



INCOME, ASSETS & DEDUCTIONS

References

HUD Handbook 4350.3 REV-1 CHG-4

Converting Income

Multiply **weekly** wages by 52

Multiply **bi-weekly** wages by 26 (every other week)

Multiply **monthly** wages by 12

Multiply **semi-monthly** wages by 24 (twice per month)

Full time hours per year = 2080

Rounding

\$.49 or less – round down

\$.50 or more – round up

Only whole dollars amounts are entered onto Form-50059

Annual Income Definition

Annual income means all amounts monetary or not:

- Which go to or on behalf of the family head or spouse or to any other family member, or
- That are **anticipated** to be received from a source outside the family during the 12 months period following the admission or the annual reexamination effective date, and
- Which are not excluded by 24 CFR 5.609(c), and
- Also, includes amounts derived from assets to which any family member has access
- Always use **GROSS AMOUNT**

Whose Income Counts

- ❖ Head, Spouse, other adults – all sources of income not specifically excluded by regulations
- ❖ Full-time student – first \$480 of employment income
- ❖ Children under 18 – unearned income (such as SS, SSI)

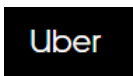
Types of Income

Earned Income – Wages

Unearned Income – Social Security, SSI, TANF, Pension

Gig Income

- ❖ Independent Contractors
- ❖ Receives a 1099 from company
- ❖ Expenses incurred – HUD is not the IRS



Temporarily Absent Members – Permanently Confined Family Member

Family member is permanently confined to a nursing home or hospital

Cannot be Head, Spouse or Co-Head of Household

2 Options

Temporarily Absent Members – Permanently Confined Family Member

Option 1

Remove Family Member

Do not count any income

Exclude all allowances / deductions (if applicable)

- Medical
- Elderly/Disabled

Reevaluate bedroom size (if applicable)

Temporarily Absent Members – Permanently Confined Family Member

Option 2

Keep Family Member in household

Count any income

Allow all allowances / deductions (if applicable)

- Medical
- Elderly/Disabled

Alimony and/or Child Support

Must count all Alimony / Child Support awarded by the court

UNLESS

Applicant/Resident certifies they are not receiving payments and have taken all reasonable legal actions to collect

If no court order,

Can require certification by family of received amount.

Regular Cash Contributions and Gifts

Mom pays car insurance every month	Count
\$25 from Granny for birthday	Do not count
Uncle give you \$100	Do not count
Friend buys you groceries	Do not count
Employer pays Metro for a monthly bus pass	Count

Income from a Business

Must include net income
(income minus business expenses)

Form 1099 Schedule C

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business
(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

OMB No. 1545-0074
2024
Attachment
Sequence No. **09**

Name of proprietor

Principal business or profession, including product or service (see instructions)

Business name, if no separate business name, leave blank.

Business address (including suite or room no.)
City, town or post office, state, and ZIP code

Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on losses ☐ Yes ☐ No

If you started or acquired this business during 2024, check here ☐ Yes ☐ No

Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ 1

2 Returns and allowances ☐ 2

3 Subtract line 2 from line 1 ☐ 3

4 Cost of goods sold (from line 42) ☐ 4

5 Gross profit. Subtract line 4 from line 3 ☐ 5

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) ☐ 6

7 Gross income. Add lines 5 and 6 ☐ 7

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising ☐ 8

9 Car and truck expenses (see instructions) ☐ 9

10 Commissions and fees ☐ 10

11 Contract labor (see instructions) ☐ 11

12 Depletion ☐ 12

13 Depreciation and section 179 expense deduction (not ☐ 13

18 Office expense (see instructions) ☐ 18

19 Pension and profit-sharing plans ☐ 19

20 Rent or lease (see instructions) ☐ 20

a Vehicles, machinery, and equipment ☐ 20a

b Other business property ☐ 20b

21 Repairs and maintenance ☐ 21

22 Supplies (not included in Part III) ☐ 22

7

Adjustments for Prior Overpayment of Benefits

If an agency is reducing a family's benefits to adjust for a prior **overpayment** (e.g., social security, SSI, TANF, or unemployment benefits), count the amount that is **provided** after the adjustment.

