NYC Housing Connect

Income Guide

Applying for Affordable Housing:

Applicant Income Guide

ABOUT THIS GUIDE

Your ***income*** is an important part of your affordable housing application.

This guide shows you how your income is calculated for affordable housing.

This is not a housing application. It will not tell you if you will get an apartment. But it can help you give accurate answers about your income.

If you are invited to an ***interview***, you will need to bring documents to confirm all of the information on your application.

Words in ***bold italics*** are explained on page 10, "Helpful Terms."

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Disclaimer: This document is intended to provide general information only. Content is based on HUD Occupancy Handbook 4350.3 and HPD and HDC Marketing Guidelines. Examples of income do not describe all possible financial situations.

What is Income?

Do you receive money from…

- A job, or more than one job?
- Working for yourself?

  Examples: Taxi driver, hair stylist, freelance artist
- Other sources, on a ***regular basis***?

  Examples: Child support, unemployment benefits, supplemental security income (SSI), pension

This money is your ***income***. You will need to know how much income you receive in order to apply for ***affordable housing***.

STEPS TO CALCULATE INCOME:

1 **Identify all of your sources of income.**

Income from **employment** (p.4)

Income from **self-employment** (p.5)

Income from **other sources** (p.7)

2 **Convert wages into yearly totals.***

Hourly wages from an employer <u>before</u> taxes and other deductions are taken out

Gross income on a pay stub (paid weekly, every two weeks, etc.)

Money earned from self-employment should be calculated as **NET income, which is the amount <u>after</u> business and other expenses are taken out.*

3 **Add income from all sources together to get your total *annual income.***

There are different ways you might receive income.

Some examples:

- A paycheck every 2 weeks
- Tips in cash at each shift
- Any kind of weekly or monthly payment, such as child support, pension, or unemployment benefits
- Holiday bonus every year

Income might be called different things.

Some examples:

- Salary
- Wages
- Earnings
- Payments

All of this money is ***income***. You will need to include it on your affordable housing application. If you go to an ***interview*** for affordable housing, you will need to bring documents to confirm your income.

REMEMBER

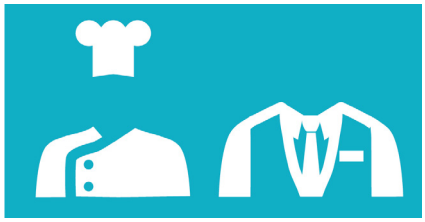
Throughout this guide, you find can more information about words in ***bold italics*** on p.10, “Helpful Terms.”

WHAT INCOME IS INCLUDED?

What Income is Included?

There are 3 main kinds of income on the affordable housing application.

1. INCOME FROM EMPLOYMENT



Money you are paid by an employer. This includes tips, bonuses, overtime, and other kinds of pay. If you receive a W-2 tax form, that money is ***income from employment.***

On the application, include the amount before taxes or other money is taken out **(*gross income*).**

For example:

- Annual salary
- Wages, including cash, paid on a ***regular basis***
  Examples: Weekly • Every 2 weeks • Twice a month • Monthly
- ***Occasional or episodic*** work for an employer
  Examples: Weekend jobs for a catering company • Per diem (daily) healthcare jobs for a hospital or agency
- Seasonal work
  Examples: Holiday season retail • Summer work for a roofing company
- Tips
- Vacation pay
- Overtime
- Bonuses and commissions you receive on a regular basis

2. INCOME FROM SELF- EMPLOYMENT

All of the money you receive in a year from working for yourself, freelancing, or being an independent contractor.

On the application, include the amount after taking out business expenses and other deductions **(*net income*).**

For example:

- "Business income (or loss)" on your tax return
- Income from owning your own business
- Freelancing
  Examples: Writer or artist paid directly by clients
- Being an independent contractor or consultant
- Being an independent service provider
  Examples: Taxi driver who owns/rents cab • Hair stylist who rents space in a salon
- Seasonal or occasional work for yourself
  Examples: House cleaner paid directly by owner • Running your own catering business in the summer

3. INCOME FROM OTHER SOURCES

All of the money you receive in a year that is paid on a regular basis, but not from working. For example: child support, social security, unemployment insurance, or interest payments.

