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<http://www.hud.gov:80/offices/cpd/affordablehousing/training/calculator/definitions/part5.cfm>.



Part 5 Definition

The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. This definition sounds straightforward, but there are several specific issues related to the calculation of Part 5 annual income.

- ▶ Background on Using Part 5
- ▶ Whose Income to Count
- ▶ Types of Income to Count
- ▶ Treatment of Assets

The words highlighted above are key parts of the following phrases, which are essential to understanding the requirements for calculating Part 5 annual income.

- ▶ **Gross amount.** For the types of income counted in the Part 5 definition, gross amounts (before any deductions have been taken) are used.
- ▶ **Income of all adult household members.** The Part 5 definition contains income "inclusions" (types of income to be counted) and "exclusions" (types of income that are not considered) for all adult members of a household.
- ▶ **Anticipated to be received.** Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. A PJ must, therefore, use a household's expected ability to pay, not their past earnings, when estimating housing assistance needs.

Background on Using Part 5

The HOME Program previously required PJs to use only the Section 8 Program definition of annual income to determine the eligibility of applicants to their HOME programs.

The rules concerning Section 8 annual income were previously found at 24 CFR Part 813. However, Part 813 was removed from the Federal regulations on October 18, 1996. At the same time, 24 CFR Part 5 was published. Subpart F of Part 5 consolidated the requirements pertaining to income for many of HUD's programs, including Section 8.

Currently, the definition of annual income found at 24 CFR Part 5 is used by a variety of Federal programs, including:

- ▶ the HOME Investment Partnership Program,
- ▶ the Community Development Block Grant Program,

- ▶ the Section 8 Program,
- ▶ public housing programs, and
- ▶ the Low Income Housing Tax Credit Program.

Within each of these programs, the Part 5 definition of annual income can be used to determine program eligibility and, in some programs, the level of assistance the household will receive.

In some cases, two or more Federal programs may provide assistance to a single program or project at the local level. When this is the case, the PJ should be careful to choose a definition for income determinations that is permitted in all of the relevant Federal programs.

Whose Income to Count

Under the Part 5 definition of annual income, income from certain groups of people requires special consideration when calculating a household's annual income. Click on the key words below for more information on how to count the income of the following categories of people:

- ▶ Minors (age 17 and under)
- ▶ Live-in aides
- ▶ Temporarily absent family members
- ▶ Permanently absent family members
- ▶ Adult students living away from home

Types of Income to Count

At its most basic level, the Part 5 definition of annual income is made up of the types of household income that are:

- ▶ included in the definition ("inclusions"), and
- ▶ excluded from the definition ("exclusions").

A list of the Part 5 income "inclusions" and "exclusions" is published in the Code of Federal Regulations at 24 CFR 5.609. This list is periodically updated by HUD when changes are made to the Part 5 definition of annual income by the United States Congress.

Administrators of HOME and other Federal programs are generally expected to implement any changes to the regulations within 60 days of publication in the Federal Register.

Located below are easy-to-read tables showing the Part 5 income inclusions and exclusions published at 24 CFR 5.609 on April 1, 1998.

Search the Federal Register for changes to the Part 5 definition of annual income. (For best results, indicate that all Federal Register editions should be searched by the web site and type "24 CFR part 5", including the quotation marks, into the Search Terms field on this web page.)

Welfare assistance is generally counted in the Part 5 definition of annual income. Most PJs will therefore use the actual gross amount of welfare assistance the household receives in the calculation of "annual income". However, in certain "as-paid" localities a special calculation is required.

Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 1998)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot 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 will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	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. An allowance for depreciation is permitted only as authorized in number 2 (above). 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 net family 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.
4. Retirement & Insurance Income	The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, 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 in number 14 of Income Exclusions).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance	Welfare Assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of: · the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus · the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 1998)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
7. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
8. Self-Sufficiency Program Income	<ul style="list-style-type: none"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and that are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend (as defined in 24 CFR 5.609(c)(8)(iv)). e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.
9. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
10. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims under the laws of that government by persons who were persecuted during the Nazi era.
11. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
12. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
13. Family Support Act Income	For public housing only, the earnings and benefits to any family member resulting from the participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, section 22 of the 1937 Act (43 U.S.C. 1437t), or any comparable federal, state or local law during the exclusion period.
14. Social Security & SSI Income	Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care	Amounts paid by a state agency to a family with a member who has a

Assistance	developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including:</p> <ul style="list-style-type: none"> ▶ The value of the allotment made under the Food Stamp Act of 1977; ▶ Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions); ▶ Payments received under the Alaskan Native Claims Settlement Act; ▶ Payments from the disposal of funds of the Grand River Band of Ottawa Indians; ▶ Payments from certain submarginal U.S. land held in trust for certain Indian tribes; ▶ Payments, rebates or credits received under Federal Low-Income Home Energy Assistance Programs (includes any winter differentials given to the elderly); ▶ Payments received under the Main Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 92 Stat. 1785); ▶ The first \$2,000 of per capita shares received from judgements awarded by the Indian Claims Commission or the Court of Claims or from funds the Secretary of Interior holds in trust for an Indian tribe; ▶ Amounts of scholarships funded under Title IV of the Higher Education act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs, or veterans benefits; ▶ Payments received under Title V of the Older Americans Act (Green Thumb, Senior Aides, Older American Community Service Employment Program); ▶ Payments received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.); ▶ Earned income tax credit; ▶ The value of any child care provided or reimbursed under the Child Care and Development Block Grant Act of 1990; and ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, State job training programs and career intern programs).

Welfare Rent

In an "as-paid" jurisdiction, welfare assistance for housing costs is established separately from the rest of the welfare assistance and may be adjusted based on the actual cost of the family's housing. For welfare recipients, PJs in "as-paid" jurisdictions must count the following as income

- ▶ the amount of general assistance the family receives, **plus**
- ▶ the maximum amount of housing assistance the family could receive (rather than the amount the household is actually receiving).

Treatment of Assets

When using the Part 5 definition of annual income, PJs must determine the

answers to the following three questions regarding family assets:

1. What should be included as an asset?
2. How should the value of the assets be computed?
3. How should the actual income from assets be determined for inclusion in the annual income calculation?

There is no limitation on assets for participants in the HOME Program, though some other assistance programs may require families to "spend down" assets before they can participate.

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U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410
Telephone: (202) 708-1112 TTY: (202) 708-1455