State of Iowa
HOPWA Training – Part 2
August 2021

Section 1:

Annual income

- Definition of annual income
- Income inclusions
- Income exclusions

What is the definition of annual income?

Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or

Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and

Which are not specifically excluded in paragraph [5.609](c)

Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access

24 CFR 5.609

What are the types of income inclusions?

1. Wages, salaries, and other compensation for personal services such as commissions and bonuses
2. Business income
3. Interest, dividends, and other net income of any kind from real or personal property (i.e., interest on a savings account)

   *Withdrawal of cash from assets is not included in annual income if the withdrawal is reimbursement of amounts invested by the family

4. Periodic amounts received from social security, retirement funds, pensions
5. Income received in place of earnings

What are the types of income inclusions? Continued.

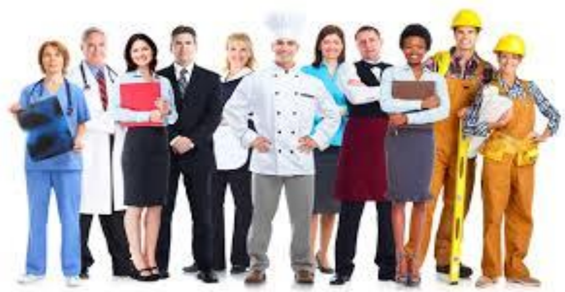
6. Welfare assistance payments
7. Periodic allowances like alimony, child support, regularly reoccurring gifts/contributions
8. Military pay

1. What are wages, salaries, and other compensation for personal services such as commissions and bonuses?

- Employment or earned income

Key element:

The gross amount of wages is used to calculate annual income



24 CFR 5.609(b)(1)

2. What is Business Income?

Business income refers the operation of a business or profession including self-employment.

Key Elements:

- Net income is used to calculate annual income.
  - Net income equals gross income minus business expenses
- Salaries or other amount paid to any family by the business is included in annual income
- Cash or assets invested by and withdrawn by any family is not included in annual income

24 CFR 5.609(b)(2)

3. What is an asset?

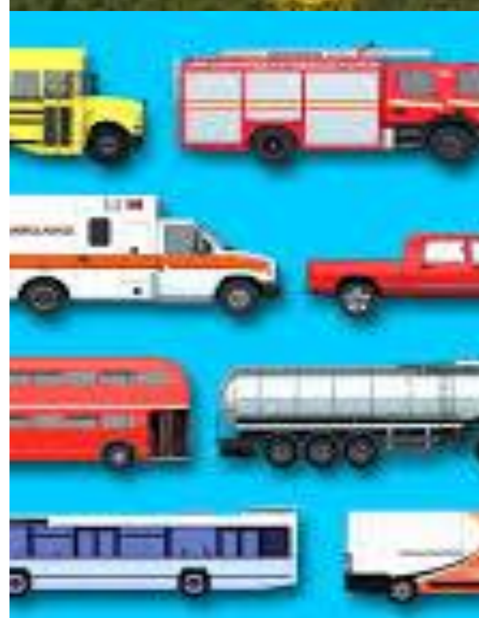
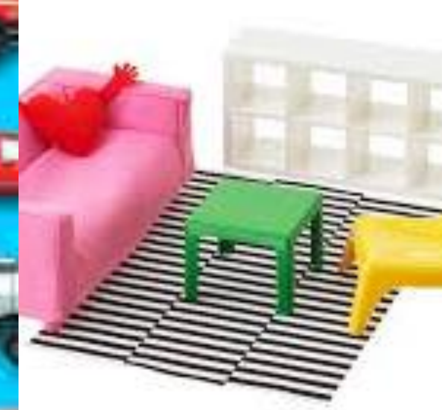
- Savings accounts
- Certificates of Deposit
- Stocks, bonds, mutual funds
- Life insurance
- Collections held as an investment: Gems, coins or stamp collections
- Employer pensions and retirement
- Individual retirement accounts (IRA), Keogh accounts
- Annuities and trusts

3. What is not an asset?

Necessary items of personal property, including:

- Furniture
- Clothing
- Automobiles
- Assets part of an active business



3. What amount of asset income is included in annual income?

If the total cash value of assets is **$5,000 or less,** annual income includes the <u>actual</u> anticipated income from assets, **or**

If the total cash value of all family assets is **more than $5,000,** annual income includes **the greater of:**

The actual anticipated income from assets	The imputed income from asset

4. What is a Periodic Payment

A type of income often received by people who are retired or disabled.

