

Exhibit C-2

Adjusted Annual Income Determination

AHFC Policy

1. NeighborWorks Alaska (NWA) is responsible for determining and verifying a family's adjusted annual income.
2. AHFC will review calculations prior to transmitting examinations to HUD.

1. Eligible Deductions

This exhibit discusses how to determine annual adjusted income. After establishing the gross annual income (Annual Income Determination), apply the appropriate allowances and deductions to determine the adjusted annual income. Deductions may be annualized based on the previous 12 month history to anticipate the sum used for an upcoming certification period.

A family may be eligible for the following deductions:

- A yearly deduction for childcare expenses that enable a person to work.
- A yearly deduction for disability care or apparatus that enable a person to work.
- A yearly deduction for medical expenses for elderly/disabled families.

For families with ineligible noncitizen members, staff will apply a fixed increase to rent. See Exhibit 2-3 to determine citizenship status and the appropriate proration.

2. Childcare Deduction

All families are eligible for this deduction if:

- The childcare expense is for a child 12 years of age and younger;
- The expense enables a family member to work, search for work, or further his/her education (academic or vocational). The family will decide if day care is necessary even if an unemployed adult is in the household.
- The expense is expected to occur in the anticipated income period.
- The expense is not reimbursed by an agency or individual outside the family.

The amount deducted must reflect reasonable charges that are not reimbursed by an agency or individual outside the household. AHFC will use the Division of Public Assistance Child Care Assistance Program Rate Schedule to determine reasonable expenses. The list accounts for geographic area, type of facility, and age of child. See the link in the table of contents for the Child Care Assistance Program Rate Schedule.

Additional notes on the deduction include:

- For employment, the amount deducted may not exceed the amount of employment income included in annual income.
- For education, childcare expenses are not “capped” by the amount of earned income.

Example: Child Care Deduction Separate Expenses for Time at Work and Time at School

Bernice and Ernest have two children. Both parents work, but Bernice works only part-time and goes to school half time. She pays \$4.00 an hour for eight hours of child care a day. For four of those hours, she is at work; for four of them she attends school. She receives no reimbursement for her child care expense.

Her annual expense for child care during the hours she works is \$4,000. Her annual expense for the hours she is at school is also \$4,000. She earns \$6,000 a year. Ernest earns \$18,000.

The rule requires that Bernice’s child care expense while she is working not exceed the amount she is earning while at work. In this case, that is not a problem. Bernice earns \$6,000 during the time she is paying \$4,000. Therefore, her deduction for the hours while she is working is \$4,000.

Bernice’s expense while she is at school is not compared to her earnings. Her expense during those hours is \$4,000, and her deduction for those hours will also be \$4,000.

Bernice’s total child care deduction is \$8,000 (\$4,000 + \$4,000). The total deduction exceeds the amount of Bernice’s total earnings, but the amount she pays during the hours she works does not exceed her earnings.

2.A Childcare Expenses for Full-Time Student

Childcare attributable to the work of a dependent full-time student is not eligible, since the employment income of dependent full-time students is not counted in the annual income calculation.

2.B Childcare Expenses for Two Assisted Households

Childcare expenses incurred by two assisted households with split custody can be split between the two households when the custody and expense is documented for each household and the documentation demonstrates that the total expense claimed by the two households does not exceed the cost for the actual time the child spends in care.

3. Disability Care/Apparatus Deduction

All families are eligible for this deduction if the expense is necessary to permit a family member(s), including the disabled member, to work. The expense can be for auxiliary apparatus or care for a person with a disability. The deduction is limited to the unreimbursed amount paid for attendant care or auxiliary apparatus expenses in excess of three percent of annual income.

Staff may anticipate the expenses for the upcoming 12 months. Where major expenses for disabled apparatus are paid for over a long time period, staff may only count the portion of the total bill paid during the 12 months covered by the examination. In no event may the amount of the deduction exceed the employment income counted for the family member(s) freed to work.

