

SECTION 2. Annual Income

Subsection A. What Income is Counted in  
Determining Annual Income

3-9. ANNUAL INCOME is the gross income the Family anticipates it will receive in the 12-month period following the effective date of certification of income.

Total Income from all Sources = Annual Income

Earned/ Unearned Income	+	Income = from Assets	Annual Income
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NOTE: Chapter 2 of Handbook 4350.3 provides the eligibility rules for admission to a particular project. Chapter 3 provides the rules for determining income. By referring to "family", as provided by regulation, Chapter 3 distinguishes between members of the tenant household and other persons living in the unit (e.g., live-in attendant who is not listed on the lease, is not a member of the tenant household and whose income and circumstances are not considered in determining the household's annual income or adjusted income). Concerning eligibility to a particular project, consult with Chapter 2.

- a. The regulations list examples of income that are included in Annual Income. They also list specific types of income that are excluded from income. Generally, if a particular type of income is not specifically mentioned as being excluded, then it is included in Annual Income.
- b. Exhibit 3-4 lists the types of assets that are used in determining Annual Income.
- c. Exhibit 3-5 lists the types of income that are used in determining Annual Income.

3-10. WHOSE INCOME IS COUNTED AND WHOSE INCOME IS NOT COUNTED:

- a. Count the income of the individuals listed below:
  - (1) Annual income of the head, spouse or co-head and other adult members of the family
    - (a) Include under this paragraph the annual income of individuals under the age of 18 who have entered into a lease under state law. (They will be either the head, spouse or co-head.) Such persons

are sometimes referred to as emancipated minors (e.g., a person under the age of 18 who is married). However, if an emancipated minor is residing with a family as a member other than the head, spouse or co-head, the individual would be considered a dependent and would be covered by paragraph (2) below.

- (b) Count only the first \$480 in earnings of a full-time student over the age of 18 who is not the head, co-head or spouse. See Figure 3-1. Note that all of the full-time student's unearned income is counted.
- (2) Unearned income of children under the age of 18 who are members of the family. (This is any income that is not employment income.) They will be listed as dependents on the 59 Data Requirements. Also include any unearned income of:
- (a) children temporarily absent due to placement in a foster home.
  - (b) children who are away at school but who live with the family during school recesses.

NOTE: Paragraph 3-25 clarifies that when more than one family shares joint custody of a child and they both live in assisted housing, only one family can claim the dependent allowance. The family that counts the dependent allowance also counts the unearned income of the child. The other family neither claims the dependent allowance nor counts the unearned income of the child.

- (3) Income of Temporarily Absent Family Members who are still considered Family members. Read paragraph 3-17 and consult with the family to determine whether the individual should be considered a family member. (If this individual is considered a family member, then she/he would be listed on the 59 Data Requirements.) NOTE: The head, spouse or co-head must always be listed on the 59 Data Requirements, even if they are temporarily absent.
- (4) Income of Persons Permanently Confined to a Hospital or Nursing Home. Read paragraph 3-18 and consult with the family to determine whether the individual should be considered a Family member. (If this individual is considered a Family member, then she/he would be listed on the 50059 Requirements). NOTE: Such persons may not be the Head, Co-head or Spouse.

b. Do Not count the income of the individuals listed

below. These individuals are not considered members of the Family. (But see paragraph 2-18, Determining Unit Size at Move-in. Such persons are considered when determining unit size for the household.) Do not count:

- (1) Any income of a live-in-aid/attendant. (See the definition in Exhibit 2-1 of Handbook 4350.3 which expands upon the definition of "live-in aid" in 24 CFR 812.2, 215.1, and 236.2 as found in Exhibit 3-1.)
- (2) Any income of a guest. Friends or relatives who visit for short periods of time are not considered members of the Family. See also paragraph 13, General Restrictions, of the Model lease. This paragraph states that the tenant agrees to permit other individuals to reside in the unit only after obtaining the prior written approval of the Landlord.
- (3) Any income of a foster child or foster adult. Foster adults are considered to be individuals with disabilities, unrelated to the tenant family, who are unable to live alone.

FIGURE 3-1

Whose Income is Counted?

(NOTE: All persons residing in the unit must be listed on the 59 Data Requirements, but not all persons residing in the unit are members of the Family (e.g., live-in attendants; foster children and foster adults are not members of the family).

	Employment Income	Other Income (including income from assets)
<b>Members</b>		
Head	Yes	Yes
Spouse	Yes	Yes
Co-Head	Yes	Yes
Other Adult	Yes	Yes
<b>Dependents</b>		
-Child under 18	No	Yes
-Full time Student over 18 1/	1/	Yes
<b>Non-members</b>		
-Foster Child	No	No
-Foster Adult	No	No
-Live-in Attendant	No	No

1/ The earned income of a full-time student 18 years old or older who is not the head, co-head or spouse is excluded to the extent that it exceeds \$480. (See Exhibit 3-5.)

Subsection B. Business Rules Used in Determining Annual Income

3-11. CALCULATION METHODOLOGIES TO USE IN DETERMINING ANNUAL INCOME

- a. To annualize full-time employment, multiply:
  - (1) hourly wages by 2,080 hours
  - (2) weekly wages by 52
  - (3) bi-weekly amounts by 26
  - (4) semi-monthly amounts by 24
  - (5) monthly amounts by 12
- b. To annualize income from other than full-time employment, multiply periodic amounts (hourly, monthly, bi-weekly, etc.) by the number of periods (hours, weeks, months) the family member expects to work.
- c. Use an annual wage without additional calculations. For example, if a teacher is paid \$25,000 a year, use \$25,000 whether the payment is made in 12 monthly installments, 9 installments or some other payment schedule.
- d. Use current circumstances to project income, unless verification forms indicate that an imminent change will occur. See the example following this paragraph.

EXAMPLE of Anticipated Increase in Hourly Rate

February 1	Certification Effective Date
\$7.50/hour	Current Hourly Rate
\$8.00/hour	New rate to be effective March 15

(40 hours per week x 52 weeks = 2080 hours per year)

February 1 through March 15 = 6 weeks  
6 weeks x 40 hours = 240 hours  
2,080 hours minus 240 hours = 1840 hours  
(check: 240 hours + 1840 hours = 2080 hours)

Annual Income is calculated as follows:

240 hours x 7.50 =	\$ 1,800
1840 hours x 8.00 =	\$14,720
Annual Income	\$16,520

NOTE: Use the data entry procedures in Appendix 12, Data Entry Rules for the Owner and Tenant Data Requirements.

