

## Attachment 6-A

### ANNUAL INCOME EXCLUSIONS

**Annual income is defined in 24 CFR 5.609(a) and (b).** Annual income includes all amounts received from all sources by each member of the household who is 18 years of age or older or is the head of household or spouse of the head of household, plus unearned income by or on behalf of each dependent who is under 18 years of age.

Annual income does not include the following:

- (1) All amounts that HUD is required by Federal statute to exclude from annual income. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. (As of May 1, 2025, the HUD published exclusions are found here: [Federal Register, Vol 89, No. 21, published January 31, 2024.](#))
- (2) Any imputed income on an asset when net family assets total \$51,600 or less (adjusted annually – [HUD published Inflationary Adjusted Value](#)) and no actual income from the net family asset can be determined. (See Attachment 6-D for Net Family Assets.)
- (3) Non-recurring income. Income that will not be repeated in the coming year is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker (as defined in 24 CFR 5.603) is not excluded from income under 24 CFR 5.609(b)(24), even if the source, date, or amount of the income varies.

Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 CFR 5.609(b)(24) as nonrecurring income. Please note that the list is not all inclusive:

- i. Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment.
- ii. Direct Federal or State economic stimulus payments.
- iii. Amounts directly received by the family as a result of State refundable tax credits or State tax refunds at the time they are received.
- iv. Amounts directly received by the family as a result of Federal refundable tax credits or Federal tax refunds at the time they are received.

- v. Gifts for holidays, birthdays, or other significant life events or milestones (e.g., wedding, baby shower, or anniversary gifts).
  - vi. In-kind donations (e.g., food, clothing, or toiletries received from a food bank or similar organization).
  - vii. Lump-sum additions to net family assets (e.g., lottery winnings, contest winnings, etc.).
- (4) Gross income a family member receives through self-employment or operation of a business. Gross income is all income amounts received into the business, prior to the deduction of business expenses. The net income from self-employment or the operation of a business is considered income. Net income is the “gross income amount minus business expenses” that allows the business to operate.
- i. Expenditures for business expansion or amortization of capital indebtedness shall not 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; and
  - ii. Any withdrawal of cash or assets from the operation of a business is income except to the extent that such withdrawal is to reimburse the family member for cash or assets that the family has invested in the operation of the business.
- (5) Earned income of children under 18 years of age, including foster children.
- (6) Adoption assistance payments for a child in excess of the amount of the dependent deduction.
- (7) Earned income of dependent full-time students in excess of the amount of the dependent deduction. Full-time students must be dependent family members for this exclusion to apply. This exclusion does not apply to the head of household, spouse, or co-head. This means that the first \$480 of the income (subject to change annually based on the [HUD published Inflationary Adjusted Value](#)) earned by dependent full-time students will be included in the family’s calculation of annual income.
- (8) (Non-Section 8 Programs)
- Any student financial assistance, not covered under section 479B of the Higher Education Act (HEA), that exceeds the actual costs of attending school must be included as income. Student financial assistance may be paid directly to the student or the educational institution on the student’s behalf. The student financial assistance rules apply to both full-time and part-time students.

HUD regulation 24 CFR 5.609(b) specifically excludes HEA student financial assistance from a family's income. The types of financial assistance listed below are considered HEA student financial assistance programs; however, this is not an all-inclusive list.

- i. Federal Pell Grants.
- ii. Teach Grants.
- iii. Federal Work Study Programs.
- iv. Federal Perkins Loans.
- v. Student financial assistance received under the Bureau of Indian Education.
- vi. Higher Education Tribal Grant.
- vii. Tribally Controlled Colleges or Universities Grant Program.
- viii. Employment training program under section 134 of the Workforce Innovation and Opportunity Act (WIOA).

Actual covered costs include tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education. For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula can be stated in a 2-step process.

Step 1: Subtract the amount of HEA assistance from the actual covered costs to determine the amount of actual covered costs that exceeds the HEA assistance.

Step 2: Subtract the amount determined in Step 1 from the amount of non-HEA assistance to determine the amount of student financial assistance to include as income.

- If the resulting number in Step 2 is zero or a negative amount, then there will be no student financial assistance included in income (i.e., all student financial assistance is excluded from annual income).
- If the resulting number in Step 2 is a positive amount, then that is the amount that should be included in the family's income.

