


**HCV Rent Calculation**



**Nan McKay**  
AND ASSOCIATES, INC.  
*Experience — Leadership — Collaboration*

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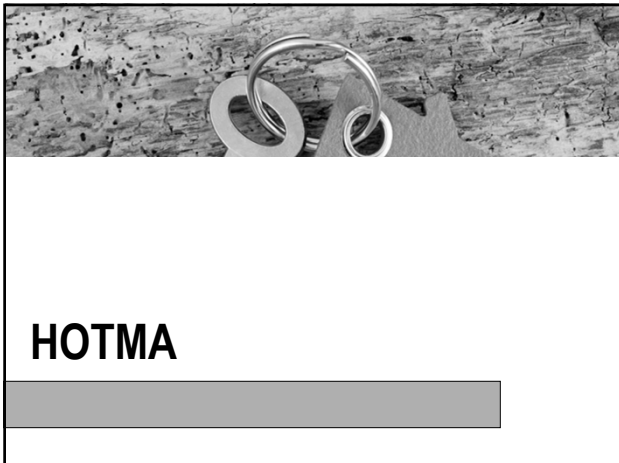
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**HOTMA**

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**Introduction**

- **Housing Opportunity Through Modernization Act of 2016 (HOTMA)**
- **Title I contains 14 sections that affect public housing and Section 8**
  - Initial rulemaking dealt with Sections 101, 105, 106, and 112 mostly impacted PBV and HQS



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### Final Rule

Section 102	• Income reviews
Section 103	• Public housing over-income families
Section 104	• Limitation on eligibility based on assets




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### Effected Programs

Public Housing	Section 8: HCV	Section 8: PBV (RAD and regular)
Section 8: Multifamily (RAD and regular)	HOME	HOPWA
Housing Trust Fund	202/811	CDBG

“The public should be aware that the effects of this rulemaking are not limited to the programs listed in this rule and preamble.”

✓ Example: LIHTC program follows the Section 8 definition of income




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### Implementation Timeline

7/29/16 • HOTMA enacted	2/14/23 • Final Rule published	9/29/2023 • Implementation guidance published
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Based on FY start date • PHA policies updated	No later than 1/1/25 • Compliance date
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**When does my policy need to be updated in 2024?**

FY Start Date	PHA Plan Submission Date	PHA Policy Completed	Draft PHA policy available for public comment	Announce public hearing
7/1/24	4/17/24	4/17/24	3/3/24	Mid-Feb
10/1/24	7/18/24	7/18/24	6/3/24	Mid-May
1/1/25	10/18/24	10/18/24	9/3/24	Mid-Aug
4/1/25	1/16/25	10/18/24*	9/3/24	Mid-Aug
	Required: 75 days prior to FY start date	*Latest compliance date is 1/1/25	Required: 45-day public comment period	Unless state law requires a longer period

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**What does this mean?**

- While PHA policies must be updated for HOTMA in 2024, the PHA chooses when in 2024 to comply with HOTMA
- With some exceptions, must implement all at once:
  - *“Once a PHA is ready to transition to the HOTMA rules, it must do so in all affected areas of operations”*




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**What does this mean?**

- Although HOTMA will not be implemented by the PHA until an unknown date in 2024, the PHA is required to update its policies in 2024
- During this transition period, the PHA will have two policies in place – one that is updated for HOTMA and their pre-HOTMA policy




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### Software Changes

- HUD is in the process of replacing PIC with the Housing Information Portal (HIP)
- HUD has been working with software vendors to prepare for the conversion




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### What is HIP?

- Housing Information Portal (HIP)
  - Upgrades and replaces PIC
  - According to HUD "...the current PIC system is outdated, unstable, and is need of myriad costly repairs and improvements."
  - System will be cloud-based
    - Should result in fewer outages
  - Enhanced ability for PHAs to run reports




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### What does this mean?

- The PHA cannot transition to HOTMA until:
  - The HIP system is operational and accepting certifications
  - The PHA's software has transitioned
- Bottom line: Don't just select a date. Talk to your software vendor first and often.




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### PHA Forms

- For certifications in calendar year 2024, the PHA must inform families under what rules the certification is conducted
  - The PHA must inform families whether their income determination is being conducted under the pre-HOTMA regulations or in accordance with the HOTMA Final Rule




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### Additional Guidance

- HUD HOTMA page:
  - [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/hotmaresources](https://www.hud.gov/program_offices/public_indian_housing/hotmaresources)
- Dedicated HOTMA email addresses
  - [HOTMAquestions@hud.gov](mailto:HOTMAquestions@hud.gov)
- NMA HOTMA Resources page
  - [Nanmckay.com/hotma](http://Nanmckay.com/hotma)




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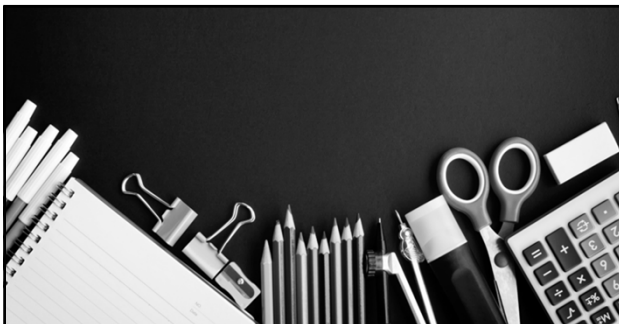
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### Chapter 1 Form HUD 50058

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**Learning Outcomes**

- Understand the purpose of the Form-50058 and the 50058 Instruction Booklet
- Review the Form HUD-50058

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**Form HUD 50058**

- New Form HUD 50058 issued in October 2023
- Updating for HOTMA
- Instruction booklet has not yet been released
- PHA may not begin using the form until 1/1/24 or later




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**Section 6**

**6. Assets**

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g, 6h, 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$	6h. \$	6i.
6j. Passbook rate (written as decimal)						6j.	
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.	




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**Section 7**

**7. Income**

7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PIA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions
				\$	\$	(7d minus 7e)
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
				\$	\$	
7g. Column total				\$	\$	\$
7h. Reserved						
7i. Total annual income: 6k + 7g						\$

**Over-Income Status (Public Housing Only)**

7j. What is the applicable over-income limit for families of this size?		\$	7j
7k. Is the family's annual income greater than the over-income limit?	<input type="checkbox"/> Y <input type="checkbox"/> N		7k
7l. If the family is over-income, note the start date of the 24 consecutive month grace period			7l

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**8. Deductions and Allowances**

8a. Total annual income, copy from 7f	\$	8a	
<b>Permissive Deductions</b>			
8b. Family Member Name	No.	8c. Type of permissive deduction	8d. Amount
			\$
			\$
			\$
			\$
			\$
			\$
8e. Total permissive deductions (sum of column 8d)			\$ 8e
<b>If headspouse/co-head is under 62 and no family member is disabled, skip to 8i</b>			
8f. Medical/disability threshold: 8a X 0.10			\$ 8f
8g. Total annual unreimbursed disability assistance expense (if no disability expenses, skip to 8k)			\$ 8g
8h. Maximum disability allowance: If 8g minus 8f is positive or zero, put amount			\$ 8h
If negative and headspouse/co-head is under 62 and not disabled, put 0			\$ 8h
If negative and headspouse/co-head is elderly or disabled, copy from 8g			\$ 8h
8i. Earnings in 7d made possible by disability assistance expense			\$ 8i
8j. Allowable disability assistance expense: lower of 8h or 8i (if 8g is less than 8f and headspouse/co-head elderly or disabled, copy from 8h)			\$ 8j
8k. Total annual unreimbursed health/medical expenses (if headspouse/co-head under 62 and not disabled, put 0)			\$ 8k
8l. Family is eligible for medical or child care expense hardship or both?			\$ 8l
8m. Total annual disability assistance and medical expense: 8j + 8k (if no disability expenses, copy from 8k)			\$ 8m
8n. Medical/disability assistance deduction: If no disability assistance expenses or if 8g is less than 8f, put 8m minus 8f (if 8m minus 8f is negative, put zero)			\$ 8n
If disability assistance expenses and 8g is greater than or equal to 8f, copy from 8m			\$ 8n
8p. Elderly/disability allowance			\$ 8p
8q. Number of dependents (people under 18, or with disability, or full-time student. Do not count head of household, spouse, co-head, foster child/adult, or live-in aide)			\$ 8q
8r. Allowance per dependent			\$ 8r
8s. Dependent allowance: 8q X 8r			\$ 8s
8t. Total annual unreimbursed child care costs			\$ 8t
8x. Total allowances: 8e + 8n + 8p + 8s + 8t			\$ 8x
8y. Adjusted annual income: 8a minus 8x (if 8x is larger, put 0)			\$ 8y

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**Section 9**

**9. Total Tenant Payment (TTP)**

9a. Total monthly income: 8a ÷ 12	\$	9a
9c. TTP if based on annual income: 9a X 0.10	\$	9c
9d. Adjusted monthly income: 8y ÷ 12	\$	9d
9e. Percentage of adjusted monthly income	\$	9e
9f. TTP if based on adjusted annual income: (9d X 9e) + 100	\$	9f
9g. Welfare rent per month (if none, put 0)	\$	9g
9h. Minimum rent (if waived, put 0)	\$	9h
9i. Enhanced Voucher minimum rent	\$	9i
9j. TTP, highest of lines 9c, 9f, 9g, 9h, or 9i	\$	9j
9k. Most recent TTP	\$	9k
9m. Qualify for minimum rent hardship exemption? (Y or N)	\$	9m

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**12. Housing Choice Vouchers: Tenant Based Vouchers**