- e. If a family indicates that income might not be received for the full 12 months (e.g., unemployment insurance benefit is expected to terminate), the owner should still annualize the income and advise the family to report any

subsequent loss of the income so that rents may be recalculated. This way, the rent will be calculated correctly.

EXAMPLE of How to treat income that is expected to be received for less than 12 months.

Annual recertification is scheduled for 4-1-95. Tenant's unemployment benefit of \$325 per month terminates on 10-1-95.

Count \$3,900 as unemployment income (\$325 x 12 months). This will give the tenant the correct monthly assistance payment. Instruct tenant to report loss of income when benefits are terminated. See also paragraph 5-11, Owner Responsibility for Processing Interim Recertifications.

- f. If an agency is reducing a family's benefits to adjust for a prior overpayment (e.g., Social Security, SSI, AFDC or unemployment benefits), count the amount that is actually provided after the adjustment.

EXAMPLE: Mr. Green's Social Security Payment of \$250 per month is being reduced by \$25 per month for a period of 6 months to make up for a prior overpayment. Count his Social Security income as \$225 per month for the next 6 months and for the remaining 6 months as \$250 per month.

3-12. VALUING ASSETS. In determining income from assets, owners must use the cash value of the asset (i.e., the amount the family would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- a. Penalties for withdrawing funds before maturity
- b. Broker/legal fees assessed to sell or convert the asset to cash
- c. Settlement costs for real estate transactions
- d. Loans on the asset (except see paragraph 3-21, income from a Business)

EXAMPLE: Mrs. Player owns a rental house. The market value is \$100,000. She owes \$60,000. The cost to dispose of this house would be \$8,000. The owner would determine the cash value as follows:

Market Value	\$100,000
Mortgage amount	- 60,000
	40,000
Cost of disposing of the asset (real estate commission, and other costs of sale)	- 8,000
Cash Value	32,000

3-13. ASSETS OWNED JOINTLY. If assets are owned by more than one person, prorate the assets according to their percentage of ownership. If no percentage is specified or provided by state or local law, prorate the assets evenly among all owners.

EXAMPLE: Mrs. Wright is an assisted housing tenant. She and her daughter, Ms. Duncan, who lives 2,000 miles away, have a joint savings account. Assume that in this example that State law does not specify ownership. Even though either Mrs. Wright or Ms. Duncan could each withdraw the entire asset for her own use, count Mrs. Wright's ownership as 50% of the account.

NOTE: If an asset is not effectively owned by an individual, do not count it as an asset. See examples in Exhibit 3-4, paragraph B.6.

3-14. ASSETS CONVERTED TO TRUSTS. A trust is generally considered a legal arrangement regulated by state law in which one party holds property for the benefit of another. A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Trust assets are typically transferred to the beneficiary upon the death of the grantor. Chapter 3 recognizes two types of trusts, revocable and nonrevocable (irrevocable trusts). See Figure 3-2.

a. Revocable Trusts.

- (1) The grantor of a revocable trust can change this type of trust as often as s/he wishes and, therefore, has access to this asset at any time.
- (2) Count the trust as an asset under Exhibit 3-4.

EXAMPLE of a revocable trust

Mr. Childress establishes a trust of \$60,000 in his daughter's name. (The daughter is not a member of the household.) Because it is revocable, he can modify this trust at any time and have access to it. For purposes of this example, the income is either reinvested into the trust or paid to his daughter. Treat this trust as a current asset. Even though Mr. Childress does not receive the income from this asset, he is required to report the cash value of the asset and the income the trust generates. Because it is still considered to be an asset owned by Mr. Childress, it is not considered an asset disposed of for less than fair market value.

b. Nonrevocable Trusts (irrevocable Trusts).

- (1) This is a trust agreement that allows an individual to permanently transfer assets during his/her lifetime to someone else.
- (2) Trusts which are not revocable by or under

the control of any member of the family are not considered assets.

- (3) Instead, the regulation requires that the actual income distributed to the tenant family from such a trust be counted when determining Annual Income. See Exhibit 3-5. (As with all income, this is the gross amount received before taxes or other deductions.)
  - (a) As long as the trust exists, any income distributed from the trust to the tenant family must be counted as income.
  - (b) If there is no income distributed from the trust, then do not count any income from the trust (e.g., income from the trust that is reinvested into the trust).
- (4) If an asset is disposed of for less than fair market value by being converted to a nonrevocable trust, assuming that no consideration is received or the consideration which is received is less than fair market value, then the owner must count such an asset for a period of two years in accordance with paragraph 3-16.
  - (a) In addition, any actual income distributed from the nonrevocable trust must also be counted as income under paragraph (3) above. Therefore, for a two-year period, the owner will consider this asset for purpose of income computation and, in addition, count actual income distributed from the nonrevocable trust to the tenant family.
  - (b) Following the two year period, the owner will count only the actual income distributed from the trust to the family.

EXAMPLE of a trust that is not revocable by or under the control of any member of the family, where the income is not distributed from the trust.

Mr. Charaf had \$100,000, which he disposed of by creating a nonrevocable trust controlled by his son. (Mr. Charaf's son does not live with him.) The trust produced income of \$8,000 in 1995, which was reinvested into the trust. Do not count the \$8,000 as Annual Income because Mr. Charaf did not receive any income from this trust. Do not count the cash value of the trust (\$100,000) as a current asset. Instead, since Mr. Jones disposed of this asset for less than fair market value, count the asset for a period of two years in accordance with paragraph 3-16. The owner would follow paragraph 3-12 in valuing this asset.

EXAMPLE of a trust that is not revocable by or under the control of any member of the family. The grantor receives the income distributed from the trust.

Ms. Bouchard has established, within the past two years, a nonrevocable trust in the amount of \$35,000 that no one in the tenant family can control. Income from this trust is distributed to Ms. Bouchard. The actual income distributed from

continued

Example continued - nonrevocable trust

this trust would be counted in determining Ms. Bouchard's annual income. For example, in 1996 \$3,500 was distributed. Therefore, the owner would count this \$3,500 as annual income to Ms. Bouchard. Also, because Ms. Bouchard disposed of an asset for less than fair market value, the owner must count this disposition in accordance with paragraph 3-16. The owner will determine the cash value of the asset under paragraph 3-12 and will count it as an asset disposed of for less

than fair market value for a period of two years. It may appear that this procedure would require the owner to double-count this asset. But, first the owner counts the asset which was disposed of for a period of two years and, concurrently, the owner counts the actual income from the current holding (the nonrevocable trust).

