Exhibit 3-1
Annual Income Determination

IMPORTANT: Moving to Work (MTW) policies differ from statutory HUD-based rent policies (the Traditional program). For relevant situations, we have outlined MTW-specific policies. Be sure to read the entire section to see if any differences exist.

AHFC will generally use current circumstances to determine anticipated income for the coming 12-month period. HUD authorizes the PHA to use other than current circumstances to anticipate income when:

- An imminent change in circumstances is expected [Housing Choice Voucher Guidebook 7420.10G, page 5-17]
- It is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclic income) [24 CFR 5.609(d)]
- The PHA believes that past income is the best available indicator of expected future income [24 CFR 5.609(d)]

Annual income is defined as all amounts, monetary or not, which:

1. Go to, or on behalf of, the family head, spouse (even if temporarily absent), or any other family member; or
2. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and
3. Which are not specifically excluded below.
4. Are derived (during the 12-month period) from assets to which any member of the family has access.

The Earned Income Disallowance at 24 CFR 5.617 was discontinued with Moving to Work Activity 2010-3 approved by the AHFC Board of Directors April 23, 2009 and effective November 2, 2009 (except for the Traditional program).

3-1.1 IMMINENT CHANGE

AHFC defines "imminent change" as a change that will occur within 90 days. When a family reports an imminent change to income during the examination process, AHFC will not include the income at that time.

- AHFC will counsel the family to report and verify when the change occurs.
- AHFC will contact the family no later than 90 days from the interview/reporting date to verify the change if not reported by the family.
- Once this contact has occurred, AHFC will process any changes, and no further action is required.

3-1.2 INCOME TO INCLUDE

References: 24 CFR 5.609 and *Federal Register*, Docket No. FR-5741-N-01, published May 20, 2014.

3-1.2.A Alaska Permanent Fund Dividend (PFD)

Count the PFD for all family members. Staff must count the full PFD amount even if a portion or the entire dividend is "garnished" by another agency or organization.

3-1.2.B Employment Income

The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services. It is much more difficult to verify tips, bonuses, and overtime pay than it is to verify base wages. The employment income verification form queries the employer about all the forms of employment income that are considered by the regulation.

3-1.2.C Income from a Business or Profession

Most families who own their own businesses keep much more detailed records than is otherwise typical. This can be helpful in projecting income, but keep in mind that newly established businesses may get off to a slow start and then produce more income in later years. If no other records are available, the business's checkbook can be used to document income and expenses.

Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

3-1.2.D Interest and Dividends

Includes the net income derived from any kind of real or personal property.

Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only for straight line depreciation. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. See "Assets to Include" below when including assets as part of annual income.

3-1.2.E Military Pay

Count all regular and special pay and allowances for a family member of the Armed Forces. Do not count "hostile services" pay. Third party verification of pay by rank is described in Exhibit 3-4.

Unless a member of the armed services intends to return to the assisted unit and live full-time with the family, this provision encourages them to remove themselves from the lease rather than include the allotment sent home.

3-1.2.F Native Corporation Payments

Count all periodic cash payments (including cash dividends on stock) that exceed $2,000 per individual family member. The exclusion of payments received under the Alaska Native Claims Settlement Act only applies to the original payment made previous to 1984.

Example: Native Corporation Payments

1. Funny Cide (03) receives quarterly dividends of $1,000 and two "special" disbursements of $200 each. Although referred to as "special", the file shows that the disbursements are distributed on a regular basis. The total income included: $4,400 - $2,000 = $2,400.
2. His son receives quarterly payments of $100 and two "special" dividends of $50 each. The total income equals $500 - $2,000 = $0.
3. Cide received a "one time" distribution of $15,000. This is a lump sum payment that is treated as an asset. Compute the greater of actual or imputed earnings from the asset.

3-1.2.G Payments in Lieu of Earnings

Include unemployment and disability compensation, worker's compensation, and severance pay (except as provided under income exclusions). Lump sum settlements from worker's compensation are excluded as income (they are treated as assets), while periodic payments from worker's compensation are included.

3-1.2.H Pensions Paid to Former Spouse

Count any amounts received by a former spouse pursuant to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation paid to a former spouse of a retired federal government/uniformed services employee. These amounts are reflected on a Form-1099.

1. **Federal Government/Uniformed Services**
   In instances where an individual is a retired federal government/uniformed services employee receiving a pension that is determined by a state court in a divorce, annulment of marriage, or legal separation proceeding to be a marital asset and the court authorizes payment of a portion of the retiree's pension to a former spouse, that portion to be paid directly to the former spouse is not counted as income for the individual.

2. **Other State, Local Government, Social Security, or Private Pensions**
   Other state, local government, social security, or private pensions where pensions are reduced due to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation and paid directly to the former spouse are not counted as income for the family and should be handled in the same manner as above.

3-1.2.I Periodic Payments

The full amount of periodic payments received from Social Security, old age assistance, annuities, insurance policies, retirement funds, pensions, lotteries, disability or death benefits, alimony, child support payments, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except as provided under income exclusions).

The key to correct handling of this provision is to treat as annual income any periodic payment the family receives. This does not necessarily mean monthly. Some periodic income is received quarterly, like Native Dividends. If Social Security or other periodic receipts have deductions taken out of the gross benefit, use the gross amount of the benefits, not the net amount after the deduction.

