

IV. INCOME REVIEW PROCEDURES FOR BMR OWNERSHIP AND RENTAL UNITS

A. Sources of Income

Income maximums are based on “gross” income derived from all sources as detailed in Internal Revenue Code (26 USC Section 61), whether or not exempt from federal income tax. Such income includes, but is not limited to, the following:

- Compensation for services, including fees, commissions, and similar items;
- Income from assets;
- Gross income derived from business;
- Gains derived from dealings in property;
- Interest;
- Rents;
- Royalties;
- Dividends;
- Alimony and separate maintenance payments;
- Annuities;
- Income from life insurance and endowment contracts;
- Pensions;
- Income from discharge of indebtedness;
- Distribution share of partnership gross income;
- Income in respect of a decedent;
- Income from an interest in an estate or trust; and
- Public benefits including but not limited to CalWorks, SSI, Disability income.

B. Determining Baseline Household Income

MOH projects future income based on the gross income on each applicant’s past three statements from each source of income. MOH must review income documentation for all Household members 18 years and older, regardless of dependency status.

Calculating Income from Paystubs

For employed applicants, annual income is derived by dividing the year-to-date gross income by the current pay period count and then by annualizing an estimated pay period amount by the total pay period count over one year.

Example of Calculating Income with Paystubs:

Year-to-date (YTD) income as stated on the most recent paystub for the calendar year = \$20,000

Current pay period on most recent pay stub = 10

Estimated pay period amount = \$2,000 (\$20,000 divided by 10)

Total number of pay periods in one year for the applicant = 24

Annualized pay = \$48,000 (\$2,000 x 24)

Tips and Bonuses

When calculating income based on paystubs, tips and commission will be annualized. Bonuses will be annualized unless the applicant can provide documentation from the employer that the bonus was a one-time occurrence. In this case, the bonus amount will be removed from the annualization of the income and added in one time to the total annual income that is determined.

Seasonal Workers

MOH will not annualize current income for seasonal workers who provide a Verification of Employment from their employer(s) verifying that the work does not occur year-round.

Calculating Income from Government Income

For applicants receiving government income of any source, the income is derived by multiplying a regular monthly statement by 12 months or by referring to an annual award letter.

Calculating Income from Self-employed Income

All self-employed applicants must submit a notarized Self-Employed affidavit provided by MOH. If self-employed for 2 or more years of federal income tax returns, MOH will average net income on the 2 years of tax returns. If self-employed less than 2 years of federal tax forms, MOH will annualize the submitted Profit & Loss statement.

Calculating Income from Cash Income

In the case of an applicant who is paid in cash for employment, MOH will require a Verification of Employment from the applicant's employer to confirm annual income and IRS form 4506-T to verify that no taxes were paid.

Unemployed Applicants

Unemployed applicants who are receiving no income at all should submit an Unemployed Affidavit as provided by MOH in place of income statements. Applicants receiving unemployment benefits do not need to complete the Unemployed Affidavit as unemployment benefits are considered income.

Verification of Employment

An official Verification of Employment that is signed by an applicant's employer shall be used as the final proof of an applicant's income, if needed.

Income from Commercial Property or Land Owned

The net income from any commercial property or land owned by any applicant shall be counted toward the annual Household income.

C. Asset Test

MOH will apply an asset test to all applicants, including all custodial accounts held for minors. Household assets up to \$60,000 will not be counted toward Household income. 10% of all assets above \$60,000 will be added to the total Household income.

Assets include all liquid asset accounts, including but not limited to savings, checking accounts, Certificates of Deposit, stocks, and gifts. MOH will not count qualified retirement accounts toward an applicant's income. Such retirement accounts are limited to accounts that are intended for retirement and that would incur a penalty if withdrawn before a specified retirement age per each account. Such accounts include but are not limited to 401K and 403B accounts. MOH will also not count 529 college savings toward an applicant's income.

Example of Addition of the Asset Test to Baseline Household Income:

Household of 4 earns \$50,000 a year

Total Household assets = \$140,000

First \$60,000 of assets is excused: $\$140,000 - \$60,000 = \$80,000$ remaining

10% of remaining \$80,000 is added to income: $\$80,000 \times 10\% = \$8,000$

Total amount added to income: \$8,000

New total Household income: $\$50,000 + 8,000 = \$58,000$

D. Asset Test Exemption for Seniors

For any senior aged 62 and older who is the Head of Household, MOH shall discount \$127,000 from total assets prior to performing the typical imputed income calculations.

For married seniors where one person is the Head of Household and the other has been nonworking, MOH shall discount \$190,000 (rather than 2x the single rate) from total assets prior to performing the typical imputed income calculations.

Any actual IRA or other retirement funds will be deducted from these amounts first. For example, if an applicant has \$10,000 in an IRA, and \$170,000 in non-IRA assets, MOH will reduce the waiver amount by \$10,000, from \$127,000 to \$117,000.

The asset deduction amount will be adjusted each year based on the then-current running total as published at www.sf-moh.org.