EXAMPLE of a trust that is not revocable by or under the control of any member of the tenant family, where the income is distributed to someone outside the tenant family.

Ms. Rockland is a sole member of a tenant family. In 1995 she established a nonrevocable trust in the amount of \$50,000 that she cannot control. She did not receive any compensation for this asset. In 1995, Ms. Rockland's son, who lives in another city, received \$7,000 which was distributed from the trust. Do not count the \$7,000 as income to Ms. Rockland, because she did not receive it. However, do count the asset as being disposed of

FIGURE 3-2

TRUST FUNDS - GRANTOR

Revocable

Nonrevocable (irrevocable)

TREAT AS AN ASSET

TREAT AS INCOME

The grantor can change this trust as often as s/he wishes and can have access to this asset at any time. Generally, upon the

Under a nonrevocable trust, The grantor cannot gain access to this trust.

Do not treat this trust as an asset. Count the actual

death of the grantor,  
the asset is  
transferred to the  
beneficiary.

income distributed to the  
family from the trust in  
accordance with paragraph  
A.12 of Exhibit 3-5. Also,

Treat this trust as an  
asset of the grantor  
under Exhibit 3-4, no  
matter who receives  
the income from this  
asset. Income  
received by the  
beneficiary will be  
counted as income.  
Nonrevocable (irrevocable)

count the original asset  
(which was placed into  
trust) as an asset disposed  
for less than fair market  
value in accordance with  
paragraph 3-16.

TRUST FUNDS -  
BENEFICIARY

Revocable Trust

Count the actual income  
received

Nonrevocable Trust

Count  
the actual income received

Regulatory reference: 24 CFR Parts 812.102, 215.1 and 236.2  
state:

"(In cases where a trust fund has been established  
and the trust is not revocable by or under the  
control of any member of the family, the value of the  
trust fund will not be considered an asset so long as  
the fund continues to be held in trust. Any income  
distributed from the trust fund should be counted  
when determining Annual Income.)"

Regulatory Reference: 24 CFR Parts 813.102, 215.1 and 236.2  
state:

In determining Net Family Assets, Owners shall include the  
value of any business or family assets disposed of by an  
applicant or tenant for less than fair market value  
(including a disposition in trust, but not in a  
foreclosure or bankruptcy sale) during the two years  
preceding the date of application for the program or  
[recertification], as applicable, in excess of the  
consideration received therefor. In the case of a  
disposition as part of a separation or divorce settlement,  
the disposition will not be considered to be for less than  
fair market value if the applicant or tenant receives  
important consideration not measurable in dollar terms.

3-15. IMPUTED INCOME FROM ASSETS. (This paragraph does NOT  
apply to families receiving ONLY BMIR assistance.) If  
the net family assets exceed \$5,000, Annual Income must  
include the greater of:

- a. The actual income from assets

- or
- b. An imputed income from assets. Owners must impute income by multiplying total net family assets by the passbook rate specified by HUD. Until further notice, owners must use a rate of 2 percent (.02).

Figure 3-3

CALCULATING INCOME FROM ASSETS

Type of Asset 1/	TOTALS	Cash Value of Asset
Checking Account		\$ 300
Savings Account		2,000
Certificates of Deposit		10,000
Rental Property Currently Vacant		15,000
TOTALS		\$ 27,300
Actual Income Per Year		
\$ 0		
115		
986		
0		
\$ 1,101		

Since total assets in this example exceed \$5,000, the owner must calculate the imputed income. In this example, the owner would multiply the Net Family Assets of \$27,300 by .02, totaling \$546. The owner will enter this amount as the imputed income on assets in the 59 Data Requirements. The income from assets to be included in Annual Income will be \$1,101 in this example since the actual income received is greater than the imputed income on net family assets (\$1,101 is greater than \$546.).

1/ These are the assets owned by the entire Family.

3-16. ASSETS DISPOSED OF FOR LESS THAN FAIR MARKET VALUE WITHIN TWO YEARS OF THE EFFECTIVE DATE OF THE CERTIFICATION OR RECERTIFICATION, including assets put into a nonrevocable trusts. (This paragraph does NOT apply to families receiving only BMIR assistance.)

NOTE: This paragraph applies to family assets and business assets.

- a. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and

recertification.

- b. Assets are considered to be disposed of for less than fair market value if the cash value of the disposed asset exceeds the gross amount the family received by more than \$1,000.
- c. In such cases, owners must include the whole difference between the cash value of the asset and the amounts received. If the difference is less than \$1,000, ignore it.

NOTE: Use cash value if there are costs incurred in disposing of the asset. See paragraph 3-12 on how to determine cash value.

- d. Do consider:

- (1) Assets disposed of for less than fair market value when they are placed into a nonrevocable trust (assuming that no consideration is received or the consideration which is received is less than cash value) See also paragraph 3-14b for a further discussion of nonrevocable trusts.  
NOTE: Amounts received through settlements or judgments that are placed into nonrevocable trusts on behalf of a member of the family are not considered as assets disposed of for less than fair market value.  
EXAMPLE: Mr. and Mrs. Taylor's daughter, Amanda, was injured in a car accident. She received a settlement of \$300,000 to compensate her for injuries and future loss of income. The attorney handling the case set up a nonrevocable trust of \$300,000 for the benefit of Amanda. This trust is not under the control of any member of the tenant family. Count only the actual income distributed from the trust to Amanda.

- (2) Business assets that are no longer part of an active business that are disposed of for less than fair market value. (Business assets are excluded from net family assets only while they are part of an active business.)

- e. Do NOT consider assets disposed of for less than fair market value as a result of:

- (1) foreclosure
- (2) bankruptcy, or
- (3) a divorce or separation agreement if the applicant or tenant receives important consideration not measurable in dollars.

