: Baltimore, MD

	Adjusted Income Limits							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% Limits	$14,400	$16,450	$18,500	$20,600	$22,250	$23,850	$25,500	$27,150
Very Low-Income (50% Limits)	$24,000	$27,450	$30,850	$34,300	$37,050	$39,800	$42,550	$45,300
60% Limits	$28,800	$32,940	$37,020	$41,160	$44,460	$47,760	$51,060	$54,360
Low-Income (80% Limits)	$38,400	$43,900	$49,400	$54,900	$59,250	$63,650	$68,050	$72,450

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Chapter Three

Calculating Annual (Gross) Income

As discussed in Chapter One, the HOME Program gives PJs the flexibility to choose one of three definitions of annual income to determine whether households are eligible for participation in the HOME Program. The three definitions are:

1. Annual income as defined in 24 CFR Part 5 (Part 5 annual income);
2. Annual income as reported under the Census long form for the most recent decennial census; and
3. Adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.

PJs may use different definitions of income for each of the different HOME activities it administers. For example, a PJ may decide to use the Part 5 definition of income for its rental projects and TBRA program, and use the Census long form definition within its homebuyer and owner-occupied rehabilitation programs. However, PJs must ensure that applicants to their HOME-funded programs and activities are treated equitably. For this reason, the same income definition must be used within a particular program or activity. For example, if a PJ decides to use the Part 5 definition of annual income for its homebuyer program, it must use this definition for all applicants to the homebuyer program. It may not use the Census definition for one applicant and the Part 5 definition for another applicant.

Chapter Two discussed how and when income information must be verified. This chapter provides detailed guidance about calculating annual (gross) income using each of the three allowable definitions.

Definition 1: Annual Income as Defined in 24 CFR Part 5

The annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs including Section 8, public housing and the Low-Income Housing Tax Credit Program. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The Part 5 definition of annual income is the *gross amount* of *income of all adult household members* that is *anticipated to be received* during the coming 12-month period. Each of the italicized phrases in this definition is key to understanding the requirements for calculating annual income:

- **Gross amount**. For those types of income counted, gross amounts (before any deductions have been taken) are used;
- **Income of all adult household members**. The Part 5 definition of annual income contains income "inclusions" – types of income to be counted – and "exclusions" – types of income that are not considered (for example, income of minors); and
- **Anticipated to be received**. The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. A PJ must, therefore, use a household's expected ability to pay, rather than past earnings, when estimating housing assistance needs.

Whose Income to Count

Knowing whose income to count is as important as knowing which income to count. Under the Part 5 definition of annual income, special consideration is given to income earned by the following groups of people:

- **Minors**. Earned income of minors, including foster children (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, TANF payments and other benefits paid on behalf of a minor) is included;
- **Live-in aides**. If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of the source, is not counted. Except under unusual circumstances, a related person does not qualify as a live-in aide.
- **Persons with Disabilities**. During the annual recertification of a family's income, PJs are required to exclude from annual income certain increases in the income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance. 24 CFR 5.617(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to a qualified family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, the PJ is required to exclude from annual income 50 percent of any increase in income. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.
- **Temporarily absent family members**. The income of temporarily absent family members is counted in the Part 5 definition of annual income – regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns $600 per week. He keeps $200 per week for expenses and sends $400 per week home to his family. The entire amount ($600 per week) is counted in the family's income;
- **Adult students living away from home**. If the adult student is counted as a member of the household in determining the household size (to compare against the HUD income limits), the first $480 of the student's income must be counted in the family's income. Note, however, that the $480 limit does not apply to a student who is the head of household or spouse (their full income must be counted); and
- **Permanently absent family members**. If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

Types of Income to Count

Exhibits 3.1 and 3.2 provide a comprehensive list of income that is included and excluded from calculations of annual income under Part 5. This list comes directly from the Federal regulations at 24 CFR 5.609. HUD updates this list when changes are made by Congress. Program administrators generally are expected to implement changes within 60 days of publication in the *Federal Register*.

In general, income exclusions fall into the following categories:

- Benefits that should not be counted as income;
- Income of certain household members that should not be counted, including earned income of minors and income attributable to foster children and live-in aides; and
- Amounts that are counted as assets rather than income, such as lump-sum lottery winnings.

Welfare Rent as Income

Welfare assistance is counted as income. Most PJs will use the actual gross amount of welfare assistance the household receives. In certain "as-paid" localities, however, a special calculation is required. In an as-paid jurisdiction, welfare assistance for housing costs is established separately from the rest of the welfare assistance and may be adjusted based on the actual cost of the family's housing.

PJs in as-paid jurisdictions must count as income the amount of general assistance a family receives plus the maximum amount of housing assistance the family *could* receive (rather than the amount the household is actually receiving).

Sample Format for Computing Part 5 Annual Income

Exhibit 3.3 shows a sample format for computing annual income using the Part 5 annual income definition.

Exhibits 3.4 through 3.7 provide examples and exercises that demonstrate how the Part 5 annual income definition is applied to individual family circumstances. Answers to the exercises are provided in each exhibit. These exhibits do not include income from assets, which is addressed below. Examples and exercises concerning asset calculation follow that discussion.

Treatment of Assets

Some assistance programs require that families "spend down" assets before they can participate. There is no asset limitation for participation in the HOME Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. To comply with the Part 5 rules regarding assets, PJs must know: (1) what to include as assets, (2) how to compute the market and cash value of those assets, and (3) how to determine the income from the asset to be included in annual income.

What to Include as an Asset

In general terms, an asset is a cash or non-cash item that can be converted to cash. Exhibit 3.8 summarizes items that are and are not to be considered assets. (Note: it is the income earned – e.g., interest on a savings account – not the value of the asset – that is counted in annual income.) Exhibits 3.9 through 3.11 provide examples and exercises that demonstrate how income from assets is calculated. Market Value and Cash Value Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. For example, the market value of a share of stock is the price quoted on the stock exchange on a particular day. A property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including:

- **Penalties or fees for converting financial holdings**. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds to cash or broker fees for converting stocks to cash); and/or
- **Costs for selling real property**. Settlement costs, real estate transaction fees, payment of mortgages/liens

against the property and any legal fees associated with the sale of real property are deducted from the market value to determine equity in real estate.

Under the rules of Part 5, only the cash value (rather than the market value) of an item is counted as an asset. If more than one person owns an asset, PJs must prorate the asset according to the applicant's percentage of ownership. If no percentage is specified or provided by state or local law, PJs must prorate the asset evenly among all owners. If an asset is not effectively owned by an individual, it is not counted as an asset.

Actual Income from Assets

Assets can generate income, and for the purpose of determining an applicant's income, the actual income generated by the asset (e.g., interest on a savings or checking account) is what counts, not the value of the asset. The income is counted, even if the household elects not to receive it. For example, if an applicant elects to reinvest the interest or dividends from an asset, it is still counted as income.

As with other types of income, the income included in annual income calculation is the income that is anticipated to be received from the asset during the coming 12 months. Several methods may be used to approximate the anticipated income from the asset. For example, to obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account. Alternatively, if the value of the account is not anticipated to change in the near future and the interest rate has been stable, a copy of the IRS 1099 form showing past interest earned can be used.

Many PJs are surprised to learn that checking account balances (as well as savings account balances) are considered an asset. This rule is not intended to count monthly income as an asset, but rather, is recognition that some households keep assets in their checking accounts. To avoid counting monthly income as an asset, PJs should use the average monthly balance over a six-month period as the cash value of the checking account.

Two Unique Rules

For most assets, calculating cash value and the income from the assets is straightforward. Special rules have, however, been established to address two circumstances – situations in which the assets produce little or no income, and assets that are disposed of for less than fair market value.

When an Asset Produces Little or No Income

This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income.) Rather than require the household to dispose of the property, the rule requires that an "imputed" income be calculated based on a Passbook Rate that is applied to the cash value of all assets.

This rule only applies if the total cash value of **all** assets is more than $5,000. The following examples illustrate how imputed income from assets calculation is applied.

Example 1: The Cayhill family has $6,000 (average balance over six months) in a non-interest-bearing checking account. The PJ would include in annual income an amount based on the current Passbook Rate. The calculation would be: $6,000 x .02 = $120.

Example 2: The Shaw family has $3,000 (average balance over six months) in a non-interest-bearing checking account and $5,500 in an interest-bearing savings account. The family reports and the PJ verifies $150 interest on the savings account. The PJ would count the greater of the actual income from assets or the imputed income based on the Passbook Rate, as shown below:

Imputed income ($8,500 x .02) =	$170
Actual income	$150
Included in annual income	$170

Note: Currently, each Field Office establishes the passbook savings rate to be used by the PHAs within its jurisdiction. A Field Office determines the rate based on the average interest rate received on passbook savings accounts at several banks in the local area (24 CFR 5.609 and Form HUD-50058 Family Report Instruction Booklet,[8] p. 22). Although the new Public Housing Occupancy Guidebook,[9] page 122, footnote 35, states that "Consistent with the Multi-family Housing Program, PHAs will use a standard 2% passbook rate," the current method described above will remain in effect until superceded by PIH Notice. Check with your state or regional HUD Field Office for the applicable Passbook Rate for your community.

Example 3: The Smiths have $600 (average balance over six months) in a non-interest-bearing checking account. No income from assets would be counted because the family has no actual income from assets and the total amount of all assets is less than $5,000.

When Assets are Disposed of at Less than Fair Market Value

Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length transaction") have, in essence, voluntarily reduced their ability to afford housing. The Part 5 rules require, therefore, that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.

The amount to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset. Consider the following examples.

Example 1: Mr. Jones cashed in stock to give a granddaughter funds for college in August 2004. The stock had a market value of $4,500 and a broker fee of $500 was charged for the transaction.

Market value	$4,500
Less broker's fee	500
Cash value to be considered	$4,000

The $4,000 in assets would be counted for any income determination conducted until August 2006 (looking forward two years from the time of disposal).

If Mr. Jones has no other assets, no income from assets would be included in annual income because the cash value of the asset is less than $5,000. If other assets brought total assets to more than $5,000, however, the imputed income calculation described previously would be required.

Example 2: Mrs. Dutch "sold" a piece of property to a family member for $30,000 on July 1, 2004. The home was valued at $75,000 and had no loans against it.

Market value	$75,000
Less settlement costs	3,000
Less sales price	30,000
Cash value to be considered	$42,000

The $42,000 would be counted as an asset for any income determination conducted until July 1, 2006.

The $42,000 would be combined with the cash value of other assets (if any), and an imputed income calculation would be required.

Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure or bankruptcy are not included in this calculation. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be less than fair market value if the applicant receives (or received) important consideration not measurable in dollar terms.

Definition 2: Census Long Form Annual Income

Every ten years, the U.S. Bureau of the Census conducts a complete enumeration of all residents in the United States. This process involves gathering extensive information about people and where they live through the use of a detailed questionnaire, referred to as the Long Form. An entire section of the Long Form includes questions concerning household income. PJs may choose to use this definition of "annual income" when determining the eligibility of applicants to its HOME programs.

Types of Income to be Counted

Exhibit 3.12 lists what is and is not included in the annual income definition as set forth in the Long Form used in the 2000 census.

The list of income inclusions for the Census Long Form definition is very similar to the list of income inclusions under the Part 5 definition of annual income. However, Part 5 includes the income of minors and adults over the age of 18 whereas the Census Long Form definition includes the income of minors and adults over the age of 15.

Treatment of Assets

The primary difference between the Part 5 and Census Long Form definitions of annual income is in the treatment of assets. The asset calculation required when using the Part 5 definition is not necessary for the Long Form calculation of annual income. This is not to say that income from certain kinds of assets is not included in the Census Long Form definition of income. While the asset calculation is unique to the Part 5 definition, income generated by assets is still considered when calculating income under the Census (and IRS) definition of income.

As shown in Exhibit 3.12, the following types of income from assets are included in the Census Long Form definition of annual income:

- Interest;
- Dividends;
- Profit from royalties or real estate; and
- Income from payments from an estate or trust fund.

Income from some types of assets, however, is not included in the income calculation. Examples include:

- Withdrawals of savings;
- Capital gains (or losses) from the sale of homes, stock, and other property;
- Insurance settlements; and
- Assets disposed of for less than fair market value within two years prior to the income determination.

The treatment of assets is an important distinction PJs must consider when determining which definition of annual income to use.

Sample Format for Computing Census Long Form Annual Income

Exhibit 3.13 is a sample format for calculating annual income based on the Census Long Form definition. It is very similar to the sample format for Part 5 annual income except that the asset calculation information is not included.

Exhibit 3.14 provides an example of the Census Long Form annual income calculation.

Definition 3: IRS Form 1040 Adjusted Gross Income

Citizens of the United States and resident aliens, except those with gross incomes below a certain level, are required to file an income tax return with the Department of the Treasury's Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The definition of adjusted gross income for the HOME Program is based on this form, also commonly referred to as "the long form." The definition set forth in the short form, known as the 1040EZ (known as "the short form"), may not be used to determine applicant eligibility.

IRS Form 1040 requires reporting of certain kinds of income, as the Part 5 and Census Long Form definitions of income discussed in this guide require, which are added together to constitute what is referred to as gross income. However, unlike the other two definitions of income, another step is required. From the gross income figure, certain deductions are taken to arrive at an adjusted gross income number. This is the figure that is used to determine an applicant's eligibility for participation in the HOME Program.

The term "adjusted gross income" as used when referring to the IRS Form 1040 definition of income should not be confused with adjusted income, which is calculated in accordance with the regulations at 24 CFR Part 5 and used to determine subsidy and payment levels. (Refer to Chapter 4).

Note: The HOME and CDBG Programs use the IRS definition of annual income in different ways:

- CDBG does not require use of the long form.
- CDBG allows tax returns as proof of income.
- Documentation for CDBG income qualification can be up to 12 months old.

Calculating Adjusted Gross Income

PJs must determine if an applicant household has any of the types of income included in the Form 1040 definition of income and what amount, if any, must be included when calculating gross income.

Exhibit 3.15 lists the types of income that are to be included in the calculation.

Once the gross income figure is obtained, applicable deductions must be subtracted to arrive at the household's adjusted gross income. The deductions are:

- IRA deductions,
- Medical savings account deductions,
- Moving expenses,
- One-half of self-employment taxes,
- Self-employed health insurance deductions,
- KEOGH and self-employed SEP and SIMPLE plans,
- Penalties on early withdrawal of savings, and
- Paid alimony.

To determine if a household may take any of these deductions and in what amount, the IRS Form 1040 instructions should be followed.

If the household has a Form 1040 that was submitted to the IRS for income tax purposes and the form is less than six months old, PJs may use the form to determine eligibility. Using the actual tax return has several implications. First, PJs must ensure that IRS Form 4506 "Request for Copy of Tax Form" is completed and signed. Secondly, PJs are required to determine if any of the circumstances as reported on the form have changed or will change in the upcoming 12 months and to make such adjustments. For example, if the applicant received a raise at his/her job since the tax return was submitted, the applicant's current income should be used to determine eligibility. Finally, PJs must ensure that everyone in the household is represented through the use of the tax return. For example, if a husband and wife file a joint return, but their adult son that resides with them files a separate return, the tax return of the husband and wife would not be sufficient for determining income.

Treatment of Assets

The primary difference between the Part 5 and IRS Form 1040 definitions of annual income is treatment of assets. The asset calculation required when using the Part 5 definition is not necessary for the IRS Form 1040 calculation of adjusted gross income. This is not to say that income from certain kinds of assets is not included in the IRS Form 1040 definition of income. While the asset calculation is unique to the Part 5

definition, income from certain assets must still be carefully considered when calculating income under the IRS (and Census) definition of annual income.

As shown in Exhibit 3.15, the following types of income from assets are included in the IRS Form 1040 definition of annual income:

- Taxable Interest;
- Dividends;
- Prizes, awards; and
- Gambling, lottery or raffle winnings.

Some types of assets, however, are not included in the income calculation. Examples include life insurance proceeds and inherited money or property.

The treatment of assets is an important distinction PJs must consider when determining which definition of annual income to use.

