

Income Verification Documentation

CDBG-DR Subrecipient Training

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National Objective

- ▶ The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives: benefit to low- and moderate- income (LMI) persons; aid in the prevention or elimination of slums or blight; and meet a need having a particular urgency (referred to as urgent need).
- ▶ Low-to-Moderate income is defined as combined household income at or below 80% of the area medium income limit.
- ▶ All disaster recovery programs are modeled on the Federal Registrars regulation that 70% of program expenditures benefit low to moderate income persons. Exceptions to that regulation are made occasionally for specific disasters.

Income Determination Process

- ▶ Step 1: Application
- ▶ Step 2: Income Verification
- ▶ Step 3: Asset Verification Step
- ▶ Step 4: Calculation Step
- ▶ Step 5: Certification
- ▶ Step 6: Award

Income Determination Overview

- ▶ There are varying methods for income calculation under U.S. Department of Housing and Urban Development (HUD) funded grant programs. HUD leaves the decision of the income calculation method to the grantee in order to provide maximum flexibility to grant recipients. However, the income calculation method selected for each program must be applied consistently to all applicants.
- ▶ Regardless of method used, programs must utilize the most recent HUD income limits, adjusted for family size and by geographic area (county or metropolitan area). The income limits are updated annually by HUD.
- ▶ Income certification requires documentation project total household income for the current and next 12 months. Income must be collected for all adult household members over the age of 18.

This training will address both calculating income for Part 5 (CFR 5.609) Method and the IRS 1040 (AGI) Method. The chart below highlights the primary differences in the definition of the two methods:

Part 5 (24 CFR 5.609) Income Certification

- ▶ All income sources and assets included in calculation
- ▶ Includes gross amount of social security
- ▶ Includes child support received
- ▶ Includes assets

IRS 1040 (AGI) Income Certification

- ▶ Only taxable amount of income & asset inclusions and 1040 adjustments
- ▶ Includes only taxable amount of net social security
- ▶ Excludes child support received
- ▶ Excludes assets unless they are taxable

Additional similarities...

- ▶ Both methods require documents to project total household income for the current and next 12 months. Income must be collected for all adult household members over the age of 18.
- ▶ Regardless of method used, programs must utilize the most recent HUD income limits, adjusted for family size and by geographic area (county or metropolitan area). The income limits are updated annually by HUD
- ▶ Both methods require applicant self-attestation forms that must accompany income documentation provided.

AGI Income Inclusions

- ❖ Wages, salaries, tips, etc.
- ❖ Taxable interest.
- ❖ Dividends.
- ❖ Taxable refunds, credits or offsets of State and local income taxes.
Exceptions documented in IRS Form 1040 instructions.
- ❖ Alimony (or separate maintenance payments) received.
- ❖ Business income (or loss).
- ❖ Capital gain (or loss).
- ❖ Other gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold).
- ❖ Taxable amount of individual retirement account (IRA) distributions.
- ❖ Taxable amount of pension and annuity payments.
- ❖ Rental real estate, royalties, partnerships, S corporations, trusts, etc.
- ❖ Farm income (or loss).
- ❖ Unemployment compensation payments.
- ❖ Taxable amount of Social Security benefits.
- ❖ Other income. (Includes: prizes and awards; gambling, lottery or raffle winnings, etc)

| Income Type | Document | Document Requirements | Amount for Income Calculation |
|------------------------------|--|---|--|
| All Sources | Most recent tax return | Signed by preparer or applicant | AGI (Line 37 of 1040, Line 21 of 1040A, Line 4 of 1040EZ) |
| | Tax transcript | Completed 4506-T for transcript processing per program accessibility | AGI |
| Salaries & Wages* | Last 3 months of pay stubs | Household member's name, gross pay amount, pay stub dates cover all periods within the last 3 months. | Average gross per period from the pay stubs provided, multiplied by the periods of pay per year. |
| | Signed statement from employer stating the wage and frequency of payment | Household member's name, gross pay amount, pay frequency, employer's signature | Gross wage certified by employer, multiplied by the periods of pay per year. |
| Benefits* | Social Security | Most recent benefit statement, household member's name, gross benefit amount, benefit frequency | Net taxable social security benefit, gross pension, retirement and the like benefit, multiplied by periods the benefit is received per year. |
| | Retirement | | |
| | Pension | | |
| | Unemployment | | |
| Zero Income | Zero Income Certification Form | Completed, signed form | \$0 |

