APPENDIX I: INCOME AND ASSETS

Annual Income

Annual gross income means all amounts, monetary or not, which go to, or on behalf of, the family head or spouse or to any other family member received from a source outside the family during the 12-month period following application.

Annual income includes, but is not limited to:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

- The net income from the operation of a business or profession. 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. 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;

- 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 paragraph (b)(2) of this section. 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;

- The full amount of periodic amounts 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 amount;

- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;

- 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;

- All regular pay, special pay and allowances of a member of the Armed Forces;

- Income derived from assets to which any member of the family has access.

Annual income does not include the following:

- Income from employment of children (including foster children) under the age of 18 years;
- 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);
- 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;
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- Income of a live-in aide, as defined in Sec. 5.403;
- The full amount of student financial assistance paid directly to the student or to the educational institution;
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
- Temporary, nonrecurring or sporadic income (including gifts);
- Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts;
- Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home;
- 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 set forth in 24 CFR 5.609(c) apply.

Assets

Net Family Assets include the following:

- **Cash held in savings and checking accounts, safe deposit boxes, homes, etc**. For savings accounts, use the current balance. For checking accounts, use the

average balance for the last six months. Assets held in foreign countries are considered assets.

- **Revocable trusts.** Include the cash value of any revocable trust available to the applicant.

- **Equity in rental property or other capital investments**. Include the current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).

- **Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts**. The value of stocks and other assets vary from one day to another and should be determined within a reasonable time in advance of the applicant's submission of a lottery application.

  Individual retirement, 401K, and Keogh accounts. These are included when the holder has access to the funds, even though a penalty may be assessed. If the applicant is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)

  Retirement and pension funds. *While the person is employed*, include only amounts the applicant can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs. *At retirement, termination of employment, or withdrawal*, periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below.

    If benefits will be received in a lump sum, include the lump-sum receipt in net family assets.

    If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.

    If the applicant initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

  NOTE: This section assumes that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent

delayed periodic payments, then the amount would be considered as income and not an asset.

- **Cash value of life insurance policies available to the applicant before death (e.g., the surrender value of a whole life policy or a universal life policy**). It would not include a value for term insurance, which has no cash value to the applicant before death.

- **Personal property held as an investment**. Include gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.

- **Lump-sum receipts or one-time receipts**. These include inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.

- **A mortgage or deed of trust held by an applicant.**

  Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset.

  This combined figure needs to be separated into the principal and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)

  To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification.

  To count the imputed income for this asset, determine the asset value at the end of the 12-month period following the certification. Since this amount will continually be reduced by the principal portion paid during the previous year, the owner will have to determine this amount at each annual recertification.

Assets disposed of for less than fair market value Applicants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received.

Net family assets DO NOT **include the following:**

- Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).

- Interests in Indian trust land.

- Term life insurance policies (i.e., where there is no cash value).

- Equity in the cooperative unit in which the applicant lives.

- Assets that are part of an active business. "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's main occupation.

- Assets that are NOT effectively owned by the applicant. Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not the applicant, and (b) that other person is responsible for income taxes incurred on income generated by the assets.

- Assets that are not accessible to the applicant and provide no income to the applicant. Nonrevocable trusts are not covered under this paragraph.