

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

Special Attention of:

Notice PIH 2001-15 (HA)

Issued: May 2, 2001

Expires: May 31, 2002

Field Office Directors of Public Housing;
Secretary's Representatives;
Public Housing Agencies;
Resident Management Corporations;
Resident Councils;

Subject: Improving Income Integrity in Public and Assisted Housing

Applicability: Public Housing, Housing Choice Voucher, and Moderate Rehabilitation Programs

Purpose: The purpose of this Notice is to emphasize timely, accurate, and fair income and rent determinations by Public Housing Agencies (PHAs). This includes the following:

- Assuring that PHAs and residents are in compliance with required statutes and regulations;
- Identifying frequent errors made by PHAs and residents in reporting and calculating income and determining rent;
- Providing ideas and tips to PHAs to improve income integrity; and
- Identifying PHAs with state-of-the-art, up-front techniques to verify income.

Background

Reexaminations of family income and composition must be conducted at least annually for families who pay an income based rent in public housing and for families in the Housing Choice Voucher Program [24 CFR §960.257(a)(1), §982.516(a)]. For public housing families who choose flat rents, PHAs must conduct reexaminations of family composition at least annually and must conduct a reexamination of family income at least once every three years [24 CFR §960.257(a)(2)]. PHAs must adopt admissions and occupancy policies concerning annual and interim reexaminations and these policies must be in accordance with the PHA plan. [24 CFR §960.257(c)]. Families are obligated to supply any information that the PHAs or HUD determines is necessary in administration of the public housing program and for use in a regularly scheduled reexamination or an interim reexamination [24 CFR §§960.259(a)(1) and (2)]. Families must submit consent forms for obtaining wage and claim information from State Wage Information Collection Agencies (SWICAs) and to authorize any depository or private source of income, or any Federal, State, or local agency, to furnish or release to the PHA or HUD such information determined to be necessary [24 CFR §960.259(a)(3)(ii), §960.259(b),

§982.516(g)]. PHAs must obtain and document in the family files the third party verification received or document why it is not available [24 CFR §960.259 and §982.516(a)(2)].

The two main causes of incorrect income and rent determinations are:

- 1) Inconsistencies in the provision, collection and use of complete and accurate income information for resident families; and
- 2) Error by PHAs in calculating income correctly, either by not granting exclusions and deductions to which resident families are entitled, or by other mistakes such as miscalculation and computer error.

Improving income integrity is vital for the Department of Housing and Urban Development (HUD). HUD has recently been criticized for weakness in its income determination techniques, including rent calculations in public and assisted housing, by HUD's Office of the Inspector General and the U.S. General Accounting Office. Additionally, in March 2001, HUD's Office of Policy Development and Research released the interim report on "Quality Control for Rental Assistance Subsidies Determinations." This analysis of 2,403 households representing 600 assisted housing projects (public housing, PHA administered Section 8, Owner-administered Section 8) found that:

- 36 percent of all households paid at least \$5 less per month than they should (with an average error of \$150 per month),
- 40 percent of all households paid the correct amount of rent within \$5 per month (29 percent paid exactly the right amount), and
- 24 percent of all households paid at least \$5 more per month than they should (with an average error of \$56 per month).

Common Mistakes Made by PHAs in Determining Included and Excluded Income and Deductions

It is important to remember that a family's anticipated total income or gross income determines not only eligibility for housing assistance, but also all the rent a family will pay and the subsidy required. A family's anticipated income and deductions for the year following certification or reexamination determine the family's rent (see Appendix A, *Improving Income Integrity Guidebook*). This rent calculation requires the PHA to determine Annual Income and Adjusted Income for a family:

1. The **annual income** is determined by calculating a family's anticipated total or gross income minus allowable exclusions.

$$[\text{TOTAL/GROSS INCOME} - \text{EXCLUSIONS} = \text{ANNUAL INCOME}]$$

2. The **adjusted income** is calculated by subtracting allowable deductions from the annual income. $[\text{ANNUAL INCOME} - \text{DEDUCTIONS} = \text{ADJUSTED INCOME}]$

Understanding these two terms is often problematic. A few additional examples of common areas in which PHAs often make errors in reporting, tracking, and verifying information include:

- Unreported employment and regular occurring overtime wages;
- Sporadic income;
- Changes in household size; and
- Changes in TANF or other Federal, State, or local benefits or assistance.

These are items that require vigilance and training on the part of the PHA to make sure staff understand the admission and occupancy rules and that residents understand their rights and responsibilities in relation to their individual rent determinations. Additionally, PHAs should work toward using all available resources that provide additional verification information and make sure the information is retained in tenant files.

PHAs must also take into account all anticipated eligible exclusions or deductions from income. PHAs must obtain an applicant/resident's **medical expenses** and provide either an exclusion [24 CFR §5.609 (c)(4)] or deduction [24 CFR §5.611 (a)(3)], where applicable. The exclusion covers amounts received by the family that are specifically for, or reimbursements of, the cost of medical expenses of any family member. The deduction covers the sum of unreimbursed medical expenses for any elderly or disabled family in excess of 3 percent of annual income [24 CFR §5.611 (a)(3)(i)] and the unreimbursed reasonable attendant care and auxiliary apparatus expenses to the extent necessary to enable any member of the family to be employed, but not exceed earned income received because of the attendant care or apparatus [24 CFR §5.611 (a)(3)(ii)]. This impacts a significant number of elderly and persons with disabilities. PHAs need to review all regulations regarding medical exclusions/deductions and determine if their intake and reexamination process is accurately requesting, tracking and verifying costs to fully provide these residents the required deduction or exclusion. *[Tip: Educate residents regarding maintaining accurate and complete medical bills and receipts or use of pharmacy computerized systems to assist in documentation.]*

PHAs must also consider an exclusion [24 CFR §5.609 (c)(8)(iii)] or a deduction [24 CFR §5.611 (a)(4)] for **childcare expenses** [as defined under 24 CFR §5.603(d)]. A PHA would provide an exclusion for out of pocket expenses if a family was receiving childcare payments from another publicly assisted program, such as a Department of Labor childcare grant. A family is eligible for a deduction for reasonable childcare expenses (for children under 13 years of age) necessary to enable a member of the family to actively seek employment, be employed or further his or her education (including before and after school childcare and summer camp) to the extent these expenses are not reimbursed. *[Tip: For unconventional childcare payments (e.g., cash) inform residents of acceptable documentation – notarized statements of payment by childcare provider or PHA generated third-party forms.]*

Often mistakes are made with self-employed individuals. **Net business income** is counted as income [24 CFR §5.609(b)(2)]. The error occurs in determining net business income, which in simple terms is the total business income minus the expenses needed to operate the business. A

good example is a landscaper's income minus the cost of gas and machine maintenance. [*Tip: Urge self-employed residents to keep accurate records and receipts for business expenses.*]

Other frequent errors included failure to consider individuals who are in certain types of **employment training programs**. Under [24 CFR §5.609(c)(8)(i)] earnings and benefits from employment training programs funded by HUD are excluded from income and [24 CFR §5.609(c)(8)(v)] excludes from income incremental earnings and benefits from qualifying State or local employment training programs. Additionally, [24 CFR §5.609(c)(8)(iii)] excludes from income any reimbursements of out-of-pocket expenses incurred (special equipment, clothing, transportation, and childcare) which are made solely to allow participation in a specific program. [*Tip: Educate residents on the eligible types of training programs and encourage them to notify the PHA when participating in such programs.*]

For persons who have recently become employed – these residents could be eligible for various exclusions including the new **earned income disallowance** found in [24 CFR §960.255 (b)] for public housing families and in [24 CFR §5.617] for persons with disabilities in public housing, Section 8 and other HUD assisted housing. This replaces the previous 18-month earned income exclusion. The PHA is required to provide this disallowance for any qualified family. PHAs need to notify families that they may be eligible for this disallowance and request appropriate documentation in order to provide this disallowance. [*Tip: Provide residents with information on the earned income disallowance and encourage them to notify the PHA when newly employed.*]

New Provisions in the Public Housing Reform Act¹

PHRA adds new provisions that impact the rent calculation and treatment of income. Appendix A, the *Improving Income Integrity Guidebook* discusses some of these major changes, but more information can be found in the “**Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs: Final Rule,**” published March 29, 2000 in the Federal Register.