On the application, include income from other sources only if you receive it on a ***regular basis*** (weekly, monthly, yearly, etc.).

For example:

- Alimony
- Annuity Payments
- Armed Forces Reserves
- Child Support
- Dividends
- Disability Insurance
- ***Gift Income***
- ***Interest from Assets***
- Pension
- Public Assistance (PA)
- Rental Property Income
- Social Security or SSI
- Unemployment Benefits
- Welfare Assistance
- Worker's Compensation

INCOME FROM EMPLOYMENT

1. Income from Employment

Income from employment is the money you earn from a job. It is what an employer pays you, before taxes or other deductions are taken out (***gross income***). On your application, include the amount for an entire year (***annual income***).To learn about including income from owning your own business, go to p. 5, “Income from Self-Employment.”

Do you, or any of the people you will live with, have income from...?

- ☐ An annual salary
- ☐ Hourly, daily, or weekly wages
- ☐ Getting paid in cash
- ☐ Tips
- ☐ ***Occasional or episodic*** work for an employer
  Examples: Work for a catering company • Per diem (daily) healthcare jobs for a hospital or agency
- ☐ Seasonal work
  Examples: Holiday season retail • Summer work for a roofing company
- ☐ Vacation pay, overtime, bonuses, or commissions

These are sources of ***income from employment.*** If you said yes to any of these, include the amounts in the “Income from Employment” part of your application.

HOW TO CALCULATE ANNUAL INCOME

It is important to add all of your income into a yearly, or annual, total. If you are paid regularly (such as weekly, every 2 weeks, twice a month, etc.), you must take these important steps to figure out your annual income.

Note: If you are applying online in NYC Housing Connect, you do not need to do this calculation. It happens automatically as you fill out the income information in your profile.

Option 1: Convert hourly wages to annual income:

$ you get paid for 1 hour

 # hours you usually work in 1 week

X # weeks you usually work in 1 year

= annual income

Option 2: Convert wages paid on a regular basis to annual income.

How often do you get paid?

- **Every week:**
  $ paid each week x 52 = annual income
- **Every 2 weeks:**
  $ paid every 2 weeks x 26 = annual income
- **Twice a month:**
  $ paid twice a month x 24 = annual income
- **Once a month:**
  $ paid each month x 12 = annual income

REMEMBER

Income from employment should be before taxes and other money or deductions are taken out. (This is called ***gross income***). You must include gross income for each employer for the entire year.

INCOME FROM SELF-EMPLOYMENT

2. Income from Self-Employment

Income from self-employment is all of the money you earn in a year from working for yourself, freelancing, or being an independent contractor. On your application, include the amount for the entire year, minus business expenses (***net income***). If you don't earn the same amount every year, also go to the next page, "Estimating Annual Income from Self-Employment."

Do you, or any of the people you will live with...?

- ☐ Receive 1099 tax forms
- ☐ Own your own business
- ☐ Work as an independent service provider
  Examples: Taxi driver who owns/rents cab • Hair stylist who rents space in a salon
- ☐ Do freelance work
  Examples: Artist, writer, or graphic designer paid directly by clients
- ☐ Work as a consultant or independent contractor
  Example below
- ☐ Work for yourself on an occasional or seasonal basis?
  Examples: House cleaner paid directly by owner • Babysitter paid directly by the family • Running your own catering business in the summer

These are sources of ***income from self-employment.*** If you said yes to any of these, enter "self" in the employer part of the application and report the net income amounts.

HOW TO CALCULATE NET INCOME FROM SELF-EMPLOYMENT

1. Start with the total amount of money that comes into your business in a year. (On your 1099 tax form, this is "gross receipts.")
2. Subtract business expenses and any other deductions.
3. This is your ***net income from self-employment***.

What is an independent contractor?

An ***independent contractor*** is someone other people hire to do a certain kind of job when needed. Usually the contractor and the person hiring them have an agreement or contract.

Example: Nicole the Painter

Nicole is a painter and works as an ***independent contractor***. She has all of her own paintbrushes, ladders, and other supplies, and people hire her to paint their apartments. Before she begins a painting project for anyone, they agree on how much money she will be paid per hour and sign an agreement. When Nicole is finished painting, she tells the person how many hours she worked, and the person writes her a check or gives her cash.