12a	Number of bedrooms on voucher		12a
12b	Is family now moving to this unit? (Y or N)		12b
12c	Did family move into your PHA jurisdiction under portability? (Y or N) (If no, skip to 12g)		12c
12d	Cost billed per month (put 0 if absorbed)	\$	12d
12e	PHA code billed		12e
12f	Housing type	[ ] Group Home (prorate gross rent) [ ] Own manufactured home, lease space [ ] BRD, 1 room occupied by 1 person	
12g	Owner name		12g
12h	Owner I.D.N.S.S.N.		12h
12i	Payment standard for the family	\$	12i
12j	Rent to owner	\$	12j
12k	Is the family receiving a higher payment standard as a reasonable accommodation? (Y or N)		12k
12l	Utility allowance, if any	\$	12l
12m	Security deposit paid by the PHA on behalf of the family, if any	\$	12m
12n	Mobility-related services (1) Did the family receive mobility-related services? (Y or N) (2) Date family began receiving mobility-related services		12n(1) 12n(2)
12o	Costs not of land, 12n + 12m (or 0, whichever is lower)	\$	12o
12p	Lower of 12j or 12o	\$	12p
12q	HAF copy from 12p	\$	12q
12r	Total HAF: 12q minus 12r	\$	12r
<b>Rent Calculation (if prorated rent, skip to 12ab)</b>			
12s	Copy family share, 12p minus 12q	\$	12s
12t	HAF to owner, lower of 12j or 12s	\$	12t
12u	Tenant rent to owner, 12p minus 12q	\$	12u
12v	Utility reimbursement to family, 12a minus 12l, but do not exceed 12m	\$	12v
<b>Prorated Rent Calculation</b>			
12ab	Normal total HAF: copy from 12r, but do not exceed 12p	\$	12ab
12ac	Total number eligible		12ac
12ad	Total number in family		12ad
12ae	Priority percentage: 12ac ÷ 12ad		12ae
12af	Prorated total HAF: 12ab X 12ae	\$	12af
12ag	Apartment total family contribution: 12p minus 12af	\$	12ag
12ah	Utility allowance, copy from 12l	\$	12ah
12ai	Apartment family tenant rent to owner: 12ag	\$	12ai
12aj	Prorated HAF to owner: 12af minus 12ai	\$	12aj
12ak	Prorated HAF to owner: 12af minus 12ai	\$	12ak
<b>Additional Payments (not HAF)</b>			
12an	Additional financial support for tenant-based voucher family	\$	12an
12ao	Financial incentive for property owner	\$	12ao

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### Converting Income

- The PHA must convert all income to an annual figure on the 50058
  - Multiply weekly wages by 52
  - Multiply bi-weekly wages by 26
  - Multiply semi-monthly wages by 24
  - Multiply monthly wages by 12




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### Rounding

- Only whole dollar amounts are entered on the 50058
- Round down if less than 50 cents
  - $\$6.29 \times 2080 = \$13,083.20 = \$13,083$
- Round up if 50 cents or more
  - $\$6.31 \times 2080 = \$13,124.80 = \$13,125$
- Only enter whole dollar amounts on 50058




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### Converting Percentages to Decimals

- Move decimal two places to left and drop % sign
- 2.5% = .025
- 2% = .02



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**Chapter 2**  
**Income**

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### Learning Outcomes

- Define annual income
- Differentiate how income is treated for different household member and what is included and excluded
- Calculate income for students
- Identify how to calculate different types of income and impute welfare income

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**Definition: Annual Income**

- **HOTMA extensively revised definition of annual income**
- **Regulation lists income that is excluded**
  - **Previous version of the regulation listed both inclusions and exclusions**
  - **All income is included unless specifically excluded**




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**§5.609 Annual income.**

(a) Annual income includes, with respect to the family:

(1) All amounts, not specifically excluded in paragraph (b) of this section, received from all sources by each member of the family who is 18 years of age or older or is the head of household or spouse of the head of household, plus unearned income by or on behalf of each dependent who is under 18 years of age, and

(b) Annual income does not include the following:




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**Definition: Earned Income**

- *Earned income* means income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment



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**Definition: Unearned Income**

- *Unearned income* means any annual income calculated under that regulations that is not earned income
  - Includes any pension or annuity, transfer payments (meaning payments made or income received in which no goods or services are being paid for, such as welfare, social security, and governmental subsidies for certain benefits), or any cash or in-kind benefits



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**Calculating Income**

- The methodology used for calculating annual income differs depending on whether income is being calculated at:
  - Initial occupancy/assistance
  - Interim reexam
  - Annual reexam



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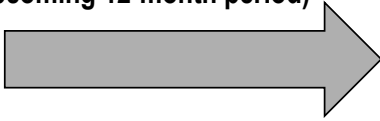
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### Calculating Income

- When calculating income at the time of admission to the program or during interim reexams, PHAs must use anticipated income (current income) (i.e., the family's estimated income for the upcoming 12-month period)



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### Calculating Income

- When calculating income at an annual reexam, the PHA uses the family's income for the previous 12-month period, but must make adjustments to reflect current income
- More on how to calculate income tomorrow



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### Income of Various Household Members



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Summary of Income Included and Excluded by Person	
Live-in aides	Income from all sources (both earned and unearned) is excluded [24 CFR 5.609(b)(8)].
Foster child or foster adult	Income from all sources (both earned and unearned) is excluded [24 CFR 5.609(b)(8)].
Head, spouse, or cohead Other adult family members	All sources of income not specifically excluded by the regulations are included [24 CFR 5.609(a)].
Children under 18 years of age	Earned income is excluded [24 CFR 5.609(b)(3)]. All other sources of unearned income, except those specifically excluded by the regulations, are included [24 CFR 5.609(a)].
Full-time students 18 years of age or older (not head, spouse, or cohead)	Earned income in excess of the dependent deduction is excluded [24 CFR 5.609(b)(14)]. All other sources of unearned income, except those specifically excluded by the regulations, are included.

\*Regulations no longer include reference to temporarily absent family members.




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### Minors

- **Exclude employment income of children under 18**
- **Include all unearned income**
  - **Except those amounts specifically excluded by regulations**
- **Include assets and asset income in net family assets**




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### Example

- **Amanda Allen (age 16) is a high school student who lives with her parents**
- **She works part-time after school earning \$15,000 per year**
- **She receives \$3,500 in SSI per year**
- **She has a non-interest-bearing checking account**


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### Example

- Since Amanda is a minor, the PHA will:
  - Exclude the full amount of employment income
  - Include unearned income from SSI
  - Consider her checking account when determining net family assets




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### Example

**7. Income**

7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions <small>(7d minus 7e)</small>	
Amanda Allen	3	SSI		\$ 3,500	\$	\$ 3,500	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
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				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
7g. Column total						\$	7g.
7h. Reserved							
7i. Total annual income: 6k + 7g							7i.

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### Full-Time Students

- Exclude earned income of a dependent full-time student in excess of the dependent deduction
  - Will adjust annually for inflation
  - Currently \$480
- Head, spouse, cohead are never considered full-time students




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### Full-Time Students

- Include all unearned income
  - Except those amounts specifically excluded by regulations
- Include assets and asset income in net family assets
- If the head, spouse, or cohead attends school full time, include all earned income




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### Full-Time Students

- How does HUD define “full-time” student?
  - 24 CFR 5.603 states: *A family member who attends school or vocational training on a full-time basis*
- Therefore, to be considered full-time, a student must be considered full-time by an educational institution with a degree or certificate program

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### Example

- Miriam Leslie (age 22) lives with her parents and is a full-time student
- She earns \$4,000 per year at her part-time job
- She receives \$3,500 in SSI per year
- She has a checking account




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### Example

- Since she is a dependent full-time student, the PHA will:
  - Include the first \$480 of her wages
  - Exclude the amount in excess of \$480 of her wages
  - Include all income from SSI
  - Her checking account is considered when determining net family assets




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### Example

7. Income						
7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
Miriam Leslie	3	S		\$ 3,500	\$	\$ 3,500
Miriam Leslie	3	W		\$ 4,000	\$ 3,520	\$ 480
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
7g. Column total						\$ 3,980 <sup>9</sup>
7h. Reserved						
7i. Total annual income: 6k + 7g						7l.

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### Temporarily Absent Family Members

- Regulations state that children who are temporarily absent due to placement in foster care continue to be counted as family members
- However, the regulations do not address any other type of temporarily absent family members




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### Temporarily Absent Family Members

- Since the regulations state to count all income unless it's specifically excluded, the PHA includes the income of temporarily absent family members
- The PHA should define temporarily absent in PHA policy since the regulations do not
  - For example, a family member who is working in another state on a temporary assignment




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### Temporarily Absent Family Members

- Once a family member is considered permanently absent, they are removed from the family composition and their income is not counted




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### Live-In Aides

- Both earned and unearned income is fully excluded
- Live-in aides are household members, not family members
- Ineligible for any deductions




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### Foster Children and Foster Adults

- Exclude payments received by the family
- Exclude income of foster children and adults
  - Both earned and unearned
- Household members, not family members



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### Kinship Care Exclusion

- “Kinship care” payments are excluded
  - State programs, sometimes called “Kin-GAP”
- Kin-GAP and “similar payments” are excluded as the equivalent of foster care payments

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### Learning Activity 2-1



- Income Inclusions and Exclusions for Different Household Members



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**Learning Activity 2-1 Answers**

- 1. The head of household's 16-year-old daughter works a part-time job at a fast-food restaurant and makes \$300 per week.
  - a. Include \$300 per week
  - b. Include \$480 per week
  - c. Exclude \$300 per week



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**Learning Activity 2-1 Answers**

- 2. The live-in aide works part-time at a hardware store and earns \$250 per week.
  - a. Include \$250 per week
  - b. Exclude \$250 per week



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**Learning Activity 2-1 Answers**

- 3. A full-time student who is not head, spouse, or cohead works at a grocery store and earns \$310 per week.
  - a. Include \$310 per week
  - b. Include \$480 for the year
  - c. Include \$480 per week
  - d. Exclude \$310 per week



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### Learning Activity 2-1 Answers

- 4. The head of household is temporarily absent (as defined by PHA policy) from the unit because they are working for a month in another state. They earn \$500 per week.
  - a. Include \$500 per week
  - b. Exclude \$500 per week



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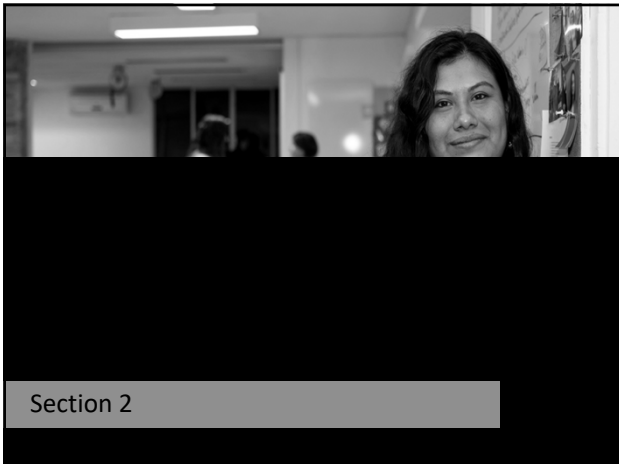
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### Definition: Earned Income