Example – Adjustment for Prior Overpayment of Benefits

Lee Park's social security payment of \$250 per month is being reduced by \$25 per month for a period of six months to make up for a prior overpayment. Count his social security income as \$225 per month for the next six months and as \$250 per month for the remaining six months.

Periodic Payments from Long-Term Care Insurance, Pensions, Annuities, and Disability or Death Benefits

- ❖ The full amount of periodic payments from **annuities, insurance policies, retirement funds, pensions, and disability or death benefits** is included in Annual income.
- ❖ Withdrawals from retirement savings accounts such as **Individual Retirement Accounts and 401K accounts** that are not periodic payments are not counted in annual income
- ❖ If the tenant is receiving **long-term care insurance payments**, any payments in excess of \$180 per day must be counted toward the gross annual income. (**NOTE:** Payment of long-term care insurance premiums are an eligible medical expense)

Resident Services Stipends

- ❖ If the resident stipend exceeds \$200 per month, owners must include the entire amount in annual income
- ❖ If the resident stipend is \$200 or less per month, owners must exclude the resident services stipend from annual income

School Employees

Works 10 months (September – June)

\$3,000 per month, no deductions

Option 1

$\$3,000 \times 12 = \$36,000$

Rent = \$900 per month (Sept – June)

June 1 – perform Interim to remove income

Rent - \$0 (July-August)

September 1 – perform Interim to add income

Option 2

$\$3,000 \times 10 = \$30,000$

Rent = \$750 per month

No Interim is performed

IHSS Income

- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home;

Income Exclusions

INCOME EXCLUSIONS:

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;

Income Exclusions – Most Common

- ❖ SNAP (Food stamps)
- ❖ Military Hostile Fire pay
- ❖ Deferred periodic payments from Social Security and SSI that are received in a lump-sum amount

Assets

- ❖ Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the *income* from that asset.
- ❖ Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset: it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.
- ❖ Some belongings of value are not considered assets. Necessary personal property is not counted as an asset.

Exhibit 5-2: Assets

NOTE: There is no asset limitation for participation in HUD assisted-housing programs. However, the definition of annual income includes net income from family assets.

A. Net Family Assets include the following:

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.
2. Revocable trusts. Include the cash value of any revocable trust available to the family. See discussion of trusts in paragraph 5-7 G.1.
3. Equity in rental property or other capital investments. Include the current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).

NOTE: If the person's main business is real estate, then count any income as business income under paragraph 5-6 G of the chapter. Do not count it both as an asset and business income.

4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of

Assets – Cash Value

Determine the cash value of an asset

The “cash value” of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as the following:

- ❖ Penalties for premature withdrawal;
- ❖ Broker and legal fees; and
- ❖ Settlement costs for real estate transactions.

The cash value is the amount the family could actually receive in cash, if the family converted an asset to cash.

Assets – Cash Value

Example

Real Property (Market Value)	\$50,000
Mortgage on property	\$10,000
Cost to sell property	<u>\$ 5,000</u>
Cash Value of property	\$35,000

Assets – Owned Jointly

If assets are owned by more than one person, prorate the assets according to the percentage of ownership

Assets – Determining Income

1. Determine if the assets earn any actual income
2. Are the cash value of family's assets \$5,000 or less?
 - ❖ If Yes – use actual income earned
 - ❖ If no, assets are greater than \$5,000
 - ☐ Calculate imputed income using HUD passbook rate
 - ☐ Compare actual income to imputed income
 - ☐ Use the greater of the two as the Asset Income

Deductions

- ❖ Dependent - \$480 per dependent
- ❖ Elderly / Disabled Family - \$400 per family
- ❖ Medical – expenses over 3% of annual income