REMEMBER

On the application, the income from self-employment amount should be **after** business and other expenses are taken out. This is called ***net income***.

ESTIMATING ANNUAL INCOME FROM SELF-EMPLOYMENT

You might not make the exact same amount of money from self-employment every year. That's okay. Use these steps to estimate your annual income from self-employment.

1. You will need the last 3 years in a row of tax returns for this type of self-employment work.
   - *If you do not have information for 3 years, use the last 2 years in a row.*
2. Look at the net profit amounts on the tax returns.
   - *On a tax return, see line 12, "Business income (or loss)."*
   - *On a Schedule C form, see line 31, "Net profit (or loss)."*
3. Do you think you will make about the same amount of money this year as you did in past years? If yes, calculate the average and include that amount on the application. (See below for how to calculate the average)
4. Do you expect the amount of money this year to be different from past years? If yes, include the amount you expect to make this year.
5. If you lost money one year, use $0.00 for that year. Do not use a negative number. See "About Averages" below for more information.
6. Make sure that you have documents to show the amount you have made in the past (such as tax returns) and the income you think you will make this year (such as a letter from your accountant or business manager, financial statements, budgets, receipts, or other information).

Example: David's Catering

David works for the government during the week, but a few years ago he also started a catering business on summer weekends to make extra money. The business is growing.

Every year David's business makes a little more money than the year before:

- 3 years ago, the business made $5,000.
- 2 years ago, it made $7,000.
- Last year, it made $9,000.

Based on the trend of the past 3 years, David expects to make $11,000 this year from catering. He should put $11,000 on the application where he enters his self-employment income. This is in addition to the salary he earns in his government job.

ABOUT AVERAGES

If you think that this year you will make about the same amount as you did the last 3 years, calculate the average of those years and enter it on your application.

Here's how:

1. Find the net profit amounts on your tax returns from the last 2 or 3 years in a row.
2. Add up all of those amounts.
   - *Are any of the amounts negative (Example: $ - 924.00)? If yes, use $0.00 for that year instead.*
3. Divide that number by how many income amounts you started with.
   - *If you had amounts from **3** years, divide the number by 3 to get the average.*
   - *If you had amounts from **2** years, divide the number by 2 to get the average.*
4. Enter the average in the "Income from Self-Employment" part of your application.

INCOME FROM OTHER SOURCES

3. Income from Other Sources

You or the people you will live with may have income that doesn't come from a job or self-employment. If you receive this ***income from other sources*** on a ***regular basis,*** you must also include it on your application.

Do you, or any of the people you will live with, receive income on a regular basis from…?

Note: Include income from children under 18.

- ☐ Alimony
- ☐ Annuity Payments
- ☐ Armed Forces Reserves
- ☐ Child Support*
- ☐ Disability Insurance
- ☐ Distributions
- ☐ Dividends
- ☐ ***Gifts***
  - ➤ *Examples on next page*
- ☐ ***Interest from Assets*** (such as bank accounts or other investments)
  - ➤ *More details on p.10, "Helpful Terms"*
- ☐ Pension
- ☐ Public Assistance (PA)**
- ☐ Rental Property
  - ➤ *Use net income from rental property*
- ☐ Social Security or SSI
  - ➤ *Use the full amount for each month, before deductions*
- ☐ Unemployment Benefits
- ☐ Worker's Compensation

These are examples of ***income from other sources***. If you said "yes" to any of these, include the amounts in the "Income from Other Sources" part of your application.

REMEMBER

- Include ***income from other sources*** only if you receive it on a ***regular basis*** (such as weekly, every two weeks, monthly, or yearly). Do not include ***one-time payments***.
- On the application, include the amount of money you would receive in a full year from each source. Do this even if you are not receiving the payment for a full year.
  For example: You receive unemployment payments every week, but you know that the payments will end in a few months. Include the total amount you would receive in one year if the payments were not going to end. Go to p.4 to learn how to calculate annual income from regular payments.