Sample Format for Computing IRS Form 1040 Adjusted Gross Income

Exhibit 3.16 is a sample format for computing IRS Form 1040 adjusted gross income. Exhibit 3.17 provides an example of how to calculate income using the IRS definition.

Comparison of the Three Definitions of Annual Income

As the exhibits on the following pages demonstrate, the definition of annual income that a PJ selects can affect the eligibility of certain households, depending on their particular financial circumstances. When deciding which definition(s) to use, the PJ may want to consider how it will use each definition, staff familiarity with any of the definitions, the types of income inclusions and exclusions for each definition, and the calculation of assets.

Using the Definitions

PJs must select one of the three definitions of income for each of their HOME-funded activities and apply that definition to all program applicants of each activity. For example, a PJ can choose to use the Part 5 definition of annual income for its homeownership program. If it does, it must apply this definition to all applicants to that program. It may not use the IRS Form 1040 definition of adjusted gross income for one household just because they do not qualify using the Part 5 definition of annual income. The PJ may, however, choose to use the IRS Form 1040 definition for all applicants to its homeowner rehabilitation program.

Familiarity and Consistency

While the HUD definition of income found in 24 CFR Part 5 may appear cumbersome on the surface, it has been used for many years in various HUD programs like Section 8 and public housing. Early on in the HOME Program, it was the only definition of annual income PJs were permitted to use. In addition, the HUD Part 5 definition of income is used in the Low Income Housing Tax Credit Program. This program is often used in combination with HOME Program funding in rental housing projects.

For these reasons, most PJs have experience with this definition, and many have developed administrative procedures and forms based on these rules and requirements. This existing expertise should be considered when making a decision about which definition to use.

Asset Calculation

The Part 5 definition of annual income requires the special computations concerning assets. The Census Long Form and IRS Form 1040 definitions do not require such calculations; however, income from certain kinds of assets may be included under these definitions.

Income Inclusions and Exclusions

There are some differences between the three definitions of income that can result in different income calculations. Some of the differences are illustrated in the following case studies (Exhibits 3.18 and 3.19). The three most significant differences between the three definitions are:

1. Child support payments are not included in the IRS Form 1040 definition of income.
2. The IRS Form 1040 definition allows the deduction of alimony payments.
3. Inheritances and insurance settlements are included in the Part 5 asset calculation, but not included in the Census or IRS definitions of income.

Exhibit 3.1 – 24 CFR Part 5 Annual 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 the 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 deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). 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 HUD.
4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, 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 amount (except for certain exclusions, listed in Exhibit 3.2, number 14).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in Exhibit 3.2, number 3).
6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:
   - Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
   - Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).

   If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
   - the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; ***plus***
   - 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 reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 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.
8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

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Exhibit 3.2 – 24 CFR Part 5 Annual 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 persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in Exhibit 3.1, number 5 of 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. Income of a live-in aide (as defined in 24 CFR 5.403).
6. Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
7. The full amount of student financial assistance paid directly to the student or to the educational institution.
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. (a) Amounts received under training programs funded by HUD.

   (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set side for use under a Plan to Attain Self-Sufficiency (PASS).

   (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.

   (d) Amounts received under a resident service stipend. A resident service stipend 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. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.

   (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training 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.
10. Temporary, nonrecurring, or sporadic income (including gifts).
11. 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.
12. Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption assistance payments in excess of $480 per adopted child.
14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. 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.
16. Amounts paid 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 developmentally disabled family member at home.
17. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.

Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

- The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
- Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- 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;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps);
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- 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; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

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Exhibit 3.3 – Sample Format for Computing Part 5 Annual Income

1. Name:		2. Identification No.:	
ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets.....		3.	
4. Total Actual Income from Assets.....			4.
5. If line 3 is greater than $5,000, multiply line by ___ (Passbook Rate) and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7.

X_____
Signature

For Office Use Only

$_____ Income Limit
$_____ Income Limit of Household

Exhibit 3.4 – Calculating Part 5 Annual Income – Example

Family Members	Position In Family	Age	Income Sources
George Jefferson	Head	53	Works full-time at $7.25/hour; also receives $400/month from the government as a result of a settlement in the Agent Orange product liability litigation.
Eloise Jefferson	Spouse	48	Works 18 hours/week at a bank at $7.50/hour; also receives $50/month from her mother to help with expenses.
Lionel Jefferson	Son	19	Full-time student at City College where he has a part-time, 15-hour/week job in the student bookstore at $6.00/hour for the 46 weeks when classes are in session.

Under the HOME Program, the Income Limit for a family of three in the jurisdiction is $23,900. Are the Jefferson's eligible for HOME assistance? Assume for this example that the Jefferson's have no assets.

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
George	$15,080				Enter the greater of lines 4 or 5 from above in e.
Eloise	$7,020			$600	
Lionel	$480				
6. Totals	a. $22,580	b.	c.	d. $600	e. N/A
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7. $23,180

This family is eligible for assistance because its total income of $23,180 is below the Low-Income Limit.

Explanation

George — George's earning from work count as income, but his income from the Agent Orange Settlement Fund ($4,800/year) does not. Thus, George's income is $7.25/hour x 40 hours/week x 52 weeks/year, or $15,080.

Eloise — Eloise's income from wages of $7.50/hour x 18 hours/week x 52 weeks, or $7,020. In addition, her regular gift income of $50/month or $600/year counts as income. (The gift income is counted as "other income.")

Lionel — Because Lionel is a full-time student and is not the head of household or spouse, only the first $480 of his earnings count toward the family income.

Exhibit 3.5 – Calculating Part 5 Annual Income – Exercise

Family Members	Position in Family	Age	Income Sources
Blanche Deverou	Head	55	Works 6 hours/night, 4 nights/week at $5.00/hour as a waitress; also earns an average of $55/night in tips.
Rose Nylen	Friend	58	Earns $6.50/hour as a full-time aide in a hospital; employer reports that her wages will increase to $6.75/hour, 7 weeks from the effective date of this calculation.
Dorothy Spornac	Friend	61	Earns $60/day as a substitute teacher, and works an average of 3 days/week for the 40 weeks school is in session (she made $7,200 last year); also receives $40/month in Food Stamps.

Under the HOME Program, the Income Limit for a household of three is $38,500. Assuming that these are the only sources of income, does the household qualify for assistance?

Complete the following table to calculate annual income (as defined in 24 CFR Part 5) for the household. Answers are found on the following page.

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Blanche					Enter the greater of lines 4 or 5 from above in e.
Rose					
Dorothy					
6. Totals	a.	b.	c.	d.	e. N/A
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7.

Exhibit 3.5 – Calculating Part 5 Annual Income – Exercise (continued)

ANSWERS

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Blanche	$17,680				Enter the
Rose	$13,980				greater of
Dorothy	$7,200				lines 4 or 5
					from above
					in e.
6. Totals	a. $38,860	b.	c.	d.	e. N/A
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7. $38,860

The household is not eligible for assistance. Its income exceeds the Low-Income Limit by $360.

Explanation

Blanche — Blanche's income must include both wages and tips. (The tips are included as wage/salary income.) Her wage income is $6,240 annually ($5.00/hour x 6 hours/night x 4 nights/week x 52 weeks/year) and her tip income is $11,440 annually ($55/night x 4 nights/week x 52 weeks/year).

Rose — Rose's wage income must be calculated in two steps. For the first 6 weeks of the year, she earns $6.50/hour. Her income at this wage is $6.50/hour x 40 hours/week x 6 weeks = $1,560. For the next 46 weeks, her wage will be $6.75/hour. Her income at this wage is $6.75/hour x 40 hours/week x 46 weeks = $12,420.

Dorothy — Dorothy made $7,200 last year, and there is no reason to expect that she will work more or less often in the coming year. Her income is, therefore, estimated at $7,200. Per the Income Exclusions (see Exhibit 3.2), the income she receives from Food Stamps is excluded from this calculation.

Exhibit 3.6 – Calculating Part 5 Annual Income – Example

Family Members	Position in Family	Age	Income Sources
Murphy Brown	Head	38	Earns $550 semi-monthly as a manager in the housewares department of the local Kmart, and receives $100/month in child support.
Eldon Bernakey	Boyfriend	36	Earns $250/week as a part-time painting instructor at the local school for the 40 weeks/year when school is in session; attends evening classes at the Art Institute, which he pays with a State Student Incentive Grant of $3,500; and pays $50/month in child support for his twins – when he can.
Avery Brown	Son	3	No income.

Under the HOME Program, the Income Limit for a family of three in the jurisdiction is $25,700. Is this household eligible for HOME assistance?

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Murphy	$13,200			$1,200	Enter the greater of lines 4 or 5 from above in e.
Eldon	$10,000				
6. Totals	a. $23,200	b.	c.	d. $1,200	e. N/A
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7. $24,400

This family is eligible for assistance. Its total income is $24,400, which is below the Low- Income Limit.

Explanation

Murphy — Murphy's annual wage income is $550 semi-monthly x 24 periods/year, or $13,200. In addition, she receives $100/month x 12 months = $1,200/year. This is other income.

Eldon — Eldon's wage income is based on 40 weeks of work: $250/week x 40 weeks/year, or $10,000 annually. His scholarship does not count as income. The child support Eldon pays cannot be deducted from his income.

Exhibit 3.7 – Calculating Part 5 Annual Income – Exercise

Family Members	Position in Family	Age	Income Sources
Ricky Ricardo	Head	80	Receives gross Social Security in the amount of $625/month; receives a pension from the local musicians' union in the amount of $25 every quarter (3 months).
Lucy Ricardo	Spouse	79	Receives gross Social Security in the amount of $120/month; grossed $4,200 for giving voice lessons last year, but paid business expenses of $1,250 from this income for equipment and sound proofing.
Ricky Ricardo II	Child	45	Earns $330/week as an interpreter for a local nonprofit organization.
If the Low-Income Limit for a household of three is $30,000 and the Ricardo's have no other source of income, do they qualify for assistance?			

Complete the following table to calculate annual income (as defined in 24 CFR Part 5) for the household. Answers are found on the following page.

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Ricky					Enter the greater of lines 4 or 5 from above in e.
Lucy					
Ricky II					
6. Totals	a.	b.	c.	d.	e. N/A
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7.

Exhibit 3.7 – Calculating Part 5 Annual Income – Exercise (continued)

ANSWERS

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Ricky		$7,600			Enter the greater of lines 4 or 5 from above in e.
Lucy		$1,440		$2,950	
Ricky II	$17,160				
6. Totals	a. $17,160	b. $9,040	c.	d. $2,950	e. N/A
7. Enter total of items from 6a. through 6e. This is *Annual Income*					7. $29,150

The household is eligible for assistance.

Explanation

Ricky — Ricky's entire income is comprised of pensions and benefits. It equals $625/month x 12 months/year ($7,500) plus $25/quarter x 4 quarters/year ($100), or $7,600.

Lucy — Lucy's benefits income is $120/month x 12 months/year, or $1,440. Her net income from her business was $4,200 - $1,250, or $2,950. (Her equipment and soundproofing expense is an allowable deduction because the business funds were reinvested in the business and did not represent expansion. Refer to Exhibit 3.1)

Ricky II — Ricky II's income is wage income. The calculation is $330/week x 52 weeks/year = $17,160.

Exhibit 3.8 – Part 5 Annual Income Net Family Asset Inclusions and Exclusions

Inclusions	Exclusions
1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets. 2. Cash value of revocable trusts available to the applicant. 3. Equity in rental 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 and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects. 4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts. 5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty). 6. Retirement and pension funds. 7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy). 8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc. 9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments. 10. Mortgages or deeds of trust held by an applicant.	1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities. 2. Interest in Indian trust lands. 3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset. 4. Equity in cooperatives in which the family lives. 5. Assets not accessible to and that provide no income for the applicant. 6. Term life insurance policies (i.e., where there is no cash value). 7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

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Exhibit 3.9 – Calculating Asset Income Under Part 5 – Example

Family Members	Assets	Asset Value
Juan Herrera	Checking account	$870 average 6-month balance with an interest rate of 2.7%.
	Inheritance	Received an inheritance of $30,000 that he used to buy a new car for $12,000; pay off his $3,000 credit card bill; and open a mutual fund account (which has no associated account costs) to invest the remaining $15,000 at an annual interest rate of 5.3%.
The HUD Passbook Rate is 2%.		

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Juan Herrera	Checking account	$870	$23
Same	Mutual fund	$15,000	$795
3. Net Cash Value of Assets		3. $15,870	
4. Total Actual Income from Assets			4. $818
5. If line 3 is greater than $5,000, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank.			5. $317

The asset income to be used in the annual income calculation is $818 since the actual income generated by the assets is greater than the imputed income.

Explanation

Checking account — The income from the checking account is calculated based on the 6-month balance and the interest rate ($870 x .027 = $23).

Inheritance — A car owned for personal use is not considered an asset. However, the mutual fund is an asset. $15,000 x .053 = $795.

Because the total cash value of the assets exceeds $5,000, the HUD Passbook Rate must be used to calculate the imputed income from all assets combined. In this case, $15,870 x .02 = $317. The actual income earned ($818) is greater, however, so that amount must be used in the calculation of annual income for this family.

Exhibit 3.10 – Calculating Asset Income (under Part 5) – Exercise

Family Members	Position in Family	Age	Family Assets	Asset Value
Archie Bunker	Head	72	Checking account	$595 average 6-month balance in a non-interest-bearing account.
Edith Bunker	Spouse	73	Savings account	$2,695 at 3.1%
HUD Passbook rate is 2%.				

Calculate the Bunkers' asset income by completing the following chart. Answers are provided below.

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets.....		3.	
4. Total Actual Income from Assets.....			4.
5. If line 3 is greater than $5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.			5.

Asset Income to be used in annual income calculation: $_____

ANSWERS

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Archie Bunker	Checking Account	$595	$0
Edith Bunker	Savings Account	$2,695	$84
3. Net Cash Value of Assets.....		3. $3,290	
4. Total Actual Income from Assets.....			4. $84
5. If line 3 is greater than $5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.			5. $0

The Bunkers' income from assets is $84.

Explanation

Use the actual income in this case, because the cash value of the Bunker's total assets is less than $5,000. The imputed income is only calculated for assets when the total cash value of all assets exceeds $5,000.

Exhibit 3.11 – Calculating Asset Income Under Part 5 – Exercise

Family Members	Position in Family	Age	Family Assets	Asset Value
Fred Mertz	Head	85	Rental property	Small rental property that grosses $6,500/year (expenses to keep up the property are $3,400/year). The property has a fair market value of $69,000, but they have a mortgage on the property in the amount of $35,000. The average closing cost in a real estate transaction is 8% in the area.
Ethel Mertz	Spouse	81	Savings account	Savings of $5,000 that earned $179 in interest during the past year.
			Stock	100 shares of stock in "Why Buy it, Inc.," with a face value of $4.25 per share, that have not shown a dividend in years. The cost to sell the stock would be about $76.
HUD Passbook rate is 2%.				

Calculate the Mertz's asset income by completing the following chart. Answers are provided on the following page.

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets.....		3.	
4. Total Actual Income from Assets.....			4.
5. If line 3 is greater than $5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.			5.

Asset Income to be used in annual income calculation: $_____

Exhibit 3.11 – Calculating Asset Income – Exercise (continued)

ANSWERS

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Fred Mertz	Rental Property	$28,480	$3,100
Ethel Mertz	Savings Account	$5,000	$179
Same	Stock	$349	
3. Net Cash Value of Assets.....		3. 33,829	
4. Total Actual Income from Assets.....			4. $3,279
5. If line 3 is greater than $5,000, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank.			5. $677

The asset income to be used in the annual income calculation is $3,279, since the actual income from assets is greater than the imputed income.

Explanation

Apartment Building — The cash value of the property is:

Market value	$69,000
Less mortgage	35,000
Less sales costs ($69,000 X .08)	5,520
Cash value	$28,480

The income earned is the net income ($6,500 – $3,400) of $3,100.

Savings Account — The information is provided.

Stock — The cash value of the stock is the sales proceeds (100 shares x $4.25/share = $425) less the cost to sell ($76). It generates no dividend income.