*Sample Income Attestation Form

I, _____, have applied for or am a part of the household that applied for assistance under the Program. I understand that Program regulations require verification of all income sources from household members 18 years of age or older. My income sources and expenses are as follows:

| INCOME SOURCES <i>Please check all that apply*</i> | DEDUCTIONS <i>Please check all that apply*</i> |
|--|--|
| <input type="checkbox"/> Gross wages, salary, overtime, commissions, tips, etc. | <input type="checkbox"/> IRA deduction |
| <input type="checkbox"/> Taxable amount of Social Security benefits | <input type="checkbox"/> Health Savings Account deduction |
| <input type="checkbox"/> Unemployment compensation | <input type="checkbox"/> Moving Expenses (military orders only) |
| <input type="checkbox"/> Alimony received | <input type="checkbox"/> Self-Employment Health Insurance |
| <input type="checkbox"/> Taxable amount on IRA distributions | <input type="checkbox"/> Alimony paid (for decrees before 2019) |
| <input type="checkbox"/> Taxable amount on pensions/annuities | <input type="checkbox"/> Student loan interest deduction |
| <input type="checkbox"/> Rental property income | <input type="checkbox"/> Educator expenses deduction (for k-12 only) |
| <input type="checkbox"/> Business income or (loss) | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Farm income or (loss) | |
| <input type="checkbox"/> Taxable interest | |
| <input type="checkbox"/> Taxable refunds, credits or offsets of state and local income taxes | |
| <input type="checkbox"/> Other: _____ | |
| | SOCIAL SECURITY BENEFITS* |
| | <input type="checkbox"/> Tax-Exempt Interest |

***Applicant must provide supporting documentation for all checked items.**

For purposes of the Program accurately calculating your income per the 1040 Adjusted Gross Income (AGI) method, please select one of the following IRS filing statuses if you were to file taxes:

| IRS Filing Status | |
|--|---|
| <input type="checkbox"/> Single, Head of Household, or Qualifying Widow(er) | <input type="checkbox"/> Married filing jointly |
| <input type="checkbox"/> Married filing separately and lived apart from spouse for all of prior year | <input type="checkbox"/> Married filing separately and lived with your spouse at any time during prior year |

I understand that any misrepresentation of information or failure to disclose information requested on this form could disqualify the household from being eligible for the Program. I also understand that this self-attestation may be subject to further verification by the U.S. Department of Housing & Urban Development, the Program or any other State or Federal agency. I, therefore, authorize such verification, and I will provide supporting documents, if necessary. **WARNING:** Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the U.S. Government.

I certify that the above information is true and correct.

Check One: **APPLICANT** **HOUSEHOLD MEMBER**

Signature

Printed Name

Date

*Sample Zero Income Certification Form

I, _____, have applied for or am a part of the household that applied for assistance under the Program. I understand that Program regulations require verification of all income sources from household members 18 years of age or older. I am aware that Income includes but is not limited to:

- Gross wages, salaries, overtime pay, commissions, fees, tips and bonuses
- Net income from operation of a business or from rental or real personal property
- Interest, dividends and other net income of any kind for real personal property
- Periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits (except insurance proceeds received as a result of someone's death) and other similar types of period receipts
- Lump sum payment(s) for the delayed start of a periodic payment (except as provided in 24 CFR 5.609(b)(5))
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay
- Alimony (or separate maintenance payments) received
- Farm income (or loss)
- Regular pay, special pay and allowances of a head of household or spouse who is a member of the Armed Forces (whether or not living in the dwelling)
- Regular monetary gifts from family and/or friends
- Other income, including prizes and awards; gambling, lottery or raffle winnings; jury duty fees

I have stated during this verification process that I have no income at this time. I understand that any misrepresentation of information or failure to disclose information requested on this form could disqualify the household from being eligible for the Program. I also understand that this certification statement may be subject to further verification by the U.S. Department of Housing & Urban Development, the Program or any other State or Federal agency. I, therefore, authorize such verification, and I will provide supporting documents, if necessary.

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the U.S. Government.

I certify that the above information is true and correct.

Check One:

APPLICANT

HOUSEHOLD MEMBER

Signature

Date

Paystub Verification

- ▶ **Weekly Income:** 3 full months of consecutive pay stubs for every week (i.e. 12 stubs).
- ▶ **Bi-Weekly Income:** 3 full months of consecutive pay stubs (i.e. 6 stubs). If a month has 3 pay periods, then the program should have 7 stubs.
- ▶ **Semi-Monthly/Bi-Monthly:** 3 full consecutive months of pay stubs (i.e. 6 stubs)
- ▶ **Monthly Income:** 3 full consecutive months of stubs (i.e. 3 stubs).
- ▶ **Missing Pay Stubs/\$0.00 Pay Stub:** If an applicant is missing a pay stub because they did not work during a specific pay period, then the program must collect an additional paystub from the applicant, including the \$0.00 stub.