Social Security benefits	Annuity payments	Insurance policies
Retirement & pensions	Disability benefits	Survivor benefits

4. What is a Periodic Payment?

Social Security Benefits

Key Elements:

Gross amount is used to calculate annual income when when amounts are deducted for:

- Payments for medical insurance premiums (i.e., Medicare Part B)
- Payments for unpaid debts (i.e., taxes, alimony, child support, student loans, etc.)

Net amount is used to calculate income if amounts are deducted due to a prior overpayment

4. Periodic Payments

Example: **Medical/Medicare Premium deduction**

Gladys Swank's disability benefit is $1,035 per month. Each month $85 is deducted for her Medicare Part B premium leaving her with a net amount of $950 per month.

Is the gross or net amount used to calculate annual income?

Answer: Gross Amount

4. Periodic Payments

Example: Amounts garnished

Heidi Hightower receives an SSDI benefit of $900 each month. She received a notice from SSDI stating that due to unpaid student loans, $100 per month will be withheld from her check each month.

Is the gross or net amount used to calculate annual income?

Answer: Gross Amount

4: Periodic Payment

Example: Prior Overpayment

Bailey SSDI's monthly benefit is $850. She received a notice from SSDI indicating this amount will be reduced by $75 each month due to a prior overpayment.

Is the gross or net amount used to calculate annual income?

Answer: Net Amount

4. Periodic Payment

Lump sums received - delayed start of a periodic payment

HUD regulations specify that lump sums received due to a delayed start of a periodic payment must be included in annual income (e.g., unemployment or welfare assistance lump sum payments).

This does not apply to lump sum payments or prospective monthly amounts received for:

- Social Security
- Supplemental Security
- Veteran's Disability

4. Periodic Payments

Retirement accounts

Key Element:

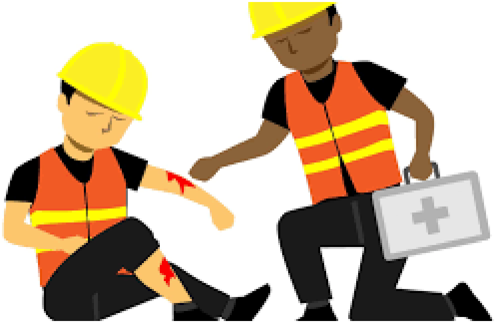
- Withdrawals from a retirement (e.g., Individual Retirement Accounts and 401K accounts) that are not received as a periodic payments are not counted in annual income.

Example – Withdrawals from IRAs or 401K Accounts

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn $2,000 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

5. What is a payment in lieu of earnings

Payment to individuals who are not working due to losing a job or from being injured on the job. Examples include:



- Unemployment benefits
- Worker’s compensation
- Severance pay

5. What is a payment in lieu of earnings?

Key Elements:

Must include lump sum amounts received for payments in lieu of earnings in annual income.

Except for lump sum amounts received as a one-time settlement for a claim dispute/work related injury

6. What is a welfare assistance payment?

Payments to families or individuals:

- Based on need
- Received from state, or local governments, including TANF

Key Element:

- Applies only to certain types of TANF assistance

45 CFR 260.31

7. What is a periodic and determinable allowance?

Periodic and determinable allowances include types of income such as:

- Alimony
- Child support
- Regular contributions and gifts

7. What is a periodic and determinable allowance?

Example: Alimony & Child Support

Key Elements:

Court ordered alimony/child support amounts are included in annual income.

Unless the applicant or program participant can provide documentation verifying the payments, are <u>not being made</u>, and all <u>reasonable</u> actions have been taken to collect payments.

7. What is a periodic and determinable allowance?

Example: Contributions and gifts

Cash or noncash contributions provided to any family member by an organization or someone outside the household on a regular basis.

Key Elements:

- Regular and reoccurring – <u>include</u> in annual income
- Not regular and not reoccurring – <u>exclude</u> from annual income

7. What are periodic and determinable allowances

Example: Contributions and gifts

Sherise receives HOPWA TBRA. Her son, who doesn't live with her, pays $100 toward her rent and utility bill each month. This amount is verified and documented, and he anticipates providing ongoing assistance.

Should the regular contribution of $100 per month be included in annual income?

Yes, because she receives the contribution regularly

8. What is military pay?

Military pay refers to regular pay, special pay and allowances for housing and/or uniforms.

Key Elements:

- Include in annual income all types of pay
- Exclude from annual income special pay related to hostile fire/imminent danger

Income Exclusions

What are income exclusions?

