

Exhibit 3-7

Earned Income Disallowance (EID)

This exhibit is only applicable to those participants who are subject to a traditional rent calculation method.

The Earned Income Disallowance (EID) is triggered by an increase in income due to new employment or an increase in earnings by a person with disabilities. It does not apply to: (1) applicants or (2) an ineligible noncitizen family member living with an assisted family receiving a prorated HAP.

3-7.1 QUALIFYING

An adult family member with disabilities may qualify for an EID provided they meet any one of three qualifying events:

1. The adult family member was unemployed during the twelve (12) months previous to employment. "Unemployed" is defined by HUD to mean having earnings during the past twelve months that are less than 10 hours per week x 50 weeks x the established minimum wage (HUD defines the "established minimum wage" as the greater of the federal, state, or local minimum wage).
2. The adult family member realizes increased earnings during participation in any economic self-sufficiency or other job training program.
3. The adult family member realizes increased earnings as a result of new employment or increased earnings from an existing job during, or within six months after receiving assistance, benefits or services under any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined under the guidelines for TANF (ATAP) and Welfare-to-Work programs.

The TANF (ATAP) program is not limited to monthly income maintenance. Any amount of regular, monthly benefits (\$1.00 per month) will qualify a family. Other benefits and services received such as one-time payments, wage subsidies, and transportation assistance must total at least \$500 over a six-month period.

3-7.2 CALCULATING THE EID BASELINE

The amount of the adult's income immediately before qualifying for the EID is called the "baseline income." Compute the baseline by multiplying the most recently certified monthly gross income of the EID recipient times 12 months. Use only the income

received by the EID recipient; not the income received by other members of the household (if any).

Baseline income never changes. It includes all income sources for that individual such as wages, unemployment insurance, child support, APA, IA, SSI, ATAP, PFD, and any other earned or unearned income attributed to the qualifying individual. An exception is made for Social Security Payments paid on behalf of a minor. That income is not included in the annual income of the adult to determine a disallowance.

The rent portion may change, but the baseline will never change.

3-7.3 EXCLUSIONS AVAILABLE

Once started, a qualified individual has 48 months to utilize:

- 12 months of 100 percent disallowance of new or increased earned income, and
- 12 months of 50 percent disallowance of new or increased earned income.

The 48-month clock begins the first of the month following the date the person begins employment (including income excluded by HUD) for a previously unemployed person or the date of increased earnings for other qualified persons.

The qualified family member may take the full four years to accomplish any part of the exclusions. Should the client lose their job and then retain employment at a later time, the 48-month clock is still ticking. Once the four years is over, they go back to regular rent regardless where they were on the clock.

3-7.3.A 100 Percent Disallowance

Once qualified an individual is eligible for 12 months of 100 percent disallowance of new or increased earnings. To calculate the disallowance:

- Calculate the individual's total wage income;
- Calculate the individual's total unearned income;
- Subtract the baseline income

During the first twelve month period, all new or increased wages (earned income) that exceed the base during the initial 12-month period will not be counted. Rent is based on the recipient's baseline income. Changes in unearned income of the eligible EID family member may result in a change in rent. As well, changes in earned or unearned income of a non-eligible EID family member may result in a change in rent.

If unearned income drops, earned income dollars are used to "fill the gap" to keep the base the same.

3-7.3.B 50 Percent Disallowance

During the next twelve months, the phase-in period, the amount of EID is 50 percent of incremental income at the time the phase-in period begins plus any unearned income that continues from the baseline period minus the baseline income. Income for rent will equal the baseline income plus the EID during the phase in period.

1. Verify the family is eligible and place documentation in the file along with appropriate forms.
2. Verify the family is eligible and place documentation in the file along with appropriate forms.
3. If an EID recipient's income drops below the baseline, AHFC will conduct an interim reexamination and reduce the recipient's income and rent. The "clock" will stop.
4. Changes in earned income will require the re-computation of the EID during the phase-in period.
5. If an EID recipient's income drops below the baseline, AHFC will conduct an interim reexamination and reduce the recipient's income and lower the family share of rent. If earned income is not "disregarded", the EID clock stops ticking and those months will not count.
6. If two people in the family qualify for the EID, the first person who qualifies would receive the benefit of the "base" such as the original ATAP benefit (if they were listed on the case.) The 2nd person may therefore have a smaller "base" such as a PFD.
7. Do not prorate rent when a family reports employment sometime during the month, but begin the "clock" effective the first day of the following month.
8. Staff will use the EID Excel spreadsheet, and the Time Tracking form to monitor when the client receives 100% income disregard and when it should change to 50% income disregard.

3-7.4 WHEN TO SUSPEND THE EID

To determine how much income, if any, to exclude after a qualified family member has started receiving the EID, consider the following steps:

1. Subtract the family member's prequalifying earned income from his/her current earned income. If the result is positive, proceed to step 2. If the result is negative or zero, stop and suspend the EID.
2. Subtract the family member's total prequalifying income from his/her total current income. If the result is positive, proceed to step 3. If the result is negative or zero, stop and suspend the EID.
3. Compare the result of steps 1 and 2. During the initial 12-month full exclusion period, exclude 100 percent of whichever amount is lower. During the second 12

month partial exclusion and phase-in period, exclude 50 percent, of whichever amount is lower.