- *Earned income* means income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment



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### Earned Income

- Include in annual income the earned income of:
  - Each member of the family who is 18 years of age or older
  - Or who is the head of household or spouse or cohead regardless of age




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### Employment Income

- Full amount, prior to payroll deductions
- Includes overtime, commissions, fees, tips, bonuses

Company		Location		Employer Job Title	
Company Name	Address	City	State	Job Title	Pay Period
Company Name	Address	City	State	Job Title	Pay Period

Category	Rate	Hours	Amount	Category	Rate	Hours	Amount
Regular Pay	14.00	40	560.00	OT 15%	1.75	5	87.50
Overtime Pay	2.10	5	10.50	OT 20%	2.80	5	14.00
Total			579.00	OT 25%	3.50	5	17.50

Category	Rate	Amount	Category	Rate	Amount
Health Insurance	1.00	10.00	Retirement	1.00	10.00
Life Insurance	1.00	10.00	Union Dues	1.00	10.00
Disability Insurance	1.00	10.00	Professional Fees	1.00	10.00
Other Deductions	1.00	10.00	Total		50.00




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### Projecting Employment Income

- At initial occupancy and for any interim, the PHA is required to estimate the income of the family for the upcoming 12-month period
- Income calculation for an annual reexam differs and will be discussed in a later chapter on conducting annuals




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### Projecting Employment Income

- When pay stubs are used to calculate income, the PHA must collect a minimum of 2 current, consecutive paystubs dated within 120 days of receipt by the PHA
  - PHA must have a written policy on the number of paystubs required
  - All staff must apply policy consistently




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### Annualizing Employment Income

- HUD does not address how income from paystubs should be annualized
  - Average vs. year-to-date
  - Industry practice is to take an average of pay stubs
- PHA practice should be consistent regardless of what method is used




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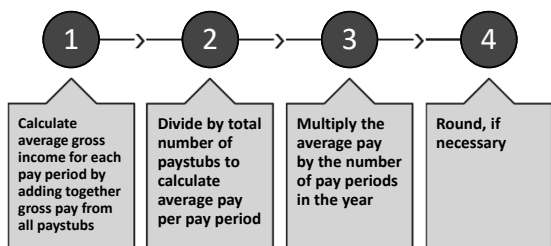
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### Annualizing Employment Income




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**Example**

- PHA policy calls for 4 pay stubs
  - Paystub 1: \$725.80 for May 1
  - Paystub 2: \$799.93 for May 15
  - Paystub 3: \$730.48 for June 1
  - Paystub 4: \$767.92 for June 15
- What is the annual income?




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**Example**

- Step 1:  $\$725.80 + \$799.93 + \$730.48 + \$767.92 = \$3,024.13$
- Step 2:  $\$3,024.13 \div 4 \text{ pay stubs} = \$756.03$
- Pay is semi-monthly (1<sup>st</sup> and the 15<sup>th</sup>)
- Step 3:  $\$756.03 \times 24 = \$18,144.72$
- Step 4:  $\$18,144.72$  rounds to  $\$18,145$




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**Seasonal Employment**




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**Seasonal Employment**

- Some occupations regularly work less than 12 months per year
  - School employees
  - Agricultural workers
  - Construction trades



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**Seasonal Employment**

- Earnings of seasonal workers or day laborers are included in annual income
- Even if the source, date, or amount of income varies



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**Definition: Seasonal Worker**

- An individual who is hired into a short-term position (e.g., for which the customary employment period for the position is 6 months or fewer); and
- The employment begins about the same time each year (such as summer or winter)
- Typically, the individual is hired to address seasonal demands that arise for the particular employer or industry

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**Seasonal Work**

- Some examples of seasonal work include employment limited to holidays or agricultural seasons
- Seasonal work may include but is not limited to employment as a lifeguard, ballpark vendor, or snowplow driver



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**Definition: Day Laborer**

- An individual hired and paid one day at a time without an agreement that the individual will be hired or work again in the future



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**Projecting Income from Seasonal Employment**

- Annualizing income from seasonal employment at new admission or interim can be challenging since it may not be possible to project income for the upcoming 12-month period



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**Projecting Income from Seasonal Employment**

- PHA may gather income from all sources over a specific time frame, average over that time frame, and then annualize over a full year




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**Projecting Income from Seasonal Employment**

- If it is not feasible to anticipate a level of income over a 12-month period
- Or the PHA believes that past income is the best available indicator of expected future income
- The PHA may annualize the income anticipated for a shorter period
  - Subject to redetermination at the end of the shorter period




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**Example 1: Seasonal Employment**

- Maggie Price is an applicant
- She is currently a tile setter earning \$1,200 per month
- For the last 3 years, she worked for 8 months during the construction season
- For the rest of the year (4 months) she worked part-time earning \$500 per month




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### Example 1: Seasonal Employment

- Based on her current paystubs and her tax information, the PHA performs the following calculation:



$$\begin{aligned}
 & \$1,200 \times 8 \text{ months} = \$9,600 \\
 & + \$500 \times 4 \text{ months} = \$2,000 \\
 & \hline
 & \$11,600 \text{ annual}
 \end{aligned}$$




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### Example 2: Seasonal Employment

- Derrick Jones is a new admission
- He is a house painter
- He works from April to September. He does not work in rain or windstorms.
- He does not receive pay stubs. The PHA contacts his employer who says over the last 3 years:
  - He worked on average 30 hours/week
  - He currently makes \$12/hour




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### Example 2: Seasonal Employment

- The PHA uses past income as the best available indicator of expected future income
- The PHA uses the average number of hours he's worked over the last three years multiplied by his current rate of pay




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**Self-Employment**




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**Self-Employment**

- Annual income include net income from the operation of a business or through self-employment
  - *Net income* is gross income minus business expenses that allows the business to operate
    - May deduct depreciation (straight-line), interest payments on loans, and all expenses other than those for expansion or capital improvements




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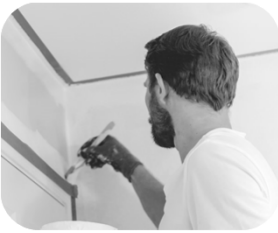

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**Example**

- A self-employed house painter owns a truck he uses for his business as well as several ladders, buckets, and spray guns
- He also purchases rollers and hand brushes each time he is hired to do a job


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### Example

- The painter may deduct the depreciation on his truck and ladders as well as the cost of the paint, paint thinner, disposable rollers and paint brushes he purchases throughout the year




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### Self-Employment

- 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

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### Example

- Donna Edwards is starting a new business as a dog walker. She is using \$500 of her own money to purchase leashes, dog treats, and to print fliers and advertise
- After several months, she withdraws \$500 from the business as a reimbursement of her initial investment




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### Example

- The \$500 is not considered income since it is a reimbursement of her own investment




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### Self-Employment

- If net income from a business is negative, no income is included in annual income
  - Example: Martin West is HOH
  - He earns \$35,000 per year wages
  - His spouse Amanda is self-employed
  - She has negative business income of -\$1,500
  - Amanda's loss does not offset Martin's wages

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### Independent Contractors

- Income received as an independent contractor is included in annual income
  - Even if the source, date, or amount of the income varies
  - Considered self-employed




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### Definition

- An individual who qualifies as an independent contractor instead of an employee in accordance with the Internal Revenue Code Federal income tax requirements and whose earnings are consequently subject to the Self-Employment Tax
- In general, an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done



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### Example: Independent Contractor

- Amanda Allen drives for Uber
- She files a 1099
- She is considered self-employed
- Whether she works full-time or part-time, her net income is included in annual income, even if her hours and pay vary



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### Earned Income Disallowance (EID)



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**Earned Income Disallowance (EID)**

- HOTMA removed the statutory authority for the EID
- Families continue to qualify through 12/31/2023
  - These families continue to receive the EID under current regulations
  - Full 24 months of exclusion




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**Earned Income Disallowance (EID)**

- As of 1/1/2024, no new families qualify
- The EID fully sunsets December 31, 2025




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**Example**

- Brad Green gets a new job on 11/12/23 and qualifies for the EID
- Per PHA policy, the PHA starts his EID clock on 12/1/23
- Brad is entitled to the full 24-months of EID
- His EID ends 12/1/25




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**Other Earned Income**



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**Military Pay**

- Count all regular pay, special pay, and allowances of member in armed forces
- Do not count special duty pay received for being exposed to hostile fire



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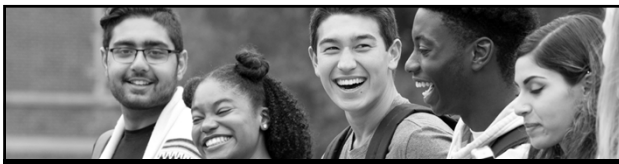
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### Student Loans

- Exclude the net amount disbursed by a lender to or on behalf of a borrower under the terms of a loan agreement received by the family or a third party




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### Educational Savings Accounts

- Any amount in or from, or any benefits, income, or distributions from, any Coverdell educational savings account or any qualified tuition program under IRS sections 529 and 530 is excluded from income




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### Student Financial Assistance




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**Pre-HOTMA Section 8 Student Rule**

- In 2005, Congress imposed restrictions on housing assistance to college students in Section 8 programs only
  - HCV
  - PBV
  - PBRA
- Does not apply to public housing



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**Pre-HOTMA Section 8 Student Rule**

- The Section 8 student rule has two parts:
  - Determining if the student is eligible for the program
    - This still applies post-HOTMA
  - Calculating student financial assistance
    - This may or may not apply post-HOTMA



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**Pre-HOTMA Section 8 Student Rule**

- Financial aid exceeding amounts received for tuition/required fees is included in annual income
  - Exclude financial aid paid to a student over the age of 23 *with* dependent children is excluded
  - Exclude if student lives with their parents



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**What's changed under HOTMA?**

- The Higher Educating Act requires that all assistance under Title IV of the HEA and Bureau of Indian Affairs student financial assistance be excluded
- However, for over 10 years, HUD appropriations have included the Section 8 student rule
- For any funds from a year where HUD's appropriations acts include this limitation, it applies




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**What changed under HOTMA?**

