

State-Aided Public Housing



Determining Household Income for Rent Determination

November 15 , 2016 Training

Law & Regs

- M.G.L. 121B Section 32
- Ch. 141, An Act Relative to Housing Operations, Military Services, and Enrichment
- 760 CMR 6.00 Occupancy Standards and Tenant Participation for State Aided Housing (sections 6.03, 6.04, 6.05)
- 760 CMR 5.06 (2) Continued Occupancy

Where Can I Find Laws and Regulations?

- <http://www.mass.gov/hed/economic/eohed/dhcd/>
 - Click on Our Organization, then Legal, then DHCD MGL or Regulations

Tax Rules & Definitions

May be applicable but....

.....**DO NOT RULE!**

Tax Rules vs. DHCD Regs.

Considered as income under IRS tax rules

	IRS	DHCD
Full-time student income	Yes	No
Elderly income exclusion	Yes	No
Welfare to work	Yes	No
Child support payments	No	Yes

Gross Household Income vs. Net Household Income

- **Gross Household Income** from all sources, including income from assets, for all household members, as defined by regulation
- **Net Household Income** is gross household income,
 - excluding non-income items specifically excluded by regulation (**Exclusions**), and
 - allowable expenses are deducted, as defined by regulation (**Deductions**)

Rent

- Rent is based on Net Household Income as defined by 760 CMR 6.05

Amount of Rent for c667 c200, c705

	c667	c200 & c705
■ Pays no utilities	30%	32%
■ Pays for one or more	25%	30%
■ Pays for all utilities		27%

(Round to the nearest whole dollar)

Amount of Rent for Overhoused Households

Households who are overhoused and refuse transfer to smaller unit pay 150% of their rent.

Example.

Current rent = \$250 per month X 150%

Rent for same unit now = \$375.00

When is Rent Determined

LHA Initiated

- At initial occupancy – just prior to lease execution
- Annually – new rent effective as of the effective date of lease or on a date specific selected by the LHA

Process for Annual Rent Determination

Effective Date of New Rent is to be June 1

60 Days Prior: April 2nd, LHA sends tenant Notice of Continued Occupancy, the Continued Occupancy Form, and General Authorization of Release Form to be returned by May 1st.

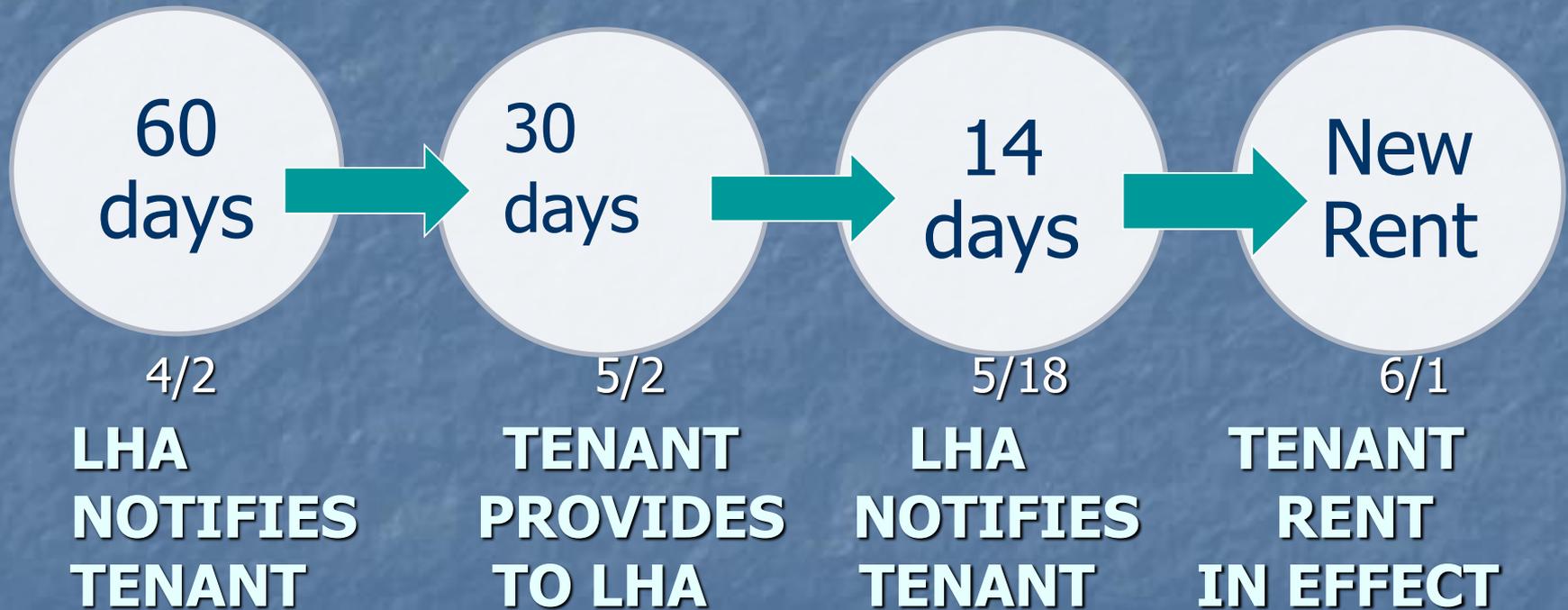
30 Days Prior: May 2nd, All tenant information should be submitted to LHA including forms and verification of income and deductions.