EXAMPLES OF ASSETS DISPOSED OF FOR LESS THAN  
FAIR MARKET VALUE

EXAMPLE: On 7/5/95, Mr. and Mrs. Clark deeded their house to their daughter, who paid them

\$5,000 for it. Compute the cash value of the house as described in paragraph 3-12, Valuing Assets. On any recertification or certification effective on or before 7/4/97, count as an asset the difference between the cash value and the \$5,000 the Clarks received.

continued--

EXAMPLES OF ASSETS DISPOSED OF FOR LESS THAN  
FAIR MARKET VALUE--Continued

EXAMPLE: Mrs. Roulliard sells her home and receives \$100,000 after the costs of sale and mortgage pay-off. She places the entire amount into a nonrevocable trust, which her children control and she does not receive any consideration. Count \$100,000 as an asset for two years, because it is an asset disposed of for less than fair market value.

NOTES: 1) If the trust distributes income to Mrs. Roulliard or to anyone in the tenant family, then the owner also will count the actual income distributed in determining the family's total annual income.

2) However, had Mrs. Roulliard placed the proceeds into a revocable trust, it would have been counted as an asset as long as the trust exists (and the 2-year requirement for counting assets disposed of for less than fair market value would not apply). See paragraph 3-14.

EXAMPLE: Mrs. Pointdexter had \$8,000 in the bank. She decided to give half of it to her daughter and to keep the other half. The fair market value of the disposed of asset is \$4,000, which exceeds the amount she received by more than \$1,000 (\$4,000 minus \$0 equals \$4,000). Therefore, the owner is required to count the \$4,000 she gave to her daughter as an asset for a period of two years. The other

EXAMPLES OF ASSETS DISPOSED OF FOR LESS THAN  
FAIR MARKET VALUE - CONTINUED

EXAMPLE: Mr. Grant had a stamp collection valued at \$999 which he gave to his son. Since the fair market value of the stamp collection is less than \$1,000, the difference between the fair market value and the amount received will be less than \$1,000. Therefore, this would not be considered an asset disposed of for less than fair market value because its value is less than \$1,000.

EXAMPLE: Mrs. Templeton had mutual funds with a market value of 1,001, which she gave to her daughter. Since the difference between the market value (\$1,001) and the amount she received (\$0) is \$1,000 or greater, the owner

must count \$1,001 in mutual funds as an asset for two years. (Assume for this example that there were no commissions that Mrs. Templeton had to pay since she paid them when she purchased the shares in the fund and that there are no fees for closing the account.)

Regulatory Reference: 24 CFR Parts 813.102, 215.1 and 236.2 state:

In determining Net Family Assets, Owners shall include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or [recertification], as applicable, in excess of the consideration received therefor. In the case of a

Regulatory Reference continued:

disposition as part of a separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the applicant or tenant receives important consideration not measurable in dollar terms.

3-17. INCOME OF TEMPORARILY ABSENT FAMILY MEMBERS. Owners must decide if the absent person still qualifies as a Family member. If the individual does, he or she must be listed on the 59 Data Requirements and all of his/her income must be included, even if part of it is not available to the Family. If the individual does not qualify as a Family member, he/she is not listed on the 50059 Data Requirements and his/her income must not be counted.

NOTE: The owner must count the income of the head and any co-head or spouse if they are temporarily absent.

#### EXAMPLES OF INCOME OF TEMPORARILY ABSENT FAMILY MEMBERS

EXAMPLE A Family member accepts temporary employment in another location and retains a portion of the income to cover living expenses in the new location. The full amount of the income must be included in annual income.

EXAMPLE: A Family member is temporarily confined to a hospital or nursing home. All income received by or for that person must be included. (See paragraph 3-17 for individuals permanently confined.)

#### EXAMPLES OF INCOME OF TEMPORARILY ABSENT FAMILY MEMBERS continued--

EXAMPLE: A son or daughter goes on active military duty and retains the parents' home as a legal residence. If this person leaves dependents or a spouse in the unit, the military pay must be included in annual income. (Except pay to a family member exposed to hostile fire is excluded from Annual Income. See Exhibit 3-5.) If no dependents or spouse are

left in the unit, the son or daughter should not be considered a Family member and the owner must not include that person's income in annual income, nor may the owner include any adjustments to Annual Income for that individual under Section 3 of this Chapter (paragraphs 3-24 through 3-29).

3-18. INCOME OF PERSONS PERMANENTLY CONFINED TO A HOSPITAL OR NURSING HOME. These persons may NOT be named as family head, spouse or co-head. The family may choose to:

- a. Include the absentee individual as a member of the Family and thus include income attributable to such individual as income and take advantage of any allowances to Annual Income for which the individual would qualify; or
- b. Exclude the absentee individual as a member of the Family and thus not include the income attributable to such individual and not take any of the deductions for which the individual would qualify.

Subsection C. Explanations of Certain Types of Income

3-19. LUMP SUM RECEIPTS. (These are one-time receipts which are counted as assets.)

- a. Lump sum receipts include inheritances, capital gains, one-time lottery winnings, victim's restitution; settlements on insurance claims (including health and accident insurance; worker's compensation; and personal or property losses); and any other amounts that are received in a one-time (lump sum) payment.
- b. Count as an asset any amount that is deposited into a checking or savings account or other asset listed in paragraph A of Exhibit 3-4. The owner will obtain this information at the regularly scheduled recertification. However, see paragraph 5-8, Tenant's Obligation to Report Interim Changes. It is possible that a lump sum that is converted to assets may be large enough to require the Family to report an increase in income before the next regularly scheduled annual recertification. But this requirement to report an increase in income before the next annual recertification would not apply if the income from the asset were not measurable by the tenant (e.g., U.S. Savings Bonds, gems, stamp collection).

EXAMPLES OF LUMP SUM ADDITIONS TO FAMILY ASSETS (ONE-TIME PAYMENT):

EXAMPLE: Ms. Wettig won \$500 in the lottery and received it in one payment. Do not count the \$500 as income. At Ms. Wettig's next annual recertification, she will report all of her assets.

EXAMPLE: Ms. LaRue won \$25,000 in the lottery. She buys a car with some of the money, and puts the remaining amount of \$14,000 in the bank. Ms. LaRue receives her first bank statement and notices that the income on this asset is \$52 per month. She would be required under paragraph 5-8 to report this increase in income because the Family has experienced a cumulative increase in income of more than \$40 per month. The owner would perform an interim recertification and count the greater of the actual or imputed income on this asset (since the net family assets are greater than \$5,000).