3.A Attendant Care

Attendant care may include in-home care, adult day care, nursing, house-keeping, personal care and errand services, an interpreter for persons who are hearing impaired, or a reader for a person with visual disabilities.

3.B Auxiliary Apparatus

Auxiliary apparatus may include, but are not limited to, wheelchairs, walkers, scooters, reading devices for persons with visual disabilities, equipment added to cars and vans to permit their use by the family member with a disability, or assistive animals needed by the disabled family member.

1. When calculating, include payments on a specially-equipped van only to the extent they exceed the normal cost of the vehicle.
2. Include the cost of maintenance and upkeep of any auxiliary apparatus (e.g., the veterinarian, grooming and food costs for a service animal; the cost of maintaining the equipment that is added to a car, but not the cost of maintaining the entire car).
3. If the apparatus is not used exclusively by the person with a disability, AHFC may prorate the total cost and allow a specific amount to be applied toward this deduction. The amount must not exceed a reasonable cost as determined by AHFC.

Example: Disability Expense Allowance

Citation (48) pays childcare of \$100 per week and attendant care of \$100 per week to equal \$200 per week.

1. Citation earns \$150 per week (\$7,800 per year).
2. Annual Income (AI) = \$15,500 (includes all income for the family)
3. Disability allowance must exceed 3% of gross annual income
 $\$15,500 \times 3\% = \465

4. Anticipated disability assistance expense
 $\$200 \text{ per week} \times 52 \text{ weeks} = \$10,400 \text{ per year}$
 $\$10,400 - \$465 = \$9,935$
5. Citation earns \$7,800 per year, so the expense is capped at \$7,800.

4. Medical Expense Deduction

Elderly and disabled families are eligible to receive a deduction for unreimbursed (out-of-pocket) medical expenses. The medical expenses for all family members are considered. The deduction may not exceed what the family pays over the next 12 months. A detailed listing of medical deductions is found in Exhibit 3-3.

5. Disability Assistance Combined with Medical Expenses

Elderly families who qualify for both disability and medical expenses that exceed three percent of their annual income require an additional step. The disability allowance shall equal the cost of all unreimbursed expenses, less 3 percent of annual income. The amount so calculated may not exceed the earned income. The total anticipated medical expenses then become the medical expense deduction.

- The total for the two expense deductions is reduced only once by the three percent of household annual income.
- When only one deduction is applicable, the three percent calculation is applied to that deduction.

Example #2: Disability Allowance with Medical Deduction

Tecumseh is a single person with a disability, no dependents. Tecumseh works part-time (Monday, Tuesday, and Wednesday) making \$7,000 per year. The gross annual income of the family is \$20,000.

1. In order to work, one hour of attendant care is required each work morning to help ready Tecumseh for work. The attendant makes \$12 per hour.
2. Disability Allowance Threshold
 $\$20,000 \times 3\% = \600
3. Attendant Care Cost
 $\$12 \text{ per hour} \times 3 \text{ days a week} \times 52 \text{ weeks a year} = \$1,872$
4. Disability Allowance
 $\$1,872 - \$600 = \$1,272 \text{ per year}$
5. Tecumseh also has prescription costs of \$30 per month as well as \$1,500 per year in doctor's visits.
6. Medical Expense Calculation
 $\$30 \times 12 = \$360 \text{ per year} + \$1,500 = \$1,860$

Staff will enter \$1,272 for disability allowance and \$1,860 for medical expenses.

6. Child Support or Alimony Paid to a Person Outside the Assisted Family

There is no deduction for an amount paid to a person outside the assisted family for alimony or child support. Even if the amount is garnished from the wages of a family member, it must be included in annual income.

Example: Child Support Garnished from Wages

George has a voucher. His ex-wife, Vicky, and three children live in a public housing unit. George pays \$150 per month in child support to Vicky. It is garnished from his monthly wages of \$950. After the child support is deducted from his salary, he receives \$800.

1. Staff must count \$950 as George's monthly income.
2. Staff must count \$150 per month as part of Vicky's monthly income.

Numbered Memo

20-30 Adelaide Administrative Plan Updates