Calculating the taxable amount of Social Security Income

- ❖ An analysis to determine the taxable portion of Social Security benefits may be necessary if the applicant has not filed a tax return from which the applicant's AGI can be obtained and/or is not included. This process applies to those applicants who did not file a tax return or who indicate that Social Security makes up part of their total income.
- ❖ Using the Net (Box 5) income from SSA-1099 form or net periodic benefit documented in award letter provided by the applicant, you may refer to IRS Worksheet A to determine the taxable portion of the social security benefit.

IRS Worksheet A

<https://www.irs.gov/pub/irs-pdf/p915.pdf>

Worksheet A. A Quick Way To Check if Your Benefits May Be Taxable

Note. If you plan to file a joint income tax return, include your spouse's amounts, if any, on lines A, C, and D.

A. Enter the amount from **box 5** of **ALL** your **Forms SSA-1099** and **RRB-1099**. Include the full amount of any lump-sum benefit payments received in 2019, for 2019 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.) A. _____

Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Multiply line A by 50% (0.50) B. _____

C. Enter your total income that is taxable (excluding line A), such as pensions, wages, interest, ordinary dividends, and capital gain distributions. Don't reduce your income by any deductions, [exclusions](#) (listed earlier), or exemptions C. _____

D. Enter any tax-exempt interest income such as interest on municipal bonds D. _____

E. Add lines B, C, and D E. _____

Note. Compare the amount on line E to your **base amount** for your **filing status**. If the amount on line E equals or is less than the **base amount** for your filing status, none of your benefits are taxable this year. If the amount on line E is more than your **base amount**, some of your benefits may be taxable. You need to complete [Worksheet 1](#). If none of your benefits are taxable, but you otherwise must file a tax return, see [Benefits not taxable](#), later, under *How To Report Your Benefits*.

Additional resources for Social Security Benefits

- ▶ If an applicant or household member does not have a SSA-1099 or benefit letter, they applicant may obtain the information needed for program income calculation purposes by either creating an online account with the SSA [<https://www.ssa.gov/myaccount/>] or contacting the SSA directly by phone at 1-800-772-1213.
- ▶ ** Note: No program staff should ever create an account on behalf of an applicant even if they request assistance.

- ❖ A detailed list of Income inclusions and exclusions as well as Asset inclusions for Part 5 Method may be obtained at <https://www.hudexchange.info/resource/5180/part-5-section-8-income-inclusions-and-exclusions/>.

Examples of Income Inclusions

Wages, salaries, overtime, commissions, tips, and bonuses

Net income from operation of a business or profession

Periodic payments (Social Security, annuities, regular contributions to income)

Payments in lieu of earnings (Unemployment, TANF, etc.)

Welfare assistance (not food stamps)

Periodic and determinable allowances, alimony and child support

All regular pay, special and allowances for armed forces (not hostile fire)

Earnings of temporarily absent household members

Examples of Income Exclusions

Earnings over \$480 for full-time students (adults 18 years of age and older, who is not the head, spouse or co-head of household)

Adoption assistance over \$480 per adopted child

Deferred payments of SSI and veterans benefits (lump sum payments)

Refunds/rebates by state or local law

State agency payment for care of developmentally disabled member

Various Federal statuses exclude. Examples: food stamps, payments to volunteers, Title V of Older American Act, earned income tax credits

Income Calculation

- ▶ Programs may draft their own version of an Income Calculation Worksheet to be uploaded with and applicant's file or they may utilize the HUD income calculator.

<https://www.hudexchange.info/incomecalculator/>

Resources and assistance to support HUD's community partners

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New

[Home](#) > [CPD Income Eligibility Calculator and Income Limits](#)

CPD Income Eligibility Calculator and Income Limits

Welcome to CPD's Income Eligibility Calculator, an interactive tool that makes determining the income eligibility and assistance amounts for beneficiaries of CPD programs as easy as 1-2-3. Simply enter the requested data and this calculator will work behind the scenes to generate a summary of results for each beneficiary. You should then print out the summary and include it as part of the beneficiary's file.

The calculator currently performs income eligibility and assistance amount calculations for the following HUD CPD programs:

- Brownfield Economic Development Initiative (BEDI)
- Community Development Block Grant Program (CDBG)
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Trust Fund (HTF)
- Neighborhood Stabilization Program (NSP)



Related Materials

[Income Eligibility Calculator User Manual \(PDF\)](#)

[CDBG Income Limits](#)

[ESG Income Limits](#)

[HOME Income Limits](#)

[HTF Income Limits](#)

[HOPWA Income Limits](#)

Additional Resources

- CDBG-DR Website at HUD Exchange:
<https://www.hudexchange.info/programs/cdbg-dr/>
- Relevant supplemental appropriations law(s) and Federal Register Notice(s): <https://www.hudexchange.info/programs/cdbg-dr/cdbg-dr-laws-regulations-and-federal-register-notices/>