3-20. DELAYED PERIOD RECEIPTS (DEFERRED PERIODIC RECEIPTS). Count delayed periodic receipts as Annual Income. These are amounts received in one amount but were supposed to be paid periodically (e.g., unemployment benefits). Such receipts are provided in one amount because of circumstances such as processing delays.

NOTE: Delayed periodic payments of supplemental security benefits and social security benefits that are received in a lump sum are excluded from Annual Income. See Exhibit 3-5, paragraph B.15.

Periodic is commonly defined as:  
recurring at regular intervals;

intermittent; occurring from time to time

a. Typically, delayed periodic receipts follow periods of reduced income. Depending on individual circumstances, the tenant may or may not request an interim recertification for the period in which s/he is experiencing reduced income. The owner's actions on treating the delayed periodic receipt will vary depending on whether or not the owner performed an interim recertification when the tenant experienced a reduction in income.

(1) If the owner processed an interim recertification for the period in which the resident had reduced income, the owner must process another recertification when the resident reports the delayed periodic receipt. See the example at the end of this paragraph. See also paragraph 5-12 for the effective date of interim adjustments.

NOTE: The tenant is obligated by the lease to report certain changes in Family income and composition that occur between regularly scheduled recertifications. (See paragraph 5-8).

(2) If the resident did not request an interim recertification for the period in which the Family had reduced income, the owner should not include the delayed periodic receipt in Annual Income. See the example at the end of this paragraph.

b. If the delayed periodic receipt was intended for a

period(s) during which the individual was not living in assisted housing, do not treat the amount as income. Instead treat the amount as a one-time (lump sum) receipt under paragraph 3-19.

FIGURE 3-4

DISTINGUISHING BETWEEN DELAYED PERIODIC RECEIPTS AND LUMP SUM RECEIPTS

Ask: Was the amount received supposed to be paid in periodic amounts?

YES

Treat the delayed periodic receipt as income under paragraph 3-20.

But if the delayed periodic receipt covers a period during which the individual was not living in assisted housing, treat this receipt as a one-time lump sum, not as income.

NO

The tenant will report all assets at the next regularly scheduled annual recertification. This will include any amount from the lump-sum payment that is placed into an account or other asset listed in Exhibit 3-4. (But see paragraph 5-8.)

EXAMPLE OF HOW TO TREAT DELAYED PERIODIC RECEIPTS

NOTE: See paragraph 5-11 of Handbook 4350.3, Owner Responsibility for Processing Interim Recertifications.

Tenant loses her job on 5/20/95. Unemployment benefits are delayed. On 7/10/95, the tenant receives a delayed periodic

receipt of \$600 for 5/21/95 through 7/7/95. Beginning 7/8/95, the tenant receives \$100 per week in unemployment benefits.

EXAMPLE #1: THE OWNER PROCESSES AN INTERIM RECERTIFICATION TO REFLECT THE LOSS OF INCOME BEFORE RECEIPT OF THE UNEMPLOYMENT BENEFITS

After the tenant receives the delayed periodic payment in July, the owner processes an interim recertification to reflect the payment of the unemployment benefits. The interim recertification is effective 9/1/95. See the computation of Annual Income below. Note that the owner annualizes income, as required by paragraph 3-11, and reminds the tenant that s/he must come in for an interim recertification when s/he gets a job.

\$ 600 delayed periodic receipt (count the actual amount received)  
+ 5,200 \$100/week unemployment (Annualize the unemployment benefit)  
\$ 5,800 Annual Income from Unemployment

EXAMPLE #2: THE OWNER DOES NOT PROCESS AN INTERIM RECERTIFICATION TO REFLECT THE LOSS OF INCOME BEFORE RECEIPT OF THE UNEMPLOYMENT BENEFITS

Example 2 continued--

After the tenant receives the delayed periodic receipt in July, the owner processes an interim recertification. The interim is retroactive to 6/1/95. Annual Income is determined as follows: \$5,200 (52 weeks times \$100 per week.)

3-21. INCOME FROM A BUSINESS. Include:

- a. Salaries paid to adult family members;
- b. Cash or assets withdrawn by any family member - except to the extent that the withdrawal is the reimbursement of cash or assets the family invested in the business; and
- c. Net income from the business. When computing net income, owners:
  - (1) May deduct:
    - (a) business expenses;
    - (b) interest payments on loans (unless the expenses or loans are for business expansion or capital improvement); and
    - (c) depreciation computed on a straight-line basis.

NOTE: If net income from a business is negative, it would be shown as zero income. It would not be used to offset other income of the Family.

- (2) May NOT deduct:
  - (1) principal payments on loans;

(2) expenses for business expansion; or

(3) outlays for capital improvements.

3-22. ALIMONY AND CHILD SUPPORT.

a. For Alimony Received by a Member of the Family. Count the amount specified in a divorce settlement or separation agreement unless the applicant:

(1) Certifies the income is not being provided; and

(2) Has made reasonable effort to collect the amounts due, including filing with courts or agencies responsible for enforcing payments.

NOTE: Child support paid by a private source to the state child support enforcement agency can be passed on to the Family in different ways. These amounts must be counted as Annual Income. In some states this will be shown as part of the AFDC grant and in others it will be shown as a separate "pass-through" amount.

EXAMPLES:

EXAMPLES:

Standard Grant	\$427/month
Child Support	100/month
TOTAL RECEIVED	\$527/month

Standard Grant	\$427/month
\$50 "pass-through"	50/month
TOTAL RECEIVED	\$477/month

b. Alimony or child support paid by a member of the Family is counted as income, even if it is garnished from wages.

EXAMPLE: Mr. Graevette pays \$150 per month in child support. It is garnished from his monthly wages of \$950. After the child support is deducted from his salary, he receives \$800. The owner must count \$950 as Mr. Graevette's monthly income.

3-23. INCOME RECEIVED BY A RESIDENT OF AN INTERMEDIATE CARE FACILITY FOR THE MENTALLY RETARDED OR FOR THE DEVELOPMENTALLY DISABLED (ICF/MR/DD). This not a HUD term. This title reflects the terminology used by state departments of mental health, developmental disabilities and substance abuse for facilities which receive Medicaid funds on behalf of their residents. Where Medicaid pays the ICF/MR/DD directly for services and rent and pays the resident only a small personal allowance (e.g., \$50 per month), determine annual income as follows:

a. Add the amount being paid directly to the facility on behalf of the tenant;

b. Add all income the tenant receives from sources

other than SSI (e.g., wages, training workshops, interest income, etc,) that is not excluded from income by Exhibit 3-5.

