

# Boulder County Collaborative CDBG-DR IRS FORM 1040/AGI Calculation Method Policy and Procedures

## PURPOSE

The Boulder County Collaborative (BCC) comprised of the city of Boulder, town of Jamestown, city of Lafayette, city of Longmont, town of Lyons, town of Nederland, and Boulder County will be administering disaster recovery assistance to households within Boulder County using Community Development Block Grant Disaster Recovery (CDBG-DR) funds from the U.S. Department of Housing and Urban Development (HUD). Where household income determination is a requirement for program eligibility, the BCC will use the 1040 method in accordance with the *Technical Guide for Determining Income and Allowances for the HOME Program*, Third Edition, January, 2005. The IRS Form 1040 method of calculating income is often referred to as the Adjusted Gross Income or AGI method.

## DEFINITION

**IRS Form 1040 Adjusted Gross Income:** Citizens of the United States and resident aliens, except those with gross incomes that fall below a certain level, are required to file an income tax return with the Department of the Treasury's Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The definition of adjusted gross income is based on this form, also commonly referred to as "the long form."

The Adjusted Gross Income (AGI) is listed on the 1040 tax form and is the dollar figure used to determine an applicant's income eligibility for participation in the BCC Programs.

The definition of adjusted gross income is based on the Internal Revenue Service (IRS) Form 1040 "long form". Under the HOME regulations, the 1040 EZ "short form" may not be used to determine applicant eligibility. However, CDBG Programs use the IRS definition of annual income in different ways from HOME, for example:

- CDBG does not require use of the long form.
- CDBG allows tax returns as proof of income.
- Documentation for CDBG income qualification can be up to 12 months old<sup>1</sup>.

Note: The BCC requires a 12 month re-certification of income as accepted by CDBG rather than 6 months as required by the HOME program.

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<sup>1</sup> *Technical Guide for Determining Income and Allowances for the HOME Program*, Third Edition, January 2005



## VERIFYING INCOME

The BCC will allow and use the most current 1040 or 1040A or the 1040 EZ to determine household income. As of the most recent publication of the HUD income limits, the 2016 HUD Income Limits will be used to determine 2016 income eligibility. These income limits will remain in effect until HUD issues the 2017 Income Limits. If an applicant has already completed an income determination prior to the new HUD income limits being published, then the income determination will stand under the income year that the determination is made. If it has been twelve months (1 year) since the income determination was made, but there has not been an award, then the income will have to be re-verified.

If an applicant is still in the process of providing the documentation for an income determination but documentation is not complete and no income determination has been made at the time the income limits change, then the applicant will be qualified under the new HUD limits.

Annually, income limits will be based on the most recent HUD published income limits. Additionally, the request for 1040 tax returns will be required as follows:

- The programs will request tax documentation filed for the 2015 tax year. The documentation will include the 2015 Federal 1040 or documentation showing a request for an extension to file the 2015 taxes with a certification from household members that income has not changed since the previous year's tax return.
- From January 1, 2016 to April 15, 2016, homeowners can submit a 2015 Federal 1040 or the 2014 Federal 1040.
- On April 16, 2016, the programs will request 2015 Federal 1040 or documentation showing a request for an extension to file 2015 taxes with a certification from household members that income has not changed since the previous year's tax return.

The following schedule is used when requesting the most current IRS 1040 Tax Return:

<b>Certification Period</b>	<b>1040 Tax Return</b>	<b>Alternate 1040 Tax Return</b>
After 04/16/16 until 12/31/16	2015	2014 + Extension + Certification
Between 1/1/17 – 4/15/17	2015	2016
After 4/16/17	2016	2015 + Extension + Certification

BCC will validate income at the time of application; however, additional income verification adjustments may occur at any time as a result of life changing events such as the loss of a job or death in the family. Upon submission of their IRS 1040 Tax Return, each household will be



required to certify that their current annual income is substantially similar to that reflected on the document. For the purposes of this policy, the household's income must still be within 20% of the income reported on the 1040 tax form. If the applicant's income has changed by more than 20% from last tax filing, the program will then follow the same process to determine household income as stated below for persons lacking 1040 documentation.