Types of income, paid as a benefit directly or indirectly to or on behalf of any family member, that are Federally excluded from being counted in annual income.

Income exclusions are not included in annual income under any circumstances.

Exhibit 1 Income inclusions and exclusions

Income Exclusions

Sporadic income

Examples of sporadic income may include:

- Contributions and gifts not received regularly
- Sporadic work

Key Elements:

- Cannot be anticipated going forward
- Has no historic nor stable pattern

Family members should report to program staff when they begin to receive sporadic income more frequently.

Income Exclusions

Example - sporadic income

A new applicant has been working at a temp agency for the past couple years, though only when she is feeling healthy. She reported that when she does work, earnings equal $75 per day. For the last two months she has not worked at all and only worked 50 days last year.

At the time of completing HOPWA intake and application paperwork, she still is not well enough to work.

Should this income be included in annual income?

No, because there is no way to predict when she will feel well enough to work again nor is history of income a good indicator of future income.

Income Exclusions

Whose income is and is not included in annual income?

The income of family members is treated differently for:

- Adults vs. Child
- Full time students vs. Other adults (non-full-time students)
- Temporarily absent family member

How is income of adults vs. children treated differently?

Key Elements:

- The employment income of adults is counted
- The employment income of children is <u>not</u> counted
  - The term child refers to a family member, other than the head of household, spouse, or cohead, who is under the age of 18
- The child does not have to be related to the person diagnosed with HIV/AIDS.

Income of adults vs. children

Example

Frances, age 45 just completed a HOPWA application and intake paperwork at Creative Works, a local HOPWA project sponsor. Frances works part time. She currently rents an apartment with her friend Marge, age 52. Marge receives SSDI each month in the amount of $852.

Frances also has two children ages 13 and 16. The 16-year-old has a part time job, and the 13-year-old receives SSDI ($351) each month.

Frances' family members include her two sons and friend Marge.

<u>Whose</u> income will be included in annual income?

Income of adults vs. children

Example Summary

Family Member	Income Type	Is the income counted?
Frances	Part-time employment	Yes
Son, age 13	SSDI	Yes
Son, age 16	Part-time employment	No
Marge	SSDI	Yes

How is the income of a full-time student treated differently than other adults?

Include in annual income only earned income up to a maximum of $480 per year for full-time students, age 18 or older, who are not the head of household, spouse, or cohead.

Key Element:

- Full-time student status must be verified and documented by the school itself.

Full-Time Students vs. Other Adults

Example - Part 1

George and Martha, both 55 completed a HOPWA application and intake paperwork at Port Landing, a local HOPWA project sponsor. George and Marth both receive SSDI in the amount of $865. Their oldest son, Henry, age 20, lives at home, works part-time and attends the local vocational school part-time. George and Martha's long-time friend, Franklin lives with them. Franklin is 60, works part-time and attends the same vocational school as Henry, but Franklin attends full-time.

George and Martha's family members include Henry and Franklin.

Whose income is included in annual income?

Full-Time Student vs. Other Adults

Example - Part 2

Family Members	Income Source	Is the income counted?
George	SSDI	Yes
Martha	SSDI	Yes
Henry, son, age 20 (PT student)	Part-time employment	Yes
Franklin, friend, age 60 (FT student)	Part-time employment	Yes: Only up to $480 of employment income

Whose income is counted?

Temporarily absent family members

The income of temporarily absent family members must also be counted, including amounts received by or on behalf of:

- Children temporarily away from home because of placement in foster care
- Children away at college (unless otherwise excluded)

Whose income is and is not counted? Summary

Family Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Cohead	Yes	Yes
Other adults	Yes	Yes
Children under 18	No	Yes
Adult full-time student (not head, spouse or cohead)	Yes – only $480	Yes
Household Members	**Employment Income**	**Other Income (including income from assets)**
Foster child	No	No
Foster adult	No	No
Live-in aide	No	No

Knowledge Checks

Knowledge check #1

HOPWA grantees and project sponsors must determine the amount of a family's income before the family is admitted to the HOPWA program and at least __________ thereafter.

A. Six-months
B. Annually
C. Quarterly
D. Tri-annually

Knowledge check #2

Family Members	Employment Income	Other Income (including income from assets)
Head	Yes	
Spouse		Yes
Cohead		Yes
Other adult	Yes	
Children under 18		Yes
Adult Full-Time Student	Yes – only up to $480	
Household Members	**Employment Income**	**Other Income (including income from assets)**
Foster child		No
Foster adult	No	
Live-in aide		No

Knowledge check #3

An adult full-time student (not head, spouse or cohead) works part time and their annual income is $10,500.