- For any funds from a year where HUD's appropriations act includes the Section 8 student rule, it applies, and the PHA will follow the pre-HOTMA rule
- During years in which HUD's appropriations act does not contain the student rule, then the determination of student financial assistance defaults to the HOTMA rule




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**Student Financial Assistance under HOTMA**

- HOTMA changed the rules on student financial assistance
- Creates two categories of student financial assistance




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### Two Types of Student Financial Assistance



Assistance under section 479B of the Higher Education Act of 1965

- Title IV of the HEA



Other student financial assistance




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### Title IV of the HEA



- Must be excluded from the family's annual income




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### Examples of Title IV



- Pell Grants
- Teach Grants
- Federal Work Study Programs
- Federal Perkins Loans
- Income earned in employment and training programs under section 134 of the Workforce Innovation and Opportunity Act (WIOA) (starting 1/1/24)
- Bureau of Indian Affairs/Education student assistance programs




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### Other Student Financial Assistance



- Exclude:
  - Any other grant-in-aid, scholarship, or other assistance amounts
  - For the *actual covered costs* charged by the institute of higher education
  - Not otherwise excluded by the Federally mandated income exclusions (i.e., Title IV of the HEA)




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### Definition: Actual Covered Costs

- The actual costs of:
  - Tuition, books, and supplies
    - Including supplies and equipment to support students with learning disabilities or other disabilities
  - Room and board
  - Other fees required and charged to a student by the educational institution




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### Definition: Actual Covered Costs

- And, for a student who is not the head of household or spouse/cohead, include:
  - The reasonable and actual costs of housing
  - While attending the institution of higher education
  - And not residing in an assisted unit




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**Student Financial Assistance**

- To qualify, assistance must be expressly:
  - For tuition, book, supplies, room and board, or other fees required and charged to the student by the educational institution;
  - To assist a student with costs of higher education; or
  - To assist a student who is not the head of household or spouse with the reasonable and actual costs of housing while attending the education institution and not residing in an assisted unit.




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**Types of Student Financial Assistance**

- Must be a grant/scholarship received from:
  - The Federal government
  - A State, Tribal, or local government
  - A private foundation registered as a nonprofit
  - A business entity
  - An institution of higher education




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**Student Financial Assistance**

- Does not include:
  - Financial support provided to the student in the form of a fee for services performed
  - Gifts, including gifts from family or friends




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**Student Financial Assistance**

- Applies to both full-time and part-time students
- May be paid directly to the student or to the educational institution on the student's behalf




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**What does this mean?**

- The amount of student financial assistance that helps the student with their actual educational expenses is not included in annual income
- Anything over that amount, may be included




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**What does this mean?**

- PHA needs to verify:
  - How much is the student's financial assistance?
  - Is any of the assistance coming from a source under Title IV of the HEA?
  - What are their actual covered costs to attend school?




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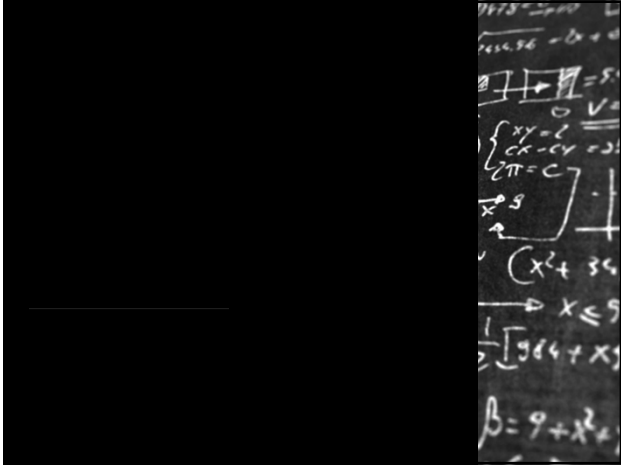
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**Example 1: HEA Assistance Only**

- If a student only receives financial assistance under Title IV of the HEA and does not receive any other student financial assistance
  - Exclude the full amount of the assistance received under Title IV
  - No need to calculate actual covered costs




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**Example 2: Other Assistance Only**

- If the student does not receive any assistance under Title IV of the HEA but does receive assistance from another source:
  - 1) Calculate actual covered costs
  - 2) Subtract the total amount of the student's financial assistance from the student's actual covered costs
  - 3) Include any amount of financial assistance in excess of the student's actual covered costs




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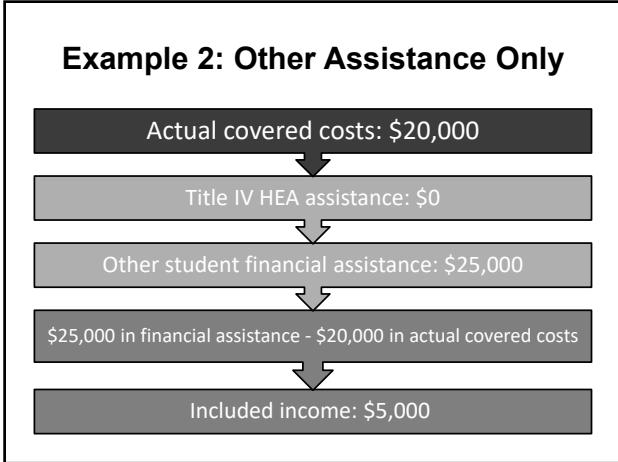
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**Example 3: Both**

- When a student receives assistance from both Title IV of the HEA and from other sources:
  - Calculate the actual covered costs
  - Assistance received under Title IV of the HEA is applied to the student's actual covered costs first
  - Then apply the other student financial assistance to any remaining actual covered costs



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**Example 3: Both**

- If the amount of assistance excluded under Title IV of the HEA equals or exceeds the actual covered costs, none of the student financial assistance is excluded from income



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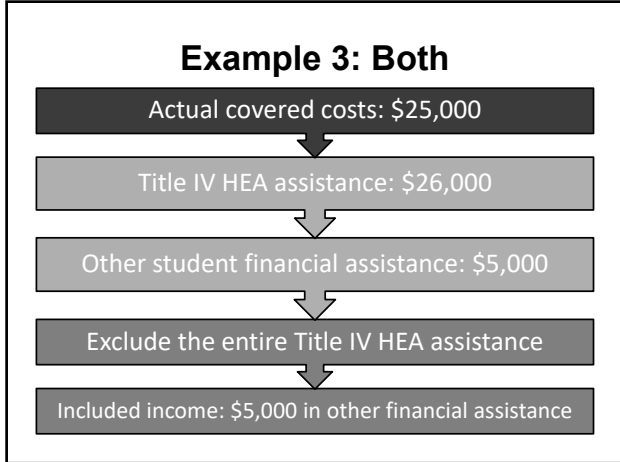
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**Example 3: Both**

- If the amount of assistance excluded under Title IV of the HEA is less than the actual covered costs, exclude the amount of other student financial assistance up to the amount of the remaining actual covered costs




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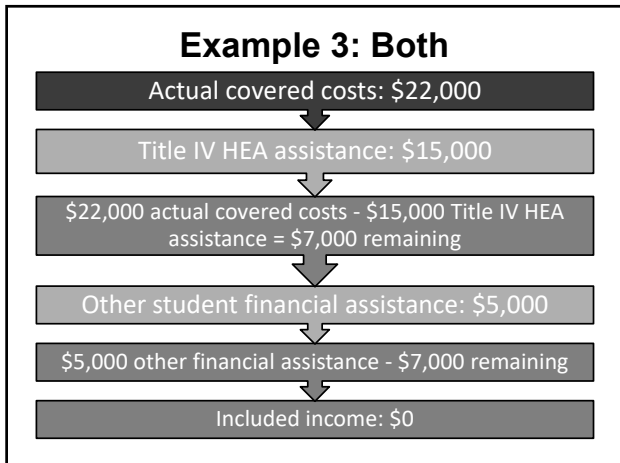
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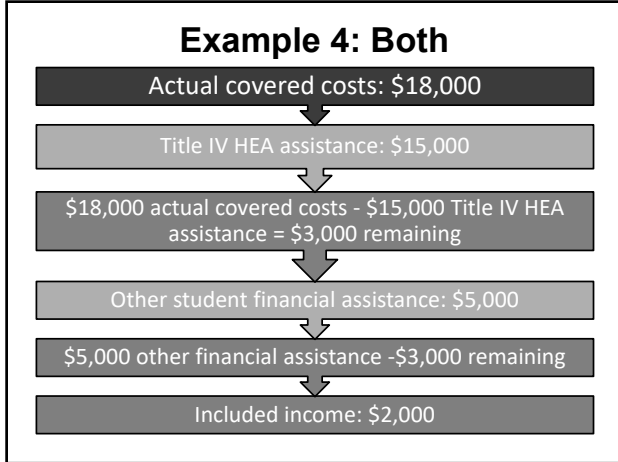
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**Learning Activity 2-2**



- Calculating Student Income



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**Scenario1**

- Herschel Kratz (age 52) is head of household. He goes to school full-time at a community college. He receives a Pell Grant in the amount of \$8,000 per school year. This is his only financial assistance. The PHA verifies his actual covered costs to attend school are \$1,200. Herschel also works part-time earning \$20,000 per year. What is his annual income?



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**Scenario 2**

- Marge Button (age 25) lives with her parents. She is a full-time student. She receives a scholarship from a local nonprofit group of \$1,000 per school year. This is the only student financial assistance she receives. The PHA verifies her actual covered costs to attend school are \$35,000 per year. She works part-time and earns \$9,000 per year. What is her annual income?



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**Scenario 3**

- Homer Samuels (age 21) lives with his parents. He attends school part-time. He works part-time earning \$15,000 per year. He has a student loan for the school year of \$25,000. He receives a scholarship from a business of \$10,000 per school year. This is the only student financial assistance he receives. The PHA verifies his actual covered costs to attend school are \$8,000 per year. What is his annual income?



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**Scenario 4**

- Ned Flannigan (age 22) lives with his parents. He attends school full-time. He receives an athletic scholarship from his school of \$50,000 per year. His actual covered costs to attend school are \$30,000 per year. He is in a Federal Work-Study program where he earns \$10,000 per school year working part-time. What is his annual income?