- c. Subtract the personal allowance the individual receives;

NOTE: SSI is reduced when the individual earns above a specified amount. If SSI is reduced, then the individual may request an interim recertification.

EXHIBIT 3-4

ASSETS

SUBJECT	USEFUL REFERENCES	PARAGRAPH
Counting Income from Assets in Determining Annual Income		3-9
Valuing Assets		3-12
Assets Owned Jointly		3-13
Imputed Income from Assets		3-15
Special Rules When Assets are Disposed of		3-16
Lump Sum Receipts (one-time receipts)		3-19

NOTE: There is no asset limitation for participation in HUD assisted housing programs. However, the definition of annual income includes net income from family assets

A. Net Family Assets Include:

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in Foreign countries are considered assets.
2. Revocable Trusts. Include the cash value of any revocable trust available to the household. See discussion of trusts in paragraph 3-14.
3. Equity in Rental Property or Other Capital Investments. Include the current fair market value less: (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.)

NOTE: If the person's main business is real estate, then count any income as business income under paragraph 3-21. Do not count it as an asset and as business income.

4. Stocks, Bonds, Treasury Bills, Certificates of Deposit, Money Market Accounts.
5. Individual Retirement and Keogh Accounts. These are included because the holder has access to the funds, even though a penalty may be assessed. If the individual is

withdrawing from the account, determine the amount of the asset by using the average balance for the previous 6 months. (Do not count withdrawals as income.)

EXAMPLE: Mrs. Pham has a Keogh account valued at \$30,000. When she turns 70 years old, she begins withdrawing \$2,000 per year. Continue to count this account as an asset using the guidance in paragraph 3-12, Valuing Assets. Do not count the \$2,000 she withdraws as income.

6. Retirement and Pension Funds.

- a. While the person is employed. Include only amounts the family can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs. Follow paragraph 3-12 on determining the value of assets.
- b. At retirement; termination of employment or withdrawal. Periodic receipts from pension and retirement funds are counted as income. Lump sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income as provided below.
  - 1) If benefits will be received in a lump sum, include the lump sum receipt in Net Family Assets.
  - 2) If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.
  - 3) If the individual initially receives a lump sum benefit followed by periodic payments, count the lump sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

NOTE: This paragraph and the example below assume that the lump sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

EXAMPLE: Upon retirement, Mrs. Reilly receives a lump sum amount of \$15,000, plus she will receive an annuity of \$350 per month. Count the \$15,000 amount she received as an asset and count the \$350 as income. Count only that portion of the \$15,000 receipt that is placed into an asset listed this Exhibit.

7. Cash Value of Life Insurance Policies Available to the Individual Before Death (e.g., the surrender value of a

whole life policy or a universal life policy.) It would not include a value for term insurance, which has no cash value to the individual before death.

8. Personal Property Held as an Investment. Include gems, jewelry, coin collections, or antique cars held as an investment. An applicant's wedding ring and other personal jewelry are NOT considered assets.
9. Lump sum receipts or one-time receipts. (See explanation in paragraph 3-19.) These include inheritances, capital gains, one-time lottery winnings, victim's restitution; settlements on insurance claims (including health and accident insurance; worker's compensation; and personal or property losses); and any other amounts that are not intended as periodic payments.
10. A Mortgage or Deed of Trust Held by an Applicant.
  - a. Payments on this type of asset are often received as one combined payment of principle and interest with the interest portion counted as income from the asset.
  - b. This combined figure needs to be separated into specific principle and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)
  - c. To count the actual income for this asset, use the interest portion paid on the amortization schedule for the 12 month period following the certification.
  - d. To count the imputed income for this asset, determine the asset value at the end of the 12 month period following the certification. Since this amount will continually be reduced by the principle portion paid during the previous year, the owner will have to determine this amount at each annual recertification. See the following example:

EXAMPLE Computation of Imputed Income:  
An elderly tenant sells her home and holds the mortgage for the buyer. The cash value of the mortgage is \$60,000. The combined payment of principle and interest expected to be received for the upcoming year is \$5,000. The amortization schedule breaks that payment into \$2,000 in principle and \$3,000 in interest. In completing the asset income calculation, the cash value of the asset is \$60,000 and the projected annual income from that asset is \$3,000. Each subsequent year, the cash value of the asset should be reduced by the principle portion paid of the amortization schedule. In this example, it would be reduced to \$58,000 after the first year. The owner would multiply this amount by the passbook savings rate provided by the HUD Field Office under paragraph 3-15.

Regulatory References. (These references are current as of the date of publication. Readers should refer to the latest edition of the Code of Federal Regulations.) 24 CFR Parts 812.102, 215.1 and 236.2 define Net Family Assets as:

Net cash value after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment, excluding interests in Indian trust land and the equity in a housing cooperative unit in which the family resides. The value of necessary items of personal property such as furniture and automobiles shall be excluded.

(In cases where a trust fund has been established and the trust is not revocable by or under the control of any member of the family, the value of the trust fund will not be considered an asset so long as the fund continues to be held in trust. Any income distributed from the trust fund should be counted when determining Annual Income.)

In determining Net Family Assets, owners shall include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or recertification, as applicable, in excess of the consideration received therefor. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the applicant or tenant receives important consideration not measurable in dollar terms.

B. Net Family Assets DO NOT include:

IMPORTANT: The owner does not compute income from any assets in this paragraph.

1. Necessary personal property (clothing, furniture, cars, wedding ring, vehicles specially equipped for persons with disabilities)
2. Interests in Indian trust land
3. Term life insurance policies (i.e., where there is no cash value)
4. Equity in the cooperative unit in which the family lives
5. Assets that are part of an active business. "Business" does NOT include rental of properties that are held as investment and not a main occupation.

EXAMPLE: Mr. and Mrs. Hines own a copier and courier service. None of the equipment that they use in their business is counted as an asset (e.g., the copiers, the FAX machines, the bicycles).

EXAMPLE: Mrs. Washington rents out the home that she and her husband lived in for 42 years. This home is not an active business asset. Therefore, it is considered an asset and the owner must determine the annual income that Mrs. Washington

receives from it.