** Do you receive court-ordered child support and public assistance (PA)? Make sure to include the full amount of child support paid. For example, if you get "pass-through" payments, the full amount of child support paid could be different than what you get each month.*

*** Your public assistance income will be calculated according to rules for "as paid" localities. If you go to an **interview**, the interviewer will look at all of your documentation to make this calculation.*

What is gift income?

If people who you do not live with give you money or help pay your bills on a ***regular basis***, this is ***gift income.*** You must include it in your income calculation.

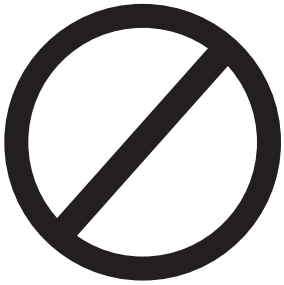
Examples:

- Your parents pay your electric bill every month, and the average is about $100 per month. You must include the $100 per month in your income on your application.
- A friend or relative gives you $20 in cash every week to help with your expenses. You must include the $20 per week in your income on your application.

If you are invited for a housing ***interview***, you will need documents to prove that you receive this gift income on a regular basis. For example, make sure that you deposit cash payments right away in your bank account so that your bank statements show that you are paid regularly. You can prove that someone else pays bills for you with copies of their cancelled checks.

Note: The following are not gift income and should not be included in your income calculation: (1) gifts of groceries for children in your household, (2) the value of free or reduced school lunch, or (3) the value of meals provided to the elderly or needy.

Income Not Included



There are some exceptions to what is included as income:

- Income from employment for children under 18 years old
- Any income over $480 earned by a full-time dependent ***student*** over 18 years old
- Lump-sum payments
  Examples: Insurance payouts • Inheritance
- One-time, non-recurring, or sporadic income (including ***one-time gifts)***
- Payments or reimbursements for medical expenses
- Payments for caring for foster children
- Student assistance paid to student or educational institution
- Dollar value of food stamps or SNAP
- Gifts of groceries for children in your household
- Value of free or reduced school lunch
- Value of meals provided to elderly or needy

Do not include these items in your income calculation.

FAQs

Frequently Asked Questions

INCOME FROM EMPLOYMENT

Why do I need to figure out my *annual income*? Can't I just put what I made last year?

You and the people you live with will be ***eligible*** based on how much money you make in the future. It is a good idea to look at tax documents from last year, but this is not enough. Every year is different. This is why you must enter the amount you currently make, and how often you get paid. It is also why you must include bonuses that you receive or expect to receive ***on a regular basis,*** and ***income from other sources***.

My adult daughter is a full-time student who works after school. Is her income included?
If a full-time student over 18 years old is a claimed as a dependent by parents or guardians, only $480 of his or her ***income from employment*** is included as income.

I get paid in cash. How can I prove this is my income?
It is important to keep a record of your cash income. Every time you get paid in cash, write down the amount of money, date, and who paid you. Keep this record of cash payments in a safe place.

If you have a bank account, deposit the cash right away. This is so that the bank will have a record that you were paid regularly. It's okay if you need to take the money out of the bank again. Your bank statement will still show the deposit.

Remember: If you make more than a certain amount of cash income, you must also report it on your tax return. Your tax forms will say what that amount is.

I get paid on an *occasional or episodic* basis. How do I calculate my income?
It can be difficult to calculate your annual income if you do not get paid on a ***regular basis***. Working for a caterer some weekends to make extra money, per diem (daily) healthcare jobs, temp jobs, and acting work can be examples of occasional or episodic work you do for an employer.

Have you earned income on an occasional or episodic basis over the last 3 years? If yes, add the amount you made for all three years together and divide by 3. This number is your average annual income from that work. Then estimate how much you will earn this year from that same type of work. Compare that number to your annual average. Which is higher? Use the higher number in the "Income from Employment" section of your application.

What happens if my income changes after I apply, and then I get invited to an *interview* for housing?
Keep all of the documents and records that confirm your income now. If your income changes (for example, a new job or a raise), also bring documents showing how much you will be earning in the future. The interviewer will re-calculate your income.

INCOME FROM SELF-EMPLOYMENT

I have been invited to interview for affordable housing. What documents do I need to confirm my self-employment income?
You will need to confirm how much you have made in the past from this type of work, and how much you expect to make this year.