Verification of Income

The most basic form of verification is a resident's **proof of identification**. The most important tool for identification is a resident's **Social Security number**. PHAs are required to obtain Social Security Numbers for each member of a family six years and up [24 CFR §5.216]. Social Security numbers are needed for most methods of income verification. If the family member does not have or cannot get a Social Security number, the PHA may require another document in its place or some certification with the family member's name and the reason the individual does not have a Social Security number. (Note: Obtaining correct Social Security numbers and the accuracy of submission into the Multifamily Tenant Characteristics System (MTCS) is also important in this process.)

¹ Quality Housing and Work Responsibility Act of 1998, Public Law 105-276, §2518 which amended the United States Housing Act of 1937, 42 United States Code (U.S.C.) §1437 et seq.

A PHA must obtain and document in the family file ***third party verification*** of reported family income, value of assets, expenses related to deductions from annual income and other factors that affect the determination of adjusted income or income based rent. If this information is not available, the PHA must document in the file the reason(s). [24 CFR §960.259(c) and §982.516(a)(2)].

A PHA may use several methods to verify the income of a resident family. A PHA may require and check documents and information supplied by the family; however, to be considered third party verification the documentation must come directly to the PHA from the provider. The types of documents required could vary depending on the type(s) of income being reported. The following provides examples of acceptable verification documents:

A. Income Documentation Materials

- IRS tax forms including Form 1099, Form 1040, Form 4506 and Form 8821;
- Written verification of TANF income from the appropriate welfare agency;
- Social security or disability award statements;
- Child Support Payment cancelled checks and/or award letters; and
- Pay stubs or earnings statements supplied by the employer directly to the PHA.

B. Deduction Documentation Materials

- Signed receipts or paid invoices for childcare expenses supplied by the provider directly to the PHA; and
- Receipts for medical expenses or insurance premiums supplied by the provider directly to the PHA.

Other effective and possibly more efficient third party verification methods are the use of “***Up-Front***” ***Income Verification Techniques***, especially those that are automated. These systems can enhance the accuracy of the up-front verification process and reduce the need for additional re-verification work by the PHA at the end of the process.

Ideas and Tips for Improving Income Integrity

The following list provides some suggested ideas and tips for PHAs to consider to work towards improving income integrity within their organizations.

1. Review PHA occupancy procedures (initial examination, reexamination, interim reexamination, income determination, and rent calculation) to reflect changes in the Public Housing Reform Act of 1998 (PHRA) and to assure that these policies reflect the actual practices implemented by the PHA.
2. Update any PHA generated worksheets for determining income to reflect current PHRA provisions and requirements. The HUD field office and other PHAs may have model forms that can be modified to fit the needs of your PHA.
3. Review the consent or waiver forms signed by the applicants. The forms should include all of the various methods which are presently used or anticipate using to verify income. (Note: PHAs should explain and provide to residents/applicants completed copies of all documents they are required to sign.)
4. Train occupancy and intake specialists on the changes in the law, the revised HUD 50058, MTCS 2000. Refer to the HUD Web site, which includes information and training materials from HUD training offered earlier this year.
5. Ensure that all information used to determine income and rent is verified and accurately reported in the MTCS system.
6. Review and enhance the competency of occupancy specialists in income and rent determination to assure that current program terms, regulations and requirements are being used and applied by PHA staff.
7. Explore as many third-party verification resources in your community and state, including technological solutions as possible. HUD Field Offices may be able to provide information regarding resources, which are currently being used by other PHAs. Additionally, state professional organizations may be able to provide contact information for these agencies to avoid duplication of efforts by the PHA.
8. Develop PHA internal quality control systems (i.e. supervisory review systems). Quality control systems need not be very elaborate to be effective. The most frequently implemented quality control is to have a supervisor or the most knowledgeable occupancy person rework a sample of cases performed by other staff. In situations where there are only one or two occupancy persons or where there are no experienced staff, the PHA is encouraged to review a few cases with another PHA with experienced staff or Field Office staff.
9. Review the **Improving Income Integrity Guidance Booklet (See Appendix A)**. The guidebook serves as a reference for accurately calculating income and lists supplementary materials.

Up-Front Income Verification Techniques

HUD has implemented the use of “up-front” techniques for tenant income verification. HUD believes “up-front” techniques will greatly reduce the error rate in applicant/tenant income reporting; verification of information by PHAs; and rent calculations. Additionally, PHAs that use “up-front” verification techniques make it a practice to notify applicants and tenants that this method will be used to clarify or recheck reported applicant/tenant income. This step is critical to reduction in applicant/tenant fraud. There are various resources available for PHAs to consider when attempting to do “up-front” verification. These include:

- Tenant Assessment Sub-System (TASS);
- State Wage Information Collection Agencies;
- Credit Bureau Association (CBA) Credit Reports;
- The Work Number; and
- Internal Revenue Service (IRS) Letter 1722.

TASS: TASS matches Social Security (SS) and Supplemental Security Income (SSI) to comparable tenant data from MTCS and TRACS databases. HUD provides Internet-based access to SS and SSI benefit information. Each month, HUD extracts tenant data from MTCS and TRACS for families with initial examinations or reexaminations completed 8 to 9 months prior to the current month (i.e., for families who will be reexamined in 3 to 4 months). The SS and SSI reports are placed on the Internet on or about the 15th to the 20th of each month. This matching effort provides quick and easy verification of SS and SSI benefits, and provides information on individuals who have unreported or underreported SS or SSI benefits. Further information can be found at http://www.hud.gov/reac/products/tass/tass_guide_ssi.html

State Wage Information Collection Agencies (SWICAs): Another avenue for income verification is through obtaining data from SWICAs (often a part of the State’s Department of Labor). SWICAs are a source of employers and reported wages. SWICAs must share data with PHAs upon request and on a reimbursable basis only to officers and employees of HUD and to representatives of a PHA based on Section 505(i) of the Social Security Act. SWICAs can disclose wage information, and whether an individual is receiving, has received, or has made application for, unemployment compensation, and, in some states, disability, and the amount of any such compensation being received (or to be received) by such individual. A Memorandum of Understanding (MOU) is usually required between the PHA and the SWICA before information can be shared. The SWICA can charge the PHA a fee for providing the information. Some states share data electronically and others share data through paper requests. For more information see www.loc.gov/global/state/stategov.html to obtain links to State government web sites.

Credit Bureau Association (CBA) Credit Reports: The CBA Credit Profile is derived from the Experian consumer credit database. The credit profile contains public record information, credit relationships, inquiries, and demographic information. CBA also provides subscribers with a list of names and addresses associated with a social security number. The service automatically verifies if the input social security number is valid and has been issued. PHAs can use reports from the CBA as a way of screening applicants to determine their credit history and ability to pay their rent. See www.CBAinfo.com for more information on credit reports.

The Work Number: The Work Number is an automated service that provides controlled access to a national database of almost 40 million employment and income records. When an applicant applies for aid and lists a current or previous employer, the State or Federal agency can have automated access to that information, provided the employer's records are part of The Work Number. The Work Number can help eliminate the need for PHA employees to process multi-page verification forms, while providing quick and accurate employment and wage information. Once signed on with the service, PHAs can perform wage and employment verifications with The Work Number by calling a toll-free phone line (**call 1-800-996-7566** for specific instructions) or by using the Internet at www.theworknumber.com. The Work Number will provide the information to public agencies free of charge, but the turn around time is not as quick as using the fee-for-service method.