Because the total cash value of the assets exceeds $5,000, calculate the imputed income by multiplying the cash value by the HUD Passbook Rate ($33,829 x .02 = $677). This is less than the actual income earned of $3,279.

Exhibit 3.12 – Census Long From Annual Income Inclusions and Exclusions

Inclusions	Exclusions
1. Wages, salary, commissions, bonuses and tips from all jobs before deductions for taxes, bonds, dues, or other items. (For minors over the age of 15 and adults.) 2. Self-employment net income (after business expenses) from own non-farm business or farm business, including proprietorship and partnership. 3. Any of the following: • Interest received or credited to checking and savings accounts, money market funds, certificates of deposit, mutual funds, individual retirement accounts (IRAs), 401(K) plans, KEOGH retirement plans, and government bonds. • Dividends received, credited, or reinvested from ownership of stocks or mutual funds. • Profit (or loss) from royalties or rental of land, buildings or real estate, or roomers or boarders. (Income received from self-employed persons whose primary source of income is renting properties or from royalties should be included in number 2, above.) • Income from regular payments from an estate and or trust fund. 4. Social security or railroad retirement (before Medicare deductions). 5. Supplemental Security Income (SSI). 6. Any public assistance or welfare payments from the state or local welfare office. 7. Retirement, survivor, or disability pensions from companies and unions; Federal, state and local governments; and the U.S. military. Includes regular income from annuities, IRAs, 401(K)s, or KEOGH retirement plans. 8. Other sources of income received regularly, including Veterans Administration (VA) payments, unemployment compensation, child support or alimony, and all other regular payments (e.g., Armed Forces transfer payments, assistance from private charities, and regular contributions from persons not living in the household).	1. In-kind pay such as food, free rent, etc. 2. Profit (or loss) of incorporated businesses owned by the applicant. 3. Profit (or loss) of incorporated farm businesses owned by the applicant and amounts from land rented for cash. 4. Any of the following: • Refunds or rebates of any kind. • Withdrawals from savings of any kind. • Capital gains (or losses) from the sale of homes, shares of stock, etc. • Inheritances or insurance settlements. • Any type of loan. 5. Assistance to pay for heating or cooling costs.

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Exhibit 3.13 – Sample Format for Computing Census Long Form Annual Income

Name:				Identification No.:		
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
1. Totals	a.	b.	c.	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is Annual Income.....						2.

Exhibit 3.14 – Calculating Census Long Form Annual Income – Example

Family Members	Position in Family	Age	Income Sources
Adrian Marshall	Head	43	Earns $400/week as an airline employee.
Penny Marshall	Spouse	42	Earns $16,000/year as an administrative assistant with an insurance company.
Shirley Marshall	Child	19	Earns $7.00/hour working in a retail store at the mall. Works an average of 24 hours/week. Full-time student at the local community college.

Their Assets

The Marshall's non-interest-bearing checking account has an average 6-month balance of $700.

Penny Marshall has a savings account with a $2,500 balance. The account earned interest of $72 last year.

The Marshall's recently received an insurance settlement of $20,000.

If the Low-Income Limit for a household of three is $40,500, do the Marshall's qualify for assistance?

Name: **Adrian and Penny Marshall**			Identification No.:			
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
Adrian	$20,800					
Penny	$16,000		$72			
Shirley	$ 8,736					
1. Totals	a. $45,536	b.	c. $72	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is Annual Income						2. $45,608

The Marshall's are not eligible for assistance because their income of $45,608 is above the low -income limit of $40,500.

Explanation

Adrian — Adrian's income is $400/week x 52 weeks/year, or $20,800.

Penny — Penny's income is $16,000/year and she received $72 in interest on the savings account.

Shirley — Shirley earns $7.00/hour x 24 hours/week x 52 weeks/year, or $8,736. Note: Even though Shirley is a full-time student, her full income is included in the Census Long Form definition of income.

The insurance settlement is excluded under the Census Long Form definition of annual income. The checking account is not included because it earns no interest.

Exhibit 3.15 – IRS From 1040 Adjusted Gross Income Inclusions and Exclusions

Inclusions	Exclusions
1. Wages, salaries, tips, etc.	1. Child support.
2. Taxable interest.	2. Money or property that was inherited, willed or given as a gift.
3. Dividends.	3. Life insurance proceeds received as a result of someone's death.
4. Taxable refunds, credits or offsets of state and local income taxes. There are some exceptions – refer to Form 1040 instructions.	
5. Alimony (or separate maintenance payments) received.	
6. Business income (or loss).	
7. Capital gain (or loss). There are some exceptions – refer to Form 1040 instructions.	
8. Other gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold).	
9. Taxable amount of individual retirement account (IRA) distributions. (Includes simplified employee pension [SEP] and savings incentive match plan for employees [SIMPLE] IRA.)	
10. Taxable amount of pension and annuity payments.	
11. Rental real estate, royalties, partnerships, S corporations, trusts, etc.	
12. Farm income (or loss).	
13. Unemployment compensation payments.	
14. Taxable amount of Social Security benefits.	
15. Other income, including prizes and awards; gambling, lottery or raffle winnings; jury duty fees; Alaska Permanent fund dividends; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from an activity not engaged in for profit.	

Last Modified: January 2005

Exhibit 3.16[1] – Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name:			Identification No.:		
	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	e.
1. Wages, salaries, tips					
2. Taxable interest					
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)					
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self-employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					
26. Subtract line 25 from line 16. This is *Adjusted Gross Income*					

[1] Note to users: The income inclusions and exclusions allowed under the IRS 1040 definition of income are subject to change from tax year to tax year. This worksheet is a general representation of the IRS Form 1040, and as such cannot reflect all updated inclusions and exclusions each tax year. The user is advised to consult the IRS Web site for the most current version of this form at www.irs.gov.

Exhibit 3.17 – Calculating IRS Long Form Annual (Gross) Income – Example

Family Members	Position in Family	Age	Income Sources
Bernard Williams	Head	35	Bernard owns a contracting business. The net income from the business is $32,000.
Amy Moynihan	Girlfriend	32	Amy receives alimony of $200/month and child support of $350/month for her two sons.
Gary Moynihan	Son	10	None
Charles Moynihan	Son	7	None

Their Assets

Bernard's checking account has an average six month balance of $1,725. He earned interest of $100 last year.

Amy has a savings account with a $500 balance. This account earned $17 in interest last year.

Under the HOME Program, the Income Limit for a household of 4 is $42,000. Does the household qualify for assistance?

Name: **Bernard Williams and Amy Moynihan**	Identification No.:				
	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	e.
1. Wages, salaries, tips					
2. Taxable interest	$100	$17			$117
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received		$2,400			$2,400
6. Business income (or loss)	$32,000				$32,000
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					$34,517
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self-employment tax					

	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	e.
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					$34,517
26. Subtract line 25 from line 16. This is *Adjusted Gross Income*					$34,517

The household is eligible for HOME assistance. Their annual income of $34,517 is less than the Low-Income Limit of $42,000.

Explanation

Bernard — Bernard's business income of $32,000 is included. Interest income of $100 is included as interest.

Amy — Alimony of $200/month x 12 = $2,400 is included. The child support is not included as income under the IRS definition of adjusted gross income. The $17 in interest income is included as income.

Exhibit 3.18 – Calculating Annual Income Using the Three Allowable Definitions – Example

Family Members	Position in Family	Age	Income Sources
Daniel Ming	Head	39	Daniel Ming works full-time at a local manufacturing plant at a rate of $11.00/hour.
Anabel Ming	Spouse	37	Anabel Ming operates an in-home day care business for a small number of neighborhood children. Her net income from this business is $12,000 per year.
Marsha Ming	Daughter	13	None

Assets

- The Ming's non-interest-bearing checking account has a $950 average 6-month balance.
- The Mings have a savings account with a current balance of $5,000. The account carries an annual interest rate of 3%.
- The Mings also have certificates of deposit totaling $5,000. The applicable interest rate is 5%.
- The Mings plan to use the savings account and redeem the certificates of deposit in order to pay the downpayment on the home they purchase.

Additional Information

- Daniel Ming pays $200 per month in alimony to his ex-wife.

Under the HOME Program, the Income Limit for a family of three in the jurisdiction is $34,500. Are the Mings eligible for HOME assistance under each of three definitions of income?

The following pages show the income calculations for the Mings using each of the three allowable definitions of income.

Sample Format for Computing Part 5 Annual Income

1. Name: **Daniel and Anabel Ming**		2. Identification	
ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Daniel & Anabel	Checking account	$950	$0
Daniel & Anabel	Savings	$5,000	$150
Daniel & Anabel	Certificates of deposit	$5,000	$250
3. Net Cash Value of Assets.....		3. $10,950	
4. Total Actual Income from Assets.....			4. $400
5. If line 3 is greater than $5,000, multiply line by .02 (Passbook Rate) and enter results here; otherwise, leave blank.			5. $219

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Daniel	$22,880				Enter the greater of lines 4 or 5 from above in e.
Anabel				$12,000	
6. Totals	a. $22,880	b.	c.	d. $12,000	e. $400
7. Enter total of items from 6a. through 6e. This is Annual Income					7. $35,280

Sample Format for Computing Census Long Form Annual Income

Name: **Daniel and Anabel Ming**				Identification No.:		
ANTICIPATED ANNUAL INCOME						
Family Member	**a. Wages/ Salaries**	**b. Business Income**	**c. Interest/ Dividends**	**d. Benefits/ Pensions**	**e. Public Assistance**	**f. Other Income**
Daniel	$22,880		$400			
Anabel	$12,000					
1. Totals	a. $34,880	b.	c. $400	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is Annual Income						2. $35,280

Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name: **Daniel and Anabel Ming**	Identification No.:				
	Family Member				Subtotal (add a-d)
	a. **Daniel**	b. **Anabel**	c.	d.	e.
1. Wages, salaries, tips	$22,880				$22,880
2. Taxable interest	$400				$400
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)		$12,000			$12,000
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					$35,280
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self-employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony	$2,400				$2,400
25. Subtotal (lines 17-24)					$2,400
26. Subtract line 25 from line 16. This is *Adjusted Gross Income*					$32,880

Exhibit 3.18 – Calculating Annual Income Using the Three Allowable Definitions – Example

Section 8 Annual Income	
1. Gross amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses.	$22,880
2. Net income from operation of a business or profession.	12,000
3. Interest, dividends, and other net income from real or personal property. Requires asset calculation.	400
4. Full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits.	
5. Payments in lieu of earnings (unemployment, disability compensation, worker's compensation and severance pay).	
6. Welfare or other need based payments to families or individuals.	
7. Periodic and determinable allowances (alimony, child support payments, regular contributions or gifts).	
8. Regular pay, special pay and allowances of a member of the Armed Forces.	
Total	**$35,280**
Census Long From Annual Income	
1. Gross amount of wages, salaries, commissions, bonuses or tips from all jobs.	$22,880
2. Net income from self-employment from non-farm business, including proprietorship and partnership.	12,000
3. Net income from farm self-employment, including earnings as sharecropper or tenant farmer.	400
4. Interest, dividends, net rental income, royalty income or income from estates or trusts.	
5. Social security or railroad retirement.	
6. Supplemental Security Income (SSI), Temporary Assistance to Needy Families (TANF) or other public assistance or public welfare payments.	
7. Retirement, survivor or disability pensions.	
8. Any other sources of income received regularly, including Veterans' (VA) payments, unemployment compensation, child support or alimony.	
Total	**$35,280**
IRS 1040 Adjusted Gross Income	
1. Wages, salaries, tips, etc.	$22,880
2. Taxable interest.	400
3. Dividend income.	
4. Taxable refunds, credits, or offsets of state and local income taxes.	
5. Alimony received.	
6. Business income (or loss).	12,000
7. Capital gain (or loss).	
8. Other gains (or losses)	
9. Taxable amount of individual retirement account (IRA) distributions.	
10. Taxable amount of pensions and annuities.	
11. Rental real estate, royalties, partnerships, S corporations, trust, etc.	
12. Farm income (or loss).	
13. Unemployment compensation.	
14. Taxable amount of Social Security benefits.	
15. Other income.	
Subtotal A (Add 1–15)	*$35,280*

IRS 1040 Adjusted Gross Income	
Subtractions	
16. IRA deduction (head of household and spouse).	
17. Medical savings account deduction.	
18. Moving expenses.	
19. One-half of self-employment tax.	
20. Self-employed health insurance deduction.	
21. Keogh and self-employed SEP and SIMPLE plans.	
22. Penalty on early withdrawal of savings.	
23. Paid alimony.	2,400
Subtotal B (Add 16 – 23)	2,400
Subtract subtotal B from subtotal A. This is the **Total:**	**$32,880**

Explanation

The Mings are not eligible for HOME assistance using the Part 5 and Census Long Form definitions of annual income. Using these two definitions, the Mings income is $35,280, which exceeds the Low-Income Limit for a family of three of $34,500.

The Mings are eligible, however, using the IRS 1040 Form definition of adjusted gross income. Using the IRS definition, which allows for the subtraction of alimony paid, the Mings have an income of $ 32,880. This is below the Low-Income Limit for a family of three of $34,500.

Exhibit 3.19 – Calculating Annual Income Using the Three Allowable Definitions – Example

Family Members	Position in Family	Age	Income Sources
Samantha Johnson	Head	36	Samantha earns a salary of $30,000 per year as an administrative assistant. Samantha receives $500 per month as child support for her sons Eric and Andrew.
Barbara Johnson	Mother	66	Barbara receives a pension check of $200 per month and Social Security of $600 per month.
Eric Johnson	Son	12	None
Andrew Johnson	Son	14	None

Their Assets

- Samantha has a savings account with a $2,500 balance. The annual interest rate is 3.5%.
- Barbara's sister Helen recently passed away and left her home to Barbara. The home is valued at $50,000 and has a mortgage balance of $8,000. The average cost of settlement and real estate transfers equals 8% of the value of the property.

Additional Information

- Barbara does not plan to sell the house she inherited in the near future because she wants to allow her other sister Martha and her husband to live in the home (rent-free).

Under the HOME Program, the Income Limit for a family of four in the jurisdiction is $45,000. Is the Johnson family eligible for HOME assistance under each of three definitions of income?