The following amount of employment income will be included in annual income.

A. $400
B. $480
C. $500
D. None. No income is counted because the income received is from part time employment.

B. $480

Knowledge check #4

The employment earnings from of a 17-year-old (not head, spouse or cohead) who is no longer in school should be counted in annual income.

A. True

B. False

B. False

Knowledge check #5

Social Security amounts used in calculating annual income include the gross amount prior to Medicare deductions.

A. True

B. False

A. True

Knowledge check #6

The asset income of minors is excluded from annual income.

A. True

B. False

B. False

Knowledge check #7

Clark’s adult son, Larson, resides with him. Larson is attending vocational school full time and he has a part time job earning $5,500 per year. What amount of Larson’s employment income is excluded from Clark’s annual income?

A. $480
B. $5,000
C. $5,020
D. Count all of Larson’s employment income

C. $5,020

Section 2:
Calculating Annual Income

How is Annual Income Calculated?

- **Current income** is most often used
  - If a **change occurs during the 12-month period**, conduct an interim recertification

- **Past income history** (24 CFR 5.609(d))may be used in certain situations
  - Seasonal income

- **Use known changes** that will occur in the next 12 months

How is income annualized?

Hourly:	2,080 hours (assuming fulltime)
Weekly:	52 weeks
Bi-weekly:	26 weeks
Semi-monthly:	24 weeks
Monthly:	12 once per month

→ Biweekly pay is received on the same **day** every other week (for example - every other Thursday is 'pay' day) and there are two months in the year where someone receives 3 paychecks.

→ Semimonthly pay is <u>not</u> received on the same day and is pay is only received two times per month all year.

Calculating Annual Income Weekly Wages - Example

Gross amounts on each paycheck stub:

$279

$293

$287

$282

Remember to multiply weekly wages by 52.

Calculating Annual Income Weekly Wages - Example

Step 1:

$279 + $293 + $287 + $282 = $1,141

Step 2:

$1,141 / 4 = $285.25

Step 3:

$285.25 x 52 = $14,833

Do not multiply the sum of the paycheck stubs by 12 months. If so, the annual income amount will be incorrect.

Annual income: **$14,833**

Calculating Annual Income Bi-Weekly Wages - Example

Gross amounts on each paycheck stub:

$293

$287

$282

Calculating Annual Income Bi-Weekly Wages - Example

Step 1:

$293 + $287 +$282 = $862

Step 2:

$862 / 3 = $287

Step 3:

$287 x 26 = $7,462

Remember multiply bi-weekly wages by 26, NOT 24.

Annual Income: **$7,462**

Calculating Annual Income Using Past Income History

Example sources of irregular income

- Seasonal employment
- Day labor
- Self-employment

Calculating Annual Income Using Past Income History

Year	Regular hours	Overtime (OT) hours
1	1,015	325
2	1,020	350

Regular Pay Rate: $8.50

Overtime Rate: $12.75

Calculating Annual Income Using Past Income History

Calculate the amount of annual income earned at the regular rate of pay - Years 1 & 2

1. 1,015 + 1,020 =
- Total number of regular hours worked: **2,035**

2. 2,035 / 2 =
- Average number of regular hours per year: **1,017.50**

3. 1,017.5 x $8.50 =
- Amount of annual income earned at the regular rate of pay: **$8,648.75**

Calculating Annual Income Using Past Income History

Calculate the amount of annual income at the overtime rate for Years 1 &2:

1. 325 + 350 =

- Total number of overtime hours worked: **675**

2. 675 / 2 =

- Average number of overtime hours worked per year: **337.50**

3. 337.50 x $12.75 =

- Amount of annual income earned at the overtime rate: **$4,303.13**

Calculating Annual Income Using Past Income History

Calculate the amount of annual income

Step 3.