Internal Revenue Service (IRS) Letter 1722: An IRS Letter 1722, also known as a tax account listing, shows the applicant/tenants filing status, exemptions claimed, adjusted gross income, taxable income, taxes paid, etc. Individuals can obtain their own listing by calling the **IRS at 1-800-829-1040**. PHAs can inform residents that this would be an acceptable form of third party verification.

The use of “up-front” techniques can assist PHAs in identifying potential discrepancies between resident reported and PHA verified income and residents income reported through one of the sources above. The resources listed are examples of services PHAs are currently using; however, some may not be available in all states. Additionally, PHAs should discuss with each agency providing these resources the following issues:

- Availability of information through the most efficient means – possibly electronically, such as a mainframe hook up, Internet, etc;
- Privacy Act and confidentiality issues regarding use of data and access;
- Cost of service – if used for public governmental use, possible waiver of cost; and
- Partnerships with other PHAs for joint use of service.

In most cases a Memorandum of Understanding (MOU) or a contract for services is developed to assist in clarifying these issues and to formalize the process. See **Appendix B – Best Practices - Tips and Tools** for examples of coordination between PHAs, State and local

governments, and private agency partners to obtain information for verification purposes that will improve income integrity.

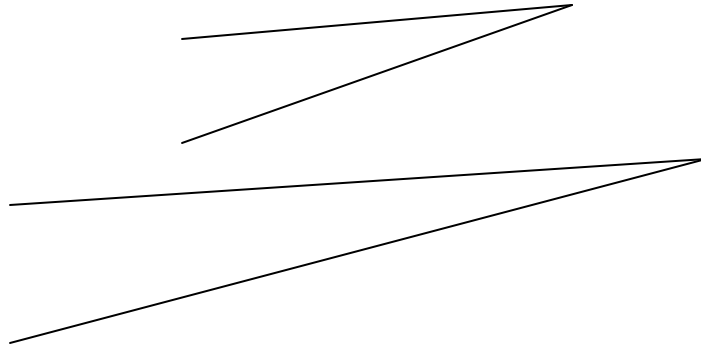
Nondiscrimination

PHAs may not devise or implement income or rent determination, verification, or other related policies or procedures in a way that discriminates against persons on the basis of race, color, national origin, sex, religion, familial status, and perceived or actual disability. PHAs that administer public housing, Housing Choice Vouchers, and Moderate Rehabilitation must comply with fair housing, equal opportunity, and other civil rights requirements (24 CFR §§ 960.103, 982.53, and 983.11), respectively. Under the Fair Housing Act (42 USC §3617), it is unlawful to use income or rent determination, verification, or other related policies or procedures as retaliation.

For More Information on Improving Income Integrity Contact: Your HUD Field Office or the Public and Indian Housing Resource Center at 1-800-955-2232.

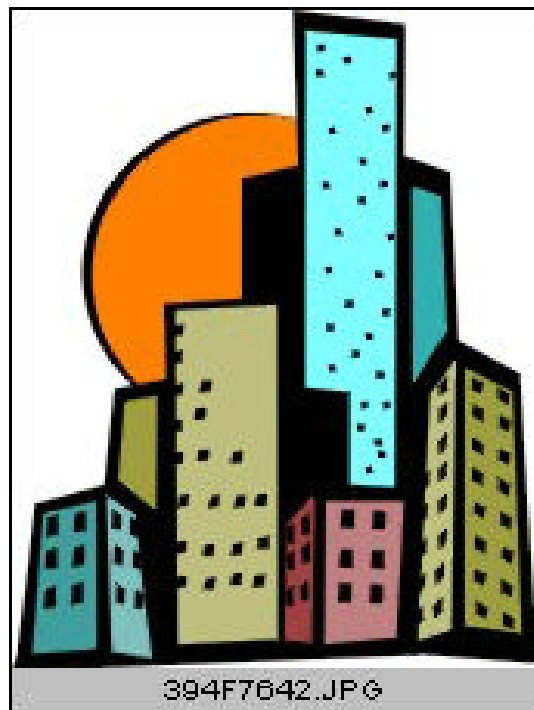
/s/

Gloria J. Cousar, Acting General Deputy Assistant Secretary
for Public and Indian Housing



IN

PUBLIC HOUSING & SECTION 8 RESIDENT-BASED ASSISTANCE



Improving Income Integrity Guidance Booklet

**April 2001
Appendix A**

SECTION 1: INCOME INTEGRITY

A. THE INCOME INTEGRITY PROBLEM

The Department of Housing and Urban Development (HUD) has recently been criticized for weakness in its data reporting systems, including data based on the calculation of resident family rent in public and assisted housing. The two main causes of this problem are the under-reporting of income by resident families and Public Housing Agencies (PHAs) and Public Housing Agencies and Owners and Agents (POAs) not granting exclusions and deductions to which resident families are entitled. The results of a recent HUD study showed that more than one-half of resident families paid incorrect rent.

B. INCOME INTEGRITY IS CRITICAL TO THE FUTURE OF PUBLIC HOUSING

Solving the income integrity problem is vital for HUD. Not only will accurate rent and income address the finding of material weakness in HUD's Financial Statement, but accurate rent will help achieve HUD's and Congress' goal of using limited housing resources as efficiently as possible. When families pay accurate rent, fraud, waste and abuse are eliminated while increasing the amount of housing assistance to serve eligible families.

C. RIGHTS AND RESPONSIBILITIES

Income integrity is all about *rights and responsibilities*. In return for income exclusions, deductions and access to decent, safe and affordable housing, resident families have the responsibility to provide accurate and up-to-date income information to their PHAs. PHAs have the right to efficient allocation of scarce housing dollars but have the responsibility of ensuring that resident families receive the deductions and exclusions to which they are entitled.

Resident Rights and Responsibilities

- Receive appropriate deductions and exclusions
- Receive decent, safe and affordable housing
- Report all income
- Provide/release income information for income verification (Form HUD-9886)

PHA Rights and Responsibilities

- Provide decent, safe and sanitary housing
- Receive accurate income information
- Verify resident income
- Ensure residents receive applicable income exclusions and deductions

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

SECTION 2: HOW RENT IS DETERMINED

A. CALCULATING RENT

Rent calculation often involves simple subtraction equations to determine *Annual Income* and *Adjusted Income*. Annual Income is determined by calculating a family's income minus allowable exclusions. Adjusted Income is calculated by subtracting allowable deductions from Annual Income. Annual Income and Adjusted Income function to determine the rent a family will pay.

INCOME EQUATIONS

$$1. \text{ INCOME} - \text{EXCLUSIONS} = \text{ANNUAL INCOME}$$

$$2. \text{ ANNUAL INCOME} - \text{INCOME DEDUCTIONS} = \text{ADJUSTED INCOME}$$

The difficulty in calculating Annual Income and Adjusted Income is figuring out the income exclusions and deductions a family can claim.

B. ANNUAL INCOME, 24 CFR 5.609

1. WHAT IS ANNUAL INCOME?

Annual Income is Anticipated Income: Annual Income is the income a family expects to receive in the future. It is the amount of income that a family expects to receive in the 12 months following certification or reexamination. For a family receiving a regular source of income, such as pay from a job or Social Security, calculating Annual Income may be easy. For a family with members who have seasonal employment (for example, a landscaper who works in the late spring, summer and early fall), calculating Annual Income may be more difficult. Below are some amounts that can be considered as income.

2. AMOUNTS INCLUDED IN ANNUAL INCOME WITH EXAMPLES

Annual income includes, but is not limited to, the following:

Wages and Salaries, 24 CFR 5.609(b)(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.

➤ **Examples:** A supermarket clerk's total salary; a waiter's total salary and tips; a salesperson's gross salary and commissions

Net Business Income, 24 CFR 5.609(b)(2): The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line

depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

➤ **Example:** A landscaper's income after deductions for gas and machine maintenance

Benefits, 24 CFR 5.609(b)(5) & (6):

- 24 CFR 5.609(b)(5): Payments in place of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph 24 CFR 5.609(c)(3)).
- 24 CFR 509(b)(6): If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph (b)(6)(ii) shall be the amount resulting from one application of the percentage.

