TEXAS DEPARTMENT OF STATE HEALTH SERVICES

Housing Opportunities for Persons with AIDS

Determining Household Annual Gross Income

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CONTENTS

Section 1. Introduction 2

Section 2. Key Regulations 2

Section 3. Key Requirements 2

Section 4. Method for Projecting and Calculating Annual Income 2

Section 5. Calculating Income – Elements of Annual Income 5

Section 6. Calculating Income from Assets 14

Exhibit 1: Income Inclusions and Exclusions 29

Exhibit 2: Assets 33

Exhibit 3: Acceptable Forms of Verification 36

DETERMINING HOUSEHOLD ANNUAL GROSS INCOME

This guide was adapted for the Texas Department of State Health Services Housing Opportunities for Persons with AIDS Program using the U.S. Department of Housing and Urban Development's Occupancy Requirements of Subsidized Multifamily Housing Programs (4350.3) Chapter 5: Determining Income and Calculating Rent and the Technical Guide for Determining Income and Allowances for the HOME Program, Third Edition. This guide is designed to complement DSHS HOPWA Program Form C: Household Income Eligibility Worksheet (Excel Version).

Section 1. Introduction

1. Project Sponsors must confirm household eligibility for participation in the Texas Department of State Health Services (DSHS) Housing Opportunities for Persons with AIDS (HOPWA) Program by obtaining proof of gross income for all household members 18 years of age and older at enrollment and subsequent recertifications. Documentation of income must cover the full 30 days preceding the date of enrollment at minimum. To be eligible, household annual gross income cannot exceed eighty percent (80%) of area median income as determined by HUD for the county in which the household resides. Household income eligibility must be documented and confirmed before the household is enrolled in the program and income eligibility must be recertified at least annually thereafter. HUD program regulations specify the types and amounts of income to be included in the calculation of annual income.
2. Although the definition of annual income shares similarities with rules used by the U.S. Internal Revenue Service (IRS), the tax rules are different from the HUD program rules.
3. The most frequent errors encountered in reviews of annual income determinations in household files include:
   - **A.** Households failing to fully disclose income information;
   - **B.** Errors in identifying required income exclusions; and
   - **C.** Annualization methodology

   Careful interviewing and thorough verification can minimize the occurrence of these errors.

Section 2. Key Regulations

24 CFR §5.609: Annual Income

Section 3. Key Requirements

1. Annual income is the amount of income that is used to determine a household's eligibility for assistance. Annual income is defined as follows:
   - **A.** All amounts, monetary or not, that go to or are received on behalf of the household head, spouse or co-head (even if the household member is temporarily absent), or any other household member; or
   - **B.** All amounts anticipated to be received from a source outside the household during the 12-month period following admission or annual recertification effective date.
2. Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 1, Income Inclusions and Exclusions, provides the complete list of income inclusions and exclusions published in the regulations and *Federal Register* notices.
3. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the household has access.

Section 4. Method for Projecting and Calculating Annual Income

1. The requirements for determining whether a household is eligible for assistance, and the amount of rent the household will pay, require the Project Sponsor to project or estimate the annual income that the household expects to receive. The following is an acceptable method for calculating the annual income anticipated for the coming year:
   - **A.** Generally the Project Sponsor must use current circumstances to anticipate income. The Project Sponsor calculates projected annual income by annualizing *current* income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will

last a full 12 months. If changes occur later in the year, an interim recertification can be conducted to document the change in household income.

Example – Calculating Anticipated Annual Income

Darla is a teacher's assistant. She works nine months annually and receives $1,426.00 per month. During the summer recess, she works for the Parks and Recreation Department for $600.00 per month. The Project Sponsor may calculate the household's income using the following method:

Calculate annual income based on current income: $17,112.00 ($1,426.00x12 months).

The Project Sponsor would then conduct an interim recertification at the end of the school year to recalculate the household's income during the summer months at reduced annualized amount of $7,200.00 ($600.00x12 months). The Project Sponsor would conduct another interim recertification when the household member returns to the nine-month job.

Form C – Line 1

Salaries	**Source 1**
Household member name	Darla
Income source	Teacher's Assistant
Pay frequency	Monthly
Amount received per paystub	$1,426.00
Pay frequency multiplier	12.00
Annualization	**$17,112.00**

2. Once all sources of income are known and verified, Project Sponsors must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:
   - **A.** Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
   - **B.** Weekly wages by 52;
   - **C.** Bi-weekly wages (paid every other week) by 26;
   - **D.** Semi-monthly wages (paid twice each month) by 24; and
   - **E.** Monthly wages by 12.

   To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

Examples – Annualizing Hourly Wages

This household has three members:

Blanche
Blanche is paid weekly for landscaping. In the last 30 days, Blanche was paid four times. After combining her pay stubs, Blanche worked a total of 160 hours, an average of 40 hours per pay stub at $7.25 per hour.

$7.25 per hour x
40 average hours per pay stub x
<u>52 weekly payments per year =</u>
$15,080.00 per year

Rose
Rose is paid daily for painting fences. In the last 30 days, Rose was paid 16 times, averaging 4 days of work per week at $8.16 per hour. After combining her pay stubs, Rose worked a total of 128 hours, an average of 8 hours per pay stub.

$8.16 per hour x
8 average hours per pay stub x
4 average days worked per week x
<u>52 weekly payments per year =</u>
$13,578.24 per year

Dorothy
Dorothy is paid bi-weekly for work at a fast food restaurant. She works part-time and her hours are inconsistent. In the last 30 days, Dorothy was paid 3 times. After combining her pay stubs, she worked a total of 111 hours, an average of 37 hours per pay stub at $7.95 per hour.

$7.95 per hour x
37 average hours per pay stub x
<u>26 bi-weekly payments per year =</u>
$7,647.90 per year

This household's annual gross income is $36,306.14.

Form C – Line 1

Wages	**Source 1**	**Source 2**	**Source 3**
Household member name	Blanche	Rose	Dorothy
Income source	Landscaping	Painting fences	Fast Food
Pay frequency	Weekly	Daily/Day Labor	Bi-weekly (every other week)
Average work days per week		4.00	
Hourly pay rate	$7.25	$8.16	$7.95
Combined wage hours of paystubs	160.00	128.00	111.00
Number of paystubs	4	16	3
Average wage hours per paystub	40.00	8.00	37.00
Pay frequency multiplier	52.00	52.00	26.00
Annualization	**$15,080.00**	**$13,578.24**	**$7,647.90**

3. Some circumstances present challenges to estimating anticipated income. Examples of challenging situations include a household that has sporadic work or seasonal income or a household member who is self-employed. In all instances, Project Sponsors are expected to make a reasonable judgment as to the most reliable approach to estimating what the household member will receive during the year. In many of these challenging situations, midyear or interim recertifications may be required to reflect changing circumstances. Some examples of approaches to more complex situations are provided below.

Examples – Irregular Employment Income
Seasonal Work: Clyde Kunkel is a roofer. He works from April through September. He does not work in rain or windstorms. His employer is able to provide information showing the total number of regular and overtime hours Clyde worked during the past 30 days. To calculate Clyde's anticipated income, use the average number of regular pay rate, and the average overtime hours times his current overtime rate. *Sporadic Work*: Justine Cowan is not always well enough to work full-time. When she is well, she works as a typist with a temporary agency. Last year was a good year and she worked a total of nearly six months. This year, however, she has more medical problems and does not know when or how much she will be able to work. Because she is not working at the time of her recertification, it will be best to exclude her employment income and remind her that she must return for an interim recertification when she resumes work. *Sporadic work*. Sam Daniels receives social security disability. He reports that he works as a handyman periodically. He cannot remember when or how often he worked last year: he says it was a couple of times. Sam's earnings appear to fit into the category of nonrecurring, sporadic income that is not included in annual income. Tell Sam that his earnings are not being included in annual income this year, but he must report to the Project Sponsor any regular work or steady jobs he takes. *Self-employment income*. Mary James sells beauty products door-to-door on consignment. She makes most of her money in the months prior to Christmas but has some income throughout the year. She has no formal records of her income other than a copy of the IRS Form 1040 she files each year. With no other information available, the Project Sponsor will use the income reflected on Mary's copy of her form 1040, $4,652.00, as her annual income.

Form C – Line 1

Wages	Source 1	Overtime	Source 1
Household member name	Clyde	Household member name	Clyde
Income source	Roofer	Income source	Roofer
Pay frequency	Daily/Day Labor	Pay frequency	Daily/Day Labor
Average work days per week	2.00	Average work days per week	2.00
Hourly pay rate	$9.65	Overtime pay rate	$14.47
Combined wage hours of paystubs	72.00	Combined overtime hours of paystubs	4.00
Number of paystubs	8	Number of paystubs	8
Average wage hours per paystub	9.00	Average overtime hours per paystub	0.50
Pay frequency multiplier	52.00	Pay frequency multiplier	52.00
Annualization	**$9,032.40**	**Annualization**	**$752.44**

Form C – Line 2

Self-employment	Source 1
Household member name	Mary
Business name	Beauty Product Sales
Annual business gross income	$4,652.00
Annual business-related expenses	$0.00
Annual business-related loan interest	$0.00
Annual business-related straight-line depreciation	$0.00
Annualization	**$4,652.00**

Section 5. Calculating Income – Elements of Annual Income

1. Income of Adults and Dependents
   - **A.** Figure 1 summarizes whose income is counted.
   - **B.** *Adults*. Count the annual income of the head, spouse or co-head, and other adult members of the household. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

NOTE: If an emancipated minor is residing with a household as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

C. *Dependents*. A dependent is a household member who is under 18 years of age, is disabled, or is a full-time student.

The head of the household, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of household dependents is counted and some is not.

i. Earned income of minors (household members under 18) is not counted.

ii. Benefits or other unearned income of minors is counted.

