

# ESG THP HPP INCOME VERIFICATION AND DOCUMENTATION

HUD requires grantees and subgrantees to count as annual income the types of income as listed below.

Income is money that goes to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member. Annual income includes the **current gross income** of all **adult household members**.

- **Gross Income** is the amount of income earned before any deductions (such as taxes, and health insurance premiums) are made.
- **Adult Household Members** excludes the income earned by minors and adult full time students who are not the Head of Household, inheritance and insurance income, medical expense re-imbursments, income of live-in aides, some state payments for disability, student financial aid, and armed forces hostile fire pay.

The following types of income must be counted when calculating gross income:

## General Category Description

1. **Earned Income**-- The full amount of gross income earned before taxes and deductions.
2. **Business Income** -- The net income earned from the operation of a business, i.e., total revenue minus business operating expenses. This also includes any withdrawals of cash from the business or profession for your personal use.
3. **Interest & Dividend Income** -- Monthly interest and dividend income credited to an applicant's bank account and available for use.
4. **Pension/Retirement Income** -- The monthly payment amount received from Social Security, annuities, retirement funds, pensions, disability and other similar types of periodic payments.
5. **Unemployment & Disability Income** -- Any monthly payments in lieu of earnings, such as unemployment, disability compensation, SSI, SSDI, and worker's compensation.
6. **TANF/Public Assistance** -- Monthly income from government agencies excluding amounts designated for shelter, and utilities, WIC, food stamps, and childcare.
7. **Alimony, Child Support and Foster Care Income** -- Alimony, child support and foster care payments received from organizations or from persons not residing in the dwelling.
8. **Armed Forces Income**-- All basic pay, special day and allowances of a member of the Armed Forces excluding special pay for exposure to hostile fire.

Most Desirable



Still Acceptable

<u>General Category</u>	<u>Documents</u>	<u>Third party (written)</u>	<u>Third party (oral)</u>	<u>No third party verification</u>
Earned & Armed Forces Income <i>(including base and overtime rates, bonuses and incentive payments)</i>	Pay stubs, earnings statement or W-2 form identifying employee and showing amount earned and period of time covered by employment	Signed and dated verification form or letter from employer specifying amount to be earned per pay period and length of pay period	Statement from case-worker indicating contact with employer by phone or in person, specifying amount earned per pay period.	Self-Declaration of Income
Business Income <i>(including tips and gratuity)</i>	Notarized statement from applicant or form 1040/1040A showing amount earned and employment period.	None	None	Self-Declaration of Income
Pension / Retirement Income	Copy of check issued by agency	Signed and dated verification form	Statement from case worker indicating date of contact with agency, amount received, and date received.	Self-Declaration of Income
TANF / Public Assistance	Copy check issued by government agency	Signed and dated verification form from	Statement from case worker indicating date of contact with agency, amount received, and date received.	Self-Declaration of Income
Unemployment/ Worker's Compensation/ Disability	Copy check issued by agency	Signed and dated verification form	Statement from case worker indicating date of contact with agency, amount received, and date received.	Self-Declaration of Income
Alimony, Child Support and Foster Care Income <b>(Income for the custodial parent)</b>	(A) Copy of payment records furnished by court, signed and dated, showing amount received (B) Copy of divorce decree showing amount of support (C) Copy of uncashed check	Signed and dated verification form or letter from paying parent	Statement from case worker indicating date of contact with paying parent and amount received.	Self-Declaration of Income
Interest / Dividends	Passbook showing interest received and period covered	Signed and dated verification form from savings institution showing amount and period received	Statement case worker indicating date of contact with official at institution, amount received, and date received.	Self-Declaration of Income

## **24 CFR 5.609 - Annual income.**

(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 payments. (i) Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments:

(A) Qualify as assistance under the TANF program definition at 45 CFR 260.31; and

(B) Are not otherwise excluded under paragraph (c) of this section.

(ii) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(B) 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 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).

(9) For section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph, financial assistance does not include loan proceeds for the purpose of determining income.

(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 ? 5.403;

(6) Subject to paragraph (b)(9) of this section, 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 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.

[61 FR 54498, Oct. 18, 1996, as amended at 65 FR 16716, Mar. 29, 2000; 67 FR 47432, July 18, 2002; 70 FR 77743, Dec. 30, 2005]