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**Periodic Payments**

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**Periodic Payments**

- **Periodic payments are income sources received on a regular basis**
  - **Weekly, monthly, or yearly**
  - **For example, payments from Social Security, SSI, annuities, pensions, disability, death benefits**
- **They are typically included in annual income**

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**Lump Sum Payments Counted as Income**

- Generally, lump sums received by the family are not considered income since they are nonrecurring
- However, lump sums caused by delays in processing periodic payments (such as welfare and unemployment) are included in annual income




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**Example: Lump Sum**

- Beverly Boone lost her job on Oct 19<sup>th</sup> and applied for unemployment
- On 12/6 she begins receiving regular payments of \$200 per week from unemployment
- She also gets a \$900 lump sum to cover the period from 10/19 to 12/5




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**Example: Lump Sum**

- The lump sum for the delayed start of unemployment benefits is included in her annual income as well as her weekly unemployment benefit amount




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**Exception: Certain Deferred Periodic Payments**

- Deferred periodic amounts from SSI and SS benefits or any deferred VA disability benefits that are received in a lump sum amount or in prospective monthly amounts are excluded from annual income




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**Example: Excluded Deferred Payment**

- Amanda Martinez applied for SSI two years ago
- When it was awarded, she received a one-time lump sum payment for \$8,000
- She also started receiving gross monthly SSI payments of \$500




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**Example: Excluded Deferred Payment**

- Include the gross amount of Wanda's monthly SSI
  - $\$500 \times 12 = \$6,000$
- Exclude the full amount of the lump sum
  - The lump sum may be an asset
  - More on this later




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### Social Security

- Include gross Social Security income prior to the Medicare deduction
  - Example:
    - SS payment is \$800 per month
      - \$174.70 subtracted for Medicare premium
    - Count \$800 per month as income

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### Reduction in Social Security Benefits

- If benefits reduced to make up for prior overpayments by SSA, include amount provided
  - Not amount that would have been provided if no error had been made

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### SS Garnishments

- NMA asked HUD about SS garnishments (for example, for back taxes or student loan debt)

Response:

*Under the final rule, annual income includes all amounts received, not the amount a family may be legally entitled to receive. To that end, the PHA would calculate the amount the family anticipates receiving after the garnishment. Additionally, the family must report income changes once the garnishment is no longer in place.*

- This is a change from previous HUD guidance

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### Example: SS Reduction

- Social security overpaid benefits for the past 6 months
  - Should have received \$1,100 per month
  - Family instead received \$1,200 per month
- SSA adjusts payment to recoup overpayment
  - \$1,000 per month for the next 6 months
- For the next sixth months, use the lower amount




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### Applying the COLA

- COLA announced annually in October
- Effective the day after SSA announces the COLA, the PHA must factor in COLA (if any)
  - For all annuals and interims that have not yet been completed and
  - Are effective January 1 or later of the following year




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### Example: Applying the COLA

- EIV shows Edward is currently receiving \$500 a month in SS
- The PHA is processing his annual in November which will be effective 2/1
- COLA announced 10/13: 3.6%
  - $\$500 \times 3.6\% = \$18$
  - $\$518 \times 12 = \$6,216$  effective 2/1




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### Retirement Accounts

- Any distribution of periodic payments from retirement accounts is income at the time it is received by the family




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### Retirement Accounts

- Previous guidance from HUD stated that the PHA would not include amounts withdrawn that are a reimbursement of the family's own investment
- This is no longer the case
- The PHA does not consider the family's investment and counts all periodic payments from retirement accounts




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### Alimony and Child Support

- Annual income includes "all amounts received," not the amount that a family may be legally entitled to receive but which they do not receive
  - For example, a family's child-support or alimony income must be based on payments received, not the amounts to which the family is entitled by court or agency orders




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**Nonrecurring Income**



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**Definition: Nonrecurring Income**

- Income that has a discrete end date and will not be repeated beyond the coming year during the family's next annual reexam period is excluded as nonrecurring



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**Periodic Payments vs Nonrecurring Income**

- However, this does not include unemployment income and other types of periodic payments if they are:
  - Received at regular intervals
  - For a period of greater than one year
  - And can be extended



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### Self-Certification of Nonrecurring Income

- The PHA may accept a self-certification from the family stating that income will not be repeated in the coming year




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### Example: Nonrecurring Income

- The Watts family is a new admission
- They receive income from a guaranteed income program in their city
- The payments will end 6 months after the family is admitted to the program




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### Example: Nonrecurring Income

- While the guaranteed income will be repeated in the coming year, it will end before the family's next annual
- The income is fully excluded




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**Example: Regular Income**

- In February, the PHA is conducting an annual for Lillian Gonzalez, effective 5/1/24
- She states she receives monthly payments for participation in a research project that is expected to last for 18 months and will end on 9/30/25 the following year




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**Example: Recurring Income**

- The PHA includes this as income because the amounts will be received through the next annual reexam




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**Example: Recurring Income**

- For the 5/1/25 annual reexam, Lillian provides a letter stating that the income will end on 9/30/25
- The PHA will exclude the income received after the 5/1/25 annual reexam




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**Insurance Payments and Settlements**

- The regulations state to exclude insurance payments and settlements for personal or property losses
  - Including but not limited to payments under health insurance, motor vehicle insurance, and workers' compensation




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**Insurance Payments and Settlements**

- However, periodic payments paid at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that are received in lieu of wages for workers' compensation are included in annual income




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**What does this mean?**

- Excluded
  - Payments received in lieu of wages for workers' compensation, even if paid in periodic payments, that will last for a period of less than one year
- Included
  - Workers' compensation paid at regular intervals for a period of greater than one year




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### Example: Workers' Comp

- Heather Cooper was injured in a work accident
- At her annual she states she is receiving worker's compensation equal to her salary paid in biweekly installments for a period of 8 months
- The amount is excluded




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### Nonrecurring Income

- Income excluded as nonrecurring includes:
  - Nonrecurring payments made to the family or to a third-party on behalf of the family to assist with utilities;
  - Payments for eviction prevention;
  - Security deposits to secure housing;
  - Payments for participation in research studies (depending on the duration); and
  - General one-time payments received by or on behalf of the family




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### Nonrecurring Income

- Income excluded as nonrecurring includes:
  - Payments from the U.S. Census Bureau for employment lasting no longer than 180 days
  - Direct federal or state payments for economic stimulus or recovery
  - State or federal refundable tax credits or tax refunds
  - Gifts for holidays, birthdays, or other significant life events or milestones




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### Nonrecurring Income

- Lump-sum additions to net family assets, including but not limited to lottery or other contest winnings
  - May be counted as an asset




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### Example: Lottery Winnings

- Trevor Lucky bought 10 lottery tickets
- One of the tickets won him \$1,000
- The winnings are a one-time, lump-sum and are not included in annual income




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### Example: One-Time Lump Sum

- Logan fundraises \$5,000 online to help pay for personal expenses
- The PHA verified with Logan that this was a one-time solicitation for donations of cash and that Logan does not intend for this to be a recurring source of income




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**Example: One-Time Lump Sum**

- The \$5,000 is a one-time, lump sum and should not be included in his annual income calculation




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**Example: One-Time Lump Sum**

- At his next annual, the PHA verifies Logan solicited for donations online a second time and raised an additional \$4,500
- Logan certified that he does not intend for this to be a recurring source of income, but, because the PHA can establish a pattern, the \$4,500 is not considered a lump-sum and should be included in the annual income calculation




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**In-Kind Donations**

- Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization are excluded
  - Whether they are recurring or non-recurring
- Non-recurring, non-monetary in-kind donations from friends and family are excluded
  - Because they are non-recurring income




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### Regular Income

- Provided they do not meet the definition of non-recurring, the PHA includes regular contributions (cash or noncash) provided on a regular basis (recurring)
  - May include rent and utility payments paid on behalf of the family




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### Example: Non-Monetary, In-Kind Donation

- Jonas Crandall receives a basket weekly from the local food bank that includes both food and toiletries
- This is an in-kind donation from the local food bank
- The PHA must not include the basket items in annual income




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### Example: Regular Income

- Holly Hawes lives alone
- Her father does not live in her unit
- On average, he gives her \$100 each month to pay her utility bills
- Holly self-certifies that he has been paying her utility bills for the last 2 years and will continue to pay them in the upcoming year
- The \$100 per month is income




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**Zero Income Reviews**



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**Zero Income Review**

- Optional and not required by HUD
- Performed by the PHA for families who claim they do not receive income from any source, including from assets
- PHA requests that the family completes and signs a worksheet explaining how they pay for household expenses



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**Zero Income Review**

- Remember, the PHAs must not assign monetary value to nonmonetary in-kind donations from a food bank or similar organization received by the family



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### Zero Income Review

- PHAs may only conduct interims in accordance with the regulations and PHA policies
- Families who begin receiving income which does not trigger an interim should not be considered zero income
  - Even though the family's income is not reflected on 50058




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### Learning Activity 2-3



- Periodic Payments and Non-recurring Income




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### Scenario 1

- Stan Marshall (age 63) is head of household. He collects \$900 per month in Social Security, although \$178 is taken out for the Medicare premium. His daughter Wendy (age 32) and his grandson Eric (age 3) live with him. Wendy is entitled to collect \$300 per month in child support for her son Eric. However, the PHA verifies that she only collects an average of \$150 per month. This is her only source of income. What is the family's annual income?




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**Scenario 2**

- Paul Frink (age 42) is head household. He was recently injured on the job. At his 3/1 annual, he states he collects \$1,500 per month workers' compensation. This will last for six months after the effective date of his annual. He also states that he receives food from a local food pantry every Friday. What is his annual income?




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**Scenario 3**

- Wayland Burns (age 39) is head of household. He claims that he is zero income. When the PHA asks how he pays his expenses, he says he won the lottery last year and received a \$10,000 lump sum. He is living off the money. What is his annual income?




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**Scenario 4**

- Edna Kerr (age 63) and her husband Seymour (age 64) both receive Social Security benefits. She receives \$900 per month, but she was just informed the SSA overpaid her benefits for the last two years so she will only be receiving \$800 a month for the next year. Seymour's gross benefit amount is \$1,000 but he has \$200 per month taken out for a garnishment for back child support. What is their income?