Figure 1 – Whose Income is Counted		
Members	**Earned Income**	**Other Income** *(including income from assets)*
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult (including foster adult)	Yes	Yes
Child under 18	No	Yes
Full-time student 18 and over	See note	Yes
Foster child under 18	No	Yes
Nonmembers	**Earned Income**	**Other Income** *(including income from assets)*
Live-in aide	No	No
Roommate(s)	No	No
Shared housing: Other household(s)	No	No
NOTE: The earned income of a full-time student 18 years of age and older who is a dependent is excluded to the extent that it exceeds $480.00.		

iii. When more than one household shares custody of a child and both families live in assisted housing, only one household at a time can claim the dependent deduction. The household that counts the dependent deduction also counts the unearned income of the child. The other household claims neither the dependent deduction nor the unearned income of the child.

iv. When full-time students who are 18 years of age or older are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of $480.00 per year for full-time students, age 18 or older, who are not the head of the household or spouse or co-head. If the income is less than $480.00 annually, count all the income. If the annual income exceeds $480.00, count $480.00 and exclude the amount that exceeds $480.00.

NOTE: If a household member meets these criteria, enter income data in Form C this way:

Form C – Line 1	
Wages	**Source 1**
Household member name	Clark
Income source	Coffee shop
Pay frequency	Monthly
Average work days per week	
Hourly pay rate	$40.00
Combined wage hours of paystubs	1.00
Number of paystubs	1
Average wage hours per paystub	1.00
Pay frequency multiplier	12.00
Annualization	**$480.00**

v. The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.

vi. All income of a full-time student, 18 years of age or older, is counted if that person is the head of the household, spouse, or co- head.
vii. Payments received by the household for the care of foster children or foster adults are not counted. This rule applies only to payments made through the official foster care relationships with local welfare agencies.
viii. Adoption assistance payments in excess of $480.00 are not counted.

2. Income of Temporarily Absent Household Members
   A. Project Sponsors must count all income of household members even if some members are temporarily absent.
   B. If the Project Sponsor determines that an absent person is no longer a household member, the Project Sponsor can conduct an interim recertification to document the change in household composition and income, if applicable.
   C. A temporarily absent individual on active military duty must be removed from the household, and his or her income must not be counted unless that person is the head of the household, spouse, or co-head.
      i. However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the household.
      ii. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

Examples – Income of Temporarily Absent Household Members

- John Chouse works as an accountant. However, he suffers from a disability that periodically requires lengthy stays at a rehabilitation center. When he is confined to the rehabilitation center, he receives disability payments equaling 80% of his usual income. During the time he is not in the unit, he will continue to be considered a household member. The Project Sponsor will conduct an interim recertification. Even though he is not currently in the unit, his total disability income will be counted as part of the household's annual income.

- Mirna Martinez accepts temporary employment in another location and needs a portion of her income to cover living expenses in the new location. The full amount of the income must be included in annual income.

- Charlotte Paul is on active military duty. Her permanent residence is her parents' assisted unit where her husband and children live. Charlotte is not currently exposed to hostile fire. Therefore, because her spouse and children are in the assisted unit, her military pay must be included in annual income. (If her dependents or spouse were not in the unit, she would not be considered a household member and her income would not be included in annual income.)

3. Deployment of Military Personnel to Active Duty
   Project Sponsors are encouraged to be as lenient as responsibly possible to support affected households in situation where persons are called to active duty in the Armed Forces. Specific actions that Project Sponsors should undertake to support military households include, but are not limited to:
   A. Allow a guardian to move into the assisted unit on a temporary basis to provide care for any dependents the military person leaves in the unit. Income of the guardian temporarily living in the unit for this purpose is not counted as income. Income of the guardian's children (e.g., SSI benefits, military benefits) is not counted as income.
   B. Exclude from annual income special pay received by a household member serving in the Armed Services who is exposed to hostile fire (see Exhibit 1).
   C. Give consideration for any case involving a household's inability to pay rent on time. Advocate for the household if the landlord/representative charge late fees or refuse to accept late payments from households.
   D. Allow housing assistance services to remain in effect for a reasonable period of time (depending on the length of deployment) beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. §§ 501-591, even though the adult members of the military household are temporarily absent from the assisted unit.

4. Income of Permanently Confined Household Members

A. An individual permanently confined to a nursing home or hospital may not be named as household head, spouse, or co-head but may continue as a household member at the household's discretion. The household's decision on whether or not to include the permanently confined household member as a household member determines if that person's income will be counted.

i. Include the individual as a household member and the income and allowable deductions related to the medical care of the permanently confined individual are counted; or

ii. Exclude the individual as a household member and the income and allowances based on the medical care of the permanently confined individual are not counted.

B. If the household elects to include the permanently confined member, the individual is considered an adult who is not the head, spouse, or co-head, even when the permanently confined household member is married to the person who is or will become the head of the household.

5. Educational Scholarships or Grants
All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income. This is true whether the assistance is paid to the student or directly to the educational institution.

6. Alimony or Child Support
Project Sponsors must count alimony or child support amounts awarded by the court unless the household member certifies that payments are not being made and that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

A. The Project Sponsor may accept printouts from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received.

B. Child support paid to the custodial parent through a state child support enforcement or welfare agency may be included in the household's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. In these states, it is important to determine which portion is child support and not to count it twice. In other states, the payment may be listed as child support or as "pass-through" payments. These amounts must be counted as annual income.

C. When no documentation of child support, divorce, or separation is available, either because there was no marriage or for another reason, the Project Sponsor may require the household to sign Self-Declaration of Income stating the amount of child support received.

7. Regular Cash Contributions and Gifts

A. Project Sponsors must count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the household, and other cash or non-cash contributions provided on a regular basis.

Examples – Regular Cash Contributions

- The father of a young single parent pays her monthly utility bills. On average he provides $100.00 each month. The $100.00 per month must be included in the household's annual income.

- A household member's daughter, who does not live in the unit, pays her mother's $175.00 share of rent each month. The $175.00 value must be included in the household member's annual income.

Form C – Line 7

Regular contributions or gifts	**Source 1**	**Source 2**
Household member name	Stacy	Martha
Income source	Cash from Father for utilities	Cash from Daughter for rent
Pay frequency	Monthly	Monthly
If "other," payments per year		
Amount received per payment	$100.00	$175.00
Lump-sum for pay delay (*not* deferral)	$0.00	$0.00
Pay frequency multiplier	12.00	12.00
Annualization	**$1,200.00**	**$2,100.00**

B. Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.

C. Temporary, nonrecurring, or sporadic income (including gifts) is not counted.

8. Income from a Business

A. When calculating annual income, Project Sponsors must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

B. When calculating net income, Project Sponsors must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements.

C. If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other household income.

9. Periodic Social Security Payments

Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support.

10. Adjustments for Prior Overpayment of Benefits

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

Example – Adjustment for Prior Overpayment of Benefits

Lee Park's Supplemental Security Income payment of $250.00 per month is being reduced by $25.00 per month for a period of six months to make up for a prior overpayment. Count his social security income as $225.00 per month. Recertify his income when it returns to $250.00.

Form C – Line 4

Social Security	**Source 1**
Household member name	Lee
Income source	Supplemental Security Income
Pay frequency	Monthly
If "other," payments per year	
Amount received per payment	$225.00
Lump-sum for pay delay (*not* deferral)	$0.00
Pay frequency multiplier	12.00
Annualization	**$2,700.00**

11. Public Assistance Income in As-Paid Localities

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

- **i.** In which the household receives an amount from a public agency specifically for shelter and utilities; and
- **ii.** In which the amount is adjusted based upon the actual amount the household pays for shelter and utilities.

B. The public assistance amount specifically designated for rent and utilities is called the "welfare rent."

C. To determine annual income for public assistance recipients in "as-paid" localities, include the following:

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

D. Each as-paid locality works somewhat differently, and many are subject to court-ordered modifications to the basic policy. Project Sponsors should discuss how the rules are applied with the HUD Field Office.

Example – Welfare Income in "As Paid" Localities

At application, a household's welfare grant is $300.00, which includes $125.00 for basic needs and $175.00 for shelter and utilities (based upon where the household is now living). However, the maximum the welfare agency could allow for shelter and utilities for this size household is $190.00.

