

Rent Calculation

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Goals

- ▶ At the end of the day, what will we be able to know and do?
 - ▶ Know the elements of annual income
 - ▶ Understand the verification process
 - ▶ Calculate and verify deductions from annual income
 - ▶ Increase understanding of rent calculation process



Agenda and Format

▶ Agenda

- ▶ Income
 - ▶ Asset Income
 - ▶ Annual Income
- ▶ Adjusted Income
 - ▶ Deductions
 - ▶ EID
- ▶ Rent Calculation
 - ▶ PH
 - ▶ HCV

▶ Format

- ▶ Open Discussion
- ▶ General Overview



Asset Income

- ▶ 24 CFR 5.609(a)(4): “Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.”
 - ▶ 5.609(b)(3): “Annual income includes, but is not limited to...Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income...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. Where the family has assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.”
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Asset Income

- ▶ **What does this mean?**
 - ▶ If the family has an asset which they can *access*, it is counted whether they receive the interest/dividends or not
 - ▶ *Asset income* is based on what the family receives on the investment, not on what they put in
 - ▶ If the cash value of the investments is *greater than \$5,000*, either the actual income derived *or 2%* (passbook rate) will be counted, whichever is greater



Asset Income

- ▶ **Additionally...**

- ▶ PHAs must determine the *cash value* of assets in some cases since this may affect their rent calculation
- ▶ The cash value is equal to the market value minus the expense to convert the asset to cash: $\text{Cash Value} = \text{Market Value} - \text{Expenses}$



Income

- ▶ Income includes all wages, salaries, overtime pay, commissions, fees, tips, bonuses, net income from operation of a business or profession, net income from real or personal property (assets), interest, dividends, social security payments, annuity payments, insurance policies, retirement funds, pensions, disability or death benefits, periodic receipts, unemployment, worker's compensation, severance pay, welfare assistance, child support, regular contributions and gifts, all regular and special pay of a member of the Armed Forces...



Income

- ▶ Rule of Thumb—If it cannot be excluded, it is income!
- ▶ See 24 CFR 5.609, PH Occupancy Guidebook pp. 112-120, HCV Guidebook pp. 5-14 to 5-16 (Included)



Wages / Salaries

- ▶ Third Party Verification Required for New Employment!
- ▶ Use of at least two pay stubs is acceptable for documenting income (likely better than employer provided 3rd party documentation).
- ▶ What should be verified?
 - ▶ Start date
 - ▶ Termination date
 - ▶ Pay frequency
 - ▶ Pay rate
 - ▶ Anticipated pay increases
 - ▶ Year-to-date earnings
 - ▶ Bonuses
 - ▶ Overtime



Self Employment

- ▶ **What should be verified?**
 - ▶ Net income (gross income – expenses)
 - ▶ Withdrawal of cash or assets except to the extent it is a reimbursement of cash or assets invested by the family
 - ▶ Expenditures for business expansion or amortization of capital indebtedness which are not deducted from the gross income
 - ▶ Allowance for depreciation of assets used in business or profession based on straight line depreciation



Social Security, Welfare, Unemployment, or Pension Benefits

- ▶ Social Security and SSI—use EIV information unless disputed and supported by documentation.
- ▶ Unemployment—reported to EIV by SWA, if disputed, tenant should contact SWA and provide PHA with written correspondence regarding their attempts to correct information.
- ▶ Private Pensions—not reported to EIV, attempt 3rd Party, but statements provided to the tenant by the financial firm are acceptable.



Child Support Benefits

- ▶ **Not available in EIV**
- ▶ **What must be verified?**
 - ▶ Amount of payment
 - ▶ Whether payments are currently being received



Verification Standards for Income/Assets

EIV

UIV
(Other)

Written 3rd Party

Written Third Party
Verification Form

Oral Third Party

Tenant Declaration



No 3rd Party Verification Possible?

- ▶ Document why!



Adjusted Annual Income

- ▶ **Consists of:**
 - ▶ Annual Income, minus
 - ▶ \$480 per Dependent Deduction, minus
 - ▶ \$400 Elderly/Disabled Deduction, minus
 - ▶ Unreimbursed medical expenses for elderly/disabled family beyond 3% threshold, minus
 - ▶ Unreimbursed reasonable attendant care and auxiliary apparatus expenses for family member with disabilities to the extent necessary to allow family member to be employed, not to exceed earned income, beyond 3% threshold, minus
 - ▶ Reasonable childcare expenses which enable family member to work or pursue education, minus
 - ▶ PH Permissible Deductions, minus
 - ▶ EID



Dependent Deduction

- ▶ **What is it?**
 - ▶ Gives an allowance of \$480 per dependent, disabled family member, or full-time student
- ▶ **How is it calculated?**
 - ▶ Number of dependents X \$480
- ▶ **Verification**
 - ▶ Minor family member—documentation demonstrating family member is a minor
 - ▶ Disabled family member—documentation demonstrating family member is disabled
 - ▶ Full-time student—current enrollment status letter



Elderly/Disabled Family Deduction

▶ What is it?

