APPENDIX D:

Income Eligibility and Income Limits

PURPOSE. This Appendix provides guidance on the calculation of household or family income for purposes of determining eligibility of potential program beneficiaries in order to meet the requirement of serving Targeted Income Group (TIG) households or families.

BACKGROUND. In the past, the CDBG program has not provided specific technical assistance on the determination of income eligibility of applicants for CDBG assistance. As a consequence, program monitoring has shown that grantees use a variety of methods to evaluate and calculate the income of program applicants. In response to requests for technical assistance on this subject and in an attempt to foster standardized calculation of household or family income, CDBG is providing this income determination information.

Previously, the income evaluation method recommended by the CDBG program is that which is set forth in the HUD Section 8 Program income regulations (24 CFR Part 813.106, hereafter referred to as the "Section 8 income regulations"). The rules concerning Section 8 annual income were removed from the Federal regulations on October 18, 1996. At the same time, 24 CFR Part 5 was published. Subpart F of Part 5 consolidated the requirements pertaining to income for many of HUD's programs, including Section 8 and the Community Development Block Grant Program.

DISCUSSION.

1. What income group households are eligible for CDBG assistance?

   Beneficiaries of CDBG assistance must be within the "Targeted Income Group". The Targeted Income Group (TIG) is those households earning less than 80% of the median income for a family of similar size. Median incomes are calculated by HCD annually for each county and vary throughout the state. CDBG mails a copy of these "Annual Income Limits" to all eligible jurisdictions. Grantees are required to use the most current median income limits when qualifying applicants.

2. For what time period must household income be calculated?

   Household income eligibility must be based on "annual income" which is defined at 24 CFR Part 5 as follows:
   "The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period."

   (NOTE: This HUD definition uses the term "Family". However, for the State CDBG Program, grantees may use either "household" or "family", depending on the CDBG activity being undertaken, as more fully discussed in paragraph 6 below.)

3. What 12-month period should be used to determine CDBG eligibility?

Based on the above definition of "annual income," grantees should do the following:

a. Start with the present and calculate for the next 12 months. Use current circumstances to anticipate income for the next 12 months, unless verification forms indicate an imminent change. Convert all income (weekly, monthly, etc.) to an annual figure to complete income eligibility calculations. This may be done by annualizing current income or averaging known sources of income that vary to compute an annual income.

b. Permanently employed applicants. For all full-time permanently employed applicants, regardless of the length of time employed at the time of application for assistance, the income must be evaluated based on what the earnings are on an annual basis. This means that grantees should not count just what the applicant has earned so far in the year, but what the applicant's income is projected to be over the next 12 months.

c. Applicants with special circumstances (e.g., guaranteed imminent layoff, seasonal or part-time employment). The grantee shall take those factors into consideration when calculating what the earnings would be on an annual basis. Notwithstanding the special circumstances, income for all applicants shall be calculated on an annual basis, not on the basis of what may have been earned so far in a given year at the time of application for assistance.

4. What must be included as income and what may be excluded?

Paragraphs b. and c. of the attached Part 5 income regulations contain detailed lists of what should be included in annual income and what may be excluded.

5. Must grantees follow these lists of included and excluded income?

The CDBG Program will consider compliance with the Part 5 income regulations as meeting the minimum requirements for CDBG monitoring purposes. Grantees who use other standards for income calculation purposes may be subject to additional monitoring to establish that TIG benefit requirements are being met. Therefore, CDBG strongly recommends that grantees follow the Part 5 income regulations.

6. Who are the applicants and should grantees calculate "household" or "family" income?

It depends on the CDBG activity. For additional information, see CDBG Management Memorandum 95-7, issued 11/7/95, page 7, entitled "CDBG Beneficiaries: Households and Families."

Use Household income for activities that benefit the occupants of a housing unit, such as in

housing rehabilitation, housing new construction, and public works projects that benefit specific housing units.

When "household" is used as the basis for the calculation, "household" means "persons occupying a housing unit as a place of residence" (State CDBG Regulations Section 7054.) Therefore, the income of all persons residing in the residence must be included. This means grantees must include in their evaluation of eligibility the income from unrelated household members (e.g,, a roommate of the applicant, someone who may be renting a room in the residence from the CDBG applicant, etc.) and persons who are living in the residence more than half time.

