

TENANT BASED RENTAL ASSISTANCE PROGRAM

Income - Assets, Allowances, Expenses, Verifications & Calculations

Income Includes

Income Includes:

- Annual income refers to all gross amounts received (before taxes or other deductions), monetary or not, which are
- Received by, or paid on behalf of, the family head of household, co-head, or spouse (even if temporarily absent), or to any other family member over 18 years of age,
- Acquired through assets owned by dependent family members; and/or anticipated to be
- Received from a source outside the family during the 12-month period following admission or re-examination; and/or
- Derived during the 12-month period from accessible assets; and
- Not specifically excluded by HUD.

Adoption Assistance Payments - Include only the first \$480 per year for each adopted child.

Annuities - A written contract establishing a right to receive specified, periodic payments for life or for a term of years. If one lump sum is received, the payment is considered an asset, not income.

Business and Property Income – Include net income (gross income less allowable expenses) from the operation of a business or profession (including self-employment) or from rental, real, or personal property.

- Allowable expenses include interest payments on loans, straight-line depreciation of assets (as allowed by the IRS), etc.
- Costs for business expansion or improvements are not allowable expenses.
- Withdrawal of cash or assets from the operation of a business or profession is included as income except when the withdrawal is for reimbursement of amounts the family invested in the business.

Child Support and Alimony - Child support and alimony generally qualify, as “irregular income” because large arrearages in payments owed to Housing Coupon recipients is common. Unless the Grantees can verify that payments are made at the **full** court-awarded amount on a **regular** basis, calculations of child support and alimony received must be handled as “*irregular income*” calculations. The Grantee should directly ask the client if there is an arrearage and explain that calculations must be based on actual

income received. Failure to calculate child support and alimony in this manner often penalizes the tenant for income not received (when the court-awarded amount is higher than actual payments received).

It is imperative that the TBRA administrator obtain as much information as possible from the list of acceptable verifications shown below before calculating such income. The TBRA administrator must watch for court-imposed fees added to the amount of child support/alimony collected by Friend of the Court. Do not include these fees in income calculations.

The tenant **always** has the right to request an interim revision if an income change occurs during the course of a re-examination period. If child support/alimony income is calculated inaccurately due to an arrearage not taken into account, or an arrearage develops subsequent to an annual re-examination, the TBRA administrator will process an interim revision upon request of the tenant. If a year-to-date total of child support/alimony is shown on the verification provided, the income **must be** annualized. TBRA administrator may use Verification of Child Support Income (TBRA #14).

Child support/alimony verification includes:

- Copy of separation or divorce settlement stating amount and type of support and payment schedules (use court-awarded amount only if payments made agree with amount ordered by the court and are made as frequently as required by the court);
- Printout from Friend of Court (FOC) or Department of Human Services (DHS) office;
- A notarized letter from the person paying the support;
- Review/copies of original checks stubs (record date, amount and check number);
- Family self-certification

When verifying child support, follow TPV hierarchy. Verification must include the name, court numbers if available, frequency, and amounts. Explain if using average of child support payment versus court ordered amount, and show calculations.

- If UIV is not obtainable then written TPV may be requested from the source.

Written TPV:

- Written verification can be a copy of the 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 the type of support, amount and payment schedule.
- If applicable, written statement from court/attorney that payments are not being received.
- If UIV and written TPV are not obtained then staff/agent must move on to oral TPV.

Oral TPV:

- After you have exhausted the written third party verification process you can go to oral. Telephone or in person contact the ex-spouse or income source and document the file.
- If UIV, written, and oral TPV are not obtained, the TBRA administrator reviews original documents provided by family as verification of income/assets/deductions.

Original Documents:

- After the oral verification process, from the tenant, you can accept copies of the most recent checks, recording date, amount and check numbers or you may review an original court order, notice or printout from the Local Child Support enforcement agency. The file must be documented by the TBRA administrator with the reason the third party verification was not available on the Third Party Verification (TPV) Monitoring form (TBRA #41) or on the Supplemental Information form (TBRA #31).

Family self-certification:

Verification must include the name, court numbers if available, frequency, and amounts. Explain if using average of child support payments versus court ordered amount, and show calculations.

Exceptions to the third party verification:

- If you skipped over the written third party verification process due to recognizing the name of the source as refusing to cooperate with our request, you still have to have proper income verification for the file.
- The file must be documented with the reason the third party verification was not available.
- Verification should be a detailed letter from the source identifying they are unable to comply with our request for verification of child support. This verification should be on letterhead, dated, and signed.