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**Public Assistance Income**




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**Public Assistance**

- Include in annual income:
  - Temporary Assistance for Needy Families
  - SSI
  - General Assistance



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**Public Assistance in As-Paid States**

- Income regulations no longer include a reference to welfare assistance in as-paid states
  - New York, New Hampshire, and Vermont
- However, TTP regulations still state to consider welfare rent when calculating family's TTP




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### Rules for Certain Welfare Agency Sanctions

- Families who receive welfare benefits must participate in welfare’s economic self-sufficiency program to receive benefits
- When family has not complied with certain requirements of the welfare agency, the family’s benefits may be sanctioned – reduced

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### Welfare Agency Sanctions

- When the welfare agency imposes a sanction that reduces a family's welfare income because
  - The family commits welfare fraud, or
  - Fails to comply with welfare's economic self-sufficiency program or work activities requirement

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### Welfare Agency Sanctions

- The PHA
  - Must not reduce the family's rent, even though the welfare benefit income has been reduced
  - Must include in annual income an "imputed" welfare income
    - "Imputed welfare" – the amount family would have received if not for the welfare sanction

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### Specified Welfare Benefit Reduction

- Not applicable if welfare reduction is
  - Result of expiration of a time limit on receiving benefits
  - Family has complied with requirements but can't find a job
  - Due to noncompliance with other welfare agency requirements

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### Verification of Welfare Benefit Reduction

- Welfare agency, at request of PHA, will inform PHA of
  - Amount and term of welfare benefit reduction for family
  - Reason for reduction
  - Subsequent changes in term or amount of reduction

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### Imputed Welfare Income

- PHA will include imputed welfare income in annual income determination
- A family is receiving \$600/mo TANF benefits
  - Benefits stop due to welfare fraud
    - Imputed welfare income = \$600

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### Imputed Welfare Income

- Imputed welfare income is *offset (reduced)* by additional (new) income from other sources starting after sanction is imposed



ADDITIONAL INCOME



IMPUTED WELFARE INCOME




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### Imputed Welfare Income

- A family is receiving \$600/mo TANF benefits
- Benefits stop due to welfare fraud
  - Imputed welfare income = \$600
- The head begins working, earning \$300/mo
  - Employment income = \$300
  - Imputed welfare income = \$300
  - Total 50058 monthly income = \$600

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### Imputed Welfare Income

- A family is receiving \$600/mo TANF benefits
- Benefits are reduced to \$200 due to fraud
  - TANF income = \$200
  - Imputed welfare income = \$400
- The head begins working, earning \$300/mo
  - TANF income = \$200
  - Employment income = \$300
  - Imputed welfare income?
    - \$400 - \$300 = \$100
  - Total 50058 income = \$600

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### Imputed Welfare Income

- A family is receiving \$600/mo TANF benefits
- Benefits stop due to failing to participate in required economic self-sufficiency program
  - Imputed welfare income = \$600
- The head begins working, earning \$800/mo
  - Employment income = \$800
  - Imputed welfare income? \$0



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### Review of PHA Decision

- Family must be assisted at the time of the sanction
- Family may request an informal hearing to review determination of imputed welfare income amount
  - But not whether they should have been sanctioned by the welfare agency!



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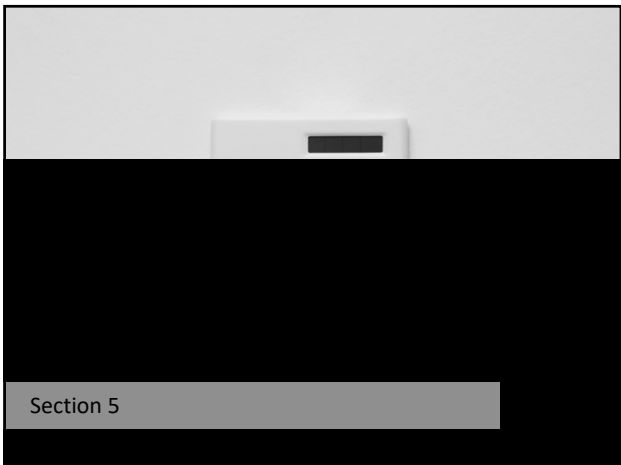
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Section 5

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**Health and Medical Care Reimbursements**

- Exclude amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member




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**Aid and Attendance to Veterans**

- Payments related to aid and attendance to veterans in need of regular aid and attendance are excluded
  - Program through the VA used to offset the cost of long-term care
- Exclusion applies only to veterans and not to other beneficiaries of the payments, such as a surviving spouse




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**Home-Based Care Payments**

- Exclude payments made by or authorized by a state Medicaid agency (including through a managed care entity) or other state or federal agency
- To a family to enable a family member who has a disability to reside in the family's assisted unit




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### Home-Based Care Payments



- Payments may include payments to a member of the assisted family to enable them to care for another family member who is disabled so that person may remain in the assisted unit




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### Home-Based Care Payments

- The old 24 CFR 5.609(c)(16) excluded:
  - Amounts paid by a State agency to a family with a member who had 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




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### What's different?

- Payments no longer need to offset the cost of services or equipment
- Covers all payments by state Medicaid-managed care system, other state agency, or authorized entity not just a state agency
- Applies to any family member with a disability, not just a developmental disability




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### Home-Based Care Payments

- Exclusion only applies to payments to the family member for caregiving services for another member of the assisted family residing in the unit
- Payments to the family member for caregiving services for someone who is not a member of the assisted family (such as for a relative that resides elsewhere) are not excluded from income




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### Example: Home-Based Care Payments

- Sally lives in a unit with her mother Barbara who is disabled and needs care services
- Barbara wishes to remain in the unit
- Sally is providing care services for her mom and gets direct payments from the state Medicaid agency




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### Example: Home-Based Care Payments

- Amounts paid directly to Sally by the state Medicaid agency are excluded




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**Civil Action Settlements**

- Exclude any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, which resulted in a member of the family becoming disabled




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**“Baby Bond” Accounts**

- Income earned by government contributions to, and distributions from “baby bond” accounts created, authorized, or funded by federal, state, or local government is excluded
  - Currently no federal program
  - Some states have programs




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**Plan for Achieving Self-Sufficiency (PASS)**

- Exclude PASS income
  - SSI recipients – training program
  - Disregarded while SSI disregards it

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**Publicly Assisted Programs**

- Exclude amounts specifically for reimbursement of out-of-pocket expenses to allow participation in a specific program




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**Resident Service Stipends**

- Received by a resident for performing a service for an owner
  - Fire patrol
  - Hall monitoring
  - Lawn maintenance
  - Serving on PHA board
  - Resident initiatives coordinator




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**Resident Service Stipends**

- Not to exceed \$200 per month
  - If individual receives an amount that exceeds \$200 per month, include the entire amount
- Individual cannot receive more than one such stipend at the same time




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### Training Programs

- Exclude all *incremental* earnings and benefits from training programs funded by HUD or qualifying federal, state, tribal, or local employment training programs and training of a family member as resident management staff
  - Includes programs not affiliated with a local government
  - No specific programs cited

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### Training Programs

- Incremental earnings:
  - Increase in total amount of benefits (TANF) and earnings of family member prior to enrollment in training program versus after enrollment

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### Training Programs

- Exclude incremental earnings and benefits only while the family member participates in the employment training program
- Definition of training program:
  - Clearly defined goals and objectives

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**Example: Training Program**

- Horatio Smith receives \$600 per month in TANF.
- He enrolls in a state employment training program
- He begins receiving \$750 per month in training income
- His TANF benefits stop




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**Example: Training Program**

- What income is included?
  - \$600
  - \$150 increase is excluded
- How long will it be excluded?
  - While he is in the program




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**Other Income Exclusions**

- Holocaust reparations payments
- Refunds and rebates for property taxes
- Adoption assistance payments in excess of the dependent deduction
  - Adjusted annually for inflation
  - Currently \$480

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**Loan Proceeds**

- Exclude the net amount disbursed by a lender to or on behalf of a borrower under the terms of a loan agreement
  - Received by the family or a third party
  - Examples include a private loan to enable a family member to go to school or to buy a car




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**Mismanagement of Assets Claims**

- Exclude payments received by tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States
  - To the extent such payments are also excluded from gross income under the Internal Revenue Code or other federal law
- See Notice PIH 2023-27 for more information




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**Housing Gap Payments**

- Exclude replacement housing “gap” payments that offset increased rent and utility costs to families that are displaced from one federally subsidized housing unit and move into another federally subsidized housing unit




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### Housing Gap Payments

- If the gap is reduced or eliminated because of a subsequent move by the tenant or change in subsidy, and the tenant continues to receive the payment, the payment that is no longer needed to close the gap should be counted as income



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### Civil Rights Settlements

- Exclude income from civil rights settlements or judgments
  - Including settlements or judgments for back pay regardless of how the settlement or judgement is structured
    - (i.e., as a lump sum or structured payment)
- May be counted toward net family assets



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### FSS Accounts

- Exclude income earned on amounts placed in a family's Family Self-Sufficiency (FSS) account
  - Interim or final distributions from the account are also excluded



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**Federally Mandated Exclusions**

- Food Stamps
- School Lunch Act and Child Nutrition Act
  - Including WIC
- Domestic Volunteers Services Act payments
- Heating assistance payments
- Workforce Investment Act of 1998
- AmeriCorps Living Allowance

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**Federally Mandated Exclusions**

- Any amounts in an “individual development account”
- Certain payments to Native Americans under Indian Settlements/Trusts
  - See list in book
- Spina Bifida and Agent Orange settlements
- Child Care and Development Block Grant Act

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**Federally Mandated Exclusions**

- Earned income tax credit refunds
- Robert T. Stafford Disaster Relief and Emergency Assistance Act and other state and local disaster assistance
- Title V of the Older Americans Act
  - Examples in book
- Crime victim compensation

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**Learning Outcomes**

- Calculate the cash value and anticipated income of assets
- Calculate imputed income when total cash value exceeds \$50,000 and the rate of return is unknown
- Distinguish between which assets are include and which are not
- Understand the PHA may accept self-certification of assets
- Identify assets disposed of for less than fair market value

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**Overview**

- Extensively revised definition of assets
- As with income, the regulation lists assets that are excluded
  - Previous version of the regulation listed both inclusions and exclusions