Income From Assets, 24 CFR 5.609(b)(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 (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

➤ **Example:** Interest from a savings or checking account.

Regular Payments to Family Members, 24 CFR 5.609(b)(4): The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section).

➤ **Examples:** All social security payments to any family member; a state employee's pension or retirement; a widow's insurance benefit

Allowances and Regular Cash Contributions, 24 CFR 5.609(b)(7): Regular 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.

➤ **Example:** The regular amount of money a daughter sends her mother each month.

Armed Forces Pay, 24 CFR 5.609(b)(8): All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in 24 CFR (c)(7)).

- **Examples:** Pay to a spouse serving at sea with the Navy; Salary of an Army private in Germany whose child is living with the family.

Assets Sold for Less Than Market Value, 24 CFR 5.603(d)(4): In determining net family assets, PHAs or owners, as applicable, shall include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or reexamination, as applicable, in excess of the consideration received therefor.

- **Example:** Selling a house to a family member or friend for \$1 when the market value is \$25,000.

3. NEW: ANNUALIZATION OF INCOME: 24 CFR 5.609(d)

A PHA may now calculate future Annual Income by considering a time period less than a year if necessary to accurately estimate the resident family's income.

C. INCOME EXCLUSIONS: 24 CFR 5.609(c)

1. WHAT ARE INCOME EXCLUSIONS?

Some amounts are prohibited from being included in a family's income for rent determination purposes. These amounts, called exclusions, *are not* part of Annual Income. Below are some amounts excluded from income:

2. ANNUAL INCOME EXCLUSIONS AND EXAMPLES

Wages of Family Members Under 18, 24 CFR 5.609(c)(1): Income from employment of children (including foster children) under the age of 18 years.

- **Example:** Salary of a 17-year-old, who is neither the head of a household or spouse, from working at a fast food restaurant

Earnings Over \$480 for Full-time Students Over 18, 24 CFR 5.609(c)(11): Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse).

Refunds or Rebates of Property Tax on Home. 24 CFR 5.609(c)(15): Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.

Payments for Student Financial Assistance Paid Directly to the Student or Educational Institution, 24 CFR 5.609(c)(6): The full amount of student financial assistance paid directly to the student or to the educational institution.

Lump-Sum Additions to Family Wealth, 24 CFR 5.609(c)(3): Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section).

➤ **Examples:** An inheritance; insurance settlements

Lump-Sum Payments of Deferred Benefits, 24 CFR 5.609(c)(14): Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

Temporary, Non-Recurring, Sporadic Income, 24 CFR 5.609(c)(9): Temporary, nonrecurring or sporadic income (including gifts).

Amounts Received for Reimbursements of Medical Expenses of Any Family Member, 24 CFR 5.609(c)(4): Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.

➤ **Example:** Expenses for prescription drugs.

Live in aide income, 24 CFR 5.609(c)(5): Income of a live-in aide, as defined in 24 CFR 5.403

Adoption Assistance Payments in Excess of \$480 Per Child, 24 CFR 5.609(c)(12).

Payments to Keep Developmentally Disabled Family Members at Home, 24 CFR 5.609(c)(16): Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

Payments Received for the Care of Foster Children or Adults, 24 CFR 5.609(c)(2): Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).

Special Armed Forces Pay, 24 CFR 5.609(c)(7): The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

➤ **Example:** Extra pay received for peace keeping duty in Kosovo.

Foreign Government Reparation Payments, 24 CFR 5.609(c)(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.

Earnings and Benefits From Employment Training Programs Funded By HUD, 24 CFR 5.609(c)(8)(i).

- **Example:** Stipend for Youthbuild project to help young high-school dropouts obtain education, employment skills, and meaningful on-site work experience in a construction trade.

Incremental Earnings and Benefits from Participation in Qualifying State and Local Employment Programs, 24 CFR 5.609(c)(8)(v): Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.

- **Example:** Department of Labor, Employment Training Administration Welfare-to-Work Grant if goals and objectives meet appropriate criteria

Reimbursement for Out-Of-Pocket Expenses While Attending a Public Assisted Training Program, 24 CFR 5.609(c)(8)(iii): Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.

Resident Service Stipend Not To Exceed \$200 For Services to the PHA (if PHA Provides), 24 CFR 5.609(c)(8)(iv): Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.

3. NEW EXCLUSIONS IN PHRA

Stipends to Reimburse Residents for Expenses for Serving as Members of PHA Governing Board or Commission, Stipends to Reimburse Residents for Expenses of Serving as Members of the PHA Governing Board or Commission, 24 CFR 5.609(c)(8)(iv)(see above): The Public Housing Reform Act provides that the governing board of a PHA must generally contain at least one member who is directly assisted by the PHA (42 U.S.C. 1437(b)). To support and facilitate implementation of this new statutory requirement, HUD is clarifying that the resident service stipend exclusion covers amounts received by residents who serve on the PHA governing board. HUD is concerned that without this clarification, residents may be discouraged from participating.

Earned Income Disallowance for Public Housing Families, 24 CFR 960.255(b) and Persons with Disabilities in Public Housing, Section 8, and Other HUD Assisted Housing, 25 CFR 5.617:

Initial Twelve Month Exclusion, 24 CFR 960.255(b)(1)/24 CFR 5.617(c)(1):

During the cumulative twelve month period beginning on the date a member of a qualified family is first employed or the family first experiences an increase in Annual Income attributable to employment, the PHA must exclude from Annual Income (as defined in Sec. 5.609 of this title) of a qualified family any increase in income of the family member as a result of employment over prior income of that family member.

Second Twelve Month Exclusion And Phase-In, 24 CFR 960.255(b)(2)/24 CFR 5.617(c)(2):

During the second cumulative twelve month period after the date a member of a qualified family is first employed or the family first experiences an increase in Annual Income attributable to employment, the PHA must exclude from Annual Income of a qualified family fifty percent of any increase in income of such family member as a result of employment over income of that family member prior to the beginning of such employment.

Maximum Four Year Disallowance, 24 CFR 960.255(b)(3)/24 CFR 5.617(c)(3):

The disallowance of increased income of an individual family member as provided in paragraph (b)(1)/(c)(1) or (b)(2)/(c)(1) of this section is limited to a lifetime 48 month period. It only applies for a maximum of twelve months for disallowance under paragraph (b)(1)/(c)(1) and a maximum of twelve months for disallowance under paragraph (b)(2)/(c)(2), during the 48 month period starting from the initial exclusion under paragraph (b)(1)/(c)(1) of this section.

4. FEDERALLY MANDATED EXCLUSIONS – PER HUD NOTICE

HUD issued a notice in *58 Federal Register 41287, August 3, 1993*, to specify additional benefits excluded from income. The benefits excluded are listed below:

- The value of the allotment provided to an individual under the *Food Stamp Act*
- Payments to volunteers under the *Domestic Volunteer Services Act*
- Payments received under the *Alaska Native Claims Settlement Act*
- Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes
- Payments or allowances under DHHS' Low-Income Home Energy Assistance Program (LIHEAP)
- Payments received under programs funded in whole or in part under the *Partnership Act*
- Income derived from the disposition of funds of the Grand River Band of Ottawa Indians
- The first \$2,000 of per capita shares from judgement funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian tribe by the Secretary of the Interior
- Federal scholarships funded under Title IV of the *Higher Education Act of 1965*, including awards under the Federal work study program or under the Bureau of Indian Affairs student Assistance program

- Payments received from programs funded under Title V of the *Older Americans Act of 1965*
- Payments received on or after January 1, 1989 from the Agent Orange Settlement Fund or any fund established pursuant to the settlement in the *In re Agent Orange* product liability legislation.
- Payments received under *the Maine Indian Claims Settlement Act of 1980*.
- Child care arranged or provided under the *Child Care and Development Block Grant Act*
- Earned Income Tax Credit refund payment

In a supplementary Notice *66 Federal Register 4669, April 20, 2001*, HUD updated and remedied omissions of the exclusions published in 1993:

- Payments by the Indian Claims Commission to the Confederate Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation.
- The first \$2000 of income received by individual Indian derived from interests or trust or restricted land,
- Any allowance paid under provisions of *38 U.S.C. 1805* to a child suffering from spina bifida who is the child of a Vietnam Veteran.
- Any amount of crime victim compensation that the applicant (under the *Victims of Crime Act*) receives through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the *Victims of Crime Act* because of the commission of a crime against the applicant.