Sample Format for Computing Part 5 Annual Income

1. Name: **Samantha Johnson**		2. Identification	
ASSETS			
Family Member	**Asset Description**	**Current Cash Value of Assets**	**Actual Income from Assets**
Samantha	Savings Account	$2,500	$88
Barbara	House	$38,000	$0
3. Net Cash Value of Assets.....		3. $40,500	
4. Total Actual Income from Assets.....			4. $88
5. If line 3 is greater than $5,000, multiply line by .02 (Passbook Rate) and enter results here; otherwise, leave blank.			5. $810

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Samantha	$30,000			$6,000	Enter the greater of lines 4 or 5 from above in e.
Barbara		$9,600			
6. Totals	a. $30,000	b. $9,600	c.	d. $6,000	e. $810
7. Enter total of items from 6a. through 6e. This is Annual Income					7. $46,410

Sample Format for Computing Census Long Form Annual Income

Name: **Samantha Johnson**						Identification No.:
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
Samantha	$30,000		$88			$6,000
Barbara				$9,600		
1. Totals	a. $30,000	b.	c. $88	d. $9,600	e.	f. $6,000
2. Enter total of items from 1a. through 1f. This is *Annual Income*						2. $45,688

Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name: **Samantha Johnson**					Identification No.:
	Family Member				Subtotal (add a-d)
	a. **Samantha**	b. **Barbara**	c.	d.	e.
1. Wages, salaries, tips	$30,000				$30,000
2. Taxable interest	$88				$88
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)					
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities		$2,400			$2,400
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits		$7,200			$7,200
15. Other income					
16. Subtotal (lines 1-15)					$39,688
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self-employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					$0
26. Subtract line 25 from line 16. This is *Adjusted Gross Income*					$39,688

Exhibit 3.19 – Calculating Annual Income Using the Three Allowable Definitions – Example

Section 8 Annual Income	
1. Gross amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses.	$30,000
2. Net income from operation of a business or profession.	
3. Interest, dividends, and other net income from real or personal property. Requires asset calculation.	810
4. Full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits.	9,600
5. Payments in lieu of earnings (unemployment, disability compensation, worker's compensation and severance pay).	
6. Welfare or other need based payments to families or individuals.	
7. Periodic and determinable allowances (alimony, child support payments, regular contributions or gifts).	6,000
8. Regular pay, special pay and allowances of a member of the Armed Forces.	
Total	**$46,410**
Census Long From Annual Income	
1. Gross amount of wages, salaries, commissions, bonuses or tips from all jobs.	$30,000
2. Net income from self-employment from non-farm business, including proprietorship and partnership.	
3. Net income from farm self-employment, including earnings as sharecropper or tenant farmer.	
4. Interest, dividends, net rental income, royalty income or income from estates or trusts.	88
5. Social security or railroad retirement.	7,200
6. Supplemental Security Income (SSI), Temporary Assistance to Needy Families (TANF) or other public assistance or public welfare payments.	
7. Retirement, survivor or disability pensions.	2,400
8. Any other sources of income received regularly, including Veterans' (VA) payments, unemployment compensation, child support or alimony.	6,000
Total	**$45,688**
IRS 1040 Adjusted Gross Income	
1. Wages, salaries, tips, etc.	$30,000
2. Taxable interest.	88
3. Dividend income.	
4. Taxable refunds, credits, or offsets of state and local income taxes.	
5. Alimony received.	
6. Business income (or loss).	
7. Capital gain (or loss).	
8. Other gains (or losses)	
9. Taxable amount of individual retirement account (IRA) distributions.	2,400
10. Taxable amount of pensions and annuities.	
11. Rental real estate, royalties, partnerships, S corporations, trust, etc.	
12. Farm income (or loss).	
13. Unemployment compensation.	
14. Taxable amount of Social Security benefits.	7,200
15. Other income.	
Subtotal A (Add 1–15)	*$39,688*

IRS 1040 Adjusted Gross Income	
Subtractions	
16. IRA deduction (head of household and spouse).	
17. Medical savings account deduction.	
18. Moving expenses.	
19. One-half of self-employment tax.	
20. Self-employed health insurance deduction.	
21. Keogh and self-employed SEP and SIMPLE plans.	
22. Penalty on early withdrawal of savings.	
23. Paid alimony.	
Subtotal B (Add 16 – 23)	0
Subtract subtotal B from subtotal A. This is the **Total:**	**$39,688**

Explanation

The Johnson family is not eligible for HOME assistance using the Part 5 definition of income. Using this definition, the Johnson's income is $46,410, above the Low-Income Limit for a family of four of $45,000.

Using the Census Long Form definitions of annual income, the Johnson's are also not eligible. Under this definition, the Johnson's income is $46,688, over the Low-Income Limit of $45,000.

The Johnson family is eligible using the IRS 1040 Form definition of adjusted gross income. Using the IRS definition, which does not include child support as income, the Johnson family has an income of $39,688. This is below the Low-Income Limit of $45,000.

Chapter Four

Calculating Adjusted Income

Annual (gross) income is needed to determine whether a household is income eligible for participation in many Federal assistance programs. In contrast, adjusted income as defined in 24 CFR 5.611 is used to determine total tenant payment (TTP), which is a measure of a household's ability to pay housing costs. Under the HOME Program, adjusted income is needed for calculating:

- The subsidy and tenant's share of rent under a HOME-funded tenant based rental assistance (TBRA) program. This calculation is done when the tenant first receives assistance and whenever the tenant's income is recertified;
- The rent for a tenant in a HOME-assisted rental unit whose rent must be adjusted because the household income increases above 80 percent of the area median; and
- The household's eligibility for, and amount of, assistance to be provided under the Uniform Relocation Act (URA) or Section 104(d) relocation and tenant assistance requirements.

Adjusted income is not needed for HOME-funded owner-occupied rehabilitation or homebuyer programs.

Typically under HOME rental housing programs, the rent each family pays is based on "high" and "low" HOME rents established for each unit in the project. The family's rent is established for the unit they will occupy, not its ability to pay.

HOME Program rules do permit PJs to design a program in which rents are based on the household's ability to pay, however. When a PJ elects this option, it must use adjusted income in its rent calculation.

The deductions (also called allowances) of 24 CFR 5.611 must be applied whenever adjusted income is required (as outlined previously) *regardless of the definition of annual income used by the PJ to determine initial eligibility*.

This chapter describes how to calculate and document adjusted income.

How is Adjusted Income Calculated?

Adjusted income is derived by subtracting any of five deductions (or allowances) that apply to the household from the household's annual (gross) income. The household's eligibility for deductions depends, in part, on the type of household that it is. Not all households are eligible for all deductions. Exhibit 4.1 summarizes these deductions by household type.

Exhibit 4.1 Allowable Deductions

Type of Deduction Permitted	Type of Household	
	Elderly or Disabled	Non-Elderly or Non-Disabled
Elderly or disabled household	•	
Dependent	•	•
Child care	•	•
Medical expenses	•	
Disability assistance expenses	•	•

In order to determine which deductions a family is eligible for, PJs must determine what type of household it represents.

Types of Households

As noted in Exhibit 4.1, a household's eligibility for adjustments to annual income depends in part on whether the household qualifies as an "elderly" household, a "disabled" household, or a "family" (non-elderly) household.

An elderly household is any household in which the head, spouse, or sole member is 62 years of age or older; two or more persons who are at least 62 years of age live together; or one or more persons who are at least 62 years of age live with one or more live-in aides.

Each of the following are considered elderly households:

- Alice Smith (65 years of age) and her husband Joe (60);
- Juan Azul (69) and Rosa Ramirez (63) who live together;
- Jane Green (92); and
- Thomas Miller (74) and his live-in aide.

A disabled household is one in which the head, spouse, or sole member is a person with disabilities. Two or more persons with disabilities living together and one or more persons with disabilities living with one or more live-in aides also qualify as disabled households.

The following are considered disabled households:

- Carlos Blanco (25 and disabled);
- Fred Jones (42) and his wife Suzanne (41 and disabled); and
- Daniel Jackson (35 and disabled) and his housemate Charlie Andrews (38 and disabled) and their live-in aide.

Certain households may, however, include elderly or disabled family members and still not qualify as an elderly or disabled household. For example, neither of the following households qualify as an elderly or disabled household:

- Bob and Carol Jackson (50 and 49, respectively) who have taken in Bob's mother (age 70) to live with them. Because Bob's mother is not the household head or spouse, this is not an elderly household; and
- Ted and Alexis Cooper (both age 35) have a son (age 14) who is disabled. Because the son is not the household head or spouse, this household is not a disabled household.

Some household compositions will require clarification as to whether they are elderly or disabled households. Compare the following examples:

- Don and Alice Brown (45 and 46, respectively) have recently taken Don's mother (75) into their home because her apartment building is being converted to condominiums. In this situation, Don and Alice are the head of household and spouse, so the household is not an elderly household; but
- Rita Smith (75) has recently taken in her son Don and his wife Alice (45 and 46, respectively) into her home because their apartment building is being converted to condominiums. In this situation, Rita is the head of the household, so the household is an elderly household.

In cases such as these, PJs must clarify the family type with the family before making a judgement about the type of household.

Exhibit 3.1 of Chapter Three identified persons whose incomes are not counted in the Part 5 definition of annual income. For the purposes of adjusting income, these same persons are not considered family members—even if they live in the same household—and cannot qualify a family for deductions or allowances. These include live-in aides, children of live-in aides, and foster children.

For example, if a live-in aide must pay $50 per week for child care in order to work for a family, the family itself cannot consider this child care cost when determining whether it is eligible for a child care deduction because the live-in aide is not considered a family member. (See the discussion on child care, below.)

Elderly or Disabled Household Deduction

A household that meets the definition of an elderly or disabled household is entitled to a

deduction of $400 *per household*. It is essential to understand the distinction between elderly/disabled households and non-elderly/non-disabled households in order to apply the allowances correctly. Complete the following chart to assess your understanding of these issues.

Which of the following households qualify for an elderly or disabled household deduction of $400? (Note: the age of the family member is shown in parentheses.)

Household Characteristics	Yes	No
1. Head (59), spouse (63)		
2. Head (40), disabled spouse (39)		
3. Head (59), disabled son (16)		
4. Head (59), disabled son (32)		
5. Head (40), father (63)		
6. Disabled head of household (51)		

The answers can be found in Exhibit 4.2 at the end of this chapter.

Dependent Deduction

When calculating adjusted income, PJs must deduct $480 from annual income for *each* household dependent. HUD's definition of dependent is different from the Internal Revenue Service (IRS) definition. HUD defines as dependent any household member who is not the head, co-head, or spouse, but is:

- Under the age of 18 years; or
- Disabled (of any age); or
- A full-time student (of any age).

The household member must qualify for the deduction at the time the income certification is made. For example, a household member is 17 years of age at the time, but will turn 18 six months later. Because the member is dependent at the time of certification, the family receives the $480 deduction. The PJ is not required to recertify the family six months later when the member turns 18. When the household's income is recertified the following year, however, the family loses the $480 deduction (unless the 18-year-old family member is a full-time student).

A household may request a re-examination of income if its status changes (e.g., the family has a baby or adopts a child), and it now qualifies for more deductions.

Child Care Expenses Deduction

Reasonable child care expenses for the care of a child age 12 or under may be deducted from annual income if the child care (1) enables an adult family member to seek employment actively, be gainfully employed, or further his/her education; and (2) expenses are not reimbursed. The child care expenses must be reasonable.

To document that the anticipated child care expenses can be deducted, the household must:

- Identify the child(ren) who will be cared for;
- Identify the family member who is enabled to work, look for work, or go to school because of the child care;
- Demonstrate that no other adult household member is available to care for the child;
- Identify the child care provider; and
- Provide documentation of costs.

If a deduction for child care expenses is requested, the allowable expenses cannot exceed the income generated by that household member during the period the care is provided. The PJ should look at the family's actual circumstances to determine which family member is enabled to work. In general, the person with the lowest income (i.e., the person who would quit work to take care of the children if no child care were available) is considered the family member enabled to work.

If a deduction for child care expenses is requested to enable a family member to seek work, the family must provide evidence that the household member is looking for work.

If a deduction for child care expenses is requested to enable a family member to go to school, the household must provide documentation that the household member is enrolled in a vocational program or degree-granting institution. The household member need not be a full-time student.

Medical Expenses Deduction

Elderly or disabled households (as defined previously) that have no disability assistance expenses (see below) may claim as a deduction medical expenses that are in excess of three percent of annual income. Medical expenses that may be considered include all medical expenses anticipated to be incurred during the coming year that are not covered by insurance. Medical expenses can include such items as:

- Services of a physician or other health care professional;
- Services of a hospital or other health care facility;
- Medical insurance premiums;
- Prescription and nonprescription medicines;
- Dental expenses;
- Eyeglasses and eye examinations;
- Medical or health products or apparatus (e.g., hearing aids or batteries);
- Live-in or periodic medical care assistance (e.g., visiting nurses or care attendants); and
- Periodic payments on accumulated medical bills.

The medical expenses allowance is the amount by which total medical expenses exceed three percent of annual income. For example, the Smith family has anticipated annual income of $25,000 and anticipated medical expenses of $3,000 (not covered by insurance). The calculation for the medical expense deduction would be:

Total medical expenses	$3,000
Less 3% of annual income	750
Allowable medical expenses	$2,250

One of the most challenging aspects of determining allowable medical expenses is "anticipating" a household's medical expenses for the coming year. Some anticipated expenses can be documented (such as Medicare and other medical insurance premiums, the cost of ongoing prescriptions, and payment agreements for accumulated medical bills). Whenever possible, the PJ should request such documentation.

Using the previous year's medical expenses is not always appropriate. The family may have had medical expenses last year that will not be repeated this year (e.g., major surgery) or the family may have new medical problems that were not reflected in last year's costs (e.g., a family member has recently been diagnosed with a medical disorder). Even so, the experience from the previous year can provide a useful basis for anticipating future expenses. PJs can use last year's history to help the family to anticipate costs, particularly in a household where a family member has regular medical or prescription needs. For example, if all household members went to the dentist twice during the previous year, it is appropriate to assume they will do so in the coming year. For "general" medical expenses (e.g., prescription and nonprescription medicines) using the previous year's expenses is acceptable unless the family can provide documentation that higher expenses can be anticipated.

Allowable medical expenses are established at the time of income certification. Under a HOME-funded TBRA program, the household may request a re-examination of medical expenses if a major illness or emergency would significantly affect the anticipated amount.

Although medical expenses are permitted only for elderly or disabled households, once a household qualifies as an elderly or disabled household, the medical expenses of all household members are considered. For example, if a household includes the

head (grandmother, age 65), her daughter (age 35) and her granddaughter (age 12), the medical expenses of all three family members would be considered.

HUD Notice PIH-2004-11

HUD issued Notice PIH-2004-11, "Income Calculation Regarding Medicare Prescription Drug Cards and Transitional Assistance," on July 15, 2004. While the Notice addresses the calculation of annual household income under certain HUD programs, including certain Section 8 activities, the Notice and the Medicare Prescription Drug Card program **do not affect** the calculation of annual income under the Part 5 definition, and thus does not affect the calculation of annual or adjusted income for the purposes of HOME eligibility. The Medicare Modernization Act authorizing this benefit amended the Social Security Act to require that benefits provided under this program "not be treated as benefits or otherwise taken into account in determining an individual's eligibility for, or amount of benefits under, any other Federal program." Benefits provided under the Medicare Prescription Drug Benefit program must be excluded from the calculation of annual income of tenants residing in HUD's public housing and assisted housing program units.

Disability Assistance Expenses Deduction

Disability assistance expenses can also be deducted from annual income to the extent that they exceed three percent of annual income. The purpose of this deduction is to recognize expenses for the care of a disabled person that enable the disabled person or some other family member to work. Disability assistance expenses may include the cost of a care attendant and/or auxiliary apparatus that enables a household member, including the disabled member, to work. Consider the following examples:

- Jane and John Doe have a disabled 17-year-old son (John, Jr.). If a care attendant takes care of John, Jr., Jane can go to work. The cost of the care attendant would be an eligible disability assistance expense.
- Samuel Brown, age 35, uses a wheelchair. The wheelchair and a specially adapted automobile enable John to go to work. The cost of his wheelchair and the adaptations to his automobile are eligible disability assistance expenses.

Expenses can be considered only if they enable a household member to work. Consider the following example:

- Samuel Brown, age 35, uses a wheelchair and a specially adapted automobile. His income comes from a disability pension. The costs of the wheelchair and the adaptations to the automobile are not eligible disability assistance expenses because no family member is enabled to work. Samuel's disability does, however, qualify him as a disabled head of household. Thus, he is entitled to medical expenses. The wheelchair (but not the adaptations to the automobile) could qualify as a medical expense.

Expenses may be deducted only if: (1) they are reasonable; (2) they are not reimbursed from another source, such as insurance; (3) they do not exceed the amount of income generated by the person enabled to work; and (4) they are in excess of three percent of annual income.

When Both Medical and Disability Assistance Expenses Apply

As noted above, both medical expenses and disability assistance expenses are limited to those in excess of three percent of annual income. For families who qualify for both types of expenses, the allowable amount is the amount by which the *combined* expenses exceed three percent of annual income. Because disability assistance expenses are also capped by the amount of income earned, a special calculation is required.

The PJ first calculates the allowable disability assistance expenses and then adds to that the allowable medical expenses. The form in Exhibit 4.3 is designed to help perform this calculation.

Sample Format for Calculating Adjusted Income

As for annual income, any information used to determine the household's eligibility for participation in the program or the amount of a deduction or allowance must be documented in a way that allows HUD to monitor the PJ's determination. Exhibit 4.3 provides a sample format for calculating adjusted income. Exhibits 4.4 through 4.6 provide examples and exercises on calculating adjusted income.

Exhibit 4.2 – Answers to Exercise on page 55

Which of the following households qualify for an elderly or disabled household deduction of $400?