If not received can begin eviction – 30 day notice of lease violation (Sec. X (C)(8))

If not received base rent on previous year until info is received. Once received rent is retroactive to effective date, June 1. Or if receive partial info. Calculate with old and new. Once receive rent is retroactive to effective date, June 1.

14 Days Prior: May 18th, Notice of Rent Change w/Rent Calculation Form & Lease Addendum, effective June 1, or Notice of Ineligibility for Continued Occupancy must be sent to Tenant.

Timeline for Annual Rent Determination



When is Rent Determined

Tenant Initiated

- Interim
 - Increase in household income
 - Decrease in household income

Interim increase of gross income should be 10% or more. The LHA must give Tenant a **14 day notice** of increase and it must start on the **1st of the month**.

Interim decrease of gross income can be any amount. The LHA must determine the new rent to be **effective** on the **1st of the month following the month** the Tenant **reported** the decrease.

Tenant Failure to Supply Necessary Information

- DHCD Lease Section X (C) (8)
- 760 CMR 6.06 (6) (g) = can evict for failure to supply complete and accurate information necessary for a rent determination.

Eligibility for Continued Occupancy

- 760 CMR 5.06 (2)
 - When tenant rent equals or exceeds FMR for appropriate unit size, they are no longer eligible for continued occupancy.
 - No matter what percentage tenant is paying. This determination is based on 30% of income for elderly and 32% for family.

What is included in Gross Household Income ?

- Gross wages and salaries
- Income from self-employment
 - after necessary deductions for the operation of the business
 - not to exceed 85% of the gross receipts of the business
- Income from real or personal property
- Periodic Payments
 - Social security, annuities, retirement funds, pensions, IRAs, similar retirement benefits excluding identified return of capital

Inclusions in Gross Household Income Cont.

- **Payments in lieu of earnings**
 - Unemployment, SSI, SSDI, workers compensation
 - Unallocated lump sum settlements paid on account of lost wages equitably allocated for the period of injury
- **Regularly recurring contribution or gift**
 - Any single gift of at least \$2,000 occurring once a year from year to year
 - Recurring is any contribution or gift occurring twice a year for 2 or more years
- **Regular payments of public assistance**

Inclusions in Gross Household Income Cont.

- Support payments
 - Child support
 - Foster care
 - Social security
 - Public assistance
- Lottery and gambling winnings
- Income from a trust
- Alimony or separate support payments

What is Excluded from Gross Household Income

- Non-recurring **gift**
- Amounts for cost of **medical** care, personal injury or payments for loss or damage under health, accident or liability insurance
- Amounts of **educational** scholarships
- Special **military** pay for war zone service
- **Relocation** payments made pursuant to federal or state law

Exclusions from Gross Household Income Cont.

- Social Security PASS Payments
- Food Stamps
- Domestic Volunteer Service Act of 1973
- Public Assistance to Work
 - Received each month for previous 12 months
 - Increased income accompanied by decreased public assistance
 - Recipient would have continued to earn the public assistance
 - Tenant exercises timing when to invoke
- Job training stipends paid to cover the cost for:
 - Day care
 - Program fees
 - Books
 - Transportation

Exclusions from Gross Household Income Cont.