5. EXCLUSION FOR CENSUS TAKERS: Notice PIH 2000-1 (HA)

HUD has excluded the amounts earned by temporary Census employees for determining income in the Department's assisted housing programs. Terms of employment may not exceed 180 days for the purposes of the exclusion.

D. DEDUCTIONS: 24 CFR 5.611

Deductions are amounts that are subtracted from a family's Annual Income to produce Adjusted Income. There are two types of deductions: mandatory and permissive

1. MANDATORY DEDUCTIONS, 24 CFR 5.611(a):

- \$480 for each dependent including full-time students or persons with disability, 24 CFR 5.611(a)(1)
- \$400 for any elderly family or disabled family, 24 CFR 5.611(a)(2)
- The sum of the following to the extent the sum of the following exceeds 3% of income:
 - Unreimbursed medical expenses of any elderly family or disabled family, 24 CFR 5.611(a)(3)(i)
 - Unreimbursed reasonable attendant care and auxiliary apparatus expenses for disabled family member(s) to allow family member(s) to work. 24 CFR 5.611(a)(3)(ii)
- Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education, 24 CFR 5.611(a)(4)

2. PERMISSIVE DEDUCTIONS (Public Housing Only), 24 CFR 5.611(b)

PHAs may adopt additional deductions, called Permissive Deductions, from Annual Income. PHAs must establish a written policy for such deductions. Examples of Permissive Deductions include:

- Excessive travel expenses not exceeding \$25 per family per week, for employment- or education-related travel
- An amount of any family earned income, established at the discretion of the PHA, which may be based on--
 - all earned income of the family;
 - the amount earned by particular members of the family;
 - the amount earned by families having certain characteristics; or
 - the amount earned by families or members during certain periods or from certain sources.

E. DETERMINING RENT: 24 CFR 5.628

RENT EQUATIONS:

1. 30% x MONTHLY ADJUSTED INCOME

OR

2. 10% x MONTHLY ANNUAL INCOME

The rent a family will pay is the highest of the following amounts:

- 30% of the family's monthly Adjusted Income;
- 10% of the family's monthly Annual Income; or
- Welfare rent or welfare payments from agency to assist family in paying housing costs

F. OTHER PROVISIONS OF PHRA AFFECTING INCOME DETERMINATION AND RE-EXAMINATION

Income is not the only factor determining rent. Other factors include:

Minimum Rent: Rent can never be less than a minimum amount or minimum rent set between \$0 and \$50.

Flat Rent (Public Housing only), 24 CFR 960.253(b): Flat rent fixes rent at a certain amount so that it does not increase as income increases. Flat Rent is rent based on the market rent charged for comparable units in the private unassisted rental market. It is equal to the estimated rent for which the PHA could promptly lease the public housing unit after preparation for occupancy.

Welfare Sanctions, 24 CFR 5.615: The dollar amount by which the family's welfare benefits were reduced by a TANF agency because of fraud or noncompliance is included in Annual Income.

G. TIME FRAME FOR RE-EXAMINATION OF RENT: 24 CFR 960.257 and 24 CFR 982.516

Family income must be checked at the time the family enters the program and must be re-examined at least annually. For families who choose flat rents, the PHA must conduct re-examination of family composition at least annually and family income at least once every three years. If a family experiences a change in income or circumstances, it may request a reexamination of income.

SECTION 3: VERIFYING INCOME

A. IDENTIFICATION

A basic element of income verification is a resident's proof of identification. An important identification document is a resident's Social Security number. Social Security numbers are required for each family member six years of age and above for the purposes of income verification. If the family member does not have a Social Security number, the PHA may require another document in its place or some certification with the family member's name and the reason the individual does not have a Social Security number. The individual may be required to obtain a Social Security number.

Documents verifying Social Security number can also be required. Such documents include:

- A driver's license
- An identification card issued by federal, state or local agency; employer or trade union or medical insurance company
- An earnings statement or payroll stubs
- Bank statements
- IRS Form 1099
- Benefit award letters from government agencies
- Unemployment or retirement benefit letters
- Life insurance policy
- Court records such as real estate, tax notices, marriage and divorce, judgement or bankruptcy records
- Other documents that the PHA determines are evidence of a valid Social Security number

Documents created by or at the request of family members are not typically accepted for certification or reexamination purposes. Such documents can include business cards, identification cards purchased from stores or copies of Social Security cards. Other unacceptable documents are those with little or no value to identification verification like club memberships or library cards.

B. PROOF OF INCOME SUPPLIED BY THE RESIDENT FAMILY

PHAs check or verify resident family income in several ways. One of the more important means is to use information supplied by the family. PHAs may require that families supply them with documents to help determine family rent. The type of documents required may depend on the type of income that is being reported. To follow are types of income and the documents useful to prove the amount of income the family received.

Type of Income	Example of Proof
----------------	------------------

Child Support Payments	Canceled checks and award letters if original and unaltered
Certificates of Deposit	The certificates of deposit showing balance, interest rate and term of the deposit

Type of Income, Con'd.	Example of Proof
-----------------------------------	-------------------------

Earned Income Tax Credits	Tax forms. PHAs review this documentation carefully since tax forms can be easily altered.
Education Scholarships	Award letters showing the scholarship's purpose, amount and dates of the awards
Employment Income	Paystubs or earnings statements. The PHA may require several paystubs covering a certain time period. PHAs will usually not accept photocopies of paystubs, actual checks in place of the stub and a stub that does not show the employer's name, total earnings and pay rate and pay period.
IRA and Other Retirement Funds	This income should be verified with original documents from a bank or the retirement fund.
Insurance Policies	Original insurance documents including information on current value, penalties for surrendering the policy and the rate of interest earned on the policy.
Real Property	Tax assessment information, mortgage documents including current principal due and current interest rate and leases if the property is being rented out. Expenses should be documented with receipts and IRS Form 1040 Schedule E.
Regular Gifts	Checks received by family are an acceptable form of proof.
Savings and Checking Accounts	Passbooks and bank statements. PHAs may require several bank statements covering a certain period of time.
Savings Bonds	The original bond itself.

Type of Income, Con'd.	Example of Proof
Self-Employment Income	Tax Forms are usually required for proof of income from self employment. If a family member is self employed, the PHA may require IRS forms and documents like Form 1099 or Form 1040
Stocks, Bonds, Treasury Bills and Mutual Funds	Actual Instruments or a monthly statement from the broker are acceptable forms of proof.
TANF	Usually PHAs verify this income with the proper government agency. PHAs must obtain a written verification form from the appropriate welfare agency (see PIH 2000-11).
Unemployment Compensation	Canceled checks and award letters if original and unaltered.
Workers Compensation	Award letters if they clearly state the pay rate and period over which the payments will be made.

C. PROOF OF QUALIFICATION FOR DEDUCTIONS

For families to claim income deductions, PHAs may require documents proving entitlement to those deductions. Different deductions may require different forms of proof.