Household Characteristics	Yes	No
1. Head (59), spouse (63)	•	
2. Head (40), disabled spouse (39)	•	
3. Head (59), disabled son (16)		•
4. Head (59), disabled son (32)	Maybe; the head and son could be living as co-heads, in which case the household would be a disabled household.	
5. Head (40), father (63)	Maybe; the head and father could be living as co-heads, in which case the household would be an elderly household. If the father were the head of household, the household would be an elderly household.	
6. Disabled head of household (51)	•	

Exhibit 4.3 – Sample Format for Calculating Part 5 Adjusted Income

1.	Enter Annual Income.		1.
2.	Enter the number of family members (excluding head or spouse) under 18, disabled, or full-time students.	2.	
3.	Multiply line 2 by $480.		3.
4.	If a family member is enabled to work or further their education as a result of child care expenses, enter the unreimbursed annual child care expenses (reasonable child care expenses for children age 12 and under).	4.	
5.	If the family member was enabled to work as a result of the child care expenses, enter that family member's annual employment income.	5.	
6.	If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6.
7.	If the household qualifies as an elderly and/or disabled household, enter $400.		7.
8.	Add Lines 3, 6, and 7.	8.	
9.	*If this household has no unreimbursed disability assistance or medical expenses*, subtract Line 8 from Line 1. This is **Adjusted Income** for this household *without* these expenses.		9.

********** **FILL IN LINES 10 THROUGH 20 IF THE FAMILY HAS UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES** **********

10.	Enter unreimbursed annual disability assistance expenses.	10.	
11.	Enter the annual earned income of the family member enabled to work as a result of unreimbursed disability assistance expenses.	11.	
12.	Enter the lesser of Lines 10 or 11.	12.	
13.	Enter unreimbursed annual medical expenses.	13.	
14.	Add Lines 12 and 13.	14.	
15.	Multiply Line 1 by 0.03.	15.	
16.	Subtract Line 15 from Line 12. If negative, enter 0.		16.
17.	Subtract Line 15 from Line 13. If negative, enter 0.		17.
18.	Subtract Line 15 from Line 14. If negative, enter 0.		18.
19a.	If the household reported only unreimbursed disability expenses but no unreimbursed medical expenses, add Lines 8 and 16.	19a.	
19b.	If the household reported only unreimbursed medical expenses but no unreimbursed disability expenses, add Lines 8 and 17.	19b.	
19c.	If the household reported both unreimbursed disability expenses and unreimbursed medical expenses, add Lines 8 and 18.	19c.	
20.	Subtract either Line 19a, 19b, or 19c from Line 1. This is **Adjusted Income** for this household *with* these expenses.		20.

Exhibit 4.4 – Calculating Part 5 Adjusted Income – Example

Family Member	Position in Family	Age	Income	Expenses
Pearl Henderson	Head	76	$13,500	Prescription medication – $75/month; Medicare deduction – $38.50/month
Marshall Jones	Grandson	19	No income; full-time student	Visits to physician – $120/year

1.	Enter Annual Income.		1. $13,500
2.	Enter the number of family members (excluding head or spouse) under 18, disabled, or full-time students.	2. 1	
3.	Multiply line 2 by $480. This is the dependent deduction.		3. $480
4.	If a family member is enabled to work or further their education as a result of child care expenses, enter the unreimbursed annual child care expenses (reasonable child care expenses for children age 12 and under).	4. N/A	
5.	If the family member was enabled to work as a result of the child care expenses, enter that family member's annual employment income.	5. N/A	
6.	If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6. $0.00
7.	If the household qualifies as an elderly and/or disabled household, enter $400. This is the elderly/disabled household deduction. Otherwise, enter 0.		7. $400
8.	Add Lines 3, 6, and 7.	8. $880	
9.	*If the household has no unreimbursed disability assistance or medical expenses*, subtract Line 8 from Line 1. This is **Adjusted Income** for a household *without* these expenses. Otherwise, proceed to line 10.		9.

********** **FILL IN LINES 10 THROUGH 20 IF THE FAMILY HAS UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES** **********

Exhibit 4.4 (continued)

10.	Enter unreimbursed annual disability assistance expenses.	10. N/A	
11.	Enter the annual earned income of the family member enabled to work as a result of unreimbursed disability assistance expenses.	11. N/A	
12.	Enter the lesser of Lines 10 or 11.	12. N/A	
13.	Enter unreimbursed annual medical expenses.	13. $1,482	
14.	Add Lines 12 and 13.	14. $1,482	
15.	Multiply Line 1 by 0.03.	15. $405	
16.	Subtract Line 15 from Line 12. If negative, enter 0.		16. $0.00
17.	Subtract Line 15 from Line 13. If negative, enter 0.		17. $1,077
18.	Subtract Line 15 from Line 14. If negative, enter 0.		18. $1,077
19a.	If the household reported only unreimbursed disability expenses but no unreimbursed medical expenses, add Lines 8 and 16.	19a. 0	
19b.	If the household reported only unreimbursed medical expenses but no unreimbursed disability expenses, add Lines 8 and 17.	19b. $1,957	
19c.	If the household reported both unreimbursed disability expenses and unreimbursed medical expenses, add Lines 8 and 18.	19c. 0	
20.	Subtract either Line 19a, 19b, or 19c from Line 1. This is **Adjusted Income** for this household *with* these expenses.		20. $11,543

Explanation

Line 2	Marshall is a full-time student, so the household qualifies for one $480 deduction.
Line 4	There are no children under age 12.
Lines 5-9	The household qualifies as an elderly household and does have annual unreimbursed medical expenses.
Lines 10-14	The household does not have any annual unreimbursed disability assistance expenses (Lines 10-12), but does have annual unreimbursed medical expenses [($75/month x 12 months/year) + ($38.50/month x 12 months/year) + ($120/year) = $1,482]. This amount is entered in Line 13.
Line 15	The household can only deduct those unreimbursed medical and disability assistance expenses that exceed 3 percent of annual household income.
Lines 16-18	The household deducts 3 percent of its annual income from the total amount of annual unreimbursed medical expenses (Line 17).
Lines 19a-19c	The household adds its medical expenses deduction (Line 17) to the other deductions (dependent deduction, elderly household deduction) that are summed in Line 8, and enters this total in Line 19b (households reporting medical expenses, but no disability assistance expenses).
Line 20	The amount entered in Line 19b ($1,957) is subtracted from the household's annual income figure in Line 1 ($13,500), giving it an adjusted income of $11,543.

Exhibit 4.5 – Calculating Part 5 Adjusted Income – Example

Family Member	Position in Family	Age	Income	Expenses
Clark Griswald	Head	40	$27,900	Prescription medication – $75/month
Rusty Griswald	Son	13	No income	Child care – $50/week
Audrey Griswald	Daughter	11	No income	Child care – $50/week

1. Enter Annual Income.		1. $27,900
2. Enter the number of family members (excluding head or spouse) under 18, disabled, or full-time students.	2. 2	
3. Multiply line 2 by $480. This is the dependent deduction.		3. $960
4. If a family member is enabled to work or further their education as a result of child care expenses, enter the unreimbursed annual child care expenses (reasonable child care expenses for children age 12 and under).	4. $2,600	
5. If the family member was enabled to work as a result of the child care expenses, enter that family member's annual employment income.	5. $27,900	
6. If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6. $2,600
7. If the household qualifies as an elderly and/or disabled household, enter $400. This is the elderly/disabled household deduction. Otherwise, enter 0.		7. 0
8. Add Lines 3, 6, and 7.	8. $3,560	
9. *If the household has no unreimbursed disability assistance or medical expenses*, subtract Line 8 from Line 1. This is **Adjusted Income** for a household *without* these expenses. Otherwise, proceed to line 10.		9. $24,340

********** **FILL IN LINES 10 THROUGH 20 IF THE FAMILY HAS UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES** **********

Exhibit 4.5 (continued)

10.	Enter unreimbursed annual disability assistance expenses.	10. N/A	
11.	Enter the annual earned income of the family member enabled to work as a result of unreimbursed disability assistance expenses.	11. N/A	
12.	Enter the lesser of Lines 10 or 11.	12. N/A	
13.	Enter unreimbursed annual medical expenses.	13. N/A	
14.	Add Lines 12 and 13.	14. N/A	
15.	Multiply Line 1 by 0.03.	15. N/A	
16.	Subtract Line 15 from Line 12. If negative, enter 0.		16. N/A
17.	Subtract Line 15 from Line 13. If negative, enter 0.		17. N/A
18.	Subtract Line 15 from Line 14. If negative, enter 0.		18. N/A
19a.	If the household reported only unreimbursed disability expenses but no unreimbursed medical expenses, add Lines 8 and 16.	19a. N/A	
19b.	If the household reported only unreimbursed medical expenses but no unreimbursed disability expenses, add Lines 8 and 17.	19b. N/A	
19c.	If the household reported both unreimbursed disability expenses and unreimbursed medical expenses, add Lines 8 and 18.	19c. N/A	
20.	Subtract either Line 19a, 19b, or 19c from Line 1. This is **Adjusted Income** for this household *with* these expenses.		20. N/A

Explanation

Line 2	There are two children in the family under the age of 18.
Lines 4-6	Although the family has child care expenses for both children, only Audrey's expenses are eligible for the child care deduction because only she is under the age of 12. Audrey's child care expenses are less than Clark's annual income, and are reported as the household's child care expense deduction (Line 6).
Line 7	The household does not qualify for either the elderly or disabled household deduction of $400.
Lines 8-9	The household's eligible deductions are subtracted from Clark's annual income. This is the household's adjusted income ($24,340).
Lines 10-20	There are no further calculations or adjustments to be made to the Griswald's annual income.

Exhibit 4.6 – Calculating Part 5 Adjusted Income – Exercise

Instructions: Based on the information about the Taylor household below, complete the worksheet to determine its adjusted income figure.

Family Member	Position in Family	Age	Income	Expenses
Jill Taylor	Head	36	$22,984	Health insurance – $230/month; Prescription medication – $75/month for Jill and Randy; Visits to the physician for Randy and Brad – $370/year.
Tim Taylor	Spouse; full-time student	36	$3,500; plus $2,500 from a school loan	
Randy Taylor	Son – disabled	15	None	Attendant care, which frees Tim to work – $50/week
Brad Taylor	Son	11	None	Child care – $25/week

1. Enter Annual Income.		1.
2. Enter the number of family members (excluding head or spouse) under 18, disabled, or full-time students.	2.	
3. Multiply line 2 by $480. This is the dependent deduction.		3.
4. If a family member is enabled to work or further their education as a result of child care expenses, enter the unreimbursed annual child care expenses (reasonable child care expenses for children age 12 and under).	4.	
5. If the family member was enabled to work as a result of the child care expenses, enter that family member's annual employment income.	5.	
6. If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6.
7. If the household qualifies as an elderly and/or disabled household, enter $400. This is the elderly/disabled household deduction. Otherwise, enter 0.		7.
8. Add Lines 3, 6, and 7.	8.	
9. *If the household has no unreimbursed disability assistance or medical expenses*, subtract Line 8 from Line 1. This is **Adjusted Income** for a household *without* these expenses. Otherwise, proceed to line 10.		9.

********** **FILL IN LINES 10 THROUGH 20 IF THE FAMILY HAS UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES** **********

Exhibit 4.6 (continued)

10.	Enter unreimbursed annual disability assistance expenses.	10.	
11.	Enter the annual earned income of the family member enabled to work as a result of unreimbursed disability assistance expenses.	11.	
12.	Enter the lesser of Lines 10 or 11.	12.	
13.	Enter unreimbursed annual medical expenses.	13.	
14.	Add Lines 12 and 13.	14.	
15.	Multiply Line 1 by 0.03.	15.	
16.	Subtract Line 15 from Line 12. If negative, enter 0.		16.
17.	Subtract Line 15 from Line 13. If negative, enter 0.		17.
18.	Subtract Line 15 from Line 14. If negative, enter 0.		18.
19a.	If the household reported only unreimbursed disability expenses but no unreimbursed medical expenses, add Lines 8 and 16.	19a	
19b.	If the household reported only unreimbursed medical expenses but no unreimbursed disability expenses, add Lines 8 and 17.	19b.	
19c.	If the household reported both unreimbursed disability expenses and unreimbursed medical expenses, add Lines 8 and 18.	19c.	
20.	Subtract either Line 19a, 19b, or 19c from Line 1. This is **Adjusted Income** for this household *with* these expenses.		20.

ANSWERS

1.	Enter Annual Income.		1. $26, 484
2.	Enter the number of family members (excluding head or spouse) under 18, disabled, or full-time students.	2. 2	
3.	Multiply line 2 by $480. This is the dependent deduction.		3. $960
4.	If a family member is enabled to work or further their education as a result of child care expenses, enter the unreimbursed annual child care expenses (reasonable child care expenses for children age 12 and under).	4. $1,300	
5.	If the family member was enabled to work as a result of the child care expenses, enter that family member's annual employment income.	5. $3,500	
6.	If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6. $1,300
7.	If the household qualifies as an elderly and/or disabled household, enter $400. This is the elderly/disabled household deduction. Otherwise, enter 0.		7. 0
8.	Add Lines 3, 6, and 7.	8. $2,260	
9.	*If the household has no unreimbursed disability assistance or medical expenses*, subtract Line 8 from Line 1. This is **Adjusted Income** for a household *without* these expenses. Otherwise, proceed to Line 10.		9.

********** **FILL IN LINES 10 THROUGH 20 IF THE FAMILY HAS UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES** **********

10.	Enter unreimbursed annual disability assistance expenses.	10. $2,600	
11.	Enter the annual earned income of the family member enabled to work as a result of unreimbursed disability assistance expenses.	11. $3,500	
12.	Enter the lesser of Lines 10 or 11.	12. $2,600	
13.	Enter unreimbursed annual medical expenses.	13. N/A	
14.	Add Lines 12 and 13.	14. $2,600	
15.	Multiply Line 1 by 0.03.	15. $795	
16.	Subtract Line 15 from Line 12. If negative, enter 0.		16. $1,805
17.	Subtract Line 15 from Line 13. If negative, enter 0.		17. 0
18.	Subtract Line 15 from Line 14. If negative, enter 0.		18. $1,805
19a.	If the household reported only unreimbursed disability expenses but no unreimbursed medical expenses, add Lines 8 and 16.	19a. $4,065	
19b.	If the household reported only unreimbursed medical expenses but no unreimbursed disability expenses, add Lines 8 and 17.	19b. 0	
19c.	If the household reported both unreimbursed disability expenses and unreimbursed medical expenses, add Lines 8 and 18.	19c. 0	
20.	Subtract either Line 19a, 19b, or 19c from Line 1. This is **Adjusted Income** for this household *with* these expenses.		20. $22,419

Explanation

Line 1	Include Jill's annual income of $22,984 plus Tim's income of $3,500. Do not include Tim's student loan of $2,500.
Line 2	There are two children in the family under the age of 18. Although Tim is a full-time student, he is not eligible for a $480 deduction because he is the head of household or spouse.
Lines 4-6	Brad is the only child under age 12. Include his child care costs of $25/week X 52 weeks/year = $1,300. Brad's child care services allow Tim to work. The lesser of Tim's annual earned income and Brad's child care expenses is $1,300. This is the household's child care deduction.
Line 7	Although Randy is disabled, this does not qualify the household as "disabled" under the Part 5 definition. The Taylors do not qualify for the $400 deduction for disabled and/or elderly households.
Lines 10-12	The attendant care for Randy allows Tim to work and go to school. Randy's attendant expenses ($1,300) are less than Tim's annual income ($3,500), and are entered as the amount of unreimbursed annual disability services costs.
Line 13.	The Taylor household does not qualify as an elderly or disabled household, therefore none of Jill's medical expenses exceeding 3 percent of household income can be deducted.
Lines 15-16	Three percent of the household's annual income is $795. This amount is subtracted from the annual cost of Randy's disability assistance, and entered as the household's disability deduction.
Line 19a	The Taylor household's combined dependent, child care and disability assistance deductions sum to $4,065.
Line 20	The figure from Line 19a ($4,065) is subtracted from Line 1 to determine the household's adjusted income ($22,419).

Chapter Five

Calculating Assistance Amounts

This chapter describes how HOME Program definitions of income (found at 24 CFR Part 92.203) are used to calculate tenant payments and PJ subsidies under a HOME-funded tenant based rental assistance (TBRA) program and to comply with anti-displacement and tenant assistance requirements under the Uniform Relocation Act (URA) and Section 104(d) relocation requirements.