- (9) Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, "baby bond" accounts created, authorized, or funded by Federal, State, or local government.

- (10) Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments. This income exclusion also applies to Kinship Guardian Assistance Payments (Kin-GAP), kinship care payments, and other state-based kinship or guardianship payments that are alternatives to traditional foster care programs.
- (11) Income of a live-in aide, foster child, or foster adult as defined in 24 CFR 5.403 and 5.603, respectively.
- (12) Any amount in an Achieving Better Life Experience (ABLE) account, distributions from and certain contributions to an ABLE account. (See HUD Notice PIH 2019-09/H 2019-06 or subsequent or superseding notice.)
- (13) Payments to allow individuals with disabilities to live at home. These payments must be made by a State Medicaid managed care system (or other State agency or authorized entity) to a family to enable a family member who has a disability to reside in the family's assisted unit.
- (14) 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).
- (15) Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- (16) Irrevocable trust or revocable trust outside the control of the family or household excluded from the definition of net family assets under 24 CFR 5.603(b):
  - i. Distributions of the principal, or corpus, of the trust; and
  - ii. Distributions of income from the trust used to pay the costs of health and medical care expenses of a minor.

Any distribution from a revocable trust or a trust under the control of the family or household, except that any actual income earned by the trust, regardless of whether it is distributed, shall be considered income to the family at the time it is received by the trust. *Given that the corpus (or principal) of a trust is not new money coming in for the family, any distributions of a trust's principal, regardless of the form of the trust, are excluded.*

- (17) Insurance payments and settlements for personal or property loss, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation. (Any worker's compensation is always excluded from annual income, regardless of the frequency or length of the payments.)
- (18) Income received from any account under a retirement plan recognized as such by the Internal Revenue Service, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals. However, any distribution of periodic payments from such accounts shall be income at the time they are received by the family.

- (19) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- (20) Payments to veterans in need of regular aid and attendance, under 38 U.S.C. 1521, who is permanently and totally disabled from non-service-connected disability not the result of the veteran's willful misconduct. This income exclusion applies only to veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.

Certain veterans are eligible for “aid and attendance” payments from the Veterans Affairs (VA) Administration. These payments are distinct from payments made to veterans under other VA programs, including the Veterans Pension program. Many types of VA income, including the Veterans Pension and the VA Survivors Pension, are included in annual income.

- (21) Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of the law that resulted in a member of the family becoming a person with disabilities. (Any amounts recovered are excluded regardless of whether they are received periodically or in a lump sum payment.)
- (22) Reparation payments paid by a foreign government for claims by people persecuted during the Nazi era.
- (23) Payments received by Tribal members for claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code (IRC) or other Federal law.
- (24) Civil rights settlements or judgments, including settlements or judgments for back pay. (Such payment(s) may be made as a lump-sum or may have a payment schedule.)
- (25) Amounts received by a participant in other publicly assisted programs for or in reimbursement of out-of-pocket expenses to allow program participation (e.g., special equipment, clothing, transportation, childcare, etc.).
- (26) Amounts received under a resident service stipend of \$200 or less per month for performing a part-time service for the owner that enhances the quality of life in the development.
- (27) Incremental earnings and benefits from participation in training programs funded by HUD and qualifying Federal, State, Tribal, or local employment training programs and training of a family member as resident management staff.
- (28) Income earned on amounts placed in a family’s Family Self-Sufficiency (FSS) account.

- (29) Replacement housing “gap” payments that offset increased rent and utility costs to families that are displaced from one Federally subsidized housing unit and move into another Federally subsidized housing unit. If the gap is reduced or eliminated because of a subsequent move by the tenant or change in the subsidy, and the tenant continues to receive the payment, the payment that is no longer needed to close the gap should be counted as income.
- (30) Deferred periodic amounts from Supplement Security Income (SSI) and Social Security or Veterans Affairs (VA) disability benefits that are received in a lump sum or prospective monthly amounts.
- (31) Refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- (32) Loan proceeds (the net amount disbursed by a lender to a borrower under the terms of a loan agreement) received by the family or a third party (e.g., educational institution or car dealership). The loan borrower or co-borrower must be a member of the household.