Calculating Child Support Income

It is important that the TBRA administrator annualize actual child support/alimony income received, rather than the court-ordered amount owed a client when payments are in arrears. The TBRA administrator should directly ask the client if there is an arrearage, and explain that calculations must be based on actual income received, rather than the court-ordered amount. The client should provide the required year-to-date total needed to annualize income, since it is to the client's benefit to provide accurate information in such cases.

If the TBRA administrator determines and can appropriately verify that the tenant will receive a payment(s) within the next twelve months, the amount should be included in annual income. If the TBRA administrator can verify through the tenant or agency making the payments that the tenant will not receive such payment(s) the following year, then this amount should not be included when calculating annual income.

Example 1: Acceptable Verification

- Date/Time
- Source name is identified on the verification
- All amounts are highlighted or marked to indicate which amounts are used for the calculation
- Copy of calculation tape is attached
- Calculations are carried out to yearly income
- Days, weeks, Months, and years are noted
- All codes have a key to identify what they stand for

Example 2: Acceptable Verification

- Verification of Child Support Income (TBRA #14) completely filled out

Example 3: Unacceptable Verification

- Amounts are not marked to identify what amounts were used in the calculations
- Calculations were not fully carried out to yearly income.
- Days, weeks, Months, and years were not present
- Lacks information in general

Death Benefits – See Retirement Funds, Pensions, Periodic Payments, Disability or Death Benefits, and Veterans Payment and Social Security, SSI, and Other SSA benefits.

Dependent Income - The following income must be included:

- Unearned income of minors, such as Social Security or SSI benefits;
- Income from assets owned by minors;
- For each full-time student age 18 or older, count earned income up to a maximum of \$480 per year. If the student is the head of household, co-head, or spouse, count all income. Students must provide School Verification (TBRA #13) and Verification of Earnings (TBRA #8).
- Refer to the section on Income Excludes, Earned Income Disregard for procedures to follow when a dependent with disabilities has earned income.

Gifts and Contributions - Any gift or contribution received on a regular and on-going basis is considered income.

- The amounts are considered income even if not monetary (food, vehicle payments, rent or utility payments, etc.).
- If the family's expenses exceed its known income, TBRA administrators will inquire about gifts and contributions. The TBRA administrator may have tenant complete and return the Verification of Income from Contributions (TBRA 486) to verify contributions.
- Do not include sporadic gifts or casual contributions.

Insurance Policies – Include payments received on a regular basis as a result of an insurance claim as income. If one lump sum is received, the payment is considered an asset, not income.

Interest and Dividends from Family Assets – Include withdrawal of cash or assets from an investment as income **except** when the withdrawal is reimbursement for cash or assets invested by the family.

Calculating Interest and Dividends from Family Assets:

- Include the actual income from assets as income when family assets are \$5,000 or less.
- When family assets are more than \$5,000, use the greater of:
 - Actual income from assets, **or**
 - Imputed income from assets based upon passbook rate determined by HUD. (To calculate imputed income, multiply total cash value of assets by current HUD approved passbook rate.)

Military Pay - The following income must be included:

- Any military pay including Coast Guard, National Guard, and Reserve pay.
- Veterans Affairs (VA) *and GI* payments, which are generally received after separation of service.
- Full amount of military pay and allowances of head of household, spouse or co-head, whether or not living in the dwelling unit.
- Full amount for any family member who is identified on the Lease Agreement, Family Composition form, and any subsequent documents and who is temporarily (less than 90 calendar days) away from the home.
- The TBRA administrator may use Verification of Military Pay (TBRA #19) for a Third Party Verification.

Retirement Funds, Pensions, Periodic Payments, Disability or Death Benefits, and Veteran's Payments:

- On-going income from these sources is included in income calculations.
- The definition of disability used by the agencies issuing these types of benefits does not match the definition used by HUD. Therefore, receipt of any of these types of benefits is **NOT** automatic verification of disability for purposes of granting the \$400 Elderly/Disabled (ED) allowance. To qualify for the ED allowance, a recipient of these types of benefits must have a Verification of Disability and/or Special Needs Form (TBRA 16) that has been completed by a licensed health care professional on file. The TBRA 16 needs to be "permanent" or completed annually.
- The TBRA administrator may use Verification of Pension or other Income (TBRA #20) and/or Verification of Veterans Benefits (TBRA #10) for third party verification.