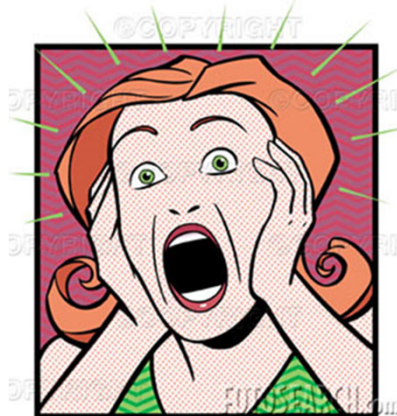
Child Care Deductions

Anticipated expenses for the care of children under age 13 (including foster children) may be deducted from annual income

Child Care Deductions

- ❖ The care is necessary to enable a family member to work, seek employment, or further his/her education (academic or vocational).
- ❖ The family has determined there is no adult family member capable of providing care during the hours care is needed.
- ❖ The expenses are not paid to a family member living in the unit.
- ❖ The amount deducted reflects reasonable charges for child care.
- ❖ The expense is not reimbursed by an agency or individual outside the family.
- ❖ Child care expenses incurred to permit a family member to work **must not exceed** the amount earned by the family member made available to work during the hours for which child care is paid.

HOTMA CHANGES



Income Exclusions

Insurance Payments from Personal or Property Loss

Currently – only of received as a lump-sum

HOTMA

- Payments through health insurance
- Motor Vehicle Insurance
- Property Insurance
- Workers Comp

John received \$10,000 from insurance due to property loss from a fire. Upon appeal, he received another \$5,000 - **Excluded**

Income Exclusions

Civil Settlements from an action that caused a disability

Resident's child is born with disabilities caused by toxic chemicals in the water while the resident was pregnant. County is court-ordered to pay \$900 per month to assist with child's disabilities. – **Excluded**

Income Exclusions

IHSS

Current – only if for the care of developmentally disabled resident

HOTMA – **all excluded**

Jenny receives IHSS income to take care of her disabled 20-year-old son so he can reside in the unit. – **excluded**

Jenny receives IHSS income to take care of her neighbor. - **included**

Annual Income

Child Support

Currently - Count what was awarded by court unless resident self certifies that payments are not being made and that he or she has taken all reasonable legal actions to collect amounts due

HOTMA – only count what is received

Safe Harbor Income Determination

Owners may determine a family's annual income, including income from assets, prior to the application of any deductions based on income determinations made within the previous 12-month period, using income determinations from the following types of means-tested federal public assistance programs:

- ❖ The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- ❖ Medicaid (42 U.S.C. 1396 et seq.).
- ❖ Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- ❖ The Earned Income Tax Credit (26 U.S.C. 32).
- ❖ The Low Income Housing Tax Credit (26 U.S.C. 42).
- ❖ The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786).

Safe Harbor Income Determination

- ❖ Supplemental Security Income (42 U.S.C. 1381 et seq.).
- ❖ Other programs administered by the Secretary.
- ❖ Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding.
- ❖ Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice.

Safe Harbor Income Determination

If an Owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, then they must obtain the income information by means of a third-party verification.

The third-party verification:

- ❖ must state the family size,
- ❖ must be for the entire family (i.e., the family members listed in the documentation
- ❖ must match the family's composition in the assisted unit, except for household members) and
- ❖ must state the amount of the family's annual income. The annual income need not be broken down by family member or income type.

Safe Harbor Income Determination

Owners **are not required** to accept or use determinations of income from other federal means-tested forms of assistance.

Owners **must** establish in policy whether and when they will accept Safe Harbor income determinations (e.g., at reexamination only or at admission and reexamination), including which programs from which they will accept income determinations.

Owners **must** also create policies that outline the course of action when families present multiple verifications from the same or different acceptable Safe Harbor programs (e.g., to accept the most recent income determination).

These policies **must be included in the Tenant Selection Plan**.