Examples

Sunday Silence is a 24-year old person with disabilities living with her aunt. Her income includes SSI \$500 month and a PFD \$1000. January 1, her annual income is \$7000. ($12 \times \$500 = \$6000 + \1000.) Her aunt's annual income is \$10,000 per year.

1. Family annual income
 $\$17,000$ ($\$7,000$ Sunday's income + $\$10,000$ aunt's income)
2. Less deduction for Sunday
 $\$17,000 - \$480 = \$16,520$
3. Adjusted monthly income
 $\$16,520 \div 12 = \$1,377$
4. Total Tenant Payment
 $\$1,377 \times 30\% = \413

Example: Change 1

April 15 - Sunday starts a job earning \$1,500 per month. Her new annual income is \$25,000 ($12 \times \$500 = \$6,000$ SSI, and). Her aunt's annual income is still \$10,000. The "base" income for Sunday was established in January. The base is \$7,000. This amount will not change.

1. Sunday's annual income - \$25,000
 $12 \times \$1,500 = \$18,000$ wages +
 $12 \times \$500 = \$6,000$ SSI +
 $1 \times \$1,000$ PFD
2. Sunday's base - \$ 7,000
3. Disregard earned income - \$18,000
4. Family Annual Income - \$17,000
 $\$10,000$ from aunt + $\$7,000$ base for Sunday
5. Less deduction for Sunday
 $\$17,000 - \$480 = \$16,520$
6. Adjusted monthly income
 $\$16,520 \div 12 = \$1,377$
7. Total Tenant Payment
 $\$1,377 \times 30\% = \413
8. No rent change.
9. 100% EID clock begins ticking May 1 for 12 months.

Example - Change 2

August 1, Sunday reports her SSI has dropped to \$100 month (\$1,200.) Her wages are the same. Her aunt's annual income is still \$10,000.

1. Sunday's annual income - \$20,200
 $12 \times \$1,500 = \$18,000$ wages +
 $12 \times \$100 = \$1,200$ SSI +
 $1 \times \$1,000$ PFD
2. Sunday's base - \$ 7,000
3. Disregard earned income - \$13,200
4. Family Annual Income - \$17,000
 $\$10,000$ from aunt + $\$7,000$ base for Sunday
5. Less deduction for Sunday
 $\$17,000 - \$480 = \$16,520$
6. Adjusted monthly income
 $\$16,520 \div 12 = \$1,377$
7. Total Tenant Payment
 $\$1,377 \times 30\% = \413
8. No rent change.
9. 100% EID clock is still running.

Note: Some of Sunday's wages have gone to make up for the loss in unearned income. There is no rent change as the earned income still exceeds the base.

Example - Change 3

November 10, Sunday reports that she has been laid off and no longer receives wages. Her aunt's income is still \$10,000.

1. Sunday's annual income - \$2,200
 $12 \times \$100 = \$1,200$ SSI +
 $1 \times \$1,000$ PFD
2. Sunday's base - \$ 7,000
3. Disregard earned income - \$0
4. Family Annual Income - \$12,200
 $\$10,000$ from aunt + $\$2,200$ for Sunday
5. Less deduction for Sunday
 $\$12,200 - \$480 = \$11,720$
6. Adjusted monthly income
 $\$11,720 \div 12 = \977
7. Total Tenant Payment
 $\$977 \times 30\% = \293
8. A rent change will be effective December 1.
9. 100% EID clock stops as of November 30 - she has used 7 months at 100 percent.

Example - Change 4

January 1 Annual - Sunday's SSI goes back to \$550 per month and her new PFD is \$2,000. Her aunt's income is now \$15,000.

1. Sunday's annual income - \$8,600
 $12 \times \$550 = \$6,600$ SSI +
 $1 \times \$2,000$ PFD
2. Sunday's base - \$ 7,000
3. Disregard earned income - \$0
4. Family Annual Income - \$23,600
 $\$15,000$ from aunt + $\$8,600$ for Sunday
5. Less deduction for Sunday
 $\$23,600 - \$480 = \$23,120$
6. Adjusted monthly income
 $\$23,120 \div 12 = \$1,927$
7. Total Tenant Payment
 $\$1,927 \times 30\% = \578
8. A rent change will be effective January 1.
9. 100% EID clock stops as of November 30 - she has used 7 months at 100 percent.
10. The rent is based on the actual income to the family. Sunday has no earned income; therefore, the base is not considered, and the EID clock is not ticking.

Example - Change 5

March 20 - Sunday reports that she was rehired to her old job March 10, and her SSI will end April 1. Her aunt's income is still \$15,000.

1. Sunday's annual income - \$20,000
 $12 \times \$1,500 = \$18,000$ wages +
 $1 \times \$2,000$ PFD
2. Sunday's base - \$ 7,000
3. Disregard earned income - \$13,000
4. Family Annual Income - \$22,000
 $\$15,000$ from aunt + $\$7,000$ for Sunday
5. Less deduction for Sunday
 $\$22,000 - \$480 = \$21,520$
6. Adjusted monthly income
 $\$21,520 \div 12 = \$1,793$
7. Total Tenant Payment
 $\$1,793 \times 30\% = \538
8. A rent change will be effective April 1.

9. 100% EID clock starts as of April 1 – she has five more months at 100% before she must transition to 50% as of September 1.
10. Staff will mark their calendar for an August 1 deadline to send the rent change letter to Sunday to reduce her to a 50% disallowance.

Forms

None

Administrative Desk Manual

None