1. **Regular Contributions or Gifts**
   <u>Regular</u> contributions or gifts received from organizations or persons not residing in the unit are included in annual income. Of all the forms of income that should be included in annual income, this one is most often missed. A regular contribution is not necessarily a cash contribution.

Example: Regular Noncash Contribution

1. A child's grandmother (not a household member) pays her daughter's telephone and cable TV bills directly to the phone and cable companies. Count it as household income. It is a regular contribution and can also be easily verified.
2. An uncle (not a household member) buys a gas card for his niece each month for her to use. Count this regular contribution as household income.

3. Coventry's (age 16) grandfather (not a household member) makes the monthly car payment for Coventry. This is a regular contribution to household income and should be included.

2. Cost of Living Adjustments (COLA)
At times, fixed monthly benefits may receive a cost of living allowance. Staff **will**:

a. Update the COLA amount at a family's next regular examination.
b. Use the current benefit amount when a new family member is added to the household

3-1.2.J Resident Service Stipends
If a resident receives a stipend in excess of $200 per month, the entire amount received is included in Annual Income.

3-1.2.K Student Financial Assistance
For the Housing Choice Voucher and S8N Multifamily Housing Programs, see Exhibit 2-7 for guidance on the Student Rule and income that must be included as part of annual income.

3-1.2.L Trusts
The basis for determining how to treat trusts relies on information about who has access to either the principal in the account or the income from the account.

1. Payment of Principal from a Trust
The beneficiary of a trust may receive funds from the trust in different ways. A beneficiary may receive the full value of a trust at one time. In that instance the funds would be considered a lump sum receipt and would be treated as an asset.

A trust set up to provide support for a person with disabilities may pay only income from the trust on a periodic basis. Occasionally, however, a beneficiary may be given a portion of the trust principal on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income or gifts and are counted in annual income.

2. Revocable Trusts
If any member of the family has the right to withdraw the funds in the account, the trust is considered to be an asset and is treated as any other asset. The cash value of the trust (the amount the family member would receive if

he or she withdrew all that could be withdrawn) is added to total net assets. The actual income received is added to actual income from assets.

Example: A Trust Accessible to Family Members
Assez lives alone. He has placed $20,000 in trust to his grandson to be available to the grandson upon the death of Assez. The trust is revocable, that is, Assez has control of the principal and interest in the account and can amend the trust or remove the funds at any time. When calculating Assez's income, staff will add the $20,000 to Assez's net family assets and the actual income received on the trust to actual income from assets.

3. **Nonrevocable or Irrevocable Trusts**
   If no family member has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income.

   If only the income (and none of the principal) from the trust is currently available to a family member, the income is counted in annual income, but the trust is not included in the calculation of income from assets.

4. **Special Needs or Miller's Trusts**
   A special needs trust is an irrevocable trust that may be created under some state laws, for persons who are not able to make financial decisions for themselves or for an individual that is over a resource or income limit for a government benefit, typically Medicaid. Special needs trusts are of two types:

   a. <u>Asset or Resource Trusts</u>: These types of trusts are set up to hold assets on behalf of the beneficiary. Some provide income to the beneficiary; some provide for only specific expenses like medical or long term care for the beneficiary; others may never provide payment to the beneficiary, but may allow for the beneficiary to meet a government program's resource limit. The value of the trust is never counted as an asset for the beneficiary while it is held in the trust. Payments from the trust to the beneficiary should be considered like any other Irrevocable Trust (see the medical expense reimbursement exclusions section in this Exhibit.)

   b. <u>Medicaid Qualified Income Trust (Miller's Trust)</u>: A Miller's trust is an "income" trust, legally set up to allow a person that would otherwise be over-income to qualify for Medicaid Long-Term care benefits. Like other types of irrevocable trusts, a trustee is established to manage the trust. The trustee of a Miller's Trust receives the beneficiary's income then is able to pay the beneficiary a Personal Needs Allowance. The Personal Needs Allowance is defined by the state administering the Medicaid program and the beneficiary's specific living situation. The Personal Needs Allowance is outlined in the trust but may be subject to cost of living adjustments which can be verified through the State of Alaska, Department of Health and Social Services, Division of Public Assistance. The balance of the beneficiary's income (in excess of the Personal Needs Allowance) is held in trust and can only be paid out to the beneficiary under very specific conditions. AHFC will only count the amount of the current Personal Needs Allowance of the beneficiary as income to the household for persons with Miller's Trusts.

Example: Special Needs Trust

Daryl is a 35-year-old person with disabilities living with his elderly parents. The parents have established a special needs trust to provide income for Daryl after they are gone. The trust is not revocable; neither the parents nor the son currently have access to the principal or interest. In calculating the income of the family, the PHA will disregard the trust.

3-1.2.M Welfare Assistance

Include all assistance payments received by or on behalf of any family members. (Alaska does not have a "welfare rent.") AHFC will not reduce the family rent if the reduction in benefits is based on:

- Welfare fraud; or
- Noncompliance with economic self-sufficiency requirements.