- Annual income amount from regular pay + annual income amount from overtime pay = Amount of annual income

$8,648.75 + $4,303.13

Annual income: $12,991.88

Calculating Annual Income Using Known Changes

Key Elements:

- Should use the known information to calculate annual income
- Will involve calculating an amount of income covering separate periods during the next 12 months

Calculating Annual Income Using Known Changes

Employment

Annual income calculation for October 1, 2020 to September 30, 2021

Step 1. Before the raise, **October-January**: $250

- 9 pay periods
- 9 x $250
  - **$2,250**

Step 2. After the raise, **February-September**: $310

- 17 pay periods
- 17 x $310
  - **$5,270**

Step 3. Calculate the amount of annual income

- Amount before the raise + Amount after the raise = Amount of annual income
- $2,250 + $5,270 = **$7,520**

Calculating Annual Income Using Known Changes

Social Security Benefits

Annual income calculation for November 1, 2020 – October 31, 2021

Step 1. Before the cost of living adjustment (COLA), November-December: $733

- 2 months x $733
  - **$1, 466**

Step 2. After the cost of living increase, January-October: $750

- 10 months x $750
  - **$7,500**

Step 3. Calculate the amount of annual income

- Amount before the COLA + Amount after the COLA
- $1,466 + $7,500 = **$8,966**

Section 3: Assets

- Calculating Income from Assets
- Examples of different types of assets and how they are treated

Asset terminology

- **Actual income:** income generated from an asset, usually from an interest rate
- **Imputed income:** an amount of income that is ‘assigned’ to an asset
- **Market value:** what the asset is worth
- **Fees/penalties:** an amount of money someone would have to pay if an asset were converted to cash
- **Cash value:** the amount of cash someone could get from the asset if converted to cash

What is the 'rule' associated with asset income?

If the total cash value of assets is **$5,000 or less,** annual income includes the <u>actual</u> anticipated income from assets, **or**

If the total cash value of all family assets is **more than $5,000,** annual income includes **the greater of:**

The actual anticipated income from assets	The imputed income from asset

How do you calculate cash value of an asset?

Market Value − Costs (penalties and fees) = Cash Value

When there are no costs or penalties to convert an asset to cash, the market and cash value is the same amount.

What is actual income?

- Actual income is calculated usually from an interest rate or return on investments.

For example:

A savings account with a 3.5% interest rate generates income from earning interest.

  - The interest on the savings account generates <u>actual</u> income

Savings/Checking Accounts

Actual income from assets

Checking account, 6-month average balance:
- $125 at 0% interest

Savings account, current balance:
- $3,250 at .5% interest

Cash value x interest rate = Actual income

Checking account: $0 ($125 x 0 = $0)
Savings account: $16.25 ($3,250 x .005)

Amount of actual income generated from assets included in annual income: **$16.00** (rounded down)

What is imputed income?

Imputed income

- An amount of income that is ‘assigned’ to an asset when the total cash value of the asset(s) is greater than $5,000

How do ‘assign’ income to an asset?

Three options – a grantee may:

1. Use the HUD passbook rate of .06%
2. Use the local Public Housing Authority passbook rate
3. Establish their own passbook rate

Savings/Checking Accounts

Imputing income from assets

- Checking account: **$25** at 0% interest rate
- Savings account (HOH): **$3,000** at 1% interest
- Savings account (Spouse): **$6,025** at 1% interest rate

Cash value x interest rate = Actual income

Checking account interest income: $0
Combined savings account interest income: **$90.25**

Cash value x HUD passbook savings rate of .06%
$9,025 x .0006 = **$5.43**

Amount included in annual income: $90

Examples of different types of assets and how they are treated

Checking/Savings Accounts

Key Elements:

- Checking account
  - Use the 6-month average balance
  - Frequently no interest rate

- Savings account
  - Use the current balance
  - Interest rates

Lump Sum Payments

Key Elements:

Lump sum payments (e.g., inheritance, capital gains, lottery winnings, insurance settlements) are (generally) treated as assets

- Unless the lump sum (or any portion of it) is used for something that is NOT an asset

Retirement/Pensions/Investments

Key Elements:

- Balances held in retirement accounts are counted as assets if the money is accessible to the family member.
- This type of asset is treated differently if someone is still employed vs. not employed (retired).

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

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

Example:

Jed Dozier's 401K account balance is $35,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer's contribution and would pay a penalty fee. The total cash he could withdraw, $18,000, is the amount that is counted as an asset.

Section 4:
Adjusted Income

- Definition
- Income deductions

What is Adjusted Income?

Gross Annual Income − Income Deductions = Adjusted Annual Income

What are the income deductions?

A type of deduction used to adjust a family's gross annual income. Income deductions are used only to calculate adjusted income, which is then used to calculate portions of rent.