### HOUSEHOLD SIZE

In determining the size of a household for the purposes of reporting income as part of this Program, the United States Department of Housing and Urban Development ("HUD") considers all persons who live in the same house to be household members. The household members may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share the same house. In order to determine income eligibility, income must be provided for each person in the household who is 18 years or older.

### NON-HOUSEHOLD MEMBERS

Some households may include persons who are not considered as members of the household for the purposes of determining household size. The following persons should not be counted as household members when determining household size, and should not be included when reporting annual household income. The persons not considered as part of the household include:

- foster children
- foster aides
- live-in aides, and children of live-in aides
- unborn children (not considered in household size for income eligibility calculation but are considered for bedroom count)
- children being pursued for legal custody or adoption who are not currently living in the household

A child who lives in the house at least 50% of the time and is named in a shared-custody agreement can be counted in the household. Applicants have the option to include permanently absent family members who can be classified as household dependents, such as children attending college or a family member in a nursing home. The head of household has the choice of either counting that person as a member of the household and including their income or determining that the person is no longer a member of the household.

### HOUSEHOLD INCOME CALCULATION METHOD

In all cases where the applicant provides or can produce a 1040 tax return, the HUD 1040 income calculator method will always be used to determine income. If there is not a 1040 tax form for one or all household members and all efforts are exhausted to obtain the tax return, then BCC will alternatively use the Households Without 1040 Documentation form to calculate income. This form will only be utilized when the applicant is not required to file or



in those rare occasions where the applicant is unable to file a tax return. Therefore, the HUD 1040 income calculator will be used to determine income for all applicants who filed or will file and can file 1040 tax returns.

Copies of the applicant's 1040 tax form must be provided to the program along with verification that the taxes were actually filed. This can include:

- 1040 transcript of tax return
- proof of refund received that matches the 1040
- proof of taxes paid that match the 1040

When the applicant says they have filed their taxes but do not have proof, the program may request the applicant to obtain a copy of their 1040 transcript. Persons who have filed and do not provide proof of filing may be determined ineligible for the program.

## **CDBG-DR ELIGIBILITY PRIORITIES**

Income determinations following this policy will be used by the BCC participants to assist with prioritizing applicants along with other factors specified by the individual municipality implementing each program. The BCC has determined that all income will be determined following this policy but the income determinations may be used in other processes for awarding assistance to households.

## **INCOME CALCULATOR**

The BCC will use HUD's on-line calculator to complete the 1040 Method of income determination. The calculator can be found on HUD's website at:

<https://www.hudexchange.info/incomecalculator>

The BCC will follow the HUD manual for procedures in completing the 1040 income calculator. See attachment A for the manual. The manual explains the process for completing the on-line worksheet. There are certain pages from the calculator to be printed out for the applicant file. These pages are noted in the calculator.

After making every effort to work with the applicant to obtain a 1040, if it is determined that the 1040 cannot be obtained without undue hardship to the applicant, the BCC will use the alternate income calculator to determine the household income. In addition, applicants who are not required to file an income tax return will complete an income tax affidavit.

The income documentation needed if no 1040 was filed or if the income situation has changed since the 1040 was filed then the following documents will be required from all persons living in the household that is 18 or older:



- 6 current and consecutive check stubs unless paid monthly, then only 3 concurrent and consecutive stubs required.
- To project for annual income, the gross amount of pay is taken from each pay stub, then added together and divided by the number of stubs. This is the average amount of pay that should then be multiplied by the applicable pay period. See below:
  1. Persons getting paid weekly are paid 52 weeks a year
  2. Persons getting paid bi-weekly are paid 26 weeks a year
  3. Persons getting paid bi-monthly are paid 24 weeks a year
- Pension Statement showing current monthly or yearly gross amount
- Social Security Statement or 1099
- Unemployment Statement
- Certification of Zero Income Form
- Complete the HUD Income Calculator

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**Boulder County Collaborative**  
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**Revision History**

**Revision History:**

<b>Version</b>	<b>Date</b>	<b>Page</b>	<b>Description</b>
2	07/1/2015	2 & 3	Addressed income substantially changed by 20%
3	07/20/2015	4	Added income tax affidavit for applicants not required to file a tax return.