3-1.3 INCOME TO EXCLUDE

For fully excluded income, staff is not required to verify the income or report the income on the 50058. Staff may use the family's signature on the *Family Questionnaire* or *Family Report of Changes* self-certifying to the income. For income that is partially excluded, staff is required to follow the verification hierarchy in Chapter 3.

3-1.3.A *Federal Register* Exclusions Published May 20, 2014

The following is an updated list of federally mandated exclusions that supersedes the December 14, 2012 *Federal Register* notice. Some of these sources are more fully explained later in this section. Exclude the following from annual income:

1. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b)).

2. Payments to volunteers under the Domestic Volunteer Services Act (42 U.S.C. 5044(f)(1), 5058, see below).
3. Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c), see below).
4. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e).
5. Payments or allowances made under the Department of Health and Human Services' Low Income Home Energy Assistance Program (42 U.S.C. 8621-8629).
6. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians (Pub. L. 94-540, section 6).
7. The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408). This exclusion does not include proceeds of gaming operations regulated by the Commission.
8. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070, see below), including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu). For Section 8 programs only (42 U.S.C. 1437f), any financial assistance in excess of amounts received by an individual for tuition and any other required fees and charges under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall not be considered income to that individual if the individual is over the age of 23 with dependent children (Pub. L. 109-115, section 327)(as amended).
9. Payments received from programs funded under Title V of the Older Americans Act (42 U.S.C. 3056g, see below).
10. Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund (Pu. L. 101-201) or any other fund established pursuant to the settlement in *In Re Agent Orange Liability Litigation*, M.D.L. No 381 (E.D.N.Y.).
11. Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 25 U.S.C. 1728).
12. 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 (42 U.S.C. 9858q).
13. Earned Income Tax Credit (EITC) refund payments received on or after January 1, 1991 for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32(l)).

14. Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433).
15. Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d)).
16. Any allowance paid under the provisions of 38 U.S.C. 1833(c) to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802-05), children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1811-16), and children of certain Korean service veterans born with spina bifida (38 U.S.C. 1821).
17. Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act, because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602(c)).
18. Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931(a)(2)). This was formerly known as the Job Training Partnership Act (JTPA).
19. Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1760(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).
20. Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f(b)).
21. Payments from any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. 1437a(b)(4), see below).
22. Compensation received by or on behalf of a veteran for service-connected disability, death, dependency, or indemnity compensation as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111-269, 25 U.S.C. 4103(9)) to the definition of income applicable to programs authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA, 25 U.S.C. 4101 *et seq.*) and administered by the Office of Native American Programs.
23. A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled *Elouise Cobell et al. v. Ken Salazar et al*., 816 F.Supp.2d 10 (Oct. 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111-291).
24. Any amounts in an "individual development account" as provided by the Assets for Independence Act, as amended in 2002 (Pub. L. 107-110, 42 U.S.C. 604(h)(4) , see below).

25. Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013-30 "Exclusion from Income of Payments under Recent Tribal Trust Settlements" (25 U.S.C. 117b(a), see below).
26. Major disaster and emergency assistance received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93-288, as amended) and comparable disaster assistance provided by states, local governments, and disaster assistance organizations (42 U.S.C. 5155(d), see below).

3-1.3.B Adoption Assistance

For programs under the MTW programs, the full amount of adoption assistance is excluded. For Traditional programs, payments in excess of $480 per adopted child are deducted. The effect of the adoption assistance exclusion, combined with the $480 deduction, is to eliminate from annual income all adoption assistance.

3-1.3.C Alaska Native Claims Settlement Act (ANSCA)

Exclude only the original payment received under the Act, not periodic payments such as dividends (43 U.S.C. 1626(c)). Periodic, recurring ANCSA distributions like quarterly dividends are subject to a $2,000 per person, per annum exclusion. Any periodic, recurring payments in excess of $2,000 are counted as income.

3-1.3.D Armed Forces Special Pay

Exclude special pay related to service people exposed to hostile fire. Hostile fire pay is the only component of income earned by service personnel that is not included in Annual Income.

3-1.3.E Census Bureau Employment

PIH Notice 2009-19 states that housing authorities must exclude temporary income earned by family members working for the U.S. Census Bureau. HUD defines temporary income from the Census Bureau as lasting 180 days or less and does not end in permanent employment. HUD requires verification of both employment dates and excluded income amount be kept in the file.

3-1.3.F Children's Income

Earned income from children under age 18, including foster children, is excluded unless a child is emancipated. The income from the employment of the family head or spouse is **always** included, regardless of age.

Welfare assistance, SSI, APFD's, Native Dividends and any other **unearned** income paid to or on behalf of the children is always included in annual income. Note: When there is dual custody of a child and both families live in assisted housing, the family that benefits from the dependent deduction also counts the unearned income of the child. To assist the family in deciding who will receive the deduction, it is feasible to give the deduction to the parent/guardian who sponsors the child for the APFD or receives the dependent deduction on his/her tax returns.

3-1.3.G Developmentally Disabled Benefits

Exclude state funds paid to a family when the developmentally disabled family member is living at home. The benefits offset the cost of services and equipment needed to keep the disabled family member at home.

3-1.3.H Disaster Assistance

This is income to a family as a result of a major disaster or emergency. The disaster assistance can be provided by the federal, state, or local government. This also includes disaster assistance provided by a disaster assistance organization.