Determining Annual Income

Step 1:

Determine annual income for the previous 12-month period. If there have been no changes, use this amount. Review the following:

- EIV Income Report.
- Income reported on the most recent certification (AR/IR)
- What the family reported on their annual reexamination paperwork for the prior year's income

Determining Annual Income

Move-In / Initial Certification



Annual / Interim Certification



Determining Annual Income

Wages			
Pay Period	Amount	FEIN	Employer Name and Address
Q1 of 2023	\$3,756.00	85-1066395	J CAVARI DELIVERY INC 3247 REDWOOD CANYON LN # C, BAKERSFIELD CA 93314-5256
Q4 of 2022	\$2,885.00	85-1066395	J CAVARI DELIVERY INC 3247 REDWOOD CANYON LN # C, BAKERSFIELD CA 93314-5256
Q3 of 2022	\$6,642.00	85-1066395	J CAVARI DELIVERY INC 225 S LAKE AVE STE 300, PASADENA CA 91101-3009
Q2 of 2022	\$420.00	85-1066395	J CAVARI DELIVERY INC 225 S LAKE AVE STE 300, PASADENA CA 91101-3009
Q1 of 2022	\$2,375.00	34-1441019	FEDEX HOME DELIVERY 1000 FEDEX DR, CORAOPOLIS PA 15108-9373

Determining Annual Income

Step 2:

Take into consideration any interim reexamination of family income completed since the last annual reexamination.

- If the site had executed an IR, use the annual income from that certification, unless there are additional changes.
- If the site had not executed an IR, or if there have been additional changes, proceed to Step 3.

Determining Annual Income

Step 3:

If there were changes in annual income not processed since the last reexamination, use current income.

If there are no reported changes, you may use documentation of the prior year's income for calculation purposes:

- EIV + self-certification (wages, SSI, SSA, unemployment)
- Year-end statement
- Paycheck with year-to-date amount
- Tax forms (1040, W2, 1099, etc.)

If there are changes between EIV and what the family reports, follow the verification hierarchy to determine income.

Assets - Necessary / Non-Necessary

Assets classified as

- ❖ Necessary
- ❖ Non-Necessary

Necessary Personal property is excluded from Net family assets

Table F1: Examples of Necessary and Non-Necessary Personal Property

Necessary Personal Property	Non-Necessary Personal Property
<ul style="list-style-type: none"> • Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (e.g., bike, motorcycle, skateboard, scooter) • Furniture, carpets, linens, kitchenware • Common appliances • Common electronics (e.g., radio, television, DVD player, gaming system) • Clothing • Personal effects that are not luxury items (e.g., toys, books) • Wedding and engagement rings • Jewelry used in religious/cultural celebrations and ceremonies • 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, for example professional books • Educational materials and equipment used by the family, including equipment to accommodate persons with disabilities • Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment) 	<ul style="list-style-type: none"> • Recreational car/vehicle not needed for day-to-day transportation (campers, motorhomes, travel trailers, all-terrain vehicles (ATVs)) • Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds) • Recreational boat/watercraft • Expensive jewelry without religious or cultural value, or which does not hold family significance • Collectibles (e.g., coins/stamps) • Equipment/machinery that is not used to generate income for a business • Items such as gems/precious metals, antique cars, artwork, etc.

Necessary / Non-Necessary

Fishing Boat

IRA / 401K

2 carat diamond engagement ring

Brand new Truck used for work

Restored 1966 Mustang Convertible

Baseball card collection valued at \$10,000

How to Treat

Fishing Boat

Non-Necessary

IRA / 401K

Not counted

2 carat diamond engagement ring

Necessary

Brand new Truck used for work

Necessary

Restored 1966 Mustang Convertible

Non-Necessary

Baseball card collection valued at \$10,000

Non-Necessary

Cross Family's Personal Property			
Item	Estimated Value	Type	Amount to be considered as non-necessary personal property
Checking account	\$5,000	Non-necessary Personal Property	\$5,000
Ring (engagement ring)	\$3,000	Necessary Personal Property	\$0
Recreational boat	\$15,000	Non-necessary Personal Property	\$15,000
Total Non-necessary Personal Property:			\$20,000

Assets - Net Family Assets **under** \$50,000

When the family's net family assets do not exceed \$50,000 (as adjusted for inflation), imputed income **is not calculated**.