6. Assets that are NOT effectively owned by the applicant. That is, when assets are held in an individual's name but:
    - a. the assets and any income they earn accrue to the benefit of someone else who is not a member of the household; and
    - b. that other person is responsible for income taxes incurred on income generated by the assets.
- NOTE: Nonrevocable trusts (i.e., irrevocable trusts) are not covered by this paragraph. See paragraph 3-14.

EXAMPLE: Assets held pursuant to a power of attorney because one party is not competent to manage the assets or assets held in a joint account solely to facilitate access to assets in the event of an emergency.

EXAMPLE: Mr. Cumbow and his daughter, Ms. Bornscheuer, have a bank account with both names on the account. Ms. Bornscheuer's name is on that account for the convenience of her father in case an emergency arises that would result in Ms. Bornscheuer handling payments for her father. Ms. Bornscheuer has not contributed to this asset, does not receive interest income from it, nor does she pay taxes on the interest earned. Therefore, Ms. Bornscheuer does not own this account. If Ms. Bornscheuer applies for assisted housing, the owner should not count this account as her asset. This asset belongs to Mr. Combow and would be counted entirely as the father's asset should he apply for assisted housing.

7. Assets that are not accessible to the applicant and provide no income to the applicant. Nonrevocable trusts are not covered under this paragraph. See paragraph 3-14.

EXAMPLE: A battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

#### EXHIBIT 3-5

#### ANNUAL INCOME

#### USEFUL REFERENCES

SUBJECT	REFERENCE
Whose Income is Counted	3-10.a. Figure 3-1
Whose Income is not Counted	3-10.b. Figure 3-1
What Income is Counted	Exhibit 3-5, paragraph A
What Income is not Counted	Exhibit 3-5, paragraph B

Regulatory Reference: See 24 CFR 813.106(a), 236.3(a) and 215.21(a) for the definition of annual income:

Annual income is the anticipated total income from all sources received by the family head and spouse (even if temporarily absent) and by each additional member of the family, including all net income derived from assets for the 12-month period following the effective date of certification of income, exclusive of certain types of income.

A. ANNUAL INCOME INCLUDES:

1. Interest, dividends and other income from net family assets (including income distributed from a nonrevocable trust). Paragraph 3-14 explains how to treat income distributed from a nonrevocable trust.
2.
  - a. The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse or co-head). Includes salaries of adults received from a family-owned business.
  - b. Net income, salaries and other amounts distributed from a business. (See Paragraph 3-21 for guidance on how to calculate these amounts.)
3. The gross amount (before deductions for medicare, etc.) of periodic social security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support. (But see Exhibit 3-5, paragraph B.17, Amounts that are received on behalf of someone who does not reside with the family.)

NOTE: If the Social Security Administration is reducing a family's benefits to adjust for a prior overpayment, count the amount that is actually provided after the adjustment. See example in paragraph 3-11.

4. The full amount of annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, (e.g., Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation (widow of Killed in Action serviceman).

Count the total amount of such amounts received. Do not reduce the amount by any amounts the individual previously paid into the account in order to receive the pension, annuity or insurance policy. See also the discussion in Exhibit 3-4, paragraph A.6b, Retirement and Pension Funds at retirement; termination of employment or withdrawal. It supports this paragraph by stating that periodic amounts are treated as income. It also covers lump sum receipts from pensions and annuities, which are treated as assets.

5. Delayed Periodic payments received because of delays in processing unemployment, welfare or other benefits. These

- are payments that would have been paid periodically, but were paid in lump sum because of circumstances such as processing delays. (See paragraph 3-20.) Also, see Exhibit 3-5, paragraph B.15, for the exclusion of deferred period payments of supplemental security income and social security benefits that are received in a lump sum payment.)
6. Payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay. Any payments that will begin during the next 12 months must be included.
  7. Welfare assistance
    - a. If the payment includes an amount specifically designated for shelter and utilities and the welfare agency adjusts that amount based upon what the family is currently paying for shelter and utilities, special calculations are required for certain tenants. (See Exhibit 3-3.)
    - b. If the welfare agency is reducing a family's benefits to adjust for a prior overpayment, count the amount that is actually provided after the adjustment. See example in paragraph 3-11.
  8. Alimony and child support received by the household, unless exclusion of these amounts is justified by paragraph 3-22.
  9. Alimony or child support paid by a member of the household is counted as income, even if it is garnished from wages.

EXAMPLE: Mr. Graevette pays \$150 per month in child support. It is garnished from his monthly wages of \$950. After the child support is deducted from his salary, he receives \$800. The owner must count \$950 as Mr. Graevette's monthly income.

10. Recurring monetary contributions or gifts regularly received from persons not living in the unit. Except, exclude from Annual Income recurring monetary contributions that are paid directly to a child care provider by persons not living in the unit. See explanation for this exclusion in paragraph B.17 of this Exhibit 3-5. Also, exclude gifts of groceries in paragraph B.1 of this exhibit.
11. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
12. Actual income distributed from trust funds that are not revocable by or under the control of any member of the tenant family. See discussion in paragraph 3-14.

NOTE: Even if family assets exceed \$5,000, use actual income distributed from the irrevocable trust.

B. WHAT IS EXCLUDED FROM ANNUAL INCOME

1. Meals on wheels or other programs that provide food for the needy; groceries provided by persons not living in the household; and amounts received under the School Lunch Act and the Child Nutrition Act of 1966 (including reduced

lunches and food under Special Supplemental Food Program for Women, Infants and Children (WIC).

2. Amounts paid by a State agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
3. Grants or other amounts received specifically for:
  - a. Medical expenses (including medicare premiums paid by an outside source).
  - b. Set aside for use under a Plan to Attain Self Sufficiency (PASS) and excluded for purposes of Supplemental Security Income (SSI) eligibility.

NOTE: A PASS permits a person with disabilities who is receiving Supplemental Social Security (SSI), and who is also receiving other income, to set aside a portion of the other income in order to achieve a work-related goal.

- c. Out of pocket expenses for participation in publicly assisted programs. Such amounts must be made solely to allow participation in these programs. These expenses include special equipment, clothing, transportation, child care, etc.
4. The full amount of student financial assistance either paid directly to the student or to the educational institution. (This includes scholarships, grants, fellowships and any other kind of student financial assistance.) It does not matter what the assistance is actually used for.