3-1.3.I Domestic Volunteer Service Act of 1973

Exclude payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 1626(a)). Examples of programs under this Act include, but are not limited to:

- Retired Senior Volunteer Program (RSVP),
- Foster Grandparent Program (FGP),
- Senior Companion Program (SCP,
- The Older American Committee Service Program, and
- National Volunteer Antipoverty Programs such as VISTA, Peace Corps, Service Learning Program and Special Volunteer Programs.
- Small Business Administration Programs such as the National Volunteer Program to Assist Small Business and Promote Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE).

3-1.3.J Foster Care Payments

These may include payments for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the family, who are unable to live alone).
It is not a requirement that the family have other types of income to qualify as a foster parent. It is possible that the family's entire income would be excluded if the source was foster care payments.

3-1.3.K Guardianship Income

In rare instances, the Office of Public Advocacy will make payments to a family who has acquired guardianship of a minor or disabled adult. These subsidy care payments make it possible for children to live permanently in the care of a legal guardian, who may be a relative or close family friend.

PIH Notice 2008-40 interprets kinship payments as equivalent to foster care payments and instructs housing agencies to exclude kinship payments. HUD considers guardianship payments to be similar in intent to kinship care payments. HUD advises that housing agencies should treat subsidized guardianship payments the same as foster care payments.

Exclude guardianship payments from annual income. Do not give the dependent deduction. The combination of these two activities will exclude all guardianship income from annual income.

3-1.3.L Individual Development Accounts (IDA)

Section 404(h) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 authorized states to create community-based IDA programs with TANF block grant funds. Individual Development Accounts are asset-building tools that provide low-income individuals with an incentive to save money to continue their education, start a business, or buy a home. The legislation designates nonprofit community-based organizations as custodians of IDA accounts. Funds must be held in licensed financial institutions, such as banks and community development credit unions.

The funds saved by TANF recipients in IDAs are not counted as income when determining eligibility for cash assistance, food stamps, Medicaid, or other government means-tested programs.

The Governor's Council on Disabilities and Special Education oversees this program in Alaska. You may also recognize the Alaska Asset Building Coalition as a vehicle for this program. Their current flyer is located at: http://www.aksourcelink.com/docs/resource-library-documents/2011/05/17/2010-ak-ida-program.pdf.

3-1.3.M Live-In-Aide

Exclude the income of a live-in aide as defined in Chapter 2. See Exhibit 2-8 for guidance on live-in aides.

3-1.3.N Lump Sum Payments

Exclude lump sum payments from inheritances, insurance payments (including payments under health, and accident insurance and worker's compensation) capital gains, lottery winnings, and settlements for personal property losses (except as provided above) as income. If retained, these lump sums are additions to assets. If these payments are subsequently received through periodic payments, count the periodic payments as income, but no longer count as an asset any remaining amount from the lump sum payment.

Treat other types of lump sum payments as follows:

- Settlement payments from "claim disputes" over welfare, unemployment, VA, or similar benefits are <u>not included</u> as income. If the lump sum payment or any portion of it remains in the family's possession, count that sum as an asset.
- Count any lump sum payments caused by "delays in processing" as income.

For the Traditional program, where interim examinations are still completed, counting a lump sum payment as income also depends upon the family's timely reporting of changes.

Example: Lump Sum Payment-Timely

Sherluck loses his job on October 19 and applies for unemployment benefits. He reports to AHFC on October 25 that he is looking for work and doesn't know how much he will receive from unemployment.

1. Staff processes an interim effective November 1 to remove the employment income.
2. Sherluck receives a lump sum payment of $800 from unemployment on January 4. The $800 is in his checking account. He begins receiving $100 a week on January 11. He reports to AHFC on January 6.
3. Staff processes an interim effective March 1 to include the $6,000 a year unemployment ($100/week x 52 weeks + $800).
4. The lump sum payment is included as income as Sherluck received assistance based on no income instead of the $100 a week.

Example: Lump Sum Payment-Not Timely

Sherluck loses his job on October 19 and applies for unemployment benefits. He reports to AHFC on January 6 that he is still looking for work and is now receiving $100 a week from unemployment. The DOL printout shows an $800 lump sum payment and regular $100 a week payments that start on January 11.

1. Staff processes an interim effective February 1 to remove the employment income and add new annual income of $5,200 ($100/week x 52 weeks).
2. Staff does not include the $800 lump sum payment as part of income because Sherluck received assistance based on his job, not the reduced unemployment income.

1. **Deferred Payments of SS or SSI Benefits**

   This exclusion very specifically exempts from annual income delayed benefits from Social Security (SS) and Supplemental Security Income (SSI). Exclude Social Security and Supplemental Security Income benefits that are received in a lump-sum payment or lump-sum payments made in prospective monthly payments. This includes a lump sum payment from SS or SSI even if the application was made prior to housing. If retained, these lump sums are additions to assets.

2. **Deferred Payments of VA Disability Benefits**
   Exclude any payments from any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts as provided by an amendment to the definition of annual income in the U.S. Housing Act of 1937 (42 U.S.C. 1437) by Section 2608 of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 42 U.S.C. 4501).