Self-Employment - Only the net income – Adjusted Gross Income (AGI) less expenses from a business is included in annual income.

When Federal Income Taxes *have been or will be* filed:

- Obtain a photocopy of a signed U.S. Individual Income Tax Return (Form 1040) filed by the applicant/participant for the previous year.
- Review all appropriate schedules (Schedule C, Profit or Loss from Business; Schedule E, Rental Property Income; Schedule F, Farm Income; Form 4562 Depreciation and Amortization etc.).
- Add any unallowable expenses back into the AGI. See non-eligible deductions below.

When Federal Income Taxes *have not or will not* be filed:

- If monthly statements are maintained, a minimum of the four most recent monthly statements is required. The statements must identify profits, losses, and net income, and be signed and dated by the applicant/participant.
- If monthly statements are not maintained, a notarized self-employment certification/statement is required. It must cover at least a four month period and be signed and dated by the applicant/participant.
- Calculate AGI by deducting verified allowable expenses from gross income identified from the self-employment statement.
- If the applicant/participant is operating the business *from the assisted unit*, and an amount is indicated on Schedule C, the following deductions must be added back into the AGI:
 - Rent on business property
 - Utilities (telephone, electric, gas, etc)
 - Expenses for business use of home.
- If the applicant/participant is operating the business from a separate office/business space, expenses for rent or ownership are eligible tax deductions (as allowed and defined by the IRS).

Non-eligible deductions:

The following are non-eligible TBRA program deductions and need to be added back into the AGI. They are eligible IRS deductions and will appear on Schedule C or other appropriate schedules:

- Depreciation, as identified on Schedule C, in Part II. Depreciation is allowed by the IRS, but is not an out-of-pocket expense; this must be considered as income.
- Payments on loans, including principal and interest.
- Expenses/outlays for business expansion and capital improvements, including interest on business indebtedness.
- Self-employed health insurance deduction on Federal 1040. If the family qualifies for medical expense deductions, add this amount to the medical expenses.
- A few minor costs identified on Schedule C, such as legal and professional services, etc.

Severance Pay – Include payments received.

Social Security (SS), Supplemental Security Income (SSI), and Other Social Security Administration (SSA) Benefits:

Forward a Verification of Public Assistance and State Supplemental Security Income (TBRA #11) to the appropriate DHS office for verification of State and/or Federal SSI, or forward the Verification of Social Security and Federal SSI (TBRA #12) to the SSA office for verification of SS and Federal SSI. Two attempts must be made to obtain this written TPV. Acceptable written TPV is the completed Verification of Social Security and Federal SSI (TBRA #12) or Verification of Public Assistance and State Supplemental Security Income (TBRA # 11) or another current document returned directly to you from the SSA and/or DHS office that verify the income.

- Almost all recipients receiving Federal SSI benefits also receive the State SSI benefit. If written Third Party Verification (TPV) is unavailable, you must attempt to get oral TPV by:
- Contacting the SSA office to verify the benefit. To locate the nearest SS Office, go to www.SocialSecurity.gov and click on "Find Your Nearest SS Office". If any SS office is uncooperative when attempting to obtain verification of SS, the HA or tenant must use 1-800-772-1213 (available 24 hours/7 days a week) to obtain verification.
- If oral TPV is not obtained, view original documents received from tenant. If tenant is unable to provide a statement from SSA/DHS office, tenant may provide Financial institution statements that reflect direct deposit amounts.

Social Security Benefits:

- Obtain or view original computer printouts/statements from the SSA office dated within 120 days of the effective date.
- Financial institution statements that reflect direct deposit amounts are not acceptable verification until 28 days have passed and the third party did not

- respond.
- When calculating annual SS income, **always** use the gross benefit received, even if Medicare premiums have been deducted.
 - SS payments are rounded down to the next whole dollar before converting to an annual figure.
 - If payments are reduced to make up for an overpayment, use the amount the recipient actually receives, not what they would receive if the adjustment were not being made.
 - If benefits are being garnished, there must be documentation as to the duration of the garnishment so income can be calculated correctly for twelve months forward. For example, if there is a garnishment for six months, calculate total yearly benefits using the rate for six months with garnishment and six months without garnishment.
 - The definition of disability used by the SSA to determine eligibility for SS benefits does not match the definition used by HUD. Therefore, receipt of SS benefits is **NOT** automatic verification of disability for purposes of granting the disability allowance. To qualify for the disability allowance, an SS recipient must provide a Verification of Disability and/or Special Medical Needs (TBRA 16) which has been completed by a licensed health care professional. The TBRA 16 needs to “permanent” or completed annually.