Use Family income for activities where a family rather than a specific housing unit is the main beneficiary, such as in economic development/job creation activities, community facilities and public services that benefit individuals.

When "family" is used as the basis for the calculation, "family" means "all persons living in the same household who are related by birth, marriage or adoption" (Federal Regulations, 24 CFR Part 570.3.)

If you have any questions about calculating income for CDBG program purposes, contact your CDBG representative (see listing in Appendix C).

SUPPLEMENTAL INFORMATION.

- 24 CFR Part 5 Income Regulations
- 2002 Income Limits

24 CFR Part 5

[Code of Federal Regulations]
[Title 24, Volume 1, Parts 0 to 199]
[Revised as of April 1, 1998]
From the U.S. Government Printing Office via GPO Access
[**CITE**: **24CFR5**.**609**]

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TITLE 24--HOUSING AND URBAN DEVELOPMENT

PART 5--GENERAL HUD PROGRAM REQUIREMENTS; WAIVERS--Table of Contents

Subpart F--Income Limits, Annual Income, Adjusted Income, Rent, and Examinations for the Public Housing and Section 8 Programs

Sec. 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. 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 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, and resident initiatives coordination. 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) For public housing only: (i) The earnings and benefits to any family member resulting from the participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, section 22 of the 1937 Act (42 U.S.C. 1437t), or any comparable Federal, State, or local law during the exclusion period.

(ii) For purposes of this paragraph, the following definitions apply:

(A) Comparable Federal, State or local law means a program providing employment training and supportive services that

(1) Is authorized by a Federal, State or local law;

(2) Is funded by the Federal, State or local government;

(3) Is operated or administered by a public agency; and

(4) Has as its objective to assist participants in acquiring employment skills.

(B) Exclusion period means the period during which the family member participates in a program described in this section, plus 18 months from the date the family member begins the first job acquired by the family member after completion of such program that is not funded by public housing assistance under the 1937 Act. If the family member is terminated from employment with good cause, the exclusion period shall end.

(C) Earnings and benefits means the incremental earnings and benefits resulting from a qualifying employment training program or subsequent job;

(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) For public housing only. In addition to the exclusions from annual income covered in paragraph (c) of this section, a PHA may adopt additional exclusions for earned income pursuant to an established written policy.

(1) In establishing such a policy, a PHA must adopt one or more of the following types of earned income exclusions, including variations thereof:

(i) Exclude all or part of the family's earned income;

(ii) Apply the exclusion only to new sources of earned income or only to increases in earned income;

(iii) Apply the exclusion to the earned income of the head, the spouse, or any other family member age 18 or older;

(iv) Apply the exclusion only to the earned income of persons other than the primary earner;

(v) Apply the exclusion to applicants, newly admitted families, existing tenants, or persons joining the family;

(vi) Make the exclusion temporary or permanent, for the PHA, the family, or the affected family member;

(vii) Make the exclusion graduated, so that more earned income is excluded at first and less earned income is excluded after a period of time;

(viii) Exclude any or all of the costs that are incurred in order to go to work but are not compensated, such as the cost of special tools, equipment, or clothing;

(ix) Exclude any or all of the costs that result from earning income, such as social security taxes or other items that are withheld in payroll deductions;

(x) Exclude any portion of the earned income that is not available to meet the family's own needs, such as amounts that are paid to someone outside the family for alimony or child support; and

(xi) Exclude any portion of the earned income that is necessary to replace benefits lost because a family member becomes employed, such as amounts that the family pays for medical costs or to obtain medical insurance.

(2) Any amounts that are excluded from annual income under this paragraph (d) may not also be deducted in determining adjusted income, as defined in Sec. 5.611.

(3) Housing agencies do not need HUD approval to adopt optional earned income exclusions.

(4) In the calculation of Performance Funding System operating subsidy eligibility, housing agencies will have to absorb any loss in rental income that results from the adoption of any of the optional earned income exclusions discussed in paragraph (d)(1) of this section, including any variations of the listed options.

(e) If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period.