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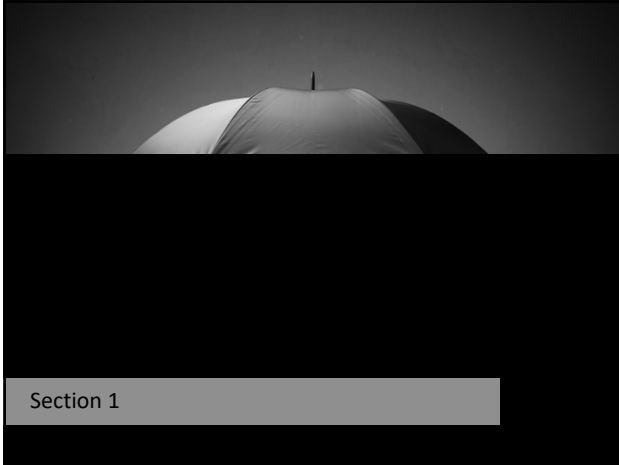
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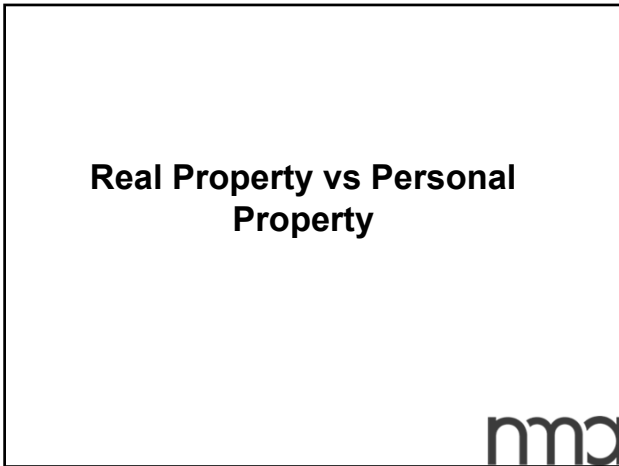
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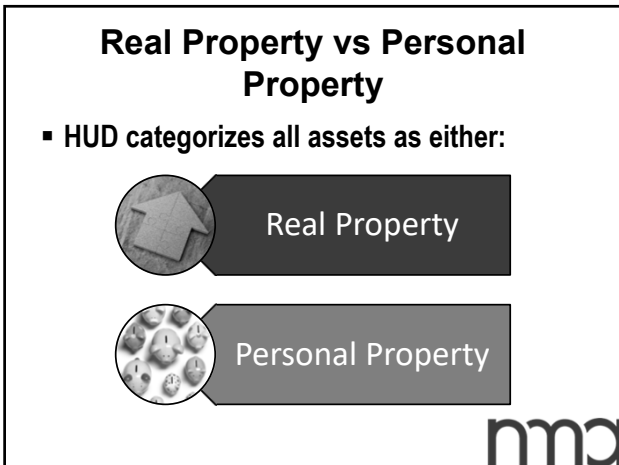
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Is the asset **real property** or **personal property**?



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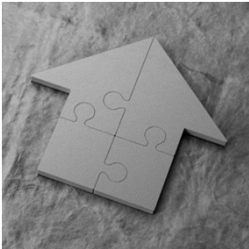
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**Real Property**

- Examples of real property are a home or a piece of land
- Equity in real property or other capital investments is considered an asset



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**Real Property**

- The PHA includes the net cash value of real property
- Net cash value is the market value minus reasonable costs that would be incurred in disposing of the real property
  - Including any mortgage debt or other monetary liens



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### Real Property

- However, real property is not an asset if the family does not have *effective legal authority* to sell it
  - Co-ownership situations (including situations where one owner is a victim of domestic violence), where one party cannot unilaterally sell the real property
  - Property that is tied up in litigation
  - Inherited property in dispute




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### Example

- Nancy is applying for assistance for herself and her two children
- She owns a home with her husband Paul
- Nancy self-certifies she is a victim of domestic violence, and Paul is the perpetrator
- She certifies she cannot sell the home since Paul is co-owner




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### Example

- Since Nancy does not have effective legal authority to sell the home, it is not considered an asset




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### Personal Property

- Items that are not real property are considered personal property
- Includes tangible items like boats and intangible items like bank accounts



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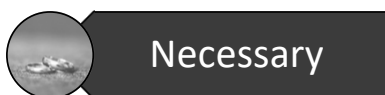
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### Personal Property

- HUD categorizes personal property as either:



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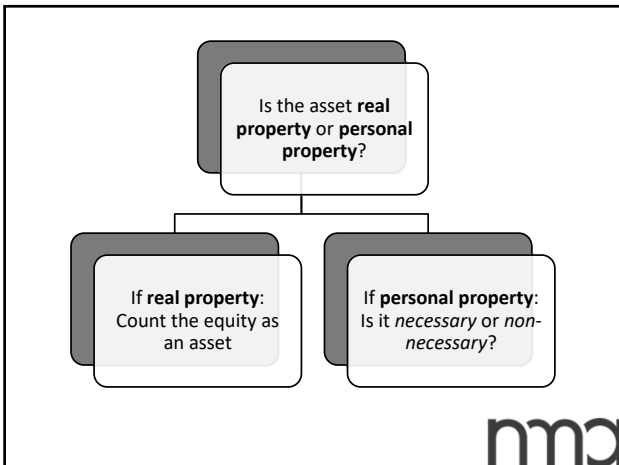
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**Definition:**  
**Necessary Personal Property**

- Items essential to the family for the maintenance, use, and occupancy of the premises as a home;
- Items necessary for employment, education, or health and wellness




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**Definition:**  
**Necessary Personal Property**

- Personal effects
- Items that are convenient or useful to a reasonable existence
- Items that support and facilitate daily life within the family's home




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**Definition:**  
**Necessary Personal Property**

- Items that assist a household member with a disability
  - Including any items related to disability-related needs
  - Or that may be required for a reasonable accommodation for a person with a disability




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**Examples**

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use
  - Bike, motorcycle, skateboard, scooter
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics
  - Radio, television, DVD player, gaming system




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**Examples**

- Clothing
- Personal effects that are not luxury items
  - Toys and books
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies




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**Examples**

- Religious and cultural items
- Medical equipment and supplies
- Health care-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade of the family




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**Examples**

- Equipment used for exercising
  - Treadmill, stationary bike, kayak, paddleboard, ski equipment
- Educational materials and equipment used by the family
  - Including equipment to accommodate persons with disabilities


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**Necessary Personal Property**

- Necessary personal property is excluded from assets


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**Non-Necessary Personal Property**

- Items of personal property that do not qualify as *necessary* are classified as *non-necessary*


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**Examples**

- Recreational car/vehicle not needed for day-to-day transportation for personal or business use
  - Campers, motorhomes, traveling trailers, all-terrain vehicles (ATVs)
- Bank accounts or other financial investments
  - Checking account, savings account, stocks/bonds
- Recreational boat/watercraft




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**Examples**

- Expensive jewelry without religious or cultural value or which does not hold family significance
- Collectibles
  - Coins/stamps
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.




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**Is it an asset?**

- Whether or not an item is considered an asset depends on:
  - Whether it is necessary or non-necessary
  - The total cash value of the family's non-necessary personal property




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### Asset Exclusion

- Non-necessary personal property where the combined total value does not exceed \$50,000 is not considered part of net family assets




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### Asset Inclusion

- Non-necessary personal property where the combined total value is greater than \$50,000 is considered part of net family assets




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### Summary

- If the combined total value does not exceed \$50,000, non-necessary personal property is not an asset
- If the combined total exceeds \$50,000, non-necessary personal property is an asset




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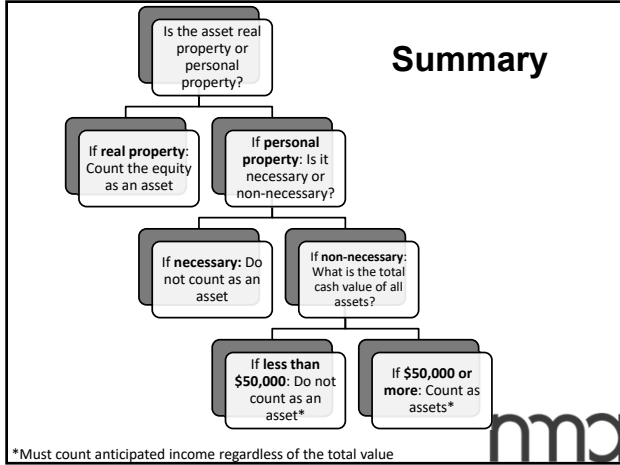
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### Example

- Martin Prince owns the following:
  - A coin collection worth \$10,000
  - An RV he uses for recreation worth \$30,000
  - A watch he inherited from his father worth \$20,000
  - A treadmill worth \$1,000


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### Example

- The watch and treadmill are necessary items of personal property
  - Excluded from net family assets
- The coin collection and RV are non-necessary personal property
  - Since their total value is \$40,000, the PHA will exclude Martin's non-necessary personal property




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**Bank Accounts**

- HUD considers bank accounts non-necessary items of personal property

<p>When the combined value of all non-necessary personal property does not exceed \$50,000</p> <p>↓</p> <p>Bank accounts are excluded from net family assets</p>	<p>When the combined value of all non-necessary personal property is greater than \$50,000</p> <p>↓</p> <p>Bank accounts are counted toward net family assets</p>
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**Bank Accounts**

- Actual income from checking and savings accounts is always included
  - Anticipated income must be recorded on the 50058 for every asset, regardless of the total value of net family assets



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**Bank Accounts**

- PHA policy establishes the value of checking and savings accounts
- When verification is required, the PHA must obtain a minimum of one statement that reflects the current balance of banking/financial accounts



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**Example 1: Bank Accounts**

- Kaitlin has a non-interest-bearing checking account worth \$2,300
- This is her only asset




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**Example 1: Bank Accounts**

- The checking account is excluded from net family assets since her non-necessary personal property does not exceed \$50,000
- Anticipated income recorded on the 50058: \$0




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**Example 2: Bank Accounts**

- Brett Dawes has the following:
  - A savings account worth \$8,000 that earns \$1 in interest annually
  - A non-interest-bearing checking account worth \$100




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### Example 2: Bank Accounts

- The checking and savings accounts are excluded from net family assets since his non-necessary personal property does not exceed \$50,000
- Anticipated income recorded on the 50058: \$1




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6. Assets							
6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Brett	1	svgs	N	\$	\$ 1	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$ 1	6h. \$	6i.
6j. Passbook rate (written as decimal)						6j.	
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.	