Type of Deduction	Example of Proof
Child Care Expenses	Receipts or paid invoices signed by the childcare provider. A letter or statement signed by the childcare provider can also serve as proof.
Dependents	Birth certificates can prove that a child is under the age of 18, but not that the child is a family member. Custody, adoption papers or other legal court documents can serve as verification that the minor lives with the guardian

Type of Deduction	Example of Proof
Handicapped Assistance Expenses	Receipt for care costs signed by health care provider and copies of payment agreements showing costs or payment plan for medical equipment.
Medical Expenses	Medical insurance premiums should be verified with receipts, cancelled checks or pay stubs. Receipts for payments to physicians and live in aides can also prove medical costs. PHAs will generally be suspicious of handwritten receipts.

D. COMMON MISTAKES MADE BY RESIDENTS AND PHAS IN REPORTING AND DETERMINING INCOME

- **Required Income Information Not Provided/Obtained:**
 - **Residents:** Residents may not be aware of what amounts should be included in income. For example, a family member may not report overtime pay even though this should be included in income.
 - **PHAs:** PHAs may be relying on incomplete information when determining income. More substantial information can be obtained through resident interviews.

- **Changes in Income Not Reported/ Noted:**
 - **Residents:** Income can change throughout the year after certification. For example, a child moving away from the family could reduce TANF benefits. If this happens, a resident family may seek income reexamination. If residents do not obtain income reexamination, they might pay more rent than is necessary.
 - **PHAs:** PHAs should inform residents which changes should be reported as well as how and when they could be reported.

- **Changes in the Family Membership Not Reported/Requested:**
 - **Residents:** Some families fail to note changes in the number of family members. An increase in dependents can trigger deductions and exclusions.
 - **PHAs:** PHAs should inform residents about these deductions and exclusions and request residents report changes in family membership.

- **Not Reporting\Noting Medical Deductions:**
 - Some families miss out on exclusions or deductions because they do not track, document and or report medical expenses.
 - PHAs sometimes do not request or account for these costs as deductions.

APPENDIX 1
CHECKLIST FOR CERTIFICATION OR REEXAMINATION

Identification:

- ___ Social Security numbers
- ___ Documents verifying Social Security number
 - ___ Driver's license
 - ___ Identification card issued by federal state or local agency
 - ___ Identification card issued by employer or trade union
 - ___ Identification card issued by medical insurance company
 - ___ Earnings statement or payroll stubs
 - ___ Bank statements
 - ___ IRS Form 1099
 - ___ Benefit Award letters from government agencies
 - ___ Unemployment benefit letters
 - ___ Retirement benefit letter
 - ___ Life insurance policy
 - ___ Court records such as real estate, tax notices, marriage and divorce, judgment or bankruptcy records
 - ___ Other documents that the PHA determines are evidence of a valid Social Security number

Proof that individuals are members of family

- ___ Birth certificates
- ___ Marriage certificates
- ___ If pregnant, laboratory reports or certified letter from doctor confirming pregnancy
- ___ Copies of award of custody
- ___ Divorce, Support Payment, TANF documents
- ___ Bank statements showing joint accounts
- ___ Current leases showing household names
- ___ Federal tax returns showing dependents

APPENDIX 2

SOURCES OF INFORMATION ON INCOME DETERMINATION

1. LEGISLATION

- QUALITY HOUSING AND WORK RESPONSIBILITY ACT OF 1998, Public Law 105-276, 112 Stat. 2518 which amended the United States Housing Act of 1937, 42 United States Code (U.S.C.) 1437, *et seq.*
- PRIVACY ACT, 5 U.S.C. 552a

2. REGULATIONS

- GENERAL HUD PROGRAM REQUIREMENTS; WAIVERS, 24 CFR Part 5.
- ADMISSION TO, AND OCCUPANCY OF, PUBLIC HOUSING, 24 CFR Part 960.
- CHANGES TO ADMISSION AND OCCUPANCY REQUIREMENTS IN THE PUBLIC HOUSING AND SECTION 8 HOUSING ASSISTANCE PROGRAMS; Final Rule, 65 Federal Register (FR) 16692, March 29, 2000; 24 Code of Federal Regulations (CFR) 880 *et. al.*

- | | |
|-----------------------------------|---|
| • ANNUAL INCOME | 65 FR 16717, 24 CFR 5.609 |
| • ANNUAL INCOME, EXAMPLES OF | 24 CFR 5.609(c) |
| • ANNUALIZATION OF INCOME | 24 CFR 5.609(d) |
| • CERTIFICATION AND REEXAMINATION | 24 CFR 960.257, 24 CFR 982.516 |
| • DEDUCTIONS | 24 CFR 5.611 |
| • DETERMINING RENT | 24 CFR 5.628 |
| • EXCLUSIONS | 24 CFR 5.609(d) |
| • FLAT RENT | 65 FR 16727; 24 CFR 960.253(b) |
| • INCOME BASED RENT | 65 FR 16726-16727; 24 CFR 960.253(c)(2) and (3) |
| • PERMISSIVE DEDUCTIONS | 65 FR 16717, 24 CFR 5.611(b) |
| • RESIDENT RENT, SEC. 8 & PHA | 65 FR 16719, 24 CFR 5.634 |

3. NOTICES

- | | |
|---|---|
| • EXCLUSION FOR CENSUS TAKERS | Notice PIH 2000-1 (HA), January 3, 2000. |
| • FEDERALLY MANDATED EXCLUSIONS | Notice 58 FR 41287, August 3, 1993
Notice 66 FR 4669, April 20, 2001 |
| • GUIDANCE ON ESTABLISHING COOPERATION AGREEMENTS FOR ECONOMIC SELF-SUFFICIENCY BETWEEN PUBLIC HOUSING AGENCIES (PHAS) AND TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) AGENCIES | Notice PIH 2000-11 (HA), May 9, 2000 |

4. STUDIES

- QUALITY CONTROL FOR RENTAL ASSISTANCE SUBSIDIES DETERMINATIONS, Interim Report, HUD, Office of Policy Development and Research, March 2001
- ASSISTED HOUSING QUALITY CONTROL, HUD, Office of Policy Development and Research, April 1996

APPENDIX 3
RESOURCES FOR RESIDENTS ON INCOME, RENT, AND HUD POLICIES

Public and Indian Housing Information and Resource Center (IRC)
1-800-955-3323

HUD Offices of Public Housing within Field Offices

Internet Sites: Note that many public libraries provide free Internet access

- HUD's Client Information and Policy System (HUDCLIPS) at
<http://www.hudclips.org/>
 - Access to HUD laws, regulations, notices, and handbooks

- Multi-family Tenant Characteristic System (MTCS) Web Site at
<http://www.hud.gov/pih/systems/mtcs/pihmtcs.html>
 - Information on families in public housing and Section 8
 - Resident Characteristics report available to the public

APPENDIX 4
HUD'S INCOME AND RENT DETERMINATION POLICIES
PUBLIC HOUSING AND SECTION 8 TENANT-BASED ASSISTANCE PROGRAMS

EXCERPTS FROM APPLICABLE REGULATIONS

This appendix includes excerpts of HUD regulations that govern the determination of income for the public housing and Section 8 tenant-based assistance programs. *These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.*

Annual income. 24 CFR s. 5.609 as amended by "Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs; Final Rule, 65 FR 16692, March 29, 2000.

(a) Annual income means all amounts, monetary or not, which:

- (1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or
 - (2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and
 - (3) Which are not specifically excluded in paragraph (c) of this section.
- (4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

(b) Annual income includes, but is not limited to:

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);
- (5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);
- (6) Welfare assistance. 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:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(ii) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

percentage, the amount calculated under this paragraph (b)(6)(ii) shall be the amount resulting from one application of the percentage;

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

(8) All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).

(c) Annual income does not include the following:

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

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

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(5) Income of a live-in aide, as defined in Sec. 5.403;

(6) The full amount of student financial assistance paid directly to the student or to the educational institution;

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(8)

(i) Amounts received under training programs funded by HUD;

(ii) 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);

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

(iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;

(v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(9) 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;

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

(12) Adoption assistance payments in excess of \$480 per adopted child;

(13) [reserved].