The five mandatory income deductions include:

- Elderly or Disabled
- Dependent
- Medical expenses
- Childcare expenses
- Disability assistance expenses

[Acceptable Forms of Income Verification]

What is the Elderly or Disabled Deduction?

A deduction of **$400** per family in which the head of household, spouse, or cohead is:

- 62 years of age or older, or
- A person with disabilities

A family, where it is a minor who qualifies the entire household for HOPWA assistance, is not eligible for the elderly or disabled allowance – UNLESS the head of household, spouse or co-head is otherwise 62 years or older and/or a person with disabilities.

What is the Dependent Deduction?

A **$480** per each dependent deduction for a family member, other than the head of household, spouse, or cohead, who is:

- Under 18 years of age,
- A person with disabilities (any age), or
- A full-time student (any age).

What is the Dependent Deduction?

Key Elements:

- Full time student status must be verified by the school

The following are never dependents:

- Head of household
- Spouse
- Cohead
- Live-in aide
- Foster child or foster adult

What is the Medical Expenses Deduction?

A family that qualifies as an elderly or disabled family may deduct allowable unreimbursed medical expenses anticipated to be paid in the next 12 months.

Key Elements:

- Only allowable for elderly or disabled families;
- Applies only to unreimbursed medical expenses;
- Applies to all family members;
- Equal to the amount that exceeds 3% of gross annual income

What is the Medical Expenses Deduction?

Calculating the medical expense deduction

Gross annual income: **$22,000**

Household medical expenses: **$3,500**

Step 1: Calculate 3% of gross annual income

$22,000 x .03 = **$660**

Step 2: Calculate the amount of the medical expenses exceeding 3% gross annual income

$3,500 - $660 = **$2,840**

What is the Disability Assistance Expense Deduction?

A deduction for unreimbursed disability assistance expenses related to care attendants and/or auxiliary apparatus for disabled family members.

Key Elements:

- Necessary to enable any family member 18 years or older to work (including the disabled family member);
- Cannot exceed the amount of earned income of any family 18 years or older enabled to work;
- Applies only to family members who are person with a disability
- Not reimbursed;
- Equal to the amount that exceeds 3% of gross annual income

What is the Disability Assistance Expense Deduction

Calculating the disability assistance expense deduction

Gross annual income: $22,000
Disability Assistance Expenses: $4,500

Step 1 - Calculate 3% of gross annual income

$22,000 x .03 = $660

Step 2 - Calculate the amount of the disability expenses exceeding 3% gross annual income

$4,500 - $660 = <u>$3,840</u>

What happens if a household has both medical and disability assistance expenses?

Calculating a combined Disability and Medical Expenses Deduction

Disability Assistance Expenses	+	Medical Expenses	−	3% gross annual income	=	Disability and Medical Expenses Deduction
$1,000		$2,000		$240		$2,760

What is the Childcare Expense Deduction?

Childcare expenses are amounts anticipated to be paid by the family for the care of children under 13 years of age.

Key Elements:

- Must be necessary to enable a family member to actively seek employment, be gainfully employed or further education
- Not reimbursed by other sources
- Reflect reasonable costs for childcare in your area

What is the Childcare Expense Deduction? Continued.

Key Elements:

Expenses for the care of children with disabilities qualify as a disability assistance expenses NOT childcare expenses

In the case of expenses necessary to permit employment:

- Amount of the childcare expense deduction cannot exceed the amount of employment income included in annual income

What is Earned Income Disregard (EID)?

Earned Income Disregard (EID) is a requirement based on HUD requirements found in 24CFR 5.617, that allows for excluding a percentage of income for a maximum of 24 months.

For certain households where there is a person (or persons) with disabilities who returns to work, 100% of new employment income is excluded for the 12 months, and then 50% is excluded for another 12 months.

EID is only eligible after a household has been housed under HOPWA TBRA or transitional and permanent facility-based assistance, so will not be completed for initial assessment or at move-in.

The most recent rent calculation documentation, prior to EID eligibility becomes the recipient's "baseline" income for the duration of the EID eligibility period.

HOPWA and Rental Assistance Resources

HOPWA Rental Assistance Guidebook

HOPWA Administration Toolkit

24 CFR 574: Housing Opportunities for Persons with AIDS

HOPWA Law Regulations and Notices

HOPWA Program Information

Handbook 4350.3 rev-1 change 4 Chapter 5 Sections 1 and 2

HOTMA Resources

Annual Income: 24 CFR 5.609

Adjusted Income: 24 CFR 5.611

Earned Income Disregard: 24 CFR 5.617