Assets - Net Family Assets **over** \$50,000

Use Actual Income when possible

If no actual income – use imputed asset income for each asset

Current Rules	HOTMA
Imputed asset income on all assets if total are over \$5,000	Checking account – no actual income – use imputed
	Savings account – has actual income – use that

Example F10: Self-Certification of Net Family Assets

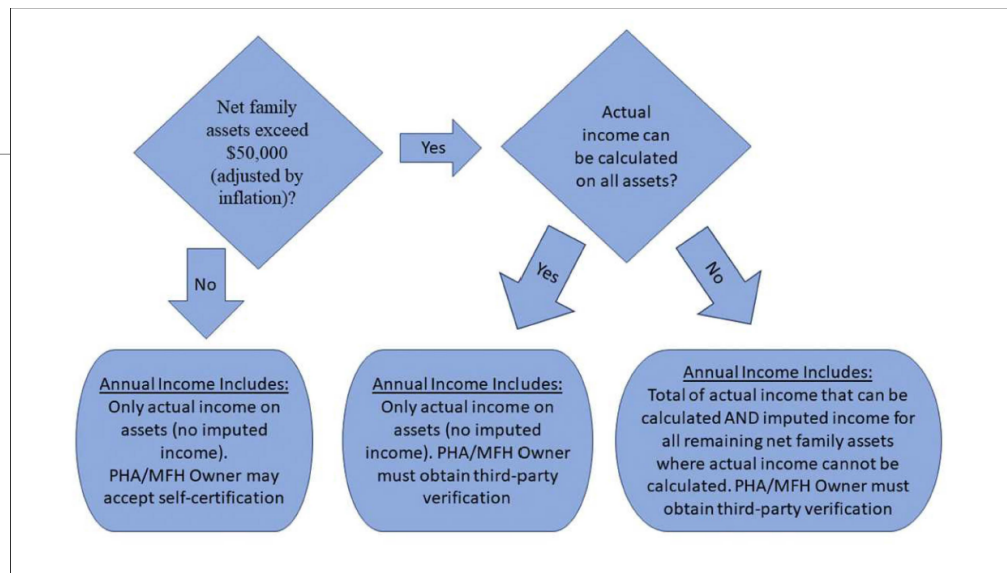
We know from Example F1 that the Cross family's net family assets are \$0. In this case, the checking account earns 0.07 percent interest annually.

Cross Family's Personal Property

Item	Estimated Value	Type	Amount to be Considered as Non-Necessary Personal Property
Checking account	\$5,000	Non-necessary personal property	\$5,000
Ring (engagement ring)	\$3,000	Necessary personal property	\$0
Recreational boat	\$15,000	Non-necessary personal property	\$15,000
Total Non-necessary personal property			\$20,000

Calculation of Cross Family's Total Net Assets

Asset	Total to be considered in Net Family Assets	Anticipated Income
Non-necessary Personal Property (Checking Account)	\$0	\$3.50
Real Property	N/A	N/A
Total:	\$0	\$3.50



Real Property

The real property restriction does not apply to the following: 24 ☐

- Any property for which the family is receiving assistance under 24 CFR § 982.620 (i.e., a manufactured home owned by a family who receives assistance to lease the space or lot in which it is located).
- Any property jointly owned by a family member and another individual who does not live with the family but who resides at the jointly owned property
- Any property owned by a family that includes a person who is a victim of domestic violence, dating violence, sexual assault, or stalking,
 - When a family requests an exemption from the real property limitation on this basis, the PHA/MFH Owner must accept self-certification and follow the confidentiality and documentation-request requirements
- Any property that the family is offering for sale. Documentary evidence of the sales process could include, for example, a contract with a real estate agent or a current real estate listing.