(14) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

(15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

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

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

member at home; or

(17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

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

Adjusted income. 24 CFR s. 5.611 as amended by “Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs; Final Rule, 65 FR 16692, March 29, 2000.

Adjusted income means annual income (as determined by the responsible entity) of the members of the family residing or intending to reside in the dwelling unit, after making the following deductions:

(a) Mandatory deductions. In determining adjusted income, the responsible entity must deduct the following amounts from annual income:

- (1) \$480 for each dependent;
- (2) \$400 for any elderly family or disabled family;
- (3) The sum of the following, to the extent the sum exceeds three percent of annual income:
 - (i) Unreimbursed medical expenses of any elderly family or disabled family; and
 - (ii) Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with disabilities) to be employed, but this allowance may not exceed the earned income received by family members who are 18 years of age or older who are able to work because of such attendant care or auxiliary apparatus; and

(4) Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

(b) Permissive deductions – for public housing only. For public housing only, a PHA may adopt additional deductions from annual income. The PHA must establish a written policy for such deductions.

Choice of rent. 24 CFR 960.253 as amended by “Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs; Final Rule, 65 FR 16692, March 29, 2000.

(a) Rent options.

(1) Annual choice by family. Once a year, the PHA must give each family the opportunity to choose between the two methods for determining the amount of tenant rent payable monthly by the family. The family may choose to pay as tenant rent either a flat rent as determined in accordance with paragraph (b) of this section, or an income-based rent as determined in accordance with paragraph (c) of this section. Except for financial hardship cases as provided in paragraph (d) of this section, the family may not be offered this choice more than once a year.

(2) Relation to minimum rent. Regardless of whether the family chooses to pay a flat rent or income-based rent, the family must pay at least the minimum rent as determined in accordance with Sec. 5.630 of this title.

(b) Flat rent.

(1) The flat rent is based on the market rent charged for comparable units in the private unassisted rental market. It is equal to the estimated rent for which the PHA could promptly lease the public housing unit after

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations

preparation for occupancy.

(2) The PHA must use a reasonable method to determine the flat rent for a unit. To determine the flat rent, the PHA must consider:

- (i) The location, quality, size, unit type and age of the unit; and
- (ii) Any amenities, housing services, maintenance and utilities provided by the PHA.

(3) The flat rent is designed to encourage self-sufficiency and to avoid creating disincentives for continued residency by families who are attempting to become economically self-sufficient.

(4) If the family chooses to pay a flat rent, the PHA does not pay any utility reimbursement.

(5) The PHA must maintain records that document the method used to determine flat rents, and also show how flat rents are determined by the PHA in accordance with this method, and document flat rents offered to families under this method.

(c) Income-based rent.

(1) An income-based rent is a tenant rent that is based on the family's income and the PHA's rent policies for determination of such rents.

(2) The PHA rent policies may specify that the PHA will use percentage of family income or some other reasonable system to determine income-based rents. The PHA rent policies may provide for depositing a portion of tenant rent in an escrow or savings account, for imposing a ceiling on tenant rents, for adoption of permissive income deductions (see Sec. 5.611(b) of this title), or for another reasonable system to determining the amount of income-based tenant rent.

(3) The income-based tenant rent must not exceed the total tenant payment (Sec. 5.628 of this title) for the family minus any applicable utility allowance for tenant-paid utilities. If the utility allowance exceeds the total tenant payment, the PHA shall pay such excess amount (the utility reimbursement) either to the family or directly to the utility supplier to pay the utility bill on behalf of the family. If the PHA elects to pay the utility supplier, the PHA must notify the family of the amount of utility reimbursement paid to the utility supplier.

(d) Ceiling rent. Instead of using flat rents, a PHA may retain ceiling rents that were authorized and established before October 1, 1999, for a period of three years from October 1, 1999. After this three year period, the PHA must adjust such ceiling rents to the level required for flat rents under this section; however, ceiling rents are subject to paragraph (a) of this section, the annual reexamination requirements, and the limitation that the tenant rent plus any utility allowance may not exceed the total tenant payment.

(e) Information for families. For the family to make an informed choice about its rent options, the PHA must provide sufficient information for an informed choice. Such information must include at least the following written information:

(1) The PHA's policies on switching type of rent in circumstances of financial hardship, and

(2) The dollar amounts of tenant rent for the family under each option. If the family chose a flat rent for the previous year, the PHA is required to provide the amount of income-based rent for the subsequent year only the year the PHA conducts an income reexamination or if the family specifically requests it and submits updated income information. For a family that chooses the flat rent option, the PHA must conduct a reexamination of family income at least once every three years.

(f) Switch from flat rent to income-based rent because of hardship.

(1) A family that is paying a flat rent may at any time request a switch to payment of income-based rent (before the next annual option to select the type of rent) if the family is unable to pay flat rent because of financial hardship. The PHA must adopt written policies for determining when payment of flat rent is a financial hardship for the family.

(2) If the PHA determines that the family is unable to pay the flat rent because of financial hardship, the PHA must immediately allow the requested switch to income-based rent. The PHA shall make the determination within a reasonable time after the family request.

(3) The PHA policies for determining when payment of flat rent is a financial hardship must provide that financial hardship include the following situations:

(i) The family has experienced a decrease in income because of changed circumstances, including loss or reduction of employment, death in the family, or reduction in or loss of earnings or other assistance;

(ii) The family has experienced an increase in expenses, because of changed circumstances, for medical

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

costs, child care, transportation, education, or similar items; and

(iii) Such other situations determined by the PHA to be appropriate.

Self-sufficiency incentives – Disallowance of increase in annual income. 24 CFR 960.255 as amended by “Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs; Final Rule, 65 FR 16692, March 29, 2000.

(a) Definitions. The following definitions apply for purposes of this section.

Disallowance. Exclusion from annual income.

Previously unemployed includes a person who has earned, in the twelve months previous to employment, no more than would be received for 10 hours of work per week for 50 weeks at the established minimum wage.

Qualified family. A family residing in public housing:

(i) Whose annual income increases as a result of employment of a family member who was unemployed for one or more years previous to employment;

(ii) Whose annual income increases as a result of increased earnings by a family member during participation in any economic self-sufficiency or other job training program; or

(iii) Whose annual income increases, as a result of new employment or increased earnings of a family member, during or within six months after receiving assistance, benefits or services under any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined by the PHA in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare-to-Work (WTW) programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance--provided that the total amount over a six-month period is at least \$500.

(b) Disallowance of increase in annual income.

(1) Initial twelve month exclusion. During the cumulative twelve month period beginning on the date a member of a qualified family is first employed or the family first experiences an increase in annual income attributable to employment, the PHA must exclude from annual income (as defined in Sec. 5.609 of this title) of a qualified family any increase in income of the family member as a result of employment over prior income of that family member.

(2) Second twelve month exclusion and phase-in. During the second cumulative twelve month period after the date a member of a qualified family is first employed or the family first experiences an increase in annual income attributable to employment, the PHA must exclude from annual income of a qualified family fifty percent of any increase in income of such family member as a result of employment over income of that family member prior to the beginning of such employment.

(2) Maximum four year disallowance. The disallowance of increased income of an individual family member as provided in paragraph (b)(1) or (b)(2) of this section is limited to a lifetime 48 month period. It only applies for a maximum of twelve months for disallowance under paragraph (b)(1) and a maximum of twelve months for disallowance under paragraph (b)(2), during the 48 month period starting from the initial exclusion under paragraph (b)(1) of this section.

(c) Inapplicability to admission. The disallowance of increases in income as a result of employment under this section does not apply for purposes of admission to the program (including the determination of income eligibility and income targeting).