3-1.3.O Medical Expense Reimbursement

Exclude amounts received by the family that are specifically reimbursements for the cost of medical expenses incurred by any family member. This exclusion is not limited to elderly and disabled families. As an example, a Native corporation may pay a medical insurance premium for a young family who works. The amount of the premium is not counted as income.

3-1.3.P Minor's Income

See Children's Income section above.

3-1.3.Q Plan to Attain Self-Sufficiency (PASS)

PASS is a set aside from SSI used to promote self-sufficiency. PASS funds are available to certain disabled persons to enable the person to enter the work force. They are disregarded for a limited time under the Supplemental Security Income eligibility guidelines.

3-1.3.R Refunds or Rebates of Taxes

Exclude refunds or rebates received under state or local law for property taxes paid on a dwelling unit. This exclusion would apply to state homestead exemptions, for example.

3-1.3.S Reparations Paid by a Foreign Government

Payments received pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

3-1.3.T Resident Service Stipends

A resident service stipend is a modest amount (not to exceed $200 per month) received for performing a service for AHFC or 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, resident initiatives coordination, and service on an AHFC governing board. No resident may receive more than one such stipend during the same period of time. If a resident receives a stipend in excess of $200 per month, the entire amount received is included in annual income.

3-1.3.U Student Income

1. **Full-Time Student Earnings**
   Full time students are defined as dependents, and therefore, the head, spouse, or co-head can never be coded as a full-time student. For MTW programs, all income for full-time students is excluded.

   For the Traditional programs only exclude earnings in excess of $480 for each full-time student age 18 years or older. This exclusion effectively eliminates earned income of students from consideration as annual income. There is NO age limit for granting full-time student status.

2. **Scholarships Under Title IV of the Higher Education Act of 1965**
   Exclude amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087(uu)). Examples of the Title IV programs include but are not limited to:

   a. Basic Educational Opportunity Grants (Pell Grants),
   b. Supplemental Opportunity Grants,
   c. State Student Incentive Grants,
   d. College Work Study,
   e. Byrd Scholarships

3. **Financial Assistance**
   See Exhibit 2-7 for guidance on the Student Rule and income that must be included as part of annual income.

3-1.3.V Temporary, Nonrecurring, or Sporadic Income

The key element that causes the exclusion of this income is that it is neither reliable nor periodic. A one-time only "gift" is excluded; periodic "gifts" are included as income.

3-1.3.W Title V of the Older Americans Act

Exclude payments from programs funded under this Act (42 U.S.C. 3056 (f)). Examples of these programs include:

- Senior Community Services Employment Program (SCSEP),
- National Caucus Center on the Black Aged,
- National Urban League,

- Association National Pro Personas Mayors,
- National Council on Aging,
- American Association of Retired Persons,
- National Council on Senior Citizens, and
- Green Thumb

3-1.3.X Training Programs

1. **HUD-Funded**
   Exclude the full amount received under training programs funded by HUD. This would include Section 3 employment like the various temporary and permanent Section 3 positions within AHFC.

2. **State or Local Employment**
   Exclude the incremental earnings and benefits of any family member who participates in a qualifying program. "Local" training programs include those funded by the federal government (such as Veterans Administration), but administered at the local level. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives. This exclusion applies to applicants and participants.

   a. The incremental increase in earnings is the difference in income after enrollment as compared to income before enrollment "just prior" to the beginning of the training program.
   b. "Just prior" is defined as income received by the family member within 30 days of the beginning of the training program.
   c. Only the incremental increase is excluded.
   d. This calculation applies to applicants and participants.
   e. Incremental income from a qualifying employment training program is excluded only while an individual is actually participating in the program. Once training is completed, the employment income becomes regular earned income.

Example: Incremental Increase

Northern Dancer (64) receives $400 per month in ATAP.
1. He then enrolls in a qualifying training program and receives $550 per month.
2. His ATAP stops.
3. The difference ($550 - $400 = $150) will NOT be counted.
4. The monthly income will be $400 per month.

Seattle Slew (77) had no income.

1. After enrollment, he receives $550 per month.
2. The difference ($550 - $0 = $550) is NOT counted.
3. The monthly income equals $0.

3. Other Training-Related Income

Exclude amounts received by a participant in other publicly assisted programs that are specifically for reimbursement of out-of-pocket expenses incurred solely to allow participation in a specific program. These amounts may pay for special equipment, clothing, transportation, or child care to enable a family to attain self-sufficiency.

4. Veterans Training Programs

Veterans Affairs offers a variety of job training and vocational rehabilitation programs to help former service members enter the workforce.

a. Chapter 31 – this is the Vocational Rehabilitation and Employment (VR&E) Program. This assists veterans with disabilities to prepare for, find, and keep suitable jobs. For veterans with disabilities that prevent immediate consideration of work, VR&E may provide services to improve the ability to live independently.
b. Compensated Work Therapy (CWT) – this is a vocational rehabilitation program that endeavors to match and support work ready veterans in competitive jobs. In some locations, CWT is known as Veterans Industries. This program promotes employment opportunities for veterans with physical and mental disabilities.