Real Property

Suitable for Occupancy by the family as a residence

Exception:

- Does Not meet disability-related needs for all family members
- Need for additional bedrooms
- Proximity to accessible transportation

Real Property

May not be Suitable for Occupancy

- If a property is geographically located so that the distance or commuting time between the property and the family's place of work or a family member's educational institution would create a hardship for the family (*as determined by the Owner*)
- The property is considered unsafe to reside in when the property's physical condition poses a risk to the family's health and safety and the condition of the property cannot be easily remedied.
- This could include where environmental factors outside the control of the family are contributing to the unsafe condition or where the alterations necessary to make the physical condition of the property safe are cost prohibitive.

Real Property

May not be Suitable for Occupancy

- A property that a family may not reside in under State or local laws of the jurisdiction where the property is located, is not a property that is suitable for occupancy by the family as a residence. This can happen when an assisted family owns a **commercial property** that cannot legally be occupied as a residence by the family, such as a convenience store or a retail establishment.
- May be various circumstances where a property may not be suitable for occupancy for a household with a member with disabilities

Real Property

Asset Limitations do not apply to a member of a family that *jointly owns real property with another non-household member that does not reside with the family when that non-household member lives in the jointly owned property.* This can apply in instances where a family member owns a fractional interest of a property with other relatives that do not reside with the family.

HUD notes that the real property would be considered an asset for purposes of determining: net family assets, annual income from net family assets and for purposes of determining if the family owns net family assets in excess of \$100,000

Medical Expenses

Increases **Elderly/Disabled Family Deduction** from \$400 to \$525

Medical Expenses – Phased in Relief

Existing Residents

If resident qualifies for deduction by effective date

Threshold to receive Health and Medical Expenses increases from 3% of annual income to 10% with a 24-month phase-in period.

- 1st AR after HOTMA Implementation – 5%
- 12 months after 5%– 7.5%
- 12 months after 7.5% – 10%

Medical Expenses – New admissions / ICs



Straight to 10%

Medical Expenses

New Admissions – 10%

New Admission - lived at another Section 8 property and was at the 5 or 7.5% phase-in – Owner policy to continue or not.

New Admission - lived at another Section 8 property. Obtained a hardship exemption at other property, O/A may continue exemption at their discretion or take family to 10%.

O/A can have a policy to continue phase-in amount (show previous 59 with phase-in amount)

Dependent Deduction

No changes now

If dependent deduction changes in future, Income exclusion of earned income of a minor will change to match.

Child Care Deductions

Example

Family no longer qualifies for childcare deduction because the childcare is no longer necessary to enable a family member to work or go to school. (The family member is now the caretaker for an ill friend or family member.)

The length of the hardship exemption could continue based upon the timing of the next regular reexamination.

The exemption and resulting adjusted income calculation must remain in place for up to 90 days, regardless of the timing of the circumstance of the exemption and the next regular reexamination

Owner may extend the exemption for another 90-days based on circumstances

Other

Annually recalculated values (will be published to the HUDUser website):

- Cap on Net Family Assets
- Mandatory deduction for Elderly/Disabled families
- Deduction for Dependents
- Passbook rate – changing to .45% (1/1/25)

HUD-9887 forms only need to be signed once during tenancy

Draft new 50059

Section D. Income Information								Section E. Asset Information					
71. Mbr. No.	72. Income Type Code	73. Verification Type	74. Amount	75. SSN Benefits Claim No.	81. Mbr. No.	82. Descriptio n	83. Verification Type	84. Included in Net Family Assets?	85. Status	86. Cash Value	87. Asset Income	88. Actual/Imput ed Income	89. Date Divest ed

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76. Total Employment Income 77. Total Pension Income 78. Total Public Assistance Income 79. Total Other Income 80. Total Non-Asset Income	90. Own Real Property? 91. Real Property Exemption? 92. Total Non-Enforcement of Asset Limit? 93. Limited Enforcement of Asset Limit? 94. Asset Limit Exception? 95. Meets Asset Limit Exception? 96. Total Cash Value of Net Family Assets 97. Actual Income from Net Family Assets 98. HUD Passbook Rate 99. Imputed Income from Net Family Assets 100. Total Asset Income
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