Count the following as income:

	$125.00	Amount household receives for basic needs
+	$190.00	Maximum for shelter and utilities
	$315.00	Monthly public assistance income

Form C – Line 6	
TANF	**Source 1**
Household member name	Marsha
Income source	TANF
Pay frequency	Monthly
If "other," payments per year	
Amount per payment for basic needs	$125.00
Max allowable per payment for housing (if applicable)	$190.00
Lump-sum for pay delay (*not* deferral)	$0.00
Pay frequency multiplier	12.00
Annualization	**$3,780.00**

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

A. The full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits is included in annual income. (See subparagraph N below for information on the withdrawal of cash or assets from an investment.) Payments such as Black Lung Sick Benefits, Veterans Disability, and Dependent Indemnity Compensation for the Widow of a Killed in Action Serviceman are examples of such periodic payments.

B. Withdrawals from retirement savings accounts such as Individual Retirement Accounts and 401K accounts that are not periodic payments do not fall in this category and are not counted in annual income (see paragraph 6G.4).

Example – Withdrawals from IRAs or 401K Accounts

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn $2,000.00 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

C. If the household member is receiving long-term care insurance payments, any amounts in excess of $180.00 per day must be counted toward the gross annual income.

NOTE: Payment of long-term care insurance premiums is an eligible TBRA medical expense deduction.

D. Federal Government/Uniformed Services pension funds paid directly to a household member's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are not counted as annual income. The state court has, in the settlement of the parties' marital assets, determined the extent to which each party shares in the ownership of the pension. That portion of the pension that is ordered by the court (and authorized by the Office of Personnel Management (OPM), to be paid to the household member's former spouse is no longer an asset of the household member and therefore is not counted as income. However, any pension funds authorized by OPM, pursuant to a court order, to be paid to the former spouse of a Federal government employee are counted as income for a household member receiving such funds.

Example
Joan Carson is a retired Federal government employee receiving a retirement pension. She is also the recipient of TBRA services and involved in a divorce proceeding. In settling the assets of the marriage between Mrs. Carson and her former husband, the court ordered that one half of her pension be paid directly to her former husband in the amount of $20,000.00. The court provided OPM with clear, specific and express instructions acceptable for OPM to process the payment to Mrs. Carson's former husband. OPM authorized the payment of pension benefits to Mrs. Carson's former husband in the amount of $20,000.00. The $20,000.00 represents an asset disposed of as a result of a court decree. At the interim recertification, Mrs. Carson indicated a change in her income due to the court ordered payment of pension benefits to her former husband. The Project Sponsor requested that Mrs. Carson provide a copy of her statement from OPM evidencing the payment of pension benefits to her (her statement reflected the line item payment to her former husband due to the court order). That portion of the pension paid to her former husband no longer belongs to Mrs. Carson and is not counted as income.

The OPM is responsible for handling court orders (any judgments or property settlements issued by or approved by any court of any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, The Northern Mariana Islands, or the Virgin Islands in connection with the divorce, annulment of marriage, or legal separation of a Federal government employee or retiree) affecting current and retired Federal government employees. See 5 C.F.R. §838.103. OPM must comply with court orders, decrees, or court-approved property settlement agreements in connection with divorces, annulments of marriage, or legal separations of employees that award a portion of the former Federal government employee's retirement benefits. Id. at §838.101(a)(1). State courts ordering a judgment or property settlement in connection with divorce, annulment of marriage, or legal separation have the responsibility of issuing clear, specific, and express instructions to OPM with regards to providing benefits to former spouses. Id. at §838.122. In response to instructions from state courts, OPM will authorize payments to the former spouses. Id. at §838.121. Once the payments have been authorized by OPM, the reduced pension amount paid to the retired Federal employee (the household member) will be reflected in the household member's statement from OPM. Former spouses of Federal government employees receiving court ordered pension benefits are provided a Form-1099 reflecting pension benefits received from the retired Federal government employee. In verifying the income of household members, Project Sponsors should require that household members provide any copies of statements from OPM verifying pension benefits (including any reductions pursuant to a court order, decree or court-approved property settlement agreement), and any evidence of survivor benefits, pensions or annuities received from retired Federal government employees including, but not limited to, a Form-1099. (See paragraph 6G.5 for more information on the treatment of income from Federal government pensions.)

E. Other State, local government, social security or private pensions paid to a former spouse.
Other state, local government, social security or private pension funds paid directly to a household member's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are also not counted as annual income and should be handled in the same manner as 4, above. The decree and copies of statements should be obtained in order to verify the net amount of the pension that should be applied to determine income eligibility.

13. Income from Training Programs

A. Amounts received under HUD-funded training programs are excluded from annual income.

B. Incremental earnings and benefits received by any household member due to participation in qualifying state or local employment training programs are excluded. Income from training programs not affiliated with a local government is also excluded.

- **i.** Excluded income must be received under employment training programs with clearly defined goals and objectives and for a specific, limited time period. The initial enrollment must not exceed one year, although income earned during extensions for additional specific time periods may also be eligible for exclusion.
- **ii.** Training income may be excluded only for the period during which the household member participates in the employment training program.
- **iii.** Exclusions include stipends, wages, transportation or child care payments, or reimbursements.
- **iv.** Income received as compensation for employment is excluded only if the employment is a component of a job training program. Once training is completed, the employment income becomes income that is counted.
- **v.** Amounts received during the training period from sources that are unrelated to the job training program, such as welfare benefits, social security payments, or other employment, are not excluded.

14. Withdrawal of Cash or Assets from an Investment

The withdrawal of cash or assets from an investment *received as periodic payments* should be counted as income. Lump sum receipts from pension and retirement funds are counted as assets, not income. If benefits are received through periodic payments, do not count any remaining amounts in the account as an asset. See Paragraph 6G for guidance on calculating income from an asset.

15. Lump Sum Payments Counted as Income

A. Generally, lump sum amounts received by a household, such as inheritances, insurance settlements, or proceeds from sale of property are considered assets, not income.

B. When social security or SSI benefit income is paid in a lump sum as a result of *deferred periodic payments*, that amount is excluded from annual income.

C. Settlement payments from claim disputes over welfare, unemployment, or similar benefits may be counted as assets, but lump sum payments caused by *delays* in processing periodic payments for unemployment or welfare assistance are included as income.

How lump sum payments for delayed start of benefits are counted depends upon the following:

- **i.** When the household reports the change;
- **ii.** When an interim recertification is conducted; and
- **iii.** Whether the household's income increases or decreases as a result.

D. Lottery winnings paid in one payment are treated as assets. Lottery winnings paid in periodic payments must be counted as income.

Figure 2 – Treatment of Delayed Benefit Payments Received in a Lump Sum

A household member loses their job on October 19 and applies for unemployment benefits. The household receives a lump sum payment of $700.00 in December to cover the period from 10/20 to 12/5 and begins to receive $100.00 a week effective 12/6.

The Project Sponsor processes one interim re-examination immediately effective 11/1 and a second interim after unemployment benefits are known.

	10/1	11/1	12/1	1/1	1/1
Monthly gross income:	$800.00	$0.00*	$0.00*	$492.00**	$492.00**

* The household member's income is calculated at $0.00 per month beginning November 1, continuing until benefits actually begin and new income is calculated.
** Household's actual income for 1/1 is $100.00x52 weeks=$5,200.00/12=$433.00.
However, because the household's income was calculated at $0.00 for the months of November and December (the period eventually covered by the $700.00 lump sum payment caused by a delay in processing), the annual income to be used in calculating monthly gross income should be as follows:
$100.00x52 weeks=$5,200.00+$700.00 lump sum payment=$5,900.00 annual gross income/12=$492.00.

Form C – Line 5	
Unemployment	**Source 1**
Household member name	Gary
Income source	Unemployment
Pay frequency	Weekly
If "other," payments per year	
Amount received per payment	$100.00
Lump-sum for pay delay (*not* deferral)	$700.00
Pay frequency multiplier	52.00
Annualization	**$5,900.00**

16. Exclusions from Income

A. Regulations for the DSHS HOPWA Program covered by this handbook specifically exclude certain types of income from annual income. However, many of the items listed as exclusions from annual income under HUD requirements are items that the IRS includes as taxable income. Therefore, it is important for Project Sponsors to focus specifically on the HUD program requirements regarding annual income.

B. Among the items that are excluded from annual income are the value of food provided through:

i. The Meals on Wheels program, Supplemental Nutritional Assistance (SNAP, i.e., food stamps), or other programs that provide food for the needy;

ii. Groceries provided by persons not living in the household; and

iii. Amounts received under the School Lunch Act and the Child Nutrition Act of 1966, including reduced lunches and food under the Special Supplemental Food Program for Women, Infants and Children (WIC).

Examples – Income Exclusions

- *The Value of Food Provided through the Meals on Wheels Program or Other Programs Providing Food for the Needy*. Jack Love receives a hot lunch each day during the week in the community room and an evening meal in his apartment. One meal is provided through the Meals on Wheels program. A local church provides the other. The value of the meals he receives is not counted as income.
- *Groceries provided by persons not living in the household*. Carrie Sue Colby's mother purchases and delivers groceries each week for Carrie Sue and her two year old. The value of these groceries is not counted as income despite the fact that these are a regular contribution or gift.
- *Amounts Received Under WIC or the School Lunch Act*. Lydia Jeffries' two children receive a free breakfast and reduced priced lunches at school every day through the Special Supplemental Food Program for Women, Infants and Children (WIC). The value of this food is not counted as income.