Supplemental Security Income (SSI) - Federal and State:

- Obtain or view original computer printouts/statements from the SSA office dated within 120 days of the effective date.
- The Verification of Public Assistance and State Supplemental Security Income (TBRA #11) and DHS computer printouts show Federal SSI and State SSI amounts combined on the verification document.
- Forward a Verification of Social Security and Federal SSI (TBRA #12) to the SSA office.
- Financial institution statements that reflect direct deposit amounts are not acceptable verification until 28 days have passed and the third party did not respond.
- Almost all recipients receiving Federal SSI benefits also receive the State SSI benefit. The TBRA administrator must verify that the tenant receives the corresponding State SSI.
- The State SSI payment is usually \$168 annually and paid quarterly.
- Do not round off SSI payments.
- Lump sum payments of SSI are not added to income; but should be included as an asset.
- The SSA office adjusts SSI payments according to household income, so fluctuations in SS benefits may occur if the recipient or a household member is employed. For inconsistent payments, average the months identified on the printout (three month minimum/12 month maximum).
- If payments are reduced to make up for an overpayment, use the amount the recipient actually receives, not what they would receive if the adjustment were not being made.
- The definition of disability applied to SSI recipients **is** the same definition used by HUD. Therefore, receipt of SSI is automatic proof/verification of disability for the recipient in determining eligibility for the \$400 Disability allowance provided the recipient is under age 65.

- The **latest** Annual Benefit Statements (i.e. SS, Pension) may be used even if dated more than 120 days prior to the transaction effective date. If the benefit timeframe overlaps the benefit increase date (usually January 1), indicate the increased percentage on the document, the justification for the increase (i.e. phone call, memo from management) and include the increased amount in the income calculation.
- To locate the tenant's nearest SS Office, go to www.SocialSecurity.gov and click on "Find Your Nearest SS Office". If any SS office is uncooperative when attempting to obtain verification of SS, the Grantee or tenant must use 1-800-772-1213 (available 24/7) to obtain verification.

Retirement, Survivors, and Disability Income (RSDI):

- RSDI is a form of SS benefits for disabled individuals administered by DHS.
- The Verification of Public Assistance and State Supplemental Security Income (SSI) (TBRA 11) is acceptable verification of RSDI if the caseworker specifies that the payments are RSDI.
- Obtain or view the original computer printouts/statements from the SSA office dated within 120 days of the effective date.
- The definition of disability used by the SSA to determine eligibility for RSDI benefits does not match the definition used by HUD. Therefore, receipt of RSDI benefits is **NOT** automatic verification of disability for purposes of granting the disability allowance. To qualify for the disability allowance, an RSDI recipient must provide a TBRA 16 that has been completed by a licensed health care professional.

State Disability Allowance (SDA):

- SDA provides for single people or married couples who have an independent living arrangement and provides for single people or married couples who live in some type of custodial environment (i.e. adult foster care, nursing home). The TBRA program does not provide assistance in custodial environments.
- The definition of disability used by the State to determine eligibility for SDA benefits does not match the definition used by HUD. Therefore, receipt of SDA benefits is **NOT** automatic verification of disability for purposes of granting the disability allowance. To qualify for the disability allowance, an SDA recipient must provide a Verification of Disability and/or Special Medical Needs Form (TBRA 16) that has been completed by a licensed health care provider.

Calculating Social Security/SSI

- To calculate monthly SS payment amounts:
- If the family does not pay Medicare premium, the SS amount must be rounded down to the nearest whole dollar (i.e. \$402.20 use \$402 x 12 = \$4,824) whether or not the verification shows the rounding.
- If the family does pay Medicare premium and is eligible as an elderly/disabled (ED) household (i.e., \$400 allowance), use net SS plus the Medicare premium which equals the gross SS amount (i.e. \$722.50 + \$93.50 = \$815 x 12 = \$9,780),
or
- If the family pays for Medicare premium, **but** the head of household/spouse/co-

head is not ED, use the gross SS amount **rounded down** to the nearest whole dollar (i.e. \$765.80, use \$765 x 12 = \$9,180).