Background history: This paragraph reflects changes to 24 CFR 215.21, 236.2, and to 813.106 to exclude from Annual Income all amounts of student financial assistance. Prior to this handbook change, Notice H 93-92 excluded from income all amounts of student financial assistance received under Title IV of the Higher Education Act of 1965. Prior to Notice H 93-92, only certain amounts received under Title IV were excluded from income.

5. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household, co-head, and spouse).
6. Adoption assistance payments in excess of \$480 per adopted child.
7. Loans (e.g., personal loan); NOTE: But see paragraph 3-21 on business loans which are not excluded.

EXAMPLE: Mr. Jones obtained a loan for \$2,000. It does not matter how he used this money. It is not counted as income because Mr. Jones will have to repay it.

8. Temporary, nonrecurring or sporadic income (e.g., gifts; census taker income from the Federal Bureau of the Census).
9. 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.

10. The special pay to a Family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operations Desert Storm).
11. Amounts received under training programs funded by HUD (Comprehensive Improvement Assistance Program; Training received under Section 3).
12. Compensation from State or local employment training programs 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 a limited period as determined in advance under the program by the state or local government.
13. 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 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.
14. 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. Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era. Any individual receiving payments under this paragraph, who has been required to repay housing assistance as a result of receiving such payments, shall not be required to make further repayments on or after April 23, 1993.

NOTE: Until April 23, 1993, the Department included reparation payments in the determination of Annual Income. On April 25, 1995, the Office of Housing published a notice in the Federal Register (at FR 20356) stating its desire to refund residents for the higher rents they paid (including any repayments they made) because of the previous policy to count reparation payments in Annual Income. See Appendix 16 for an explanation of the Department's intentions. A copy of the notice appears at the end of this exhibit.

15. Deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum payment.

NOTE: This exclusion became effective for the Section 8 programs on October 28, 1992. For all other programs, this exclusion became effective on May 5, 1995.

16. Payments received for the care of foster children or foster adults. (Foster adults are usually adults with disabilities, who are unrelated to the tenant family, and who are unable to live alone). This term is defined in 24 CFR 215.21(c)(2); 236.3(c)(2); and 813.106(c)(2). (See FR 17393 dated April 5, 1995.)

17. Amounts that are received on behalf of someone who does not reside with the family, as long as the amounts:
- a. are not intermingled with the family's funds; and
  - b. are used solely to benefit the person who does not reside with the family

NOTE: For such amounts to be excluded, the individual must provide the owner with an affidavit stating that the amounts are received on behalf of someone who does not reside with the family and the amounts meet the conditions in paragraphs a and b above. See paragraph 3-17, Income of Temporarily Absent Members.

#### EXAMPLES

Sarah receives housing assistance. Her 12-year-old sister, Ellen, lives with her mother in other housing in the same city. Sarah has been designated as the Representative Payee for Ellen's SSI payments. The Social Security Administration designated Sarah as a Representative Payee for Ellen because her mother is a heroine addict. Sarah makes sure that Ellen's SSI payments are used exclusively for Ellen.

Mariah receives royalty income which is reported on a Form IRS 1099. Mariah distributes this income to the designated heirs in accordance with her aunt's will and retains only the amount to which she is entitled. Only count the royalty income that is designated specifically for Mariah. Mariah will have to show the owner that she distributes this income to the other heirs.

18. Recurring monetary contributions that are paid directly to a child care provider by persons not living in the unit. This exclusion is based on a handbook interpretation of reimbursed child care expenses under the definition of Adjusted Income and its bearing on Annual Income. (See 24 CFR Parts 813.1, 215.1, and 236.1.) In relevant part, the regulations define child care expenses to include "amounts to be paid by the family for [child care] . . . to the extent [they are] not reimbursed." This handbook interprets the regulations to mean that child care expenses that are reimbursed are not included as annual income.
19. Income excluded by Federal statute:
- a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
  - b. Payments received under Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions.)
  - c. The following income:
    - 1) Interests of individual Indians in trust or

restricted lands, and the first \$2,000 per year of income received by individual Indians that is derived from trust or restricted lands. (25 U.S.C. 1408)

2) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c)) received from a Native Corporation, including:

- a) cash (including cash dividends on stock received from a Native Corporation) to the extent that it does not, in the aggregate, exceed \$2,000 per individual per annum;
- b) a partnership interest;
- c) land or an interest in land (including land or an interest in land received from a Native Corporation as a dividend or distribution on stock); and
- d) an interest in a settlement trust.

NOTE: For paragraphs c and d, some tribal corporations receive payments on individuals' behalf and invest these amounts. The proceeds from these investments are then paid to the individuals. Such amounts also would be excluded from income.

3) Payments from certain submarginal U.S. land held in trust for certain Indian tribes.

4) Payments from disposal of funds of Grand River Bank of Ottawa Indians.

5) The first \$2,000 of per capita shares received from judgments awarded by the Indian Claims Commission or the Court of Claims or from funds the Secretary of Interior holds in trust for an Indian tribe.

- d. Payments, rebates or credits received under Federal Low-income Home Energy Assistance Programs. Includes any winter differentials given to elderly (e.g., Department of Health and Human Service's Low-income Home Energy Assistance Program).
- e. Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for native americans and migrant and seasonal farmworkers, Job Corps, veterans employment programs, State job training programs, career intern programs, AmeriCorps.)
- f. Payments received under Title V of the Older Americans Act (Green Thumb, Senior Aides, Older American Community Service Employment Program).
- g. Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange

product liability litigation. M.D.L. No. 386 (E.D.N.Y.)

- h. Payments received under the Maine Indian Claims settlement Act of 1980. (Pub. L. 96-420, 9z Stat. 1785)
- i. Any earned income tax credit to the extent it exceeds income tax liability. (26 U.S.C. 32(j))
- j. The Value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (CCDBG) (42 U.S.C. 9858q). Participating families may either pay a reduced amount based on a sliding fee scale or they may receive a certificate for child care services.

NOTE: This exclusion does not apply to amounts received by a child care provider for services paid through the CCDBG.

EXAMPLE: The following is excluded from Annual Income. Ms. Nguhen receives a certificate for child care services under CCDBG.

EXAMPLE: The following is included in Annual Income. Ms. Anderson, an assisted tenant in a Section 8 project, is paid through the CCDBG for child care services she provides to Ms. Nguhen. The income she receives for providing this child care is included in annual income.

END OF DOCUMENT