C. Some additional examples of income that is excluded from the calculation of annual income follow.

Examples – Income Exclusions

- *Deferred periodic payments of social security benefits*. Germain Johnson received $32,000.00 in deferred social security benefits following a lengthy eligibility dispute. This delayed payment of social security benefits is treated as an asset, not as income.
- *Income from training programs*. Jennifer Jones is participating in a qualified state-supported employment training program every afternoon to learn improved computer skills. Each morning, she continues her regular job as a typist. The $250.00 a week she receives as a part-time typist is included in annual income. The $150.00 a week she receives for participation in the training program is excluded in annual income.
- *Earned Income Tax Credit refund payments*. Mary Frances Jackson is eligible for an earned income tax credit. She receives payments from her employer each quarter because of the tax credit. These payments are excluded in annual income.

Section 6. Calculating Income from Assets

Annual income includes amounts derived from assets to which household members have access. Some assistance programs require that families "spend down" assets before they can participate. There is no asset limitation for participation in the DSHS HOPWA Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition.

1. What is an Asset?

- **A.** 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.
- **B.** Some household members 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 household member, but under the mattress it is not producing income.
- **C.** Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 2 summarizes the items that are considered assets and those that are not.

2. Determining Income from Assets

- **A.** The calculation to determine the amount of income from assets to include in annual income considers both of the following:
  - **i.** The total cash value of the household's assets; and
  - **ii.** The amount of income those assets are earning or could earn.
- **B.** The rule for calculating income from assets differs depending on whether the total cash value of household assets is $5,000.00 or less, or is more than $5,000.00.

  NOTE: Program Form C – Household Income Eligibility Worksheet (Excel Version) automatically determines if the total cash value of assets for all household members exceeds $5,000.00.

3. Determining the Total Cash Value of Household Assets

A. To comply with the rule for determining the amount of income from assets, it is necessary to first determine whether the total "cash value" of household assets exceeds $5,000.00.

i. 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:

a Penalties for premature withdrawal;

b Broker and legal fees; and

c Settlement costs for real estate transactions.

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

Example – Calculating the Cash Value of an Asset

A household has a certificate of deposit (CD) in the amount of $5,000.00 paying interest at 4%. The penalty for early withdrawal is three months of interest.

$5,000.00x0.04=	$200.00 in annual income
$200.00/12 months=	$16.67 interest per month
$16.67x3 months=	$50.01 early withdrawal penalty
$5,000.00-$50.00=	$4,949.99 cash value of CD

Form C – Line 3

Other assets (collections, insurances, bonds, etc.)	**Source 1**
Household member name	Herbert
Asset source	Certificate of Deposit
Asset value	$5,000.00
Annual interest rate/growth estimate	4.00%
Annual other income (dividends, etc.)	$0.00
Can the household member access annual earnings?	**Yes**
Can the asset be converted to cash?	**Yes**
If "yes," estimated tax penalty	$0.00
If "yes," estimated other penalties	$50.01
Is asset periodically making payments or being withdrawn?	**No**
If receiving periodic payments, current pay frequency	
If "other," current payments per year	
If receiving periodic payments, current payment amount	
If making periodic withdrawals, withdrawal frequency	
If "other," current withdrawals per year	
If making periodic withdrawals, current withdrawal amount	
Asset cash value	$4,949.99
Pay frequency multiplier	0.00
Withdrawal frequency multiplier	0.00
Annualization	**$200.00**

ii. It is essential to note that a household is not required to convert an asset to cash. Determining the cash value of the asset is done simply as a calculation by the Project Sponsor because it is a required step when determining income from assets under program requirements.

4. Assets Owned Jointly

A. If assets are owned by more than one person, prorate the assets according to the percentage of ownership. If no percentage is specified or provided by a state or local law, prorate the assets evenly among all owners.

B. If an asset is not effectively owned by an individual, do not count it as an asset. An asset is not effectively owned when the asset is held in an individual's name, but (a) the asset and any income it earns accrue to the benefit of someone else who is not a member of the household, and (b) that other person is responsible for income taxes incurred on income generated by the assets.

C. Determining which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

Example – Determining the Cash Value of an Asset

The "cash value" of an asset is the amount a household would receive if the household turned a noncash asset into cash. The cash value is the market value – or the amount another person would pay to acquire the asset—less the cost to turn the asset into cash. If a household owns real estate, it may be necessary to consider the household's equity in the property as well as the expense to sell the property. To determine the household's equity, subtract amounts owed on the property from its market value:

		Market value
	-	Mortgage amount owed
		Equity in the property

Calculate the cash value by subtracting the expense of selling the property:

		Equity
	-	Expense of selling
		Cash value

Juanita owns a rental house. The market value is $100,000.00. She owes $60,000.00. The cost to dispose of this house would be $8,000.00. The Project Sponsor would determine the cash value as follows:

Market value		$100,000.00
Mortgage amount	-	$60,000.00
Equity in the property		40,000.00
Cost of disposing of the asset		
(commissions and other costs of sale)	-	$8,000.00
Cash value		**$32,000.00**

Form C – Line 3

Real estate	**Source 1**
Household member name	Juanita
Asset source	Rental House
Asset value	$100,000.00
Outstanding mortgage	$60,000.00
Cost to sell (broker fees, closing, inspections, etc.)	$8,000.00
Is asset producing periodic payments (rent, etc.)?	**Yes**
If receiving periodic payments, current pay frequency	Monthly
If "other," current payments per year	
If receiving periodic payments, current payment amount	$658.00
If receiving periodic payments, annual maintenance costs	$1,500.00
Asset cash value	$32,000.00
Pay frequency multiplier	12.00
Annualization	**$6,396.00**

i. In some instances, but not all, knowing whose social security number is connected with the asset may help in identifying ownership. Owners should be aware that there are many situations in which a social security number connected with an asset does not indicate ownership and other situations where there is ownership without connection to a social security number.

ii. Determining who has contributed to an asset or who is paying taxes on the asset may assist in identifying ownership.

Examples – Jointly Owned Assets

- Helen Wright is applying for the HOPWA program seeking STRMU services. She and her daughter, Elsie Duncan, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Assume in this example that state law does not specify ownership. Even though either Helen Wright or Elsie Duncan could withdraw the entire asset for her own use, count Helen's ownership as 50% of the account.
- Jean Boucher's name is on her mother's savings account to ensure that she can access the funds for her mother's care. The account is not effectively owned by Jean and should not be counted as her asset.

5. Calculating Income from Assets When Assets Total $5,000.00 or Less
If the total cash value of all the household's assets is $5,000.00 or less, the actual income the household receives from assets is the amount that is included in annual income as income from assets.
6. Calculating Income from Assets When Assets Exceed $5,000.00
   A. When net household assets are more than $5,000.00, annual income includes
      i. Actual income from assets; or
      ii. A percentage of the value of household assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets. The passbook rate is currently set at 2%.
   B. To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by .02. The product is the "imputed income" from assets. Then, compare the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

Example – Use Actual Income from Assets When Total Net Household Assets are $5,000.00 or Less.

Type of Asset	Cash Value	Actual Yearly Income
Certificate of Deposit: $1,000.00 Withdrawal Fee: $50.00 Interest: 4%	$950.00	$40.00
Savings Account: $500.00 Interest: 2.5%	$500.00	$12.50
Stock: $300.00 Dividends: Not paying dividends	$300.00	$0.00
Total	**$1,750.00**	**$52.50**

The total cash value of the household's assets is $1,750.00. Therefore, the amount that is added to annual income as income from assets is the actual income earned or $52.50.

Form C – Line 3

Total cash value of assets	**$1,750.00**	**Passbook rate:**	**2.00%**
Total earnings or other income	**$52.50**	**Imputed earnings:**	**$0.00**
Total periodic withdrawals	**$0.00**	Imputed earnings will be calculated if the total cash value of assets exceeds $5,000.00.	
Total periodic payments	**$0.00**		

Example – Imputed Income from Assets
"Imputed" means "attributed" or "assigned." Imputing income from assets is "assigning" an amount of income solely for the sake of the annual income calculation. The imputed income is not real income. For example, money under a mattress is not earning income. If the money were put in a savings account it would earn interest. Imputed income from such an asset is the interest the money would earn if it were put in a savings account. A household with cash under a mattress is not required to put the cash in a savings account; but when the Project Sponsor is calculating income for a household with more than $5,000.00 in assets, the Project Sponsor must assign an amount that cash would earn if it were in a savings account.

Example – Determining Income from Assets When Net Household Assets Exceed $5,000.00

Type of Asset	Cash Value	Actual Yearly Income
Checking Account: Interest: Non-interest bearing	$455.00	$0.00
Savings Account: Interest: 2.5%	$6,000.00	$150.00
Stock: Dividends: Not paying dividends this year	$3,000.00	$0.00
Total:	**$9,455.00**	**$150.00**

Total cash value of assets is greater than $5,000.00. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

The total cash value of assets ($9,455.00) is multiplied by 2% to determine the imputed income from assets.
$9,455.00x0.02=$189.10

$189.10 is greater than the actual income from assets ($150.00).