(d) Individual Savings Accounts. As an alternative to the disallowance of increases in income as a result of employment described in paragraph (b) of this section, a PHA may choose to provide for individual savings accounts for public housing residents who pay an income-based rent, in accordance with a written policy, which must include the following provisions:

(1) The PHA must advise the family that the savings account option is available;

(2) At the option of the family, the PHA must deposit in the savings account the total amount that would have been included in tenant rent payable to the PHA as a result of increased income that is disallowed in accordance with paragraph (b) of this section;

(3) Amounts deposited in a savings account may be withdrawn only for the purpose of:

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

- (i) Purchasing a home;
 - (ii) Paying education costs of family members;
 - (iii) Moving out of public or assisted housing; or
 - (iv) Paying any other expense authorized by the PHA for the purpose of promoting the economic self-sufficiency of residents of public housing;
- (4) The PHA must maintain the account in an interest bearing investment and must credit the family with the net interest income, and the PHA may not charge a fee for maintaining the account;
- (5) At least annually the PHA must provide the family with a report on the status of the account; and
- (6) If the family moves out of public housing, the PHA shall pay the tenant any balance in the account, minus any amounts owed to the PHA.

Family income and composition: Regular and interim reexaminations. 24 CFR 960.257 as amended by "Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs; Final Rule, 65 FR 16692, March 29, 2000.

- (a) When PHA is required to conduct reexamination.
- (1) For families who pay an income-based rent, the PHA must conduct a reexamination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information.
- (2) For families who choose flat rents, the PHA must conduct a reexamination of family composition at least annually, and must conduct a reexamination of family income at least once every three years.
- (3) For all families who include nonexempt individuals, as defined in Sec. 960.601, the PHA must determine compliance once each twelve months with community service and self-sufficiency requirements in subpart F of this part.
- (4) The PHA may use the results of these reexaminations to require the family to move to an appropriate size unit.
- (b) Interim reexaminations. A family may request an interim reexamination of family income or composition because of any changes since the last determination. The PHA must make the interim reexamination within a reasonable time after the family request. The PHA must adopt policies prescribing when and under what conditions the family must report a change in family income or composition.
- (c) PHA reexamination policies. The PHA must adopt admission and occupancy policies concerning conduct of annual and interim reexaminations in accordance with this section, and shall conduct reexaminations in accordance with such policies. The PHA reexamination policies must be in accordance with the PHA plan.

Family information and verification. 24 CFR 960.259 as amended by "Changes to Admission and Occupancy Requirements in the Public Housing and Section 8 Housing Assistance Programs; Final Rule, 65 FR 16692, March 29, 2000.

- (a) Family obligation to supply information.
- (1) The family must supply any information that the PHA or HUD determines is necessary in administration of the public housing program, including submission of required evidence of citizenship or eligible immigration status (as provided by part 5, subpart E of this title). "Information" includes any requested certification, release or other documentation.
- (2) The family must supply any information requested by the PHA or HUD for use in a regularly scheduled reexamination or an interim reexamination of family income and composition in accordance with HUD requirements.
- (3) For requirements concerning the following, see part 5, subpart B of this title:
- (i) Family verification and disclosure of social security numbers;
 - (ii) Family execution and submission of consent forms for obtaining wage and claim information from State Wage Information Collection Agencies (SWICAs).

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations.

(4) Any information supplied by the family must be true and complete.

(b) Family release and consent.

(1) As a condition of admission to or continued assistance under the program, the PHA shall require the family head, and such other family members as the PHA designates, to execute a consent form (including any release and consent as required under Sec. 5.230 of this title) authorizing any depository or private source of income, or any Federal, State or local agency, to furnish or release to the PHA or HUD such information as the PHA or HUD determines to be necessary.

(2) The use or disclosure of information obtained from a family or from another source pursuant to this release and consent shall be limited to purposes directly connected with administration of the program.

(c) PHA responsibility for reexamination and verification. (1) The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

(i) Reported family annual income;

(ii) The value of assets;

(iii) Expenses related to deductions from annual income; and

(iv) Other factors that affect the determination of adjusted income or income-based rent.

These excerpts were prepared for educational purposes only. The U.S. Government Printing Office will prepare a codified version of the regulations. The official rule will appear in the Code of Federal Regulations

**APPENDIX 5
AUTHORIZATION FOR THE RELEASE OF INFORMATION/
PRIVACY ACT NOTICE**

HUD-9886

Improving Income Integrity Guidance Booklet

**Prepared by
Johnson, Bassin & Shaw, Inc.**

**for the
U.S. Department of Housing and Urban Development**

April 2001

APPENDIX B - BEST PRACTICES – TIPS AND TOOLS

Currently there are examples of coordination efforts between PHAs, State and local governments and private agencies. Following is a few examples of some of the innovate efforts that demonstrate coordination and cooperation to improve income integrity.

The New Jersey model - Since 1991, the New Jersey Department of Community Affairs (NJDCA) and Department of Labor (DOL) have operated under MOU for DOL to provide wage record, unemployment, and disability benefits data online to NJDCA.

Activities include:

- Occupancy specialists for NJDCA use the data for income and rent determinations during the admissions briefing and annual reexamination process.
- NJDCA and DOL have a direct computer link via the state mainframe that required a dedicated printer the NJDCA purchased.
- NJDCA, through MOUs, assists 7 other PHAs in New Jersey that were unable to gain access to the State DOL reports, with this service.
- NJDCA accesses the DOL wage data for new admissions and reexaminations that are submitted to NJDCA by the other PHAs for their Section 8 programs and send the reports back to the PHA.

Other verification activities conducted by NJDCA include using TEVS to access SSA data and using a series of forms for pharmacists and physicians to verify claimed medical expense deductions. Additionally, NJDCA also uses a private employment database (www.theworknumber.com) to match tenant reported income.

Contact: For more information on the *New Jersey Department of Community Affairs* program contact - Jackie Grabine, Assistant Director, Division of Housing, at 609-633-8105 or www.state.nj.us/dca.gov

OTHER MODELS

The *Delaware State Housing Authority* (DSHA) has an agreement since 1991 with the Delaware Department of Labor through which it has direct access via computer to wage record and unemployment record data for verification purposes. DSHA also has computer access to the state's Health and Human Services records and child support information from the Division of Family Services. These records are checked for all new applicants and current tenants at the time of reexamination. Other PHAs in Delaware also have the ability to use the Department of Labor information.

Contact: For more information on the *Delaware State Housing Authority* program contact - Ed Strauss, Assistant Housing Management and Program Administrator at 302-739-7419 or www.state.de.us/dsha.gov

Virginia Employment Commission (VEC) has online access agreements to share wage record and unemployment benefits data with 5 PHAs in the state: Richmond Redevelopment

and Housing Authority, Fairfax Housing Authority, Arlington Section 8 Program, Charlottesville Redevelopment and Housing Authority, and Albemarle Housing Authority. Eleven other PHAs request this information manually.

Contact: For more information on the *Virginia Employment Commission* program contact –Norma Quirk, Supervisor of Customer Service, Virginia Employment Commission, at 804-7861485

Texas Workforce Commission (TWC) accepts manual and electronic submissions. The larger PHAs in the state (such as Dallas HA, San Antonio HA) can submit information to TWC on a diskette and receive the wage record and unemployment benefits data on paper or a diskette. A MOU is required in order to set up this type of procedure. PHAs may also submit requests on paper with individual resident consent forms.

Contact: For more information on the *Texas Workforce Commission* program contact – Jim Nolan, Disclosure Officer, Information Release Office, at 512-463-2748

Oklahoma Department of Human Services (ODHS) has coordinated efforts with 11 PHAs in the state. Through the contracts, the PHAs are assigned a user ID and password and access ODHS's database via a secure Internet link. Using social security numbers, the PHAs can receive information on the type of assistance applied for, amount received, number of people residing in residence, amount of earned and unearned income, imputed income, and recoupment (i.e., overpayment to cases recaptured). Those included in the database are any person who has applied for TANF, Medicaid, food stamps, state supplemental payments, etc.

Contact: For more information on the *Oklahoma Department of Human Services* program contact – Tom Wright, Program Manager for Data Exchange, at 405-521-4094