- Wages earned by full-time student (FTS) or emancipated minor
 - FTS- dependent household member
 - Ages of 18 to 25 years
 - Carrying full-time course load for daytime student
 - Accredited institution
 - Not to exceed the length of time normally required to complete requirements
 - Associates degree – 2 years
 - Bachelor degree – 4 years

Exclusions from Gross Household Income Cont.

- Income of live-in PCA
 - Not a family member
 - Paid fair value for services provided
 - PCA's income is not available to household member
- Inheritances or life insurance proceeds

Exclusions from Gross Household Income

- Federal Veteran Disability Benefits in excess of \$1,800 per month
 - PHN 2016-29, Changes Pertaining to Veterans
 - 100% Disabled and,
 - 100% unemployable
- Elderly Wage Exclusion
 - At least 62 years of age
 - Minimum wage for up to 20 hours

Federal Veteran Disability Benefits in excess of \$1,800 per month

- Benefit Amount = **\$3,032** per month
- **\$1,800**
\$1,232 excluded amnt

New rent based on **\$1,800** per month
\$21,600 per year

Implementation of Veteran Disability Benefits

- **PHN 2016-32**; Guidance on Implementation of Changes in the Law Pertaining to Veterans
- **Effective:** October 6, 2016
- **Implementation:** Request by Tenant *OR* No later than next scheduled Annual Redetermination
 - **Deductions:** Only apply deductions up to the included income. Do not apply deductions against the excluded income.

Elderly Wage Exclusion

Qualifying Factors

- 62 years of age or older
- Employed

Exclusion cannot exceed equivalent of:

- 20 hours per week at minimum wage
- (\$10.00 @ 20 hours/week = \$200/week or \$10,400/year)

Example #1

The LHA's 66 year old tenant works 8 hours per week, at \$13.00 an hour. No other household member is working. To determine the allowable exclusion of this earned income, the Authority does the following calculation:

\$ 13.00	Hourly Rate
x 8	Hours Per Week
<hr/>	
104.00	Salary Per Week
x 52	Weeks
<hr/>	
\$5,408.00	Total wages

The total wages, \$5,408 are less than the maximum allowable exemption of \$10,400. Total amount \$5,408 is excluded.

Q & A

Scenario: A tenant household (family dev) w/3 household members

- One member = age 61
 - Employed by library 16 hrs./week @ \$10/hr.
- second member = age 64,
 - attending community college w/work-study job
 - 12 hrs./week @ \$7.75/hour
- third member = age 27
 - receives \$225 per week in unemployment benefits

Q: Is this income exclusion applicable to this household?

A: Yes,

- regardless of whether household lives in family or elderly c housing
- household has 1 employed member > 62 yrs. of age
- earns \$4,836 per year [$(\$7.75/\text{hr.})(12)(52)=\$4,836$]
- earnings < max excludable amount
- full amount of earnings (\$4,836) excluded from gross household income
- All other income for household is included in gross household income

Q & A Cont.

Scenario:

- Applicant for c. 667 elderly/handicapped housing
- Working full-time (earns \$17,241/year)
- Plans to retire in 2 years (on 65th birthday)

Q: Is this income exclusion applicable to this household?

A: Yes

- To both applicant and tenant households
- LHA would exclude \$10,400 of wages (the current max excludable amount) from applicant's gross household income

Deductions from Gross Household Income

- **\$400** for elderly or handicapped Tenant that is living in c. 200 or c. 705, provided the household is not overhoused
- **\$300** for each unemancipated minor under 18 years of age
- **\$300** for each income contributing adult member
- **Heat deduction** where tenant household pays such costs (DHCD schedule)

Deductions from Gross Household Income

- Necessary **medical expenses in excess of 3%** of gross household income
 - Use IRS Schedule 502 for eligible expenses
 - Health insurance and medicare insurance
- **Day care** and member care necessary for employment
- Child **support**, separate support and or alimony **payments**
 - Court ordered
 - Court approved
- **Tuition and fees** for vocationally related post secondary education for member other than FTS
- Necessary **housekeeping or personal care services** for member with a disability
- Certain **travel expenses** for **member with a disability**
 - This amount is a deduction and is not included in the calculation of medical expenses in excess of 3% of gross household income

Household Asset

Cash value after deducting reasonable costs that would be incurred in disposing of real property, savings, stock, bonds, etc.....