In this case, therefore, the Project Sponsor will add $189.10 to the annual income calculation as income from assets.

Form C – Line 3

Total cash value of assets	**$9,455.00**	**Passbook rate:**	**2.00%**
Total earnings or other income	**$150.00**	**Imputed earnings:**	**$189.10**
Total periodic withdrawals	**$0.00**	When the total cash value of assets exceeds $5,000.00, annual asset income will be the greater of total or imputed earnings.	
Total periodic payments	**$0.00**		

7. Calculating Income from Assets - Specific Types of Assets

A. Trusts.

i. Explanation of trusts.

a A trust is a legal arrangement generally regulated by state law in which one party (the creator or grantor) transfers property to a second party (the trustee) who holds the property for the benefit of one or more third parties (the beneficiaries). A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Generally, the assets are invested for the benefit of the beneficiaries.

b Trusts may be *revocable* or *nonrevocable*. A revocable trust is a trust that the creator of the trust may amend or end (revoke). When there is a revocable trust, the creator has access to the funds in the trust account. When the creator sets up a nonrevocable trust, the creator has no access to the funds in the account.

c The beneficiary frequently will be unable to touch any of the trust funds until a specified date or event (e.g., the beneficiary's 21st birthday or the grantor's death). In some instances, the beneficiary may receive the regular investment income from the trust but not be able to withdraw any of the principal.

d The beneficiary and the grantor may be members of the same household. A parent or grandparent may have placed funds in trust to a child. If the trust is revocable, the funds may be accessible to the parent or grandparent but not to the child.

ii. How to treat trusts.

a The basis for determining how to treat trusts relies on information about who has access to either the principal in the account or the income from the account.

b *Revocable trusts*. If any member of the household has the right to withdraw the funds in the account, the trust is considered to be an asset and is treated as any other asset. The cash value of the trust (the amount the household member would receive if he or she withdrew all that could be withdrawn) is added to total net assets. The actual income received is added to actual income from assets.

Example – A Trust Accessible to Household Members

Assez Charaf lives alone. He has placed $20,000.00 in trust to his grandson to be available to the grandson upon the death of Assez. The trust is revocable, that is, Assez has control of the principal and interest in the account and can amend the trust or remove the funds at any time. In calculating Assez's income, the Project Sponsor will add the $20,000.00 to Assez's net household assets and the actual income received on the trust to actual income from assets.

Form C – Line 3

Trusts	**Source 1**
Household member name	Assez
Asset source	Trust for his Grandson
Asset value	$20,000.00
Annual growth estimate	6.00%
Annual other income (dividends, etc.)	$0.00
Can the household member access annual earnings?	**Yes**
Can the asset be converted to cash?	**Yes**
If "yes," estimated tax penalty	$0.00
If "yes," estimated other penalties	$0.00
Is asset periodically making payments or being withdrawn?	**No**
If receiving periodic payments, current pay frequency	
If "other," current payments per year	
If receiving periodic payments, current payment amount	
If making periodic withdrawals, withdrawal frequency	
If "other," current withdrawals per year	
If making periodic withdrawals, current withdrawal amount	
Asset cash value	$20,000.00
Pay frequency multiplier	0.00
Withdrawal frequency multiplier	0.00
Annualization	**$1,200.00**

c *Nonrevocable trusts*. If no household member has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income.

If only the income (and none of the principal) from the trust is currently available to a household member, the income is counted in annual income, but the trust is not included in the calculation of income from assets

d *Nonrevocable trust as an asset disposed of for less than fair market value*. If a household member sets up a nonrevocable trust for the benefit of another person while enrolled in the DSHS HOPWA Program, the trust is considered an asset disposed of for less than fair market value.

- If the trust has been set up so income from the trust is regularly reinvested in the trust and is not paid back to the creator, the trust is calculated as any other asset disposed of for less than fair market value for two years and not taken into consideration thereafter.

Example – Nonrevocable Trust as an Asset Disposed of for Less than Fair Market Value

Sarah Gordy placed $100,000.00 in a nonrevocable trust for her grandson. Last year, the trust produced $8,000.00, which was reinvested into the trust.

The trust is treated as an asset disposed of for less than fair market value for two years (See paragraph 6G). No actual income from the trust is included in Sarah's annual income, but the value of the asset when it was given away, $100,000.00, is included in net household assets for two years from the date the trust was established.

Form C – Line 3

Trusts	**Source 1**
Household member name	Sarah
Asset source	Trust for her Grandson
Asset value	$100,000.00
Annual growth estimate	8.00%
Annual other income (dividends, etc.)	$0.00
Can the household member access annual earnings?	**No**
Can the asset be converted to cash?	**Yes**
If "yes," estimated tax penalty	$0.00
If "yes," estimated other penalties	$0.00
Is asset periodically making payments or being withdrawn?	**No**
If receiving periodic payments, current pay frequency	
If "other," current payments per year	
If receiving periodic payments, current payment amount	
If making periodic withdrawals, withdrawal frequency	
If "other," current withdrawals per year	
If making periodic withdrawals, current withdrawal amount	
Asset cash value	$100,000.00
Pay frequency multiplier	0.00
Withdrawal frequency multiplier	0.00
Annualization	**$0.00**

- *Nonrevocable trust distributing income*. When a household member places an asset in a nonrevocable trust but continues to receive income from the trust, the income is added to annual income and the trust is counted as an asset disposed of for less than market value for two years. Following the two-year period, the Project Sponsor will count only the actual income distributed from the trust to the household member.

Example – Nonrevocable Trust Distributing Income to the Creator or Household Member

Reggie Bouchard has established a nonrevocable trust in the amount of $35,000.00 that no one in the household controls. Income from the trust is paid to Reggie. Last year, he received $3,500.00.

The Project Sponsor will count Reggie's actual anticipated income from the trust in next year's annual income.

Because the asset was disposed of for less than fair market value (See paragraph 6G), the value of the asset given away, $35,000.00, is counted as an asset disposed of for less than fair market value for two years.

Form C – Line 3

Trusts	**Source 1**
Household member name	Reggie
Asset source	Nonrevocable trust
Asset value	$35,000.00
Annual growth estimate	10.00%
Annual other income (dividends, etc.)	$0.00
Can the household member access annual earnings?	**Yes**
Can the asset be converted to cash?	**Yes**
If "yes," estimated tax penalty	$0.00
If "yes," estimated other penalties	$0.00
Is asset periodically making payments or being withdrawn?	**No**
If receiving periodic payments, current pay frequency	
If "other," current payments per year	
If receiving periodic payments, current payment amount	
If making periodic withdrawals, withdrawal frequency	
If "other," current withdrawals per year	
If making periodic withdrawals, current withdrawal amount	
Asset cash value	$35,000.00
Pay frequency multiplier	0.00
Withdrawal frequency multiplier	0.00
Annualization	**$3,500.00**

e *Payment of principal from a trust*. The beneficiary of a trust may receive funds from the trust in different ways. A beneficiary may receive the full value of a trust at one time. In that instance the funds would be considered a lump sum receipt and would be treated as an asset. A trust set up to provide support for a person with disabilities may pay only income from the trust on a periodic basis. Occasionally, however, a beneficiary may be given a portion of the trust principal on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income or gifts and are counted in annual income.

Example – Payment of Principal Amounts from a Trust

Jared Leland receives funds from a nonrevocable trust established by his parents for his support. Last year he received $18,000.00 from the trust. The attorney managing the trust reported that $3,500.00 of the funds distributed was interest income and $14,500.00 was from principal. Jared receives a payment of $1,500.00 each month (an amount that includes both principal and interest from the trust).

The Project Sponsor will count the entire $18,000.00 Jared received as annual income.

Form C – Line 4

Other periodic receipts	**Source 1**	**Source 2**
Household member name	Jared	Jared
Income source	Nonrevocable trust - interest	Nonrevocable trust - principal
Pay frequency	Monthly	Monthly
If "other," payments per year		
Amount received per payment	$291.67	$1,208.33
Lump-sum for pay delay (<u>*not*</u> deferral)	$0.00	$0.00
Pay frequency multiplier	12.00	12.00
Annualization	**$3,500.00**	**$14,500.00**

NOTE: If an asset is periodically making payments or being withdrawn, asset data entered in Form C, Line 3 will automatically select periodic payment or withdrawal amounts. The asset's cash value will populate as $0.00. Interest or other earnings will not be counted. Do not duplicate periodic payment and/or withdrawal data in Lines 3 and 4.

Examples – Assets Periodically Making Payments or Being Withdrawn

Herman Schiller's IRA value is $79,000.00. The annual interest guarantee is 1.8% with no additional earnings. His retirement account can be cashed out, but if it were he would pay $1,984.00 in broker penalties and a 30% tax penalty. The IRA is making monthly payments of $515.00 and Herman withdraws an additional $136.00 each month.