To confirm past income, bring your last 3 years in a row of tax returns for self-employment in this type of work. You may bring information from the past 2 years in a row if you do not have 3.

To confirm the income you expect to make this year, bring a letter from your accountant or business manager, financial statements, budgets, receipts, or other information that supports the amount of money you expect to make.

What if I have been self-employed in a certain type of work for less than 2 years?
You will need documents showing that, as of the date of your interview, you have been self-employed in this type of work for 2 years or more. If you are unable to provide this information from the past 2 years in a row, it is likely that you will not be eligible.

Even if you think this may be the case, you must still include your ***net income from self-employment*** on the application. Don't leave out any income. It can take several months until you hear about an interview, so it may be possible that you will have 2 years of self-employment income at that point. Be sure to bring documents to the interview that show how much you have already made from this type of self-employment, and how much you will make this year.

HELPFUL TERMS

Helpful Terms

Affordable Housing: Housing in New York City for people with incomes under a certain amount. Typically, housing is called "affordable" if a person pays up to approximately one-third of his or her income for rent or housing costs.

Annual Income: The amount of money you are paid in one year, calculated from gross income from employment, net income from self-employment, and income from other sources.

Assets: Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the income from that asset. Other examples: stocks, bonds, mutual funds, money market accounts. See ***Interest from Assets***, below, for more information.

Eligible/Eligibility: Your income must fall between certain limits and meet other application requirements to qualify for affordable housing. Other requirements include providing documents to prove your income and passing a credit and background check. If you and the people you will live with meet all of the requirements, you are eligible.

Gift Income: Income you receive on a regular basis from someone who does not live with you. For example: Your parents pay your utilities every month, or a friend or relative sends you a check to help with groceries and other expenses on a regular basis. Gift income can be in cash, but does not have to be.

Gross Income: Your annual (yearly) total earnings, wages, payments, or other money you receive from jobs and other sources, before any taxes are taken out. This is usually more than your take-home pay. Most people will report gross income on their applications. People who are self-employed report net income from self-employment instead.

Income: Earnings, wages, payments, or other money you receive.

Income from Employment: Income for work you do for an employer (not yourself). Gross income is used to report income from employment.

Income from Other Sources: Income you receive on a regular basis that does not come from a job. For example, Social Security or veterans' benefits, public assistance, or child support.

Income from Self-Employment: Income you earn working for yourself, owning a business, or providing services. This includes freelancing, independent contracting, and other work-for-hire. Net income is used for income from self-employment on the application. If your net income is $400 or more in a year, you must report that income on your application. *Note: if your business is an S-corporation, gross business income reported on Schedule K-1 is used in addition to gross W-2 wages earned.*

Independent Contractor: A person or business whom other people hire to do a certain kind of job when needed. Usually the contractor and the person hiring him or her have an agreement or contract.

Interest from Assets: If you go to an interview, the people interviewing you will calculate your interest income from assets like bank accounts and other investments. If all of your assets are worth less than $5,000, the interest they earn is added to your income. If all of your assets are worth more than $5,000, either the interest they earn or 0.06% of their value is added your income, whichever amount is greater.

Interview: After the application deadline, all applications are put into a random order. Starting at the top of the list, applications are reviewed and if they appear eligible, applicants are called for an interview to continue the screening process. If you are invited for an interview, you will need to bring documentation that confirms your income.

Net Income: The amount of income received after subtracting taxes, expenses, and other deductions. Net income is used to calculate income from self-employment.

Occasional or Episodic Income: Recurring income that is not paid at a consistent or expected time interval. Temp jobs, seasonal work, or acting jobs can be examples of recurring work paid on occasional or episodic basis.

One-time Payment: Income not received on a regular basis in the past and that you do not expect to receive again in the future. This money is not included in the income calculation.

Regular Basis/Regularly: If you receive income from any source on a regular basis, or "regularly," this means you are paid at a consistent or expected time interval. Income paid every day, every week, every 2 weeks, twice a month, once a month, every quarter, or every year are examples of income paid on a regular basis.

Student: A person with full-time student status (according to the person's school) for 5 months of the calendar year. The 5 months do not need to be consecutive. Only $480 of a full-time dependent student's income from employment is included in the income calculation.

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