3-1.3.Y Tribal Trust Settlements

Settlement payments received pursuant to the settlement in the case of *Elouise Cobell et al. v. Ken Salazar et al.* (*Cobell* Settlement) must be excluded from annual income for a period of one year from the time of receipt of that payment (PIH Notice 2013-30). This exclusion from income applies to all HUD programs (Pub. L. 111-291).

In addition to the *Cobell* Settlement, other settlements have been reached between members of Indian tribes and the U.S. government. Payments that result from these settlements are considered *per capita* payments and are also excluded from annual income. A listing of tribes with settlement agreements and *per capita* payments is available at: http://www.irs.gov/irb/2013-03_IRB/ar08.html.

Payments received by a tribal member for distribution of Indian gaming profits are not *per capita* payments, although they may be called that. If the family member receives an IRS form 1099-Misc for payments, those payments are included as part of annual income.

3-1.4 ASSETS TO INCLUDE

Federal regulations do not limit the amount of assets a family may possess. However, staff must compute the income produced by net family assets for inclusion in annual income. A key factor to consider is whether any member of the family has access to the asset.

Since banks and investment firms report this income to the IRS on 1099 forms annually, unreported asset income may result in the family receiving a letter from HUD informing them that the income reported to AHFC does not match the income reported to the IRS. Staff must pursue information about income from assets when notified of a discrepancy.

3-1.4.A Moving to Work Families

Families will self-certify, and AHFC will not include any actual or imputed income for assets totaling less than $10,000 (Moving to Work Activity 2010-2 approved by the AHFC Board of Directors on April 23, 2009 and effective November 2, 2009).

- Do not enter any assets totaling $10,000 or less.
- Do not post any asset with a $0 value.

For assets totaling $10,001 or more, AHFC will use the **current balance** of each asset at the time of the certification or recertification interview. AHFC will use the greater of:

- The actual income from the assets, **OR**
- The imputed income from the assets

See "Calculate the Value of an Asset" below to add the income generated by the asset to annual income.

3-1.4.B Homeownership Families

For voucher holders participating in AHFC's homeownership program:

- AHFC must exclude the value of the home in years 1 through 10 when calculating a family's Net Family Assets.
- AHFC must include the value of the home in years 11 and beyond when calculating a family's Net Family Assets.

Staff will use the instructions under Equity in Real Property to calculate the value of the home. As a reminder:

- Do not include personal property such as equipment, furniture, or fixtures in the value of the home.
- The home's equity is the Market Value of the home less the Loan or Mortgage balance less the Expenses to Convert to Cash.

1. **Market Value**
   This is the price a buyer would pay for the home. This should include factors such as the value of the land and home, the home's condition, lot size, number of rooms, location, etc. This guidance is provided by PIH Notice 2012-3 issued January 27, 2012.

   a. Staff can compare recent home sales in the same area to help determine this value. If staff uses this method, the comparison should include at least three (3) properties that possess comparable features.
   b. Staff may use the assessed value of the home to set the market value.

2. **Loan Balance**
   The preferred method (PIH Notice 2012-3) of determining the loan balance is to see if the monthly mortgage statement contains a "payoff amount". This amount may differ from the loan balance.

   If the payoff amount is not available, staff may use the loan balance to determine the home's equity.

3. **Expenses to Convert to Cash**
   These are the expenses associated with the sale of a home such as realtor expenses, taxes, legal fees, and any prepayment penalty. As staff does not normally have access to these types of expense figures, AHFC will use ten (10) percent of the market value as this figure (PIH Notice 2012-3).

3-1.4.C Traditional Calculation Families

If the total cash value of all the family's assets is $5,000 or less, the actual income the family receives from the assets is counted as annual income. For assets totaling $5,001 or more, AHFC will use the **current balance** of each asset at the time of the certification or recertification interview. AHFC will use the greater of:

- The actual income from the assets, **OR**
- The imputed income from the assets

See "Calculate the Value of an Asset" below to add the income generated by the asset to annual income.

3-1.4.D Calculate the Value of an Asset

Before determining whether to use the actual or imputed income from an asset, staff must determine the cash value of an asset. This means staff must consider the expenses involved in converting the asset to cash. Depending on the asset, these expenses may include broker fees, legal fees, settlement costs, or penalty for early withdrawal.

1. If an asset is an Individual Retirement Account (IRA or 401-K), an interest penalty for early withdrawal may apply.
2. If a family sells stocks or bonds, they typically have broker's commission to pay.
3. If the family hires an attorney to obtain an insurance settlement, the lawyer's fee is an eligible deduction to determine the net cash value.
4. Certificates of Deposit (CD) have penalties for early withdrawal.
5. Savings Bonds are purchased for much less than their value at maturity. Determine the actual value of the bond, at the time of the income review, to avoid overestimating the asset.

Instructions - Calculate Cash Value

Calculate the cash value of a certificate of deposit as follows:

1. Determine the Market Value:
   Market Value = Current Balance
2. If no current balance is made available:
   Market Value = Beginning Balance + Accumulated Interest
3. Determine the Actual Income:
   Actual Income = Market Value x Interest Rate
4. Determine the Penalty for Early Withdrawal:
   Penalty = Actual Income ÷ 12 x number of months in the penalty
5. Determine the Cash Value:
   Cash Value = Market Value – Penalty

Example: Calculate Cash Value

Secretariat (73) has a CD in the amount of $5,000 paying interest at 4 percent. The penalty for early withdrawal is three months of interest.