In this example, the cash value of the asset is $0.00 because the asset is periodically making payments and being withdrawn. Annual gross income from the asset equals the total of regular payments and withdrawals, $7,812.00.

$515.00x12= $6180.00 in monthly payments
$136.00x12= $1,632.00 in monthly withdrawals
$6,180.00+$1,632.00= **$7,812.00**

Form C – Line 3	
Retirement plans	**Source 1**
Household member name	Herman
Asset source	IRA
Asset value	$79,000.00
Annual interest rate	1.80%
Annual other income (dividends, etc.)	$0.00
Can the asset be converted to cash?	**Yes**
If "yes," estimated tax penalty	$23,700.00
If "yes," estimated other penalties	$1,984.00
Is asset periodically making payments or being withdrawn?	**Yes**
If receiving periodic payments, current pay frequency	Monthly
If "other," current payments per year	
If receiving periodic payments, current payment amount	$515.00
If making periodic withdrawals, withdrawal frequency	Monthly
If "other," current withdrawals per year	
If making periodic withdrawals, current withdrawal amount	$136.00
Asset cash value	$0.00
Pay frequency multiplier	12.00
Withdrawal frequency multiplier	12.00
Annualization	**$7,812.00**

iii. *Special needs trusts*.

A special needs trust is a trust that may be created under some state laws, often by household members for disabled persons who are not able to make financial decisions for themselves. Generally, the assets within the trust are not accessible to the beneficiary.

a If the beneficiary does not have access to income from the trust, then it is not counted as part of income.

b If income from the trust is paid to the beneficiary regularly, those payments are counted as income.

Example – Special Needs Trust

Daryl Rockland is a 55-year-old person with disabilities, living with his elderly parents. The parents have established a special-needs trust to provide income for their son after they are gone. The trust is not revocable; neither the parents nor the son currently have access to the principal or interest. In calculating the income of the Rocklands, the Project Sponsor will disregard the trust.

B. Annuities.

i. Annuity facts and terms.

a An annuity is a contract sold by an insurance company designed to provide payments, usually to a retired person, at specified intervals. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but have the potential for greater returns.

- A hybrid annuity (also called a combination annuity) combines the features of a fixed annuity and a variable annuity.
- A deferred annuity is an annuity that delays income payments until the holder chooses to receive them. An immediate annuity is one that begins payments immediately upon purchase.
- A life annuity continues to pay out as long as the owner is alive. A single-life annuity provides income benefits for only one person. A joint life annuity is issued on two individuals, and payments continue in whole or in part as long as either individual is alive.

b Generally, a person who holds an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specified fixed rate similar to interest earned by a CD. A variable annuity will earn (or lose) based on market fluctuations, as in a mutual fund.

c Most annuities charge surrender or withdrawal fees. In addition, early withdrawal usually results in tax penalties.

d Depending on the type of annuity and the current status of the annuity, the Project Sponsor will need to ask different questions of the verification source, which will normally be the household member's insurance broker.

ii. Income after the holder begins receiving payments.

a When verifying an annuity, Project Sponsors should ask the verification source whether the holder of the annuity has the right to withdraw the balance of the annuity. For annuities without this right, the annuity is not treated as an asset.

b Generally, when the holder has begun receiving annuity payments, the holder can no longer convert it to a lump sum of cash. In this situation, the holder will receive regular payments from the annuity that will be treated as regular income, and no calculations of income from assets will be made.

iii. Calculations when an annuity is considered an asset.

a When a household member has the option of withdrawing the balance in an annuity, the annuity will be treated like any other asset. It will be necessary to determine the cash value of the annuity in addition to determining the actual income earned.

b In most instances, an annuity from which payments have not yet been made is earning income on the balance in the annuity. A fixed annuity will earn income at a fixed rate in the same manner that a CD earns income. A variable annuity will earn (or lose) based on current market conditions, as with a mutual fund.

c The Project Sponsor will need to verify with the insurance agent or other appropriate source:

- The right of the holder to withdraw the balance (even if penalties are involved).
- The basis on which the annuity may be expected to grow during the coming year.
- The surrender or early withdrawal penalty fee.
- The tax rate and the tax penalty that would apply if the household withdrew the annuity.

d The cash value will be the full value of the annuity, less the surrender (or withdrawal) penalty, and less any taxes and tax penalties that would be due.

e The actual income is the balance in the annuity times the percentage (either fixed or variable) at which the annuity is expected to grow over the coming year. (This money will be reinvested into the annuity, but it is still considered actual income.)

f The imputed income from the asset is calculated only after the cash value of all household assets has been determined. Imputed income from assets is calculated on the total cash value of all household assets.

C. Lump sum receipts counted as assets.

i. Commonly, when a household receives a large amount of money, a lump sum payment, the household will put the money in a checking or savings account, or will purchase stocks or bonds or a CD. Project Sponsors must count lump sum payments received by a household member as assets. Examples of lump sum payments include the following:

- **a** Inheritances;
- **b** Capital gains;
- **c** Lottery winnings paid in one payment;
- **d** Cash from the sale of assets;
- **e** Deferred periodic payments of social security benefits
- **f** Insurance settlements (including health and accident insurance, workers compensation, and personal and property losses); and
- **g** Any other amounts that are received in one-time lump sum payments.

Example – Calculating the Cash Value of an Annuity

Rodrigo Ramirez, a HOPWA Housing Case Manager, has interviewed Barbara Barstow, an applicant who reports holding an annuity from which she will not receive payments for another 15 years when she turns 65. The applicant could not provide any more detail on the annuity but did report the name, address, and phone number of her insurance agent.

Rodrigo called the insurance agent and faxed a copy of the applicant's approval for release of information. As a result, Rodrigo learned that the annuity is a fixed annuity, with a current value of $20,400.00 earning interest at an annual rate of 4.5%. The applicant could withdraw the current balance in the account but would pay a surrender penalty of $3,000.00. If the annuity is withdrawn, then the applicant will owe $1,200.00 in tax penalties.

In this example, the important information for calculating cash value is the current value, $20,400.00; the surrender fee, $3,000.00; and the tax penalties, $1,200.00. If the applicant withdrew the cash from the annuity, after paying the surrender fee and tax penalty, then the amount of cash received would be $16,200.00.

The cash value, $16,200.00, is recorded as an asset.

Rodrigo will also calculate the actual anticipated income on this asset: $20,400.00x0.045=$918.00.

Form C – Line 3

Annuities	**Source 1**
Household member name	Barbara
Asset source	Fixed Annuity
Asset value	$20,400.00
Annual interest rate	4.50%
Annual other income (dividends, etc.)	$0.00
Can the asset be converted to cash?	**Yes**
If "yes," estimated tax penalty	$1,200.00
If "yes," estimated other penalties	$3,000.00
Is asset periodically making payments or being withdrawn?	**No**
If receiving periodic payments, current pay frequency	
If "other," current payments per year	
If receiving periodic payments, current payment amount	
If making periodic withdrawals, withdrawal frequency	
If "other," current withdrawals per year	
If making periodic withdrawals, current withdrawal amount	
Asset cash value	$16,200.00
Pay frequency multiplier	0.00
Withdrawal frequency multiplier	0.00
Annualization	**$918.00**

ii. A lump sum payment is counted as an asset only as long as the household continues to possess it. If the household uses the money for something that is not an asset—a car or a vacation or education— the amount used must not be counted.

iii. It is possible that a lump sum or an asset purchased with a lump sum payment may result in enough income to require the household to report the increased income before the next regularly scheduled annual recertification. But this requirement to report an increase in income before the next annual recertification would not apply if the income from the asset was not measurable by the household member (e.g., gems, stamp collection).

Examples – Lump Sum Additions to Household Assets (One-Time Payment)
• JoAnne Wettig won $500.00 in the lottery and received it in one payment. Do not count the $500.00 as income. At JoAnne's recertification, she will report all of her assets. • Mia LaRue, a household member receiving TBRA services, won $75,000.00 in one payment in the lottery. She buys a car with some of the money, and puts the remaining amount of $24,000.00 in the bank. Mia receives her first bank statement and notices that the income on this asset is $205.00 per month. She must report this increase in income because the household has experienced a cumulative increase in income of more than $200.00 per month. The Project Sponsor must perform an interim recertification and count the greater of the actual or imputed income on this asset (since the net household assets are greater than $5,000.00).

D. Balances held in retirement accounts

i. Balances held in retirement accounts are counted as assets if the money is accessible to the household member. For individuals still employed, accessible amounts are counted even if withdrawal would result in a penalty. However, amounts that would be accessible only if the person retired are not counted.

ii. IRA, Keogh, and similar retirement savings accounts are counted as assets, even though withdrawal would result in a penalty.

iii. Include contributions to company retirement/pension funds:

a While an individual is employed, count only amounts the household can withdraw without retiring or terminating employment.

b After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.

iv. Include in annual income any retirement benefits received through periodic payments.

Examples – Lump Sum Additions to Household Assets (One-Time Payment)
Jed Dozier's 401K account balance is $35,000.00. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer's contribution and would pay a penalty fee. The total cash he could withdraw, $18,000.00, is the amount that is counted as an asset.