> Detailed guidance on HOME TBRA programs is provided in a companion guide, *Tenant Based Rental Assistance: A HOME Program Model*. This model program guide is available online at the HOME Program Model Program Guide website at http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm.

In summary, the PJ must establish a rent standard for each unit size (by number of bedrooms) that is: (1) not greater than the HUD-published Existing Housing Fair Market Rent (FMR) or the HUD-approved Area Exception Rent; or (2) determined locally based on local market conditions.

Tenant and PJ Payments for HOME TBRA Programs

Under the HOME regulations pertaining to TBRA, PJs have some discretion in the amount of rental subsidy they provide to, or on behalf of, a tenant. The subsidy can be no greater than the difference between a PJ-established payment standard and 30 percent of the household's adjusted monthly income. The PJ must also establish a minimum tenant contribution.

PJs can use either the Section 8 Rental Certificate or Rental Voucher Program as a model to determine the PJ subsidy, or they can establish their own methodology, in conformance with regulatory requirements.

Rental Certificate Model

A PJ that chooses to use the Rental Certificate Program as a model assumes a fixed tenant payment—the tenant's share of housing costs (Total Tenant Payment [TTP]) is calculated by formula. The public housing agency (PHA) then pays the difference between the tenant's share and the approved rent for the unit.

The formula for computing TTP under the Certificate Program requires a tenant to pay the greatest of:

- 30 percent of its household's monthly adjusted income;
- 10 percent of its household's monthly annual (gross) income; or
- Welfare rent (applies only to welfare recipients in as-paid localities).

Exhibit 5.1 demonstrates this method.

Rental Voucher Model

The Rental Voucher Program assumes a fixed PHA payment—the maximum PHA subsidy is calculated and the tenant pays the difference between the PHA subsidy and the approved rent for the unit.

Using the Rental Voucher method, the PJ first establishes rent standards by unit size for the program as a whole. Details on establishing the payment standard are provided in the TBRA model program guide, *Tenant-Based Rental Assistance: A HOME Program Model*. The PJ generally pays the difference between its rent standard and 30 percent of the tenant's monthly adjusted income. A minimum tenant payment of 10 percent of monthly annual (gross) income is required, however. Exhibit 5.2 demonstrates this method.

Income Calculations for Antidisplacement Activities

A household that must move because it can no longer afford housing costs after completion of a Federally-funded activity is considered displaced. For instance, displacement might occur if rents are raised after Community Development Block Grant (CDBG) or HOME funds are used to rehabilitate a rental project.

For the CDBG and HOME Programs, to avoid displacement, any increased rents that are the result of the CDBG or HOME activity cannot exceed the following:

- For low-income households (those with incomes at or below 80 percent of the area median, as established by HUD), the household's TTP as calculated for the Certificate Program—the greatest of 30 percent of monthly adjusted income, 10 percent of monthly gross income, or the Welfare rent; or
- For households above the low-income limit, 30 percent of monthly gross income.

Replacement Housing Payments to Displaced Households

Among other assistance, displaced renter households are entitled to replacement housing payments. In concept, the replacement housing payments are intended to make up the difference between the family's old base monthly rent and the amount the family *must pay* for housing at its new location. The formula for determining how much the family should receive varies depending on the family's length of occupancy, its income and whether it is covered by Section 104(d) or the Uniform Relocation Act [URA]. (See HUD Handbook 1378 for a complete discussion of this topic.)

Under the URA (for both low-income households and those above the low-income limit) the household's base monthly rent is the lesser of:

- Rent and utilities the tenant paid at the displacement unit (old residence); or
- 30 percent of monthly gross income ([annual income / 12 months] x .30); or
- Welfare rent (applies only to welfare recipients in as-paid localities).

The PJ must make up the difference between this ability to pay (household's base monthly rent) and the household's actual housing costs at the replacement unit (new residence) or a comparable rent established by the PJ if the new rent is higher than the old. Exhibit 5.3 provides an example of a URA replacement housing payment calculation.

A similar calculation is made under Section 104(d). Ability to pay under Section 104(d) is, however, based on the Section 8 Total Tenant Payment formula—the greatest of 30 percent of monthly adjusted income, 10 percent of gross monthly income, or welfare rent.

Sample Format for Calculating Total Tenant Payments

Exhibits 5.4 and 5.5 provide sample formats for calculating TTP using both the Rental Certificate and Rental Voucher models. Examples of these calculations are included in Exhibits 5.6 and 5.7.

Exhibit 5.1 – Sample Calculation of Tenant and PJ Payments Using the Rental Certificate Method

The Cleavers have been issued a 2-bedroom HOME TBRA coupon. Their Part 5 annual and adjusted incomes are $22,500 and $18,300, respectively. They find an apartment that rents for $725 per month, including utilities.

The Cleavers must pay the greater of:

30% of monthly adjusted income ($18,300/12 months) x .30	**$458**
Or	
10% of monthly gross income ($22,500/12 months) x .10	$188

The PJ must pay the difference between the tenant's share and the approved rent.

Approved rent for the unit:	$725
Less total tenant payment (TTP)	$458
PJ's share of the rent	**$267**

Exhibit 5.2 – Sample Calculation of Tenant and PJ Payments Using the Rental Voucher Method

The Cleavers have been issued a 2-bedroom HOME TBRA coupon. Their Part 5 annual and adjusted incomes are $22,500 and $18,300, respectively. As in Exhibit 5.1, their monthly adjusted income and monthly gross income are $458 and $188, respectively. They find an apartment that rents for $800 per month, including utilities. The PJ's Rent Standard is $775.

The maximum PJ subsidy is:

Rent standard	$775
Less 30% of monthly adjusted income	$458
Maximum PJ subsidy	$317

The Cleavers' share is:

Approved rent	$800
Less maximum PJ subsidy	$317
Cleaver's payment	$483

In this example, the Cleavers will pay more than 30% of their adjusted monthly income for housing because they selected a unit that rents for more than the standard. Had the Cleavers found a very inexpensive unit, the requirement that the family pay at least 10% of monthly gross income might apply.

Approved rent	$500
Less maximum PJ subsidy	$317
Calculated tenant share	$183

The Cleavers, however, must pay at least 10% of gross monthly income (($22,500/12 months) x .10 = $188). The PJ's contribution would be reduced by $5.

Exhibit 5.3 – Sample URA Replacement Housing Payment Calculation

The Simpson family is being displaced from a HOME rental project because their household size is too large for any unit in the project after its rehabilitation. The family's current rent (including utilities) is $475 per month. The PJ identifies a unit that is suitable to the family's size and otherwise comparable to the unit they will be leaving. The rent for the comparable unit is $500. The Simpson family elected to move to another unit that rents for $520. This is not a welfare as-paid jurisdiction. The Simpson's annual income is $15,000/year.

The replacement payment would be calculated as follows:

1. Determine the family's ability to pay as the lesser of:

30% of gross monthly income (($15,000/12 months) x .30)	**$ 375**
Or	
Family's rent and utilities at displacement unit	$ 475

2. Determine the new housing costs to be considered as the lesser of:

PJ-determined comparable unit	**$ 500**
Family's rent and utilities at replacement unit	$ 520

3. Provide the family with the difference between these two amounts for a 42-month period

New housing costs to be considered	$ 500
Less family's ability to pay	$ 375
	$ 125
Months	x 42
Replacement housing payment	**$5,250**

Exhibit 5.4 – Sample Format for Computing Total Tenant Payment and PJ Subsidy -- Rental Voucher Model

(This form is designed to continue from the Sample Format for Computing Part 5 Adjusted Income, presented in Chapter 4.)

15.	Rent Standard	15.	
16.	30% of Monthly Adjusted Income ((line 14 ÷ 12) x 0.30).	16.	
17.	Maximum Subsidy (line 15 minus line 16).		17.
18.	Rent Charged by Owner.[2]	18.	
19.	Utility Allowance — if any.	19.	
20.	Gross Rent for the Unit (line 18 plus line 19).		20.
21.	Gross Rent minus Maximum Subsidy (line 20 minus line 17).		21.
22.	10% of Monthly Gross Income (line 1 ÷ 12) x 0.10).	22.	
23.	Total Family Contribution (higher of line 21 or line 22).		23.
24.	Gross Rent minus Family Contribution (line 20 minus line 23).	24.	
25.	Total Voucher Subsidy (lower of line 17 or line 24).		25.
26.	PJ Payment to Owner (lower of line 18 or line 25).		26.
27.	Family Rent to Owner (line 18 minus line 26).		27.
28.	Utility Reimbursement — if any (line 25 minus line 26).		28.

[2] If this is a Section 236 or Department of Agriculture Rural Development Section 515 project, enter the lower of the project's market Rent or line 22, *but* never less than the project's Basic Rent.

Exhibit 5.5 – Sample Format for Computing Total Tenant Payment and PJ Subsidy -- Rental Certificate Model[3]

(This form is designed to continue from the Sample Format for Computing Part 5 Adjusted Income, presented in Chapter 4.)

15.	30% of Monthly Adjusted Income (line 14 ÷ 12) x 0.30).	15.	
16.	10% of Gross Monthly Income (line 1 ÷ 12) x 0.30).	16.	
17.	Welfare rent (if applicable).	17.	
18.	TOTAL TENANT PAYMENT (greater of lines 15, 16 or 17).		18.
19.	Contract Rent to Owners.	19.	
20.	Utility Allowance.	20.	
21.	Gross Rent (line 19 plus line 20).		21.
22.	Tenant Rent (line 18 minus line 20) If line 20 is greater than line 18, enter zero, and enter the *difference* in line 23.		22.
23.	Utility Reimbursement to Tenant (line 20 minus line 18 only if line 20 is greater than line 18).		23.
24.	PJ Payment to Owner (line 19 minus line 22).		24.

[3] Must be used for calculation of TTP when required for anti-displacement activities.

Exhibit 5.6 – Calculating PJ Subsidy -- Exercise

The Petrillos family - Salvador (head of household), age 75, Sophia (spouse), age 77, and their son Phil, age 38 and handicapped- want to leave their house and move to an apartment that costs $625 per month (utilities included). They will need HOME tenant based rental assistance (TBRA) to afford the apartment. When they applied for assistance, they had not found a buyer for their home.

The PJ's rent standard is $600.

Income Sources

- Salvador receives a pension check of $350/month and gross social security of $625/month.
- Sophia receives a pension check of $375/month. She works as a Retired Senior Volunteer and has averaged 20/hours week during the past year at $6.50 an hour.
- Phil receives gross social security of $305/month.

Their Assets

- The Petrillos own a home with a market value of $50,000. The outstanding balance on the mortgage is $10,000. The average cost of settlement and real estate transfers is five percent.
- The Petrillos' checking account has a $1,525 average six-month balance. The actual yearly interest income on this account is $58.
- The Petrillos' savings account holds $2,500 with an annual interest rate of three percent.
- The Petrillos have a certificate of deposit worth $10,000 with an annual interest rate of 4.2 percent.
- Last month, the Petrillos sold all their stock and gave the proceeds to their daughter Dorothy. Their net proceeds from the sale of the stock was $1,850.

The HUD Passbook Rate is two percent.

Their Expenses

- Doctor and medication expenses for Salvador and Phil total $1,390 per year.
- Medical insurance for the household equals $2,300 per year.

Attendant care for Phil works costs $50/week. This care enables Sophia to work.

Using the above information and the following format, calculate the Petrillos' annual and adjusted income using the Part 5 definitions. How much will the subsidy be?

Sample Format for Calculating Part 5 Annual Income

1. Name		2. Identification No.:	
ASSETS			
Family Member	**Asset Description**	**Current Cash Value of Assets**	**Actual Income from Assets**
3. Net Cash Value of Assets.....		3.	
4. Total Actual Income from Assets.....			4.
5. If line 3 is greater than $5,000, multiply line by _____ (Passbook Rate) and enter results here; otherwise, leave blank			5.

ANTICIPATED ANNUAL INCOME					
Family Members	**a. Wages/ Salaries**	**b. Benefits/ Pensions**	**c. Public Assistance**	**d. Other Income**	**e. Asset Income**
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is *Annual Income.*					7.

Sample Format for Calculating Adjusted Income

1. Annual Income. 1.
2. Number of family members (excluding head or spouse) under 18, disabled, or full-time students. 2.
3. Multiply line 2 by $480. 3.
4. Child care deduction (reasonable child care expenses for children age 12 and under). 4.
   [If family has disability assistance expenses or qualifies as an elderly family, proceed to line 5; otherwise, skip to line 13.]
5. Enter disability assistance expenses. 5.
6. Multiply line 1 by 0.03. 6.
7. Subtract line 6 from line 5.If negative, enter 0. 7.
8. Enter amount earned by family member enabled to work as a result of disability assistance expenses. 8.
9. Enter the lesser of lines 7 or 8. This is the disability assistance allowance. 9.

FILL IN LINES 10 THROUGH 12 FOR ELDERLY FAMILIES ONLY

10. Enter total medical expenses. 10.
11. Allowable medical expenses:
    - If the household reported no expenses in line 5, enter line 10 minus line 6.
    - If the household reported expenses in line 5, but line 7 is zero, enter line 10 minus (line 6 minus 5).
    - If the household reported expenses in line 7 and line 7 is greater than zero, enter line 10.
12. Enter $400.
13. Add lines 3, 4, 9, 11, and 12.
14. Subtract line 13 from line 1. This is **Adjusted Income**.

11.
12.
13.
14.

Sample Format for Computing Total Tenant Payment and PJ Subsidy
Rental Voucher Model

(This form is designed to continue from the Sample Format for Computing Part 5 Adjusted Income, presented in Chapter 4.)

15.	Rent Standard	15.	
16.	30% of Monthly Adjusted Income ((line 14 ÷ 12) x 0.30).	16.	
17.	Maximum Subsidy (line 15 minus line 16).		17.
18.	Rent Charged by Owner.[4]	18.	
19.	Utility Allowance — if any.	19.	
20.	Gross Rent for the Unit (line 18 plus line 19).		20.
21.	Gross Rent minus Maximum Subsidy (line 20 minus line 17).		21.
22.	10% of Monthly Gross Income (line 1 ÷ 12) x 0.10).	22.	
23.	Total Family Contribution (higher of line 21 or line 22).		23.
24.	Gross Rent minus Family Contribution (line 20 minus line 23).	24.	
25.	Total Voucher Subsidy (lower of line 17 or line 24).		25.
26.	PJ Payment to Owner (lower of line 18 or line 25).		26.
27.	Family Rent to Owner (line 18 minus line 26).		27.
28.	Utility Reimbursement — if any (line 25 minus line 26).		28.

[4] If this is a Section 236 or Department of Agriculture Rural Development Section 515 project, enter the lower of the project's market Rent or line 22, *but* never less than the project's Basic Rent.

Sample Format for Computing Total Tenant Payment and PJ Subsidy
Rental Certificate Model[5]

(This form is designed to continue from the Sample Format for Computing Part 5 Adjusted Income, presented in Chapter 4.)

15.	30% of Monthly Adjusted Income (line 14 ÷ 12) x 0.30).	15.	
16.	10% of Gross Monthly Income (line 1 ÷ 12) x 0.10).	16.	
17.	Welfare rent (if applicable).	17.	
18.	TOTAL TENANT PAYMENT (greater of lines 15, 16 or 17).		18.
19.	Contract Rent to Owners.	19.	
20.	Utility Allowance.	20.	
21.	Gross Rent (line 19 plus line 20).		21.
22.	Tenant Rent (line 18 minus line 20). If line 20 is greater than line 18, enter zero, and enter the *difference* in line 23.		22.
23.	Utility Reimbursement to Tenant (line 20 minus line 18 only if line 20 is greater than line 18).		23.
24.	PJ Payment to Owner (line 19 minus line 22).		24.

[5] Must be used for calculation of TTP when required for anti-displacement activities.