- ▶ Family whose head, spouse, or sole member is disabled or over 62 years old receives a \$400 deduction

▶ How is it calculated?

- ▶ Eligible Family X \$400

▶ Verification

- ▶ EIV
- ▶ Disability verification form completed by medical professional
- ▶ Birth Certificate



Medical Expense Deduction

- ▶ **What is it?**

- ▶ Beyond 3% of annual income, elderly/disabled families may deduct the amount of unreimbursed medical expenses

- ▶ **Verification**

- ▶ Eligible expenses—IRS Publication 502
- ▶ Verification from medical providers
- ▶ Tenant provided documents



Disability Expense Deduction

- ▶ **What is it?**

- ▶ Beyond 3% of annual income, the attendant care or apparatus which allows a family member to work

- ▶ **Verification**

- ▶ Typically tenant documents due to Health Insurance Portability and Accountability Act of 1996 (HIPAA)



Calculating Medical/Disability Expense Deduction

- ▶ **Medical Expenses Only**
 - ▶ Unreimbursed Medical Expenses – 3% of Annual Income
- ▶ **Disability Expenses Only**
 - ▶ Unreimbursed Disability Expenses – 3% of Annual Income



Calculating Medical/Disability Expense Deduction

- ▶ The 3% threshold amount must only be counted once in considering medical/disability expense deductions
- ▶ Disability assistance deductions must be calculated before medical deductions since it is limited by amount person works



Childcare Deduction

- ▶ Family is eligible if childcare expenses for children 13 and under that are incurred to allow a family member to work, actively seek work, or pursue education
- ▶ Deduction amount may not be greater than employment income
- ▶ Family may not be denied solely because a family member *could* take care of the children
- ▶ Verification
 - ▶ Actively seeking employment—verify with W-2/Welfare to Work program; tenant provided statement
 - ▶ Employed—Wage income
 - ▶ Pursue education—enrollment verification



PH Permissible Deductions

- ▶ **What are they?**
 - ▶ Allows PHAs to construct their own allowable deductions, so long as they are affordable to the PHA



Formerly Titled:
Earned Income Disregard (EID)

- ▶ **Now: Self-Sufficiency Incentives**
Disallowance of increase in annual
income



Self-Sufficiency Incentives

Disallowance of increase In annual income

- ▶ The regulation can be found at 24 CFR 5.617 this pertains to Section 8 programs;
 - ▶ for persons with disabilities only

- ▶ The regulation can be found at 24 CFR 960.255 pertains to Public Housing;



Self-Sufficiency Incentives are applicable to these programs:

- ▶ Public Housing
- ▶ Section 8 Voucher Program
- ▶ HOME Investment Partnership Program
- ▶ Supportive Housing Program
- ▶ Housing Opportunities for Persons with AIDS



EID

- ▶ Rent in any of these programs usually increases when a resident's income increases. With the self-sufficiency incentive, rent is not increased for the first 12 months after the person income increases due to work.
- ▶ Only 50% of the income increase is counted in calculating rent for the second 12 months.



Example:

- ▶ **Sam's old income (not working)**
 - ▶ **Supplemental Security Income (SSI) check of \$674**
 - ▶ **Sam's new income when working**
 - ▶ **Wages of \$300 + SSI of \$566 + \$866.50**
 - ▶ **Sam now has \$192.50 more income each month. Usually, his rent would increase by about \$58 due to his overall increase in income. However, if Sam is eligible for the Self-sufficiency incentive, there is no increase in his rent for the first 12 months that he has this income. In the second 12 months, only 50% or \$96.25 of his income increase would be included in figuring his rent increase.**
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Rent Calculation

Low-Rent Public Housing
Housing Choice Voucher Program

Public Housing Rent Calculation

	Annual Income:	\$25,000.00
	Adjusted Annual Income:	\$19,700.00
	Utility Allowance:	\$30.00
<i>Income-based Rent</i>		
1	Monthly Income (Annual Income/12):	\$2,083.33
2	10% of Monthly Income (Line 1 X 0.10):	\$208.33
3	Monthly Adjusted Income (Adjusted Income/12):	\$1,641.67
4	30% of Monthly Adjusted Income (Line 3 X 0.30):	\$492.50
5	Welfare Rent (if applicable):	NA
6	Minimum Rent:	\$50.00
7	Ceiling Rent (if applicable):	NA
8	Total Tenant Payment (Highest of Lines 2, 4, 5, 6, 7):	\$492.50
9	Utility Allowance:	\$30.00
10	Income-based Tenant Rent (Line 8 minus Line 9):	\$462.50



HCV Rent Calculation

- ▶ Example 1 – Gross Rent = Payment Standard
- ▶ Example 2 – Gross Rent > Payment Standard
- ▶ Example 3 – Gross Rent < Payment Standard





Questions?



Comments? Concerns?