- Savings/checking accts.
- Stocks, bonds, certificates, money market funds, etc.
- Equity, trusts, retirement, life insurance,
- Gems, jewelry, coin collections, etc.

How is Income from Assets Determined

Formula for Total Assets **Under \$5,000**

Asset income + Income = Total Household Income

Formula for Total Assets **Over \$5,000**

Use greater of:

- Actual income (all net household assets)

OR

- Imputed asset income (\$value x HUD passbook rate)

Greater amount + Income = Total Household Income

Verification Tenant Supplied

- **Prior year's tax reporting forms received by the tenant, including:**
 - W-2 forms
 - W-G2 forms
 - 1099 or 1099R forms
 - Any other tax reporting forms, as appropriate
- **Self Employment Income**
 - Prior year's Schedule C of US Form 1040
 - Any other tax reporting forms, as appropriate
- **Deduction Verification**
 - Care of child or incapacitated household member, cancelled checks
 - Printout of pharmacy charges, medical charges including co-payment amounts
 - Health insurance bill and cancelled checks
 - Transcript showing full case load of classes for full time student
 - Alimony or child support payments, copy of approved court agreement
 - Payments of tuition and fees, bill and cancelled check

Verification

- Income = going forward.
 - Can't verify, use previous year 1040
- Medical is based on previous year expense
 - Medicare insurance = current

LHA May Require Third-Party Verification

- Verification by a reliable person or entity, other than the household member
- Verification from the source
 - Employer
 - Public Assistance
 - Financial Institutions
 - Approved court order defining alimony payment, and or child support
 - Care provider
 - Pharmacy
 - Health insurance provider
 - Trust documents
 - IRS filings

Asset Verification Tax Forms

- W-2, W-2C, W-2G
- 1099-B, 1099-D, 1099-G
- 1099-INT, 1099-MISC, 1099-R, 1099-S
- K-1

Scenario #1

Disabled Tenant – has rent determination scheduled for this month.

She receives \$750.00 monthly from SSI.

\$2083.33 per month from an Annuity account which has a balance of 600,000.00. IRS Form 1099R shows that her taxable amount in Box 2a is \$15,000.00 and her gross distribution in Box 1 is 25,000.00. The interest on the annuity account is 2.5% annually.

She also reports that she has just inherited \$100,000 due to her uncles' death which will be adjusted by 250.00 which she will receive due to interest earned for this year.

**Tenant also has a savings account of 3,458.00 with .05% interest and a money market CD of 500.00 earning interest at 1.5%.
What is Gross Household Income?**

Assets:

Income from asset

Annuity	\$600,000	@ 2.50% =	15,000.00
Sav. Acct.	3,458	@ .05% =	1.73
CD	500	@ 1.50%	7.50
	<hr/>		<hr/>
	\$603,958		15,009.23

Imputed Income Rate At 1% = \$6,039.58

Income

SSI	750 X 12	=	\$9,000.00
Asset Income			15,009.23
Int (Inheritance)			250.00
Gross Annual Income			\$24,259.23

Scenario #2

Applicant A applies for elderly housing. Income information provided is as follows:

Elderly Man 75 yrs of age

Social Security: Receives \$750 month minus \$17.50 deducted for Medicare Payments.

RR Pension: \$860 month

Checking Account: \$350 monthly average no interest

Savings Account: \$4,250 interest rate of .05%

Vacant One Family House: (not sold due to economic climate) Applicant is sole owner of the house

Fair Market Value of the house	=	\$350,000.00
Real Estate Taxes are	=	4,590.00 per year
Lien on the House	=	12,250.00
Risk Insurance	=	2,515.00per year

Questions:

What is the value of applicant's assets?

What is the income from the assets?

Questions:

What is the value of applicant's asset?

Checking	350.00
Savings	4,250.00
R E	<u>350,000.00</u>
	\$354,600.00

What is the income from the assets?

Actual vs. imputed@ 1%

0
2.12
<u>0</u>
2.12

Imputed income @ 1% = **\$3,546.00**

(take the greater amount of actual or imputed)

What is Gross annual income?

SS = 750 X 12	= \$9,000
RR = 860 X 12	= 10,320
Interest	= <u>3,546</u>
	\$ 22,866

What's to Come

- DHCD will publish Frequently Asked Questions regarding Rent Calculation
- How to Help Us Develop a FAQ
 - Write your questions down and place in the box on back table.
 - Send your questions to your HMS via email