E. Federal Government/Uniformed Services Pensions

In instances where the household member is a retired Federal Government/Uniformed Services employee receiving a pension that is determined by a state court in a divorce, annulment of marriage, or legal separation proceeding to be a marital asset and the court provides OPM with the appropriate instructions to authorize OPM to provide payment of a portion of the retiree's pension to a former spouse, that portion to be paid directly to the former spouse is not counted as income for the household member. However, where the household member is the former spouse of a retired Federal Government/Uniformed Services employee, any amounts received pursuant to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation are reflected on a Form-1099 and is counted as income for the household member. (See Paragraph 5L.4 for more information on Federal Government/Uniformed Services pension funds paid to a former spouse.)

F. Other state, local government, social security or private pensions.

G. Other state, local government, social security or private pensions where pensions are reduced due to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation and paid directly to the former spouse are not counted as income for the household member and should be handled in the same manner as Federal Government/Uniformed Services Pensions, above.

H. Mortgage or deed of trust.

i. Occasionally, when an individual sells a piece of real estate, the seller may loan money to the purchaser through a mortgage or deed of trust. This may be referred to as a "contract sale."

ii. A mortgage or deed of trust held by a household member is included as an asset. Payments on this type of asset are often received as one combined payment that includes interest and principal. The value of the asset is the unpaid principal as of the effective date of the certification. Each year this balance will decline as more principal is paid off. The interest portion of the payment is counted as actual income from an asset.

I. Assets disposed of for less than fair market value.

Household members must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Project Sponsors must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received.

i. Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, Project Sponsors must compare the cash value of the asset to any amount received in compensation.

ii. However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than $1,000.00.

Examples – Assets of More or Less Than $1,000.00 Disposed of for Less Than Fair Market Value
• During the past two years, Alexis Turner donated $300.00 to the local food bank, $150.00 to a camp program, and $200.00 to her church. The total amount she disposed of for less than fair market value is $650.00. Since the total is less than $1,000.00, the donations are not treated as assets disposed of for less than fair market value.
• Jackson Jones gave each of his three children $500.00. Because the total exceeds $1,000.00, the gifts are treated as assets disposed of for less than fair market value.

iii. When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, the household member may request an interim recertification to remove the disposed asset(s).

iv. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation are not counted.

v. Assets placed in nonrevocable trusts are considered as assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgements.

Examples – Asset Disposed of for Less Than Market Value
1. A household member "sold" her home to her daughter for $10,000.00. The home was valued at $89,000.00 and had no loans secured against it. Broker fees and settlement costs are estimated at $1,800.00. $89,000.00 Market value - $1,800.00 Fees $87,200.00 Cash value - $10,000.00 Sales price to daughter $77,200.00 Asset disposed of for less than fair market value In this example, the asset disposed of for less than fair market value is $77,200.00. That amount is counted as the applicant's asset for two years from the date the sale took place. (The $10,000.00 received from the daughter may currently be in a savings account or other asset or may have been spent. The $10,000.00 will be counted as an asset if the applicant has not spent the money.)
2. A household member contributed $10,000.00 to her grandson's college tuition and gave her two granddaughters $4,000.00 each to save for college. $10,000.00 College tuition gift + $8,000.00 Gift to granddaughters $18,000.00 Asset disposed of for less than fair market value The $18,000.00 disposed of for less than fair market value is counted as the household member's asset for two years from the date each asset was given away.

Exhibit 1: Income Inclusions and Exclusions

(Source: 24 CFR §5.609(b)(c); Occupancy Requirements of Subsidized Multifamily Housing Programs [4350.3], Exhibit 5-1: Income Inclusions and Exclusions)

Examples included in parentheses have been added to the regulatory language for clarification.

Income Inclusions

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the household;

3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the household. Where the household has net assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

4. The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;

5. Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;

6. Welfare assistance payments.
   i. Welfare assistance payments made under Temporary Assistance for Needy Families (TANF) are included in annual income only to the extent such payments qualify as assistance under the TANF program definition at 45 CFR §260.31 and are not otherwise excluded under Annual Income Exclusions.
   ii. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities plus the maximum amount that the welfare assistance agency could in fact allow the household for shelter and utilities. If the household's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and

8. (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

Income Exclusions

1. Income from employment of children (including foster children) under the age of 18 years;

2. Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to household members, who are unable to live alone);

3. Lump-sum additions to household 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 household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member;

5. Income of a live-in aide, as defined in 24 CFR §5.403;

6. The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);

7. The special pay to a household member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

8. (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
   (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
   (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
   (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiative coordination. No resident may receive more than one such stipend during the same period of time; or
   (e) Incremental earnings and benefits resulting to any household member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a household member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the household member participates in the employment training program.

9. Temporary, nonrecurring, or sporadic income (including gifts);

10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);

11. Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household and spouse);

12. Adoption assistance payments in excess of $480 per adopted child;

13. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;

14. Amounts received by the household in the form of refunds or rebates under state or local law for property taxes

paid on the dwelling unit;

15. Amounts paid by a state agency to a household 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 household member at home; or

16. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR §5.609(c) apply.
    The following is a list of income sources that qualify for this exclusion:
    a. The value of the Supplemental Nutritional Assistance Program (SNAP) allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);
    b. Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
    c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c])
    d. Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e)
    e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);
    f. Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]; (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, Americorps);
    g. Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L-94-540, 90 Stat. 2503-04);
    h. The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);
    i. Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
    j. Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;
    k. Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in In Re Agent-product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
    l. Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
    m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
    n. Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);
    o. Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
    p. Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);
    q. Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);
    r. Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the household member under the Victims of Crime Act

(42 U.S.C. 10602); and

s. Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

Exhibit 2: Assets

(Source: 24 CFR §5.603(b); Occupancy Requirements of Subsidized Multifamily Housing Programs [4350.3], Exhibit 5-2: Assets)

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

A. Net household assets include the following:

i. *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.

ii. *Revocable trusts.* Include the cash value of any revocable trust available to the household. See discussion of trusts in Paragraph 6 of this guide.

iii. *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 of this guide. Do not count it both as an asset and business income.

iv. *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 stocks and other assets vary from one day to another. The value of the asset may go up or down multiple times during the year thereafter. The Project Sponsor may assess the value of these assets at any time after the authorization for the release of information has been received. The household member may request an interim recertification at any time thereafter.

v. *Individual retirement, 401K, and Keogh accounts.* These are included when the holder has access to the funds, even though a penalty may be assessed. If the individual is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)

Example – Withdrawals from a Keogh Account
Ly Pham has a Keogh account valued at $30,000.00. When she turns 70 years old, she begins drawing $2,000.00 a year. Continue to count the account as an asset. Use the guidance in Paragraph 6 to determine the cash value and imputed income from the asset. Do not count the $2,000.00 she withdraws as income.

vi. *Retirement and pension funds.*

a. *While the person is employed.* Include only amounts the household can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs. Follow Paragraph 6 of the chapter on determining the value of assets.

b. *At retirement, termination of employment, or withdrawal.* Periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below.

- If benefits will be received in a lump sum, include the lump- sum receipt in net household assets.
- If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.
- If the individual initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.
NOTE: This paragraph and the example below assume that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

Example – Retirement Benefits as Lump-Sum and Periodic Payments
Upon retirement, Eleanor Reilly received a lump-sum payment of $15,000.00. She will also receive periodic pension payments of $350.00 a month. The lump-sum amount of $15,000.00 is generally treated as an asset. In this instance, however, Eleanor spent $5,000.00 of the lump sum on a trip following her retirement. The remaining $10,000.00 she placed in her mutual fund with other savings. The entire mutual fund will be counted as an asset. The Project Sponsor has verified that Eleanor is now not able to withdraw the balance from her pension. Therefore, the Project Sponsor will count the $350.00 monthly pension payment as annual income and will not list the pension account as an asset.

vii. Cash value of life insurance policies available to the individual before death (e.g., the surrender value of a whole life policy or a universal life policy). It would not include a value for term insurance, which has no cash value to the individual before death.

viii. Personal property held as an investment. Include gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.

ix. Lump-sum receipts or one-time receipts. (See Paragraph 5O for additional information on what is counted as a lump-sum receipt and how to treat lump-sum receipts.) These include inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.

x. A mortgage or deed of trust held by an applicant.
   a. Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset.
   b. This combined figure needs to be separated into the principal and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)
   c. To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification.
   d. To count the imputed income for this asset, determine the asset value as of the effective date of the certification. Since this amount will continually be reduced by the principal portion paid during the previous year, the Project Sponsor will have to determine this amount at each annual recertification. See the following example:

Example – Deed of Trust and Imputed Income
Computation of imputed income: An elderly tenant sells her home and holds the mortgage for the buyer. The cash value of the mortgage is $60,000.00. The combined payment of principal and interest expected to be received for the upcoming year is $5,000.00. The amortization schedule breaks that payment into $2,000.00 in principal and $3,000.00 in interest. In completing the asset income calculation, the cash value of the asset is $60,000.00, and the projected annual income from that asset is $3,000.00. The imputed income would be calculated by multiplying the cash value of $60,000.00 by the 2% imputed passbook rate. Each subsequent year, the cash value of the asset should be reduced by the principal portion paid. In this example, it would be reduced to $58,000.00 in the following year ($60,000.00 – $2,000.00 principal payment = $58,000.00). When calculating the imputed income for the following year, the Project Sponsor would multiply the cash value of $58,000.00 by the 2% passbook savings rate.