Sample Format for Calculating Part 5 Annual Income

1. Name *Salvador and Sophia Petrillo*		2. Identification No.:	
ASSETS			
Family Member	**Asset Description**	**Current Cash Value of Assets**	**Actual Income from Assets**
Salvador & Sophia	Home	$37,500	$ 0
Salvador & Sophia	Checking Account	$1,525	$ 58
Salvador & Sophia	Savings Account	$2,500	$ 75
Salvador & Sophia	Certificates of Deposit	$10,000	$420
Salvador & Sophia	Stock	$1,850	$ 0
3. Net Cash Value of Assets.....		3. $53,375	
4. Total Actual Income from Assets.....			4. $ 553
5. If line 3 is greater than $5,000, multiply line by .02 (Passbook Rate) and enter results here; otherwise, leave blank			5. $1,068

ANTICIPATED ANNUAL INCOME					
Family Members	**a. Wages/ Salaries**	**b. Benefits/ Pensions**	**c. Public Assistance**	**d. Other Income**	**e. Asset Income**
Salvador		$11,700			Enter the greater of lines 4 or 5 from above in e.
Sophia		$ 4,500			
Phil		$ 3,660			
6. Totals	a.	b. $19,860	c.	d.	e. $ 1,068
7. Enter total of items from 6a. through 6e. This is *Annual Income.*					7. 20,928

Sample Format for Calculating Adjusted Income

1. Annual Income. — 1. $20,928
2. Number of family members (excluding head or spouse) under 18, disabled, or full-time students. — 2. 1
3. Multiply line 2 by $480. — 3. 480
4. Child care deduction (reasonable child care expenses for children age 12 and under). — 4. N/A

   [If family has disability assistance expenses or qualifies as an elderly family, proceed to line 5; otherwise, skip to line 13.]
5. Enter disability assistance expenses. — 5. 2,600
6. Multiply line 1 by 0.03. — 6. 628
7. Subtract line 6 from line 5.If negative, enter 0. — 7. 1,972
8. Enter amount earned by family member enabled to work as a result of disability assistance expenses. — 8. 6,760
9. Enter the lesser of lines 7 or 8. This is the disability assistance allowance. — 9. 1,972

FILL IN LINES 10 THROUGH 12 FOR ELDERLY FAMILIES ONLY

10. Enter total medical expenses. — 10. 3,690
11. Allowable medical expenses:
    - If the household reported no expenses in line 5, enter line 10 minus line 6.
    - If the household reported expenses in line 5, but line 7 is zero, enter line 10 minus (line 6 minus 5).
    - If the household reported expenses in line 7 and line 7 is greater than zero, enter line 10.

    — 11. 3,690
12. Enter $400. — 12. 400
13. Add lines 3, 4, 9, 11, and 12. — 13. 6,542
14. Subtract line 13 from line 1. This is **Adjusted Income**. — 14. 14,386

Sample Format for Computing Total Tenant Payment and PJ Subsidy
Rental Voucher Model

15.	Rent Standard	15. 600	
16.	30% of Monthly Adjusted Income ((line 14 ÷ 12) x 0.30).	16. 360	
17.	Maximum Subsidy (line 15 minus line 16).		17. 240
18.	Rent Charged by Owner.[6]	18. 625	
19.	Utility Allowance — if any.	19. 0	
20.	Gross Rent for the Unit (line 18 plus line 19).		20. 625
21.	Gross Rent minus Maximum Subsidy (line 20 minus line 17).		21. 385
22.	10% of Monthly Gross Income (line 1 ÷ 12) x 0.10).	22. 174	
23.	Total Family Contribution (higher of line 21 or line 22).		23. 385
24.	Gross Rent minus Family Contribution (line 20 minus line 23).	24. 240	
25.	Total Voucher Subsidy (lower of line 17 or line 24).		25. 240
26.	PJ Payment to Owner (lower of line 18 or line 25).		26. 240
27.	Family Rent to Owner (line 18 minus line 26).		27. 385
28.	Utility Reimbursement — if any (line 25 minus line 26).		28. 0

[6] If this is a Section 236 or Department of Agriculture Rural Development Section 515 project, enter the lower of the project's market Rent or line 22, *but* never less than the project's Basic Rent.

Sample Format for Computing Total Tenant Payment and PJ Subsidy Rental Certificate Model[7]

15.	30% of Monthly Adjusted Income (line 14 ÷ 12) x 0.30).	15. 360	
16.	10% of Gross Monthly Income (line 1 ÷ 12) x 0.30).	16. 174	
17.	Welfare rent (if applicable).	17. N/A	
18.	TOTAL TENANT PAYMENT (greater of lines 15, 16 or 17).		18. 360
19.	Contract Rent to Owners	19. 625*	
20.	Utility Allowance.	20. 0	
21.	Gross Rent (line 19 plus line 20).		21. 625
22.	Tenant Rent (line 18 minus line 20). If line 20 is greater than line 18, enter zero, and enter the *difference* in line 23.		22. 360
23.	Utility Reimbursement to Tenant (line 20 minus line 18 only if line 20 is greater than line 18).		23. 0
24.	PJ Payment to Owner (line 19 minus line 22).		24. 265

[7] Must be used for calculation of TTP when required for anti-displacement activities.

Explanation

Assets

HOME:	For HOME TBRA, the cash value of the home is counted as an asset when determining imputed asset income. The net market worth is $50,000, less $10,000 for the second mortgage and $2,500 ($50,000 x 5%) for the sales expenses, or $37,500.
Checking Account:	The actual income from this account was $58.
Savings Account:	$2,500 in this account times an annual interest rate of 3% (.03) = $75.
Certificate of Deposit:	$10,000 mature certificate of deposit times an interest rate of 4.2% (.042) = $420.
Stock:	Because the asset was sold less than two years ago, it must be included in this total.

The HUD Passbook Rate is 2%. The actual income, from the accounts and the certificate, is $553. The imputed income is the total asset value times the Passbook Rate, or $1,068. Because $1,068 is larger than the actual amount earned, it must be used.

Income

Salvador:	His pension check of $350/month and gross Social Security of $625/month come to $11,700 annually. This is all benefit/pension income.
Sophia:	Her pension check of $375/month comes to $4,500 annually. Her wages for Retired Senior Volunteer are not counted as income (refer to Exhibit 3.2).
Phil:	His gross Social Security payment of $305/month comes to $3,660 annually.

Adjustments

Line 2:	Phil is disabled and is therefore eligible for a $480 deduction.
Line 4:	There are no children in the family.
Line 5:	Phil's attendant costs $50/week. $50/week x 52 weeks/year = $2,600.
Line 7:	The eligible amount of disabled assistance expense deduction is the portion that is in excess of 3% of the household's annual income.
Line 8-9:	The maximum allowable disability assistance expense deduction is the amount that was earned because of the expenditure. In this case, this is Sophia's income of $6,760. The disability allowance (line 9) is the lesser of this maximum amount or the portion of the disabled assistance expense that is in excess of 3% of the household total income.
Line 10:	This is an elderly household (head or spouse over 62 years).
Line 11:	Because the 3% of annual income has already been deducted from the disability assistance expense, the medical expense can be deducted in full.
Line 12:	Allowance for elderly households.

Endnotes

[1] The rules concerning Section 8 annual income were previously found at 24 CFR Part 813; however, Part 813 was removed from the Federal regulations on October 18, 1996. At the same time, 24 CFR Part 5 was published. Subpart F of Part 5 consolidated the requirements pertaining to income for many of HUD's programs, including Section 8.

[2] While the IRS uses the term adjusted gross income, it is considered annual income for the purposes of the HOME Program. Under the HOME Program, the term "adjusted income" is used only in reference to the process of subtracting certain deductions from annual income to determine subsidy or payment level in accordance with 24 CFR 5.611.

[3] http://www.archives.gov/federal_register/index.html

[4] Throughout this guide, unless specified otherwise, "annual income" refers to annual income as calculated using one of the three definitions allowed under the HOME Program.

[5] "Adjusted income" is calculated using annual income (as calculated using one of the three allowable definitions of annual income) and subtracting adjustments defined at 24 CFR 5.611.

[6] "Part 5 annual income" refers to the annual income calculation defined at 24 CFR 5.609. It was formerly commonly known as "Section 8 annual income" and was previously the only definition of annual income allowed under the HOME Program.

[7] For the purposes of this discussion, the terms household and family are interchangeable.

[8] http://www.hud.gov/offices/pih/systems/pic/50058/pubs/ib/ib_final_0601.pdf

[9] http://www.hud.gov/offices/pih/programs/ph/rhiip/phguidebooknew.pdf

Appendices

Appendix A:	Glossary of Terms
Appendix B:	Sample Format for Computing Part 5 Annual Income
Appendix C:	Sample Format for Computing Census Long Form Annual Income
Appendix D:	Sample Format for Computing IRS Form 1040 Series Adjusted Gross Income
Appendix E:	Sample Format for Computing Part 5 Adjusted Income
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Appendix A

Glossary of Terms

Adjusted Income	The HOME Program uses three definitions of annual (gross) income. Adjusted income is annual (gross) income reduced by deductions (or allowances) for dependents, elderly households, medical expenses, disability assistance expenses, and child care. Adjusted income is used only under certain circumstances.
Affordability	As used in this guide, affordability refers to the requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HOME regulations. Affordability requirements vary depending on the nature of the HOME-assisted activity (i.e., homeownership or rental housing).
Annual (Gross) Income	The HOME Program allows the use of three income definitions for the purpose of determining applicant eligibility -- annual income as defined in 24 CFR 5.609, annual income as reported under the Census Long Form for the most recent decennial Census, and adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes. The definitions are collectively referred to as annual (gross) income, and are also used in the Community Development Block Grant Program.
Community Development Block Grant (CDBG)	Federal funding that allows communities to carry out flexible, locally designed comprehensive community development activities in accordance with Title I, Housing and Community Development Act of 1974 and its implementing regulations at 24 CFR Part 570.
Community Housing Development Organization (CHDO)	A private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations. CHDOs must receive at least 15 percent of a participating jurisdiction's annual allocation of HOME funds. CHDOs may own, develop, or sponsor HOME-financed housing.
Consolidated Plan	A plan of up to five years in length that describes a community's needs, resources, priorities, and proposed activities to be undertaken with certain HUD funding, including funding under the HOME Program. The Consolidated Plan is updated annually.

HOME-Assisted Units	Units within a HOME project where HOME funds are used and rent, occupancy, and/or long-term affordability restrictions apply.
HOME Funds	All appropriations for the HOME Program, plus all repayments and interest or other return on the investment of these funds.
HOME Investment Trust Fund	The term given to the two accounts — one at the Federal level and one at the local level — that "hold" the participating jurisdiction's HOME funds. The Federal HOME Investment Trust Account is the U.S. Treasury account for each participating jurisdiction. The local HOME Investment Trust Fund account includes repayments of HOME funds, matching contributions, and payment of interest or other returns on investment.
HOME Investment Partnerships Program (HOME)	The HOME Program is a formula-based allocation program intended to support state and local affordable housing programs. The goal of the program is to increase the supply of affordable rental and ownership housing through acquisition, construction, reconstruction, and moderate or substantial rehabilitation activities. The program was authorized by Title II of the National Affordable Housing Act of 1990. Its implementing regulations are found at 24 CFR Part 92.
HUD	U.S. Department of Housing and Urban Development.
Low-Income Family	Family whose annual (gross) income does not exceed 80 percent of the median family income for the area (adjusted for family size), as determined by HUD. HUD may establish, on an exception basis, income ceilings higher or lower than 80 percent of median income for an area.
National Affordable Housing Act of 1990 (NAHA)	Enacted by Congress to authorize the HOME Investment Partnerships Program, the National Homeownership Trust program, and programs to amend and extend certain laws relating to housing, community, and neighborhood preservation and related programs.
New Construction	The creation of new dwelling units. Any project that includes the creation of additional dwelling units outside the existing walls of a structure is also considered new construction.
Participating Jurisdiction (PJ)	The term given to any state, local government, or consortium of local governments that HUD has designated to administer a HOME Program. HUD designation as a PJ occurs if a state, local government, or consortium meets the funding thresholds, notifies HUD that it intends to participate in the program, and obtains approval by HUD of a Consolidated Plan.

Project	One or more buildings on a single site or multiple sites that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking.
Section 8 Existing Rental Assistance	A Federal program that provides rental assistance to low-income families who are unable to afford market rents. Assistance may be in the form of vouchers or certificates. Implementing regulations can be found at 24 CFR Part 982.
State Recipient	Any unit of local government designated by a state to receive HOME funds. The state PJ is responsible for ensuring that HOME funds allocated to state recipients are used in accordance with the HOME regulations and other applicable laws.
Subrecipient	A public agency or nonprofit organization selected by a participating jurisdiction to *administer* all or a portion of the participating jurisdiction's HOME Program. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient.
Targeting	Requirements of the HOME Program relating to the income or other characteristics of households that may occupy HOME-assisted units.
Total Development Cost (TDC)	The sum of all costs for site acquisition, relocation, demolition, construction and equipment, interest and carrying charges.
Very Low-Income Family	Family whose annual (gross) income does not exceed 50 percent of the median income for the area (adjusted for family size), as determined by HUD. HUD may establish income ceilings higher or lower than 50 percent of median income for an area on an exception basis.

Appendix B

Sample Format for Calculating Part 5 Annual Income

1. Name		2. Identification No.:	
ASSETS			
Family Member	**Asset Description**	**Current Cash Value of Assets**	**Actual Income from Assets**
3. Net Cash Value of Assets		3.	
4. Total Actual Income from Assets			4.
5. If line 3 is greater than $5,000, multiply line by _____ (Passbook Rate) and enter results here; otherwise, leave blank			5.

ANTICIPATED ANNUAL INCOME					
Family Members	**a. Wages/ Salaries**	**b. Benefits/ Pensions**	**c. Public Assistance**	**d. Other Income**	**e. Asset Income**
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is *Annual Income*.....					7.

_X_____
Signature

For Office Use Only
_____ Income Limit
_____ Income Limit of Household

Appendix C

Sample Format for Computing Census Long Form Annual Income

Name:					Identification No.:	
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
1. Totals	a.	b.	c.	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is *Annual Income*.....						2.

_X_____

Signature

For Office Use Only

_____ Income Limit

_____ Income Limit of Household

Appendix D

Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name:					Identification No.:
	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	e.
1. Wages, salaries, tips					
2. Taxable interest					
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)					
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					

	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	e.
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self-employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					
26. Subtract line 25 from line 16. This is *Adjusted Gross Income*					

X _____

Signature

For Office Use Only

_____ Income Limit

_____ Income Limit of Household

Appendix E

Sample Format for Computing Part 5 Adjusted Income

1. Annual Income. | 1. |
2. Number of family members (excluding head or spouse) under 18, disabled, or full-time students. | 2. |
3. Multiply line 2 by $480. | 3. |
4. Child care deduction (reasonable child care expenses for children age 12 and under). | 4. |

   [If family has disability assistance expenses or qualifies as an elderly family, proceed to line 5; otherwise, skip to line 13.]

5. Enter disability assistance expenses. | 5. |
6. Multiply line 1 by 0.03. | 6. |
7. Subtract line 6 from line 5. If negative, enter 0. | 7. |
8. Enter amount earned by family member enabled to work as a result of disability assistance expenses. | 8. |
9. Enter the lesser of lines 7 or 8. This is the disability assistance allowance. | 9. |

FILL IN LINES 10 THROUGH 12 FOR ELDERLY FAMILIES ONLY

10. Enter total medical expenses. | 10. |
11. Allowable medical expenses:
    - If the household reported no expenses in line 5, enter line 10 minus line 6.
    - If the household reported expenses in line 5, but line 7 is zero, enter line 10 minus (line 6 minus 5).
    - If the household reported expenses in line 7 and line 7 is greater than zero, enter line 10.

    | 11. |
12. Enter $400. | 12. |
13. Add lines 3, 4, 9, 11, and 12. | 13. |
14. Subtract line 13 from line 1. This is **Adjusted Income**. | 14. |

Appendix F

Sample Format for Computing Total Tenant Payment and PJ Subsidy

Rental Voucher Model

(This form is designed to continue from the Sample Format for Computing Part 5 Adjusted Income, presented in Chapter 4.)