1. Actual Income:
   $5,000 x 4% = $200 in annual income
2. Penalty:
   $200÷12 months = $16.67 interest per month
   $16.67 x 3 months =$50.01
3. Cash Value:
   $5,000 - $50 = $4,950

Once the cash value of an asset has been determined, staff must include the greater of the actual or imputed income that asset contributes to annual income.

1. **Actual Asset Income**
   If an asset earns interest, this is simply the amount of interest earned in a period. The period is then converted to an annual basis. For example, if a savings account earns $5.30 a quarter, simply multiply $5.30 x 4 to get the annual income.

2. **Imputed Asset Income**
   Imputed asset income is the income that could be received from an asset, such as real property, savings, stocks, bonds or other forms of capital investment, if it was converted to cash and placed in an interest bearing account. The cash value of the asset(s) is used to determine imputed income by multiplying that value times a HUD-determined passbook rate.

Example: Asset Income Added to Annual Income

Smarty Jones has a checking account worth $500 earning no interest; a savings account of $50 that earned $5.00 last year; and a Certificate of Deposit with a cash value of $9,900 that earned $400 last year.

1. The total asset value is:
   $500 + $0 + $50 + $5 + $9,900 + $400 = $10,855
2. Total assets exceed $10,000, so staff must use the higher of actual earnings or imputed income.
3. Actual Earnings:
   $0 + $5 + $400 = $405
4. Imputed Income using Passbook Calculation (interest rate of 0.2%)
   $10,855 x 0.2% = $21.71
5. Actual earnings ($405) exceed the imputed income ($22). Therefore, $405 is added to family income.

3-1.4.E Joint Assets

Count the asset when owned by more than one person if there is unrestricted access to the asset by the family.

1. If assets are owned by more than one person, prorate the assets according to the percentage of ownership. If no percentage is specified or provided by a state or local law, prorate the assets evenly among all owners.
2. If an asset is not effectively owned by an individual, do not count it as an asset. An asset is not effectively owned when the asset is held in an individual's name, but (a) the asset and any income it earns accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.

3. Determining which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

Example: Jointly Owned Assets

1. Helen is an assisted-housing tenant. She and her daughter, Elsie, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Even though either Helen or Elsie could withdraw the entire asset for her own use, count Helen's ownership as 50% of the account.
2. Jean's name is on her mother's savings account to ensure that she can access the funds for her mother's care. The account is not effectively owned by Jean and should not be counted as her asset.

3-1.4.F Assets Disposed for Less than Fair Market Value

Determine the value of the asset if disposed during the two years preceding certification or recertification.

- These assets may include cash gifts, property, personal loans, and privately held mortgages.
- Assets placed in irrevocable trusts are considered assets disposed of for less than fair market value EXCEPT when the assets placed in trust were received through settlements or judgments.
- Assets disposed at less than fair market value as a result of foreclosure, bankruptcy, divorce, or separations **are not** counted.
- The rule applies **only** when the fair market value of all disposed assets exceeds $1,000.

Disposed assets are referred to as an imputed asset. The cash value of an imputed asset is the difference between the actual cash value of the asset and the amount received for it. Staff must keep track of the date of divestiture even if the date was prior to admission to housing. When the two year period expires, the income assigned to the disposed asset also expires. If the two year period ends in the middle of a recertification year, the family may request an interim recertification to remove the disposed asset(s).

Example 1: Disposed Real Property

War Admiral (37) sold a house within the last two years for $100,000, incurring fees of $5,000 to complete the sale. The fair market value of the house was $155,000 at the last tax assessment.

1. Was the asset disposed at less than fair market value?
   $100,000 (sale) is less than $155,000 (value) = Yes

2. Does the fair market value exceed $1,000?
   Yes
3. Determine Cash Value of Imputed Asset
   $155,000 - $5,000 = $150,000
4. Calculate difference between Imputed Value and Actual Sale
   $150,000 - $100,000 = $50,000
5. Staff will add $50,000 to the asset screen as an imputed asset.

Example 2: Disposed Cash

War Admiral contributed $10,000 to his grandson's college tuition and gave two granddaughters $4,000 each to save for college. He also loaned his uncle $5,000.

1. Was the asset disposed at less than fair market value?
   Yes; he gave the money away
2. Does the fair market value exceed $1,000?
   Yes
3. Determine Cash Value of Imputed Asset
   $10,000 + $8,000 ($4,000 x 2) + $5,000 = $23,000
4. Calculate difference between Imputed Value and Actual Sale
   $23,000 - $0 = $23,000
5. Staff will add $23,000 to the asset screen as an imputed asset.

3-1.4.G Equity in Real Property

Include the value of real property and other capital investments. Equity is the estimated current market value of the asset, less the unpaid balance on all loans secured by the assets, and reasonable costs (such as broker fees) that would be incurred in selling the assets.

The cash value must be determined to consider imputed income.

