

Attachment # 10

US HUD Calculations of Annual and Adjusted Income

HUD > Program Offices > Community Planning and Development > Affordable Housing > HOME Training > HOME Front - Interactive Technical Support for the HOME Program > Calculating Income Eligibility > Calculating Adjusted Income

Calculating Adjusted Income

Under the HOME Program, "**annual (gross) income**" is calculated in order to determine whether a household's income makes them eligible to participate in a HOME program.

In contrast, "adjusted income" as defined in 24 CFR 5.611 is used to determine total tenant payment (TTP), which is a measure of a household's ability to pay housing costs. Under the HOME Program, "adjusted income" is used only to calculate the following:

1. The PJ's subsidy and tenant's share of rent under a HOME-funded TBRA program;
2. The rent for a tenant in a HOME-assisted rental unit whose income increases above 80 percent of the area median; and
3. The rent for a tenant if the PJ has a rental housing program in which rents are based on the household's ability to pay.
 - Under HOME rental housing programs, the rent each family pays is not usually determined based specifically on that family's ability to pay. Rather, "high" and "low" HOME rents are generally established for each unit in the project and the family pays the rent established for the unit they will occupy.
 - Nonetheless, HOME Program rules do permit PJs to design a program in which rents are determined based on the household's ability to pay. If a PJ elects this option, it must use "adjusted income" when calculating tenant rents.
4. The household's eligibility for, and the amount of, assistance to be provided under the Uniform Relocation Act (URA) or Section 104(d) relocation and tenant assistance requirements.

Click here to go to the topic on **calculating assistance amounts**, which are based on the calculation of adjusted income described in this topic.

Note that the "adjusted income" calculation is not needed for HOME-funded homebuyer or owner-occupied rehabilitation programs.

Calculating Adjusted Income

Deductions by Household Type

Elderly/Disabled

Household Deductions

Dependent Deductions

Child Care Deductions

Medical Deductions

Disability Deductions

Both Medical and

Disability Deductions

Calculating Income Eligibility Contents

General Requirements

Three Definitions of Income

Calculating Adjusted Income

Calculating Assistance Amounts

Calculator

Adjustments to Income

Adjusted income is derived by subtracting any of five deductions, also known as allowances, that apply to the household from the household's **"annual (gross) income."** The deductions must be applied whenever "adjusted income" is calculated for eligible households.

A household's eligibility for adjustments to "annual (gross) income" depends in part on whether the household qualifies as a(n):

- **"elderly"** household,
- **"disabled"** household, or
- **"family"** (non-elderly, non-disabled) household.

Click on the key words above for a definition of each household type.

While defined at 24 CFR 5.611, the following deductions are applied to eligible households regardless of the definition of "annual (gross) income" that was initially used to determine their eligibility for the HOME Program. They are:

- **Elderly or disabled** household deductions,
- **Dependent deductions,**
- **Child care expenses deductions,**
- **Medical expenses deductions,** and
- **Disability assistance expenses deductions.**

Click on the key words above to learn how each deduction is applied when calculating adjusted income.

NOTE: Not all households are eligible for all deductions!

Click here to see a **chart** summarizing the allowable deductions for each household type.