B. Net household assets DO NOT include the following:
   IMPORTANT: The Project Sponsor does not compute income from any assets in this paragraph.
   i. Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).
   ii. Interests in Indian trust land.
   iii. Term life insurance policies (i.e., where there is no cash value).

iv. Equity in the cooperative unit in which the household lives.

v. Assets that are part of an active business. "Business" does NOT include rental of properties that are held as investments unless such properties are the household member's main occupation.

Example – Assets that are Part of an Active Business
• Laura and Lester Hines own a copier and courier service. None of the equipment that they use in their business is counted as an asset (e.g., the copiers, the FAX machines, the bicycles). • Alice Washington rents out the home that she and her husband lived in for 42 years. This home is not an active business asset. Therefore, it is considered an asset and the Project Sponsor must determine the annual income that Alice receives from it.

vi. Assets that are NOT effectively owned by the applicant. Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and (b) that other person is responsible for income taxes incurred on income generated by the assets.
NOTE: Nonrevocable trusts (i.e., irrevocable trusts) are not covered by this paragraph. See information on nonrevocable trusts in Paragraph 6

Example – Assets not Effectively Owned by the Applicant
Net household assets do not include assets held pursuant to a power of attorney because one party is not competent to manage the assets, or assets held in a joint account solely to facilitate access to assets in the event of an emergency. Alexander Cumbow and his daughter, Emily Bornscheuer, have a bank account with both names on the account. Emily's name is on that account for the convenience of her father in case an emergency arises that would result in Emily handling payments for her father. Emily has not contributed to this asset, does not receive interest income from it, nor does she pay taxes on the interest earned. Therefore, Emily does not own this account. If Emily applies for HOPWA Program, the Project Sponsor should not count this account as her asset. This asset belongs to Alexander and would be counted entirely as the father's asset.

vii. Assets that are not accessible to the applicant and provide no income to the applicant. Nonrevocable trusts are not covered under this paragraph. See information on nonrevocable trusts in Paragraph 6

Example
A battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

Exhibit 3: Acceptable Forms of Verification

(Source: Occupancy Requirements of Subsidized Multifamily Housing Programs [4350.3], Appendix 3: Acceptable Forms of Verification)

Project Sponsors must confirm household eligibility for participation in the DSHS HOPWA Program by obtaining proof of gross income for all household members 18 years of age and older at enrollment and subsequent recertifications. Documentation of income must cover the full 30 days preceding the date of enrollment at minimum.

NOTE: Generally, bank account statements and deposit histories should not be used to verify periodic payments because the amount deposited is net rather than gross income. The source documents below are the preferred form of verification.

Factor to be verified	Sources	Verification Tips
Alimony or child support.	• Copy of separation or divorce agreement provided by ex-spouse or court indicating type of support, amount, and payment schedule. • Written statement provided by ex-spouse or income source indicating all of above. • If applicable, written statement from court/attorney that payments are not being received and anticipated date of resumption of payments. • Recent original letters from the court. • Copy of most recent check, recording date, amount, and check number. • Notarized statement or affidavit signed by household member indicating amount received. • If applicable, notarized statement or affidavit from household member indicating that payments are not being received and describing efforts to collect amounts due.	• Amounts awarded but not received can be excluded from annual income only when household members have made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments.

Assets disposed of for less than fair market value.	• Certification signed by household member that no household member has disposed of assets for less than fair market value during the preceding two years.
	• If applicable, certification signed by the Project Sponsor of the asset disposed of that shows:
	  ▪ Type of assets disposed of;
	  ▪ Date disposed of;
	  ▪ Amount received; and
	  ▪ Market value of asset at the time of disposition.
		• Only count assets disposed of within a two-year period prior to certification or recertification.

Current net household assets.	• Verification forms, letters or documents received from financial institutions, stock brokers, real estate agents, employers indicating the current value of the assets and penalties or reasonable costs to be incurred in order to convert nonliquid assets into cash. • Passbooks, checking, or savings account statements, certificates of deposit, property appraisals, stock or bond documents, or other financial statements completed by financial institution. • Copies of real estate tax statements, if tax authority uses approximate market value. • Copies of real estate closing documents that indicate distribution of sales proceeds and settlement costs. • Quotes from attorneys, stockbrokers, bankers, and real estate agents that verify penalties and reasonable costs incurred to convert asset to cash. • Notarized statement or signed affidavit stating cash value of assets or verifying cash held at household member's home or in safe deposit box.	• Use current balance in savings accounts and average monthly balance in checking accounts for last 6 months. • Use cash value of all assets (the net amount the household member would receive if the asset were converted to cash). • **NOTE:** This information can usually be obtained simultaneously when verifying income from assets and employment (e.g., value of pension).
Dividend income and savings account interest income.	• Verification form completed by bank. • Copies of current statements, bank passbooks, certificates of deposit, if they show required information (i.e., current rate of interest). • Copies of Form 1099 from the financial institution, and verification of projected income for the next 12 months. • Broker's quarterly statements showing value of stocks/bonds and earnings credited to the household member. • Notarized statement or signed affidavit stating dividend income and savings account interest income.	• The Project Sponsor must obtain enough information to accurately project income over next 12 months. • Verify interest rate as well as asset value.

Employment Income including tips, gratuities, overtime.	• Verification form completed by employer. • Paycheck stubs or earning statements. • Notarized statements or affidavits signed by household member that describe amount and source of income.	• Always verify: frequency of gross pay (i.e., hourly, weekly, biweekly, semi-monthly, monthly); anticipated increases in pay and effective dates; overtime. • Require consecutive pay stubs with no gaps; do not use check without stub.
Full-time student status. *(of household member 18 or older, excluding head, spouse, or foster children)*	• Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc., or from VA Office. • School records, such as paid fee statements that show a sufficient number of credits to be considered a full-time student by the educational institution attended.	• None
Income maintenance payments, benefits, income other than wages. *(i.e., welfare, Social Security [SS], Supplemental Security Income [SSI], Disability Income, Pensions)*	• Award or benefit notification letters prepared and signed by authorizing agency. • Current or recent check stubs with date, amount, and check number recorded by the Project Sponsor. • Award or benefit letters or computer printout from court or public agency. • Most recent pension account statement. • Notarized statement of income received other than wages.	• Copying of U.S. Treasury checks is not permitted. • Award letters/printouts from court or public agency may be out of date; telephone verification of letter/printout is recommended.
Interest from sale of real property. *(e.g., contract for deed, installment sales contract, etc.)*	• Verification form completed by an accountant, attorney, real estate broker, the buyer, or a financial institution which has copies of the amortization schedule from which interest income for the next 12 months can be obtained. • Copy of the contract. • Copy of the amortization schedule, with sufficient information for the Project Sponsor to determine the amount of interest to be earned during the next 12 months. **NOTE:** Copy of a check paid by the buyer to the household member is not acceptable. • Notarized statement of interest from sale of real property.	• Only the interest income is counted; the balance of the payment applied to the principal is merely a liquidation of the asset. • The Project Sponsor must get enough information to compute the actual interest income for the next 12 months.

Net Income for a business	• Form 1040 with Schedule C, E, or F. • Financial Statement(s) of the business (audited or unaudited) including an accountant's calculation of straight- line depreciation expense if accelerated depreciation was used on the tax return or financial statement. • For rental property, copies of recent rent checks, lease and receipts for expenses, or IRS Schedule E. • Any loan application listing income derived from business during the preceding 12 months. • Notarized statement showing net income for a business.	• None
Recurring contributions and gifts.	• Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts. • Notarized statement or affidavit signed by household member stating purpose, dates, and value of gifts.	• Sporadic contributions and gifts are not counted as income.
Self-employment, tips, gratuities, etc.	• Form 1040/1040A showing amount earned and employment period. • Notarized statement or affidavit signed by household member showing amount earned and pay period.	• None
Unemployment compensation.	• Verification form completed by source. • Copies of checks or records from agency provided by household member stating payment amounts and dates. • Benefit notification letter signed by authorizing agency. • Notarized statement of unemployment compensation received.	• Frequency of payments and expected length of benefit term must be verified. • Income not expected to last full 12 months must be calculated based on 12 months and interim recertification completed when benefits stop.

Welfare payments. *(as-paid states only)*	• Verification form completed by welfare department indicating maximum amount household may receive. • Maximum shelter schedule by • household size with ratable reduction schedule. • Maximum shelter allowance schedule with ratable reduction schedule provided by household member. • Notarized statement of welfare payments received.	• Actual welfare benefit amount not sufficient as proof of income in "as-paid" states or localities since income is defined as maximum shelter amount.
Zero Income.	• Household member self-certifies zero income.	• Project Sponsors may require household member to sign verification release of information forms for state, local, and federal benefits programs. • Project Sponsors may require the household member to recertify zero income status at least every 90 days.