- Determine the market value of the property by considering all costs associated with the property; i.e., tax assessment, real estate appraisal, etc.
- Subtract the loan amount from the market value = Equity
- From equity, subtract the expenses associated with sale of the property = Cash Value

Example: Imputed Income from Real Property

Sea Biscuit owns a house in Seldovia. The market value is $100,000. He owes $60,000. The cost to sell the house is $6,000.

1. Market value = $100,000
2. Determine Equity:

$100,000 - $60,000 = $40,000

3. Determine Cash Value

   $40,000 - $6,000 = $34,000

4. Determine Imputed Income (example uses passbook rate of 0.2%)

   $34,000 x 0.2% = $68

3-1.4.H Lump Sum Receipts

Included are inheritances, capital gains, lottery winnings, insurance settlements, and other claims. Compute the amount of the asset based on what is available when a family timely declares it, not the actual lump sum if the family has spent some of the payment. See the Lump Sum Payments section under annual income above for possible exclusions.

3-1.4.I Personal Property Held as an Investment

Items such as gems, jewelry, coin collections, stamp collections, art, and antique cars if not for personal use, but stored as an investment. As a general rule, personal property used by or displayed in the household is not treated as an asset. Personal property retained in a safe deposit box is probably an asset.

3-1.4.J Rental Property

The rent collected from a rental property is considered income from an asset (the property). Costs associated with a rental such as insurance, mortgage interest, advertising, cleaning, maintenance, taxes, and repairs (not improvements) are deducted from the rental income. **Note**: Work performed to keep the property in good condition is considered a repair. Work that adds to either the value or life of the property is considered an improvement (IRS Publication 527).

When a rental property is an asset, staff must compare the income from the rental property to the imputed income from the property. Staff will use the **greater** amount as the contribution to annual income. **Do not** include both the monthly rental income and imputed value of the property as income.

Example: Rental Property Asset Calculation

Sea Biscuit remodeled the house and now receives $1,000 per month in rent. Insurance, taxes, and regular maintenance averages $4,000 per year.

1. Annualize rental income

   $1,000 x 12 = $12,000

2. Deduct rental costs to determine income

   $12,000 - $4,000 = $8,000

3. Compare the rental income to the imputed value (example above)

$8,000 versus $68

4. Staff will post $8,000 in the asset screen for this property

3-1.4.K Retirement Accounts

Include the value of any IRA, KEOGH, and similar retirement savings accounts, even though withdrawal would result in a penalty. These include company retirement/pension funds. While an individual is employed, count only amounts the family can withdraw without penalty before retiring or terminating employment. After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.

Example: Balance Held in an IRA or 401K Retirement Account

Jed's 401K account balance is $35,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer's contribution and would pay a penalty fee. The total cash he could withdraw, $18,000, is the amount that is counted as an asset.

3-1.4.L Savings and Checking Accounts

Use the current amount in a checking or savings account.

3-1.4.M Stocks, Bonds, or Savings Certificates

Include money market funds and other investment accounts.

3-1.4.N Trusts

Include the cash value of trusts that may be withdrawn by the family. Include the value of the trust whenever the account is available for withdrawal by the family.

3-1.4.O Whole Life Insurance

Use the cash value of the policies.

3-1.5 ASSETS TO EXCLUDE

3-1.5.A Business Assets

Exclude assets that are part of an active business or farming operation. NOTE: unless real estate is the family's main occupation, rental property is considered a personal asset held as an investment rather than a business asset.

3-1.5.B Equity in Owner-Occupied Cooperatives

This includes manufactured homes in which the family lives.

3-1.5.C HCV Homeownership Program

This exclusion applies only to families participating in the voucher homeownership program. Exclude 100 percent of the value of the home, not to exceed the first 10 years of the mortgage. See Homeownership Families under Assets to Include to add the value of the home as an asset after the initial ten-year period has expired.

For other families, see Calculate the Value of an Asset and Equity in Real Property to determine how to add the value of a home to family annual income.

3-1.5.D Inaccessible Assets

Exclude assets not controlled by or accessible to the family that provide no income to the family.

3-1.5.E Interest in Indian Trust Lands

The Indian Land Record of Title is the official record of title documents and instruments affecting Indian land that require approval by the Secretary or other Federal official. The Division of Land Titles and Records (DLTR), and its eleven Land Titles and Records Offices (LTRO), are the official Federal offices-of-record for all documents affecting title to Indian lands, and for the determination, maintenance, and certified reporting of land title ownership and encumbrance on Indian trust and restricted lands. All title documents affecting Indian land are recorded in the Indian Land Record of Title. The address for the Alaska office is: Alaska Regional Office, Bureau of Indian Affairs, P.O. Box 21647, Juneau, AK 99802. The web site is: http://www.bia.gov/WhoWeAre/RegionalOffices/Alaska/index.htm.

Individually owned lands are of two kinds:

- Trust land - The federal government holds legal title, but the beneficial interest remains with the individual Indian
- Restricted fee land - An individual Indian holds legal title, but with legal restrictions against alienation or encumbrance

3-1.5.F Personal Property

Exclude personal property, except that held as an investment as previously noted above. Among other things, personal property includes cars used for daily transportation, recreational vehicles, or boats.

3-1.5.G Vehicles Altered for Disabled Persons

Exclude if specially equipped for a person with disabilities.

Forms
None

Administrative Desk Manual
None