15. Rent Standard	15.	
16. 30% of Monthly Adjusted Income ((line 14 ÷ 12) x 0.30).	16.	
17. Maximum Subsidy (line 15 minus line 16).		17.
18. Rent Charged by Owner.[1]	18.	
19. Utility Allowance — if any.	19.	
20. Gross Rent for the Unit (line 18 plus line 19).		20.
21. Gross Rent minus Maximum Subsidy (line 20 minus line 17).		21.
22. 10% of Monthly Gross Income (line 1 ÷ 12) x 0.10).	22.	
23. Total Family Contribution (higher of line 21 or line 22).		23.
24. Gross Rent minus Family Contribution (line 20 minus line 23).	24.	
25. Total Voucher Subsidy (lower of line 17 or line 24).		25.
26. PJ Payment to Owner (lower of line 18 or line 25).		26.
27. Family Rent to Owner (line 18 minus line 26).		27.
28. Utility Reimbursement — if any (line 25 minus line 26).		28.

[1] If this is a Section 236 or Department of Agriculture Rural Development Section 515 project, enter the lower of the project's market Rent or line 22, *but* never less than the project's Basic Rent.

Appendix G

Sample Format for Computing Total Tenant Payment and PJ Subsidy

Rental Certificate Model[2]

(This form is designed to continue from the Sample Format for Computing Part 5 Adjusted Income, presented in Chapter 4.)

15.	30% of Monthly Adjusted Income (line 14 ÷ 12) x 0.30).	15.	
16.	10% of Gross Monthly Income (line 1 ÷ 12) x 0.30).	16.	
17.	Welfare rent (if applicable).	17.	
18.	TOTAL TENANT PAYMENT (greater of lines 15, 16 or 17).		18.
19.	Contract Rent to Owners.	19.	
20.	Utility Allowance.	20.	
21.	Gross Rent (line 19 plus line 20).		21.
22.	Tenant Rent (line 18 minus line 20) If line 20 is greater than line 18, enter zero, and enter the *difference* in line 23.		22.
23.	Utility Reimbursement to Tenant (line 20 minus line 18 only if line 20 is greater than line 18).		23.
24.	PJ Payment to Owner (line 19 minus line 22).		24.

[2] Must be used for calculation of TTP when required for anti-displacement activities.

Appendix H

Sample Verification Forms for Determining Annual (Gross) Income

HOME Program Eligibility Release Form ____ 106

Verification of Employment ____ 107

Verification of Income from Business ____ 108

Verification of Social Security Benefits ____ 109

Verification of Pension and Annuities ____ 110

Verification of Veterans Administration Benefits ____ 111

Verification of Unemployment Benefits ____ 112

Verification of Public Assistance Income ____ 113

Verification of Child Support Payments ____ 114

Verification of Alimony or Separation Payments ____ 115

Verification of Recurring Cash Contributions ____ 116

Verification of Income from Military Service ____ 117

Verification of Assets on Deposit ____ 118

Verification of Assets Disposed ____ 119

Record of Oral Verification ____ 120

HOME Program
Eligibility Release Form

Organization requesting release of information (PJ name, address, telephone, and date)

Purpose: Your signature on this HOME Program Eligibility Release Form, and the signatures of each member of your household who is 18 years of age or older, authorizes the above-named organization to obtain information from a third party relative to your eligibility and continued participation in the:

HOME TBRA Program

HOME Homebuyer Program

HOME Rental Rehabilitation Program

HOME Homeowner Rehabilitation Program

Privacy Act Notice Statement: The Department of Housing and Urban Development (HUD) is requiring the collection of the information derived from this form to determine an applicant's eligibility in a HOME Program and the amount of assistance necessary using HOME funds. This information will be used to establish level of benefit on the HOME Program; to protect the Government's financial interest; and to verify the accuracy of the information furnished. It may be released to appropriate Federal, state, and local agencies when relevant to civil, criminal, or regulatory investigators, and to prosecutors. Failure to provide any information may result in a delay or rejection of your eligibility approval. The Department is authorized to ask for this information by the National Affordable Housing Act of 1990.

Instructions: Each adult member of the household must sign a HOME Program Eligibility Release Form prior to the receipt of benefit and on an annual basis to establish continued eligibility. Additional signatures must be obtained from new adult members whenever they join the household or whenever members of the household become 18 years of age.

NOTE: THIS GENERAL CONSENT MAY NOT BE USED TO REQUEST A COPY OF A TAX RETURN. IF A COPY OF A TAX RETURN IS NEEDED, IRS FORM 4506, "REQUEST FOR COPY OF TAX FORM" MUST BE PREPARED AND SIGNED SEPARATELY.

Information Covered: Inquiries may be made about items initialed by applicant/tenant.

	Verification Required	Initials
Income (all sources)		
Assets (all sources)		
Child Care Expense		
Handicap Assistance Expense (if applicable)		
Medical Expense (if applicable)		
Other (list) _____ _____		
Dependent Deduction _____ Full-Time Student _____ Handicap/Disabled Family Member _____ Minor Children		

Authorization: I authorize the above-named HOME Participating Jurisdiction and HUD to obtain information about me and my household that is pertinent to eligibility for participation in the HOME Program.

I acknowledge that:

(1) A photocopy of this form is as valid as the original.

(2) I have the right to review the file and the information received using this form (with a person of my choosing to accompany me).

(3) I have the right to copy information from this file and to request correction of information I believe inaccurate.

(4) All adult household members will sign this form and cooperate with the owner in this process.

Head of Household—Signature, Printed Name, and Date: Family Member HEAD

Other Adult Member of the Household—Signature, Printed Name, and Date: Family Member #2

Other Adult Member of the Household—Signature, Printed Name, and Date: Family Member #3

Other Adult Member of the Household—Signature, Printed Name, and Date: Family Member #4

VERIFICATION OF: Employment

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Employment Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Employed since: _____ Occupation: _____ Salary: _____ Effective date of last increase: ____ Base pay rate: $_____/Hour; or $_____/Week; or $_____/Month Average hours/week at base pay rate: _____ Hours No. Weeks ___, or No. Weeks ___ worked per year Overtime pay rate: $_____/Hour Expected weekly average number of hours overtime to be worked during next 12 months _____ Any other compensation not included above (specify for commissions, bonuses, tips, etc.): For: _____ $_____ per _____ Is pay received for vacation? ___ If yes, no. of days/yr.___ Total base pay earnings for past 12 mos. $_____ Total overtime earnings for past 12 mos. $_____ Probability and expected date of any pay increase: _____ Does the employee have access to a retirement account? ☐ Yes ☐ No If Yes, what amount can they get access to: $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date:_____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Income from Business

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Business Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Based on business transacted from _____ to _____ 1. Gross Income $_____ 2. Expenses (a) Interest on loans $_____ (b) Cost of goods/materials $_____ (c) Rent $_____ (d) Utilities $_____ (e) Wages/salaries $_____ (f) Employee contributions $_____ (g) Federal Withholding Tax $_____ (h) State Withholding Tax $_____ (i) FICA $_____ (j) Sales tax $_____ (k) Other: _____ $_____ _____ $_____ _____ $_____ (l) Straight line depreciation $_____ Total Expenses $_____ 3. Net Income $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date:_____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Social Security Benefits

(Name of HOME Participating Jurisdiction)	**Social Security Data**
AUTHORIZATION: Federal Regulations require us to verify Social Security Benefit Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	_____ Date of birth _____ Gross monthly Social Security Benefit amount, type of benefit _____ Gross monthly Supplemental Security Income payment amount (including state supplement), type of benefit
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Pension and Annuities

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Pension and Annuities Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Current monthly gross amount of pension or annuity $_____ Deductions from gross for medical insurance premiums $_____ Date of initial award _____ Effective date of current amount _____ Contributions to company retirement/pension fund $_____ Amount received in a lump sum $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Veterans Administration Benefits

(Name of HOME Participating Jurisdiction)

AUTHORIZATION: Federal Regulations require us to verify Veterans Administration Benefits Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.

Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.

Name of Veteran: _____

Address: _____

_____

Claim No.: _____

Date of Birth: _____

Service Dates: _____ to _____

Benefits Paid to: _____

1. Current Benefit Amount $_____
2. Original Start Date _____
3. This amount will increase/ decrease to (circle one) $_____

   Date Change Takes Effect _____
4. Benefits are for:
   - ☐ GI Bill Training
   - ☐ Insurance
   - ☐ Service Connected Compensation Disability (%) _____
   - ☐ Nonservice Pension Death
   - ☐ Service Connected Compensation Death
   - ☐ Other _____

     _____

RELEASE: I hereby authorize the release of the requested information.

_____

(Signature of Applicant)

Date: _____

Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.

Signature of _____ or Authorized Representative _____

Title: _____

Date: _____

Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Unemployment Benefits

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Unemployment Benefits Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	**Benefits** 1. Are benefits being paid now? ☐ Yes ☐ No 2. If yes, what is Gross Weekly Payment? $_____ 3. Date of Initial Payment _____ 4. Duration of Benefits _____ weeks Is claimant eligible for future benefits? ☐ Yes ☐ No 5. If yes, how many weeks? _____ weeks 6. If no, what is the termination date of benefits? _____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date:_____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Public Assistance Income

(Name of HOME Participating Jurisdiction)

AUTHORIZATION: Federal Regulations require us to verify Public Assistance Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.

Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.

Public Assistance Data	**Rate per Month**
Number in family: _____	
Aid to Families with Dependent Children	$_____
General Assistance	$_____
Does this amount include court-awarded support payments? ☐ Yes ☐ No	
Amount specifically designated for shelter and utilities	$_____
Other assistance—type: _____	$_____
Total Monthly Grant	$_____
Other income—Sources: _____	$_____
Maximum allowance for rent and utilities (as-paid states)	$_____
Amount of public assistance received during past 12 months	$_____

RELEASE: I hereby authorize the release of the requested information.

_____

(Signature of Applicant)

Date: _____

Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.

Signature of _____ or Authorized Representative _____

Title: _____

Date: _____

Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Child Support Payments

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Child Support Payments made to all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Name of Person Paying Child Support: _____ Address of Person Paying Child Support: _____ _____ _____ Support is for ☐ his ☐ her children. Name(s) of children being supported: _____ _____ _____ Amount of support: $_____ ☐ Week ☐ Month ☐ Year
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Alimony or Separation Payments

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Alimony and Separation Payments made to all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Name of Person Paying Alimony or Separation Payments: _____ Address of Person Paying Alimony or Separation Payments: _____ _____ _____ Name of person being supported: _____ Amount of support: $_____ ☐ Week ☐ Month ☐ Year
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Recurring Cash Contributions

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Recurring Cash Contributions made to all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Purpose of Cash Contribution: _____ _____ _____ _____ Amounts anticipated to be received during the next 12 months: Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____ Date: _____ $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF: Income from Military Service

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Military Service Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Years _____ and Months _____ of service for pay purposes. **Income:** Base and Longevity Pay $_____ Proficiency Pay $_____ Sea and Foreign Duty Pay $_____ Hazardous Duty Pay $_____ Subsistence Allowance $_____ Quarters Allowance (include only amount contributed by the Government) $_____ Number of dependents claimed _____ Imminent Danger Pay $_____ Other (explain): _____ _____ _____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Assets on Deposit

(Name of HOME Participating Jurisdiction)	Checking Account No.	Average Monthly Balance for Last 6 Months	Current Interest rate	
AUTHORIZATION: Federal Regulations require us to verify Assets on Deposit of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Savings Account No.	Current Balance	Current Interest Rate	Current Interest Rate
	Certificate of Deposit Account No.	Amount	Withdrawal Penalty	
Retirement Savings (IRA, Keogh, 401(k))	Account No.	Amount	Withdrawal Penalty	Current Interest Rate
Money Market Funds	Money Market Funds	Amount (Average 6-month Balance)	Interest Rate	

RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

VERIFICATION OF ASSETS DISPOSED

I/We certify that during the 2-year (24-month) period preceding the effective date of my certification or recertification of eligibility for program participation, I/we _____ have _____ have not disposed of more than $1,000 in asset(s) for less than fair market value.

If asset(s) were disposed of for less than fair market value, describe:

Asset	Date of Disposition
1.	
2.	
3.	

Amount received for asset(s) disposed of:

1. _____
2. _____
3. _____

_____ _____

Signature of Applicant Date

_____ _____

Signature of Spouse Date

RECORD OF ORAL VERIFICATION

APPLICANT INFORMATION

Re: _____

Address: _____

_____

Date Received: _____

INFORMATION VERIFIED

Item Verified: _____

Person Contacted: _____

Representing: _____

INFORMATION SUPPLIED

_____ _____

Signature of Person Receiving Verification Date and Time

Appendix I

Sample Verification Forms for Determining Part 5 Adjusted Income

Verification of Full-Time Student Status ____ 124

Verification of Medical Expenses ____ 125

Verification of Transportation to Medical Treatment ____ 126

Verification of Prescription/Nonprescription Expense ____ 127

Verification of Child Care/Dependent Care ____ 128

VERIFICATION OF: Full-Time Student Status

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Full-Time Student Status of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Name of Full-Time Student: _____ Name of institution: _____ _____ Address of institution: _____ _____ Check applicable box: Referenced individual ▯ is ▯ is not a full-time student in good standing at this institution. Years remaining to complete Degree or Program: _____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Medical Expenses

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Medical Expenses of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	This is to certify that _____ anticipates $_____ in medical expenses over the next 12 months.
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Transportation to Medical Treatment

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify expenses for Transportation to Medical Treatment for all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Number of Trips to Medical Treatment (yearly) _____ Cost per Trip $_____ Total Expense for Transportation to Medical Treatment $_____ or _____ miles traveled per year at a cost of _____ cents per mile for a total cost of $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Prescription/Nonprescription Expense

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Prescription and Nonprescription Expenses of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Prescription expenses for the months from _____ to _____. Average yearly cost for prescription medications that are not covered by Medicare or other insurance $_____ Average yearly cost for nonprescription drug items used for medical reasons (aspirin, pain relief medications taken by mouth or applied to the skin, antacids, etc.) $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.	

VERIFICATION OF: Child Care/Dependent Care

(Name of HOME Participating Jurisdiction) **AUTHORIZATION:** Federal Regulations require us to verify Child Care/Dependent Care Expenses of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Child Care/Dependent Care is performed on the following days for the hours indicated for the following person(s): _____ ☐ M Hours: From _____ AM to _____ AM _____ PM to _____ PM ☐ T Hours: From _____ AM to _____ AM _____ PM to _____ PM ☐ W Hours: From _____ AM to _____ AM _____ PM to _____ PM ☐ Th Hours: From _____ AM to _____ AM _____ PM to _____ PM ☐ F Hours: From _____ AM to _____ AM _____ PM to _____ PM ☐ Sat Hours: From _____ AM to _____ AM _____ PM to _____ PM ☐ Sun Hours: From _____ AM to _____ AM _____ PM to _____ PM Total hours per week: _____, per month: _____ Amount received for care from the family: $_____ ☐ per week; ☐ per month Amount received for care from others (if any) $_____ ☐ per week; ☐ per month Estimated cost of care for the next 12 months (include full-time summer care of school children, if applicable $_____
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Appendix J

Sample Annual Recertification of Income Forms (for Rental Housing Projects)

Recertification of Annual Income by Tenant Family ____ 132

Recertification of Annual Income by Government Programs ____ 133

Recertification of Annual Income by Tenant Family

Household Information

Household name: _____

Household size (total number in household): _____

Household members (list): _____ _____

_____ _____ _____

_____ _____ _____

Income Information

Annual (gross) income (total of all household members): $_____

I/we certify that this information is complete and accurate. I/we agree to provide, upon request, documentation on all income sources to (Name of PJ and/or Property Owner/Manager).

Signature of _____

or Authorized Representative _____

Title: _____

Date: _____

Telephone: _____

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Recertification of Annual Income by Government Programs

The purpose of this form is to certify that _____ (name of household) residing at _____ (address) receives benefits under _____ (name of government program). As such, the annual income of this household has been examined and determined to be below $_____ (income limit for the program for a family of ___ [household size]).

_____

Certified by:

Signature of Authorized Representative _____

Name (Print) _____

Title _____

Agency _____

Date _____

WARNING:

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