MONTANA
DEPARTMENT OF COMMERCE

Tenant Based
Section 8 Program

HCV Income Calculations

- 24 CFR 5.609(a) – *Annual Income* means all amounts, monetary or not:
  - Which go to or on behalf of the family head or spouse or to any other family member, or
  - That are anticipated to be received from a source outside the family during the 12 month period following admission or the annual reexamination effective date, and
  - Which are not specifically excluded in 24 CFR 5.609(c), and
  - Also includes amounts derived from assets to which any family member has access

Annual Income

Whose Income to Count?

- All sources of income are counted unless specifically excluded by regulations
- For the head of household, spouse, co-head and other adults, all income is counted unless regulations state to exclude
- Regulations specifically state that only the first $480 of employment income is counted annually for an adult full-time student (never the head of household, spouse, or co-head)
- Regulations also specifically state that no employment income is counted for children under 18 (this does not include the head of household, spouse, or co-head)

Income of Temporarily/Permanently Absent Family Members

- PHAs must include all income of every family member, including those who are temporarily absent
- The treatment of income of family members who are permanently confined to a hospital or nursing facility depends on PHA policy
- The PHA administrative plan must cover PHA policy on family absence from a dwelling unit

Seasonal Employment

- PHA may annualize income for a shorter period with subsequent redetermination if:
  - It is not feasible to determine for a 12-month period (e.g., seasonal employment)
  - PHA feels past income is best indicator of expected future income
- To elaborate, in some occupations it is normal for people to work less than 12 months per year. For example: school employees, agricultural workers, or construction trades may typically work for fewer months, depending on local conditions
- Two acceptable calculation methods per HUD's HCV Guidebook:

- Method 1:
  - Annualize current income, and conduct an interim reexamination when the income changes
- Method 2:
  - Calculate the actual anticipated income from all known sources for the entire year. This means there will be no interim reexamination when the income changes as already anticipated. However, to use method 2, a history of the individual's income from past years is needed. This method cannot be used when the future income source is "unknown" or "none"

Seasonal Employment

- **Example:** Maggie Price is currently employed as a tile setter with Heinz Construction, earning $1,200 per month. For the last 3 years, she has worked this job for 8 months per year during the construction season. During the other 4 months of each year, she works part-time at Canon Printers, earning $500 per month

Seasonal Employment

- Method 1 Calculation:
  - $1,200 a month x 12 months = $14,400 per year
- When construction season ends, the PHA would conduct an interim reexamination, multiplying the new current income times 12 months.
  - $500 a month x 12 months = $6,000 per year

Seasonal Employment

- Method 2 Calculation – the PHA would anticipate income from all known sources for the entire year:
  - Heinz Construction $1,200 x 8 months = $ 9,600
  - Canon Printers $ 500 x 4 months = $ 2,000
  - Total $11,600
- Since the PHA already anticipated the change in income, there would be no interim reexamination conducted when the participant changes jobs from Heinz Construction to Canon Printers

Seasonal Employment

Seasonal Employment

- HUD reviewers have often found that using Method 1 calculation has been done incorrectly resulting in the multiplying of the *current income only*.
  - $1,200 x 8 months = $9,600 annual income
- This calculation results in the family's Total Tenant Payment (TTP) being lower than required by regulation

- PHA chooses which method to use and may lay out both scenarios in policy and let the family select the method of calculation
- Be sure to keep family informed as to whether an interim reexamination will or won't be conducted depending on method(s) chosen

Seasonal Employment

» Earned income of minors (family member 17 years of age and under) is not included
» Benefit and other non-earned income paid directly to minors is included
» Asset income of minors is counted as income because it is not “excluded income”
» Earnings in excess of $480 for each full-time student 18 years old or older is not included as income

Dependent Income

- PHA must include as income regular contributions and gifts from persons outside the household
- This may include rent and utility payments paid on behalf of the family and other cash or non-cash contributions provided on a regular basis
- Casual contributions or sporadic gifts are not included

Regular Contributions and Gifts

Asset Income

» Asset income is:

- Interest on savings/checking accounts
- Stock dividends
- Net cash value after deducting reasonable costs that would be incurred in disposing of real property or other forms of capital investment excluding interests in Indian trust land. Value of necessary items of personal property such as furniture and automobiles is excluded
- Value of any business or family asset disposed of for less than fair market value during 2 years preceding the date of application for the program or reexamination
- Net family assets **does not include** value of a home currently being purchased with assistance under the HCV Program – exclusion is limited to the first 10 years after the purchase date of the home

Computing Annual Income

- Must convert all income to an annual figure in order to complete rent calculations
- Convert earned income to annual income as follows:
  - Multiply hourly wages by the number of hours worked/year (2080 hours for full-time employment with a 40-hour work week and no overtime)
  - Multiply weekly wages by 52
  - Multiply bi-weekly wages by 26
  - Multiply semi-monthly wages by 24
  - Multiply monthly wages by 12

» Use current circumstances to anticipate income. Project for a full 12 months, even if income is not expected to continue, unless verification forms indicate an imminent change, or income is cyclical (such as seasonal workers)
  - Example of Imminent Change Expected:
    - Employer reports a full-time employee earning $7.25 per hour will receive this for seven weeks
    - In eighth week after the effective date of the reexamination, the employee will begin to receive $8.00 per hour

Anticipating Income

» How is annual income calculated from example?

> $7.25 x 40 hrs x 7 weeks = $ 2,030

> $8.00 x 40 hrs x 45 weeks = $14,400

> Total annual income = $16,430

Anticipating Income

Example #1

Sam Smith, Head, works full-time at Sav-Mor earning $12.15 per hour. He's paid every 2 weeks.

Margo Smith, Co-head, works part-time averaging 15 hrs per pay period earning $15.00 per hr. She's paid twice a month.

Answer:

Sam	$12.15 x 40 hrs. x 52 weeks	**OR**
	$12.15 x 80 hrs x 26 pay periods	
Margo	$15 x 15 hrs x 24 pay periods	

Calculation Examples

Example #2

Tom Banks makes $10.00 per hr. and works an average of 82 hrs per pay period. He is paid semi-monthly. He also has $600 in a non-interest bearing checking account.

Answer: $10 x 82 hrs x 24 pay periods

No income is derived from the asset and the value of the asset is less than $5,000, so no imputed income is calculated

Calculation Examples

Example #3

Earl Best is retired and earns a monthly retirement benefit of $2,140. He also has a savings account valued at $3,000 that earns 3% interest a year, a checking account with a current balance of $2,000 that doesn't earn any interest and a CD (certificate of deposit) valued at $4,200 which earns 3.67%. For purposes of example, passbook savings rate is 1.67%.

Answer: Income - $2,140 x 12 months

Assets – Actual amount earned:

$3,000 x 3%	= $ 90
$4,200 x 3.67%	= $<u>154</u>
Total actual income	$244

Imputed Income:

$9,200 ($2,000 + $3,000 + $4,200) x passbook savings rate of 1.67% = $154

Actual income earned of $244 would be used for asset income

Calculation Examples