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### Investment Accounts

- HUD considers financial investments such as stocks and bonds non-necessary items of personal property
- The same rule applies to financial investments as for bank accounts




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### Investment Accounts

- Like with bank accounts, actual income from financial investments is always included in a family's annual income
  - When a stock issues dividends in some years but not others, the dividend is counted as the actual return when it is issued, but when no dividend is issued, the actual return is \$0
  - When the stock never issues dividends, the actual return is \$0




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### Example: Investment Accounts

- Diane Dutton has the following :
  - A savings account worth \$40,000 that earns \$13 in interest annually
  - Stocks with a cash value of \$15,000 that pay \$150 in dividends annually




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### Example: Investment Accounts

- The savings account and stocks are counted toward net family assets since her non-necessary personal property exceeds \$50,000
- Anticipated income recorded on the 50058: \$163




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<b>6. Assets</b>							
6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Diane	1	svgs	Y	\$ 40,000	\$13	\$	
Diane	1	stock	Y	\$ 15,000	\$150	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h, 6i. Total net family assets, total actual income, total imputed income				\$ 55,000	6g. \$ 163	6h. \$	6i.
6j. Passbook rate (written as decimal)							6j.
6k. Final asset income: 6h + 6i (see instruction booklet)							6k.




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### Real Property and Non-Necessary Property

- A family could have necessary personal property with a combined value that does not exceed \$50,000 but also own real property such as a parcel of land
  - The non-necessary personal property is excluded from net family assets
  - The real property is included in net family assets regardless of its value




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### Example

- Owen Howard has:
  - A vacant lot with a net cash value of \$40,000
  - A non-interest-bearing checking account worth \$1,000
  - A savings account worth \$2,000 that pays \$2 in interest annually




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### Example

- The total of Owen’s non-necessary personal property is \$3,000
  - Since his non-necessary personal property does not exceed \$50,000, the checking account and savings account are not counted toward net family assets
- The net cash value of the vacant lot is included in net family assets since its real property
- The \$2 in interest paid by his checking account is included as anticipated income




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#### 6. Assets

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Owen	1	svgs	N	\$	\$2	\$	
Owen	1	lot	Y	\$40,000	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$	6h. \$	6i. \$
6j. Passbook rate (written as decimal)						6j.	
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.	




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### Trusts




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**Trusts**

- **Two types of trusts:**
  - *Revocable trust* is a trust that the creator of the trust may amend or end (revoke) and has access to the funds
  - *Irrevocable trust* is a trust where the creator has no access to the funds in the account
    - Typically, special needs trusts are considered irrevocable




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**Trusts**

- **The PHA needs to determine:**
  - Is the trust under the control of a member of the household?
  - Is the trust counted toward net family assets?
  - Will the PHA count actual income (interest earned, rental income, etc.) from a trust?
  - Are distributions from the trust counted as income?




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<b>Trusts Not Under the Control of the Family</b>	
Types of trust	Irrevocable or revocable
	Grantor is not a member of the household
Is it an asset?	Excluded from net family assets
Actual interest earned	Actual income earned by the trust (e.g., interest) is excluded
Distributions	Counted, unless the distributions are principal or used to pay for the health and medical expenses of a minor

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Trusts Under the Control of the Family	
Types of trust	Revocable
	Grantor is a member of the household
Is it an asset?	Included in net family assets
Actual interest earned	Actual income earned by the trust (e.g., interest) is included
Distributions	Not considered income to the family

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**Example: Revocable Trust**

- Adam Chara lives alone
- He placed \$100,000 into a revocable trust for his grandson to be available upon his death
- The principal and interest are under his control, and he can amend the account to remove funds at any time


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**Example**

- The PHA counts \$100,000 in Adam's net family assets
- The PHA counts actual returns (interest) earned on the trust
- The PHA does not count any distributions from the trust


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**Example**

- Candy Kim has an irrevocable trust established by her parents for her care
- Last year she received \$18,000 payable in \$1,500 monthly increments
- The attorney managing the trust reported that \$3,500 of the funds were interest and \$14,500 was principal




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**Example**

- Since the trust is irrevocable, it is not counted as an asset
- The \$3,500 in interest payments each year are counted as income
- The \$14,500 in principal is not counted as income




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**Jointly Owned Assets**




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### Jointly Owned Assets

- Jointly owned assets are assets owned jointly by a member of the assisted family and one or more individuals outside of the assisted family




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### Jointly Owned Assets

- Include the total value of jointly owned assets in the calculation of net family assets unless:
  - The asset is otherwise excluded;
  - The family can demonstrate that the asset is inaccessible to them; or
  - The family cannot dispose of any portion of the asset without the consent of another owner who refuses to comply




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### Jointly Owned Assets

- If the family demonstrates that they can only access a portion of an asset, then only that portion's value is included in the calculation of net family assets for the family




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### Jointly Owned Assets

- Any income from a jointly owned asset must be included in annual income, unless:
  - The income is specifically excluded;
  - The family demonstrates that they do not have access the income from that asset; or
  - The family only has access to a portion of the income from that asset




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### Example: Jointly Owned Asset

- Katie is HOH and lives alone
- She is listed as a beneficiary on her mother's savings account
- She is only entitled to access the funds in the account on the death of her mother (the account's owner), and may not otherwise withdraw funds




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### Example Jointly Owned Asset

- The account is not an asset
- Katie should provide proper documentation demonstrating that she is only a beneficiary on the account




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**Lump Sums**



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**Lump Sums**

- One time lump-sum payments are considered part of net family assets when the payments are retained in the form of an asset that is not excluded from the definition of net family assets



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**Example: Lump Sum**

- Mia LaRue won a \$10,000 lump sum in the lottery
- She uses \$5,000 to buy a car and \$5,000 taking her family on vacation



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### Example: Lump Sum

- The payment is not income since it is a one-time lump sum
- Since none of the lump sum is retained as an asset, it is not counted toward Mia's net family assets




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### Federal Tax Refunds




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### Federal Tax Refunds

- All amounts received in the form of federal tax refunds or refundable tax credits are excluded from net family assets for a period of 12 months after receipt by the family




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**Federal Tax Refunds**

- At an annual or interim, if the federal tax refund was received during the 12 months preceding the effective date of the reexam, then the amount of the refund that was received by the family must be subtracted from the total value of the account in which the federal tax refund or refundable tax credits were deposited



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**Federal Tax Refunds**

- When the subtraction results in a negative number, then the balance of the asset is considered \$0



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**Federal Tax Refunds**

- If the tax refund or refundable tax credit is deposited into an excluded asset (such as a retirement account), then the deposit will have no effect on the balance of the asset



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### Verification

- The PHA is not required to verify the amount of the tax refund if the family's net assets are \$50,00 or less
  - Even in years where full verification is required or if the PHA does not accept self-certification of assets
- The PHA must verify the amount of the family's tax refund if the family's net assets are greater than \$50,000




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### Anticipated Income

- The anticipated income earned by the assets in which a family has deposited their federal tax refund or refundable tax credits must be included in the family's annual income
  - Unless the income is specifically excluded




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### Example: Tax Refunds

- Chris received a \$4,500 federal tax refund on 3/1
- He deposited the entire refund into his checking account
- This is his only asset
- At his 8/1 annual, he self-certifies that his account balance is \$10,000
- He reports his actual income from the checking account is \$100




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### Example: Tax Refunds

- The PHA must subtract the \$4,500 tax refund from the account's \$10,000 balance
- Cash value of the checking account is \$5,500
  - Since his non-necessary personal property does not exceed \$50,000, the PHA excludes the entire checking account
- The PHA includes \$100 as anticipated income




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#### 6. Assets

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Chris	1	chkg	N	\$	\$ 100	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$ 100	6h. \$	6i.
6j. Passbook rate (written as decimal)						6j.	
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.	




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### Life Insurance Policies




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### Life Insurance Policies

- The cash value of life insurance policies that are available to the participant before death are included in net family assets
  - Surrender value of a whole life or universal life policy
- Net family assets do not include the value of term life insurance
  - No cash value to the individual before death




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### Example: Whole Life Insurance

- James May has a whole life insurance policy with a face value of \$100,000 and a surrender value of \$30,000
- It pays a \$100 annual dividend




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### Example: Whole Life Insurance

- Net family assets will include \$30,000 for the life insurance policy
- The annual dividend of \$100 is included as actual income from the asset




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**6. Assets**

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income
James	1	lifeins	Y	\$ 30,000	\$100	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$ 30,000 6g.	\$ 100 6h.	\$ 6i.
6j. Passbook rate (written as decimal)						6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.




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**Retirement Accounts**




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**Retirement Accounts**

- **IRS-recognized retirement accounts are excluded from net family assets**
  - IRAs
  - Employer retirement plans
  - Retirement plans for self-employed individuals
- **Retirement accounts are not considered for the asset cap since they are excluded from net family assets**




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### Retirement Accounts

- Any income earned on the funds stored in a retirement account is not considered actual income from an asset
- Distributions of periodic payments are considered income when they are received




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### Summary

Is it an asset?	IRS-recognized retirement accounts are not assets and are not recorded in Section 6 of the 50058
Actual interest earned	Interest generated by a retirement account is not income and is not recorded in Section 6 of the 50058
Periodic payments	Periodic payments received by the family from a retirement account are income and are recorded in Section 7 of the 50058




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### Example: Retirement Account

- Hannah Hall (age 72) has an IRA
- Current balance is \$200,000
- The account pays approximately 2% interest annually
- She receives monthly payments from the account of \$800




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**Example**

- The account is not an asset
- The 2% interest earned on the account is not anticipated income since the account is not an asset
- However, the monthly payments are considered income




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**Other Asset Exclusions**




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**Other Asset Exclusions**

- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, which resulted in a family member being a person with a disability is excluded




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**Other Asset Exclusions**

- The value of certain education savings accounts such as Coverdell, 529, ABLE, or “baby bond” account created, authorized, or funded by federal, state, or local government is excluded




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**Other Asset Exclusions**

- Exclude:
  - Equity in a manufactured home where the family receives HCV assistance
  - Equity in property under the HCV Homeownership Option for which the family receives HCV assistance
  - Family Self-Sufficiency (FSS) accounts
  - Interest in Indian Trust Lands




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**ABLE Accounts**

- The entire value of the individual’s ABLE account is excluded from assets
- Actual or imputed interest on the account balance is not counted as income
- Distributions from the ABLE account are also not income
- See Notice PIH 2019-09




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**End of Day 1**



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