- Do **not** round monthly Medicare premium or SSI amounts.
- The State SSI payment is usually \$168 annually and paid quarterly
- Lump sum SS/SSI deferred payments must be **excluded** as income and **included** as an asset for the current re-examination period.
- Inconsistent SS/SSI payments: Calculate an average using the months identified on the computer printout (minimum of three months, maximum of 12 months). If three months of history is not available due to recent receipt of SS/SSI, explain on a Third Party Verification Monitoring (TBRA #41) and use the monthly amount identified on the verification multiplied by 12.
- The SSA office adjusts SSI payments according to household income, so fluctuations in SS benefits may occur if the recipient or a household member is employed. For inconsistent payments, average the months identified on the printout (three month minimum/12 month maximum).
- The latest annual benefit statement (i.e. SS, pension) may be used even if dated more than 120 days prior to the transaction date. If the benefit time frame overlaps the benefit increase date (usually January 1), indicate the increased percentage on the document, the justification of the increase (i.e. phone call, memo from management) and include the increased amount in the income calculation.
- If a recipient's SS benefits are reduced to make up for a prior **over-payment**, the recipient's income must be based on the actual amount the SS agency provides. Do **not** use the amount that would have been provided without the deduction.

NOTE: If gross SS does not equal the net SS on the verification document and the balance is greater than the Medicare premium, a recoupment may exist. A letter from the SS office detailing the amount, begin and end dates of the recoupment is the preferred method of verification. If the notice/computer printout identifies past payment history, use an average of the payment history (minimum of three months, maximum of 12 months). If recoupment period is unknown, assume 12 months. If the notice/computer printout does not identify the past payment history, use the family's net SS/SSI for 12 months. Document on a Supplemental Information Form (TBRA #31).

Need For a Verification of Disability and/or Special Medical Needs (TBRA #16)

- The definition of disability applied to SSI recipients is the same definition used by HUD. Therefore, *receipt of SSI is automatic proof/verification of disability* for the recipient in determining eligibility for the \$400 disability allowance.
- The definition of disability used by the SSA to determine eligibility for SSA, RSDI and SDA benefits does not match the definition used by HUD. Therefore, *receipt of these benefits is NOT automatic verification of disability for purposes of granting the ED allowance*. For persons under age 62, to qualify for the disability allowance, an SSA, RSDI, or SDA recipient must provide a Verification of Disability and/or Special Medical Needs Form (TBRA 16) that has been completed by a licensed health care professional.

Temporary Assistance to Needy Families (TANF) – TANF is commonly known as “Welfare,” “Aid for Dependent Children,” or “Family Independence Program (FIP)” grant, and is received through the Department of Human Services (DHS).

- Grants include cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs (i.e. food, clothing, shelter, utilities, and household goods). Benefits also include payments made on behalf of DHS or as a condition of employment or community service and may include childcare, transportation assistance, and other supportive services.

Acceptable verification includes:

- DHS caseworker provides completed Verification of Public Assistance and State Supplemental Security Income (TBRA #11).
- A DHS computer printout, or
- Verbal verification (which must be documented on a Supplemental Information Form (TBRA #31). If verbal information is received, the name and title of the individual providing information is required to be documented.

Note: Tenants are not required to apply for welfare benefits.

Unemployment Benefits:

- Multiply gross weekly benefit by 52 weeks, regardless of the number benefit weeks remaining; and
- When the family reports the benefits have ceased, complete an Interim Revision to adjust annual income.

Wages/Salary - Anticipated gross amounts prior to payroll deductions or garnishments, including:

- All employment sources;
- Overtime;
- Commissions;
- Bonuses;
- Tips or other compensation for personal services;
- Projected pay increases/raises;
- For any exempt earned income, refer to the section of this chapter on Income Excludes.
- See Income Excludes, Earned Income Disregard, for information on when *not* to include wages earned by disabled family members.

School Employment - Refer to Income Verifications, Calculating Annual Income, Irregular Income.

The Work Number - Employment may be verified via “The Work Number,” an Internet source available to obtain Third Party Verification from registered employers. Once the TBRA administrator’s accesses and registers with www.theworknumber.com, it is possible to obtain verifications via FAX in approximately five business days.

After completing the one-time registration, the TBRA administrator can order verifications at any time by accessing the website and entering their FAX number, employer code number, and employee (tenant) Social Security number. All information provided is current as of the most recent pay period. There is no cost for the service. The TBRA administrator must have incoming FAX capability and register as a "Social Services User" with an Agency Type identifier of "Housing Authority." The Registration Agreement requires confidentiality with regard to any information obtained.

Worker's Compensation - Lump sum Worker's Compensation payments are not added to income; but should be included as an asset. This includes benefits for an "exempt" job.

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