Housing Services

Program Instructions

This Program Instruction applies to the following:

- ✓ HSA Part VII Housing Providers (Provincial Reform)
- ✓ Rent Supplement – Social Housing Rent Supplement Program
- ✓ Rent Supplement – Commercial and Strong Communities
- ✓ Former Federal Program Housing Providers (s. 15 1/27, s. 56 1/95)
- ✓ **Housing York**
  - ✓ Public Housing
  - ✓ HSA Part VII

ADJUSTED FAMILY NET INCOME

Effective Date: July 1, 2021

Summary

This Program Instruction provides direction for community housing providers delivering rent-geared-to-income (RGI) assistance in York Region to determine adjusted family net income (AFNI), including approaches for tax-based net income and approximated net income.

Background

AFNI forms the basis of the RGI calculation. Under *O. Reg. 316/19*, AFNI is determined using the following steps:

1. Add together the annual adjusted net income of each member of the family unit or benefit unit, excluding full-time students
2. Divide the total from step 1 by 12 months

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Annual adjusted net income is gross income that has been adjusted to reflect certain deductions and is not net of income taxes. For each household member, annual adjusted net income is determined using one of two approaches:

- Tax-based net income
- Approximated net income

Action Required

When completing RGI reviews, housing providers must determine annual adjusted net income for each household member not in full-time studies using the tax-based or approximated net income approaches. Annual adjusted net income is then combined to determine AFNI and divided by 12 months.

TAX-BASED NET INCOME

The tax-based net income approach should be used wherever possible. Tax-based net income is the net income amount (Line 23600) of the tax return as assessed by the Canada Revenue Agency (CRA). This amount represents the tenant or member's income before taxes and after certain deductions.

Line 23600 is verified using either the CRA Notice of Assessment (NOA) or Proof of Income Statement. Housing providers are encouraged to collect Proof of Income Statements wherever possible, as it summarizes income and deductions and provides more detailed information than the NOA. The Proof of Income Statement may be required when a tenant or member receives income from employment, RDSPs, or social assistance.

O. Reg. 316/19, s. 10 sets out the tax year to be used in the RGI calculation depending on when the review is conducted, as follows:

- **Reviews conducted between July and December:** use the NOA or Proof of Income Statement from the previous tax year
- **Reviews conducted between January and June:** use the NOA or Proof of Income Statement from the year before the previous tax year

O. Reg. 367/11, s. 29.1 requires all tenants and members receiving RGI to file their income tax returns to remain eligible for assistance.

Registered Disability Savings Plans

Once the tax-based net income of all household members not in full-time studies has been determined and verified, exclude any net RDSP income received by the household.

Net RDSP income is any RDSP payments received in a given tax year (Line 12500 of the NOA or Proof of Income Statement) plus any repayments to the RDSP (Line 23200) made in the same tax year.

Non-Benefit Income

Tenants and members receiving social assistance are referred to as benefit units. Benefit units may have non-benefit income, such as employment earnings or pensions. When using the tax-based method, non-benefit income is identified by subtracting the current monthly net social assistance income from the monthly AFNI (Line 23600 divided by 12 months). The difference is the benefit unit's non-benefit income. Monthly net social assistance income is verified using the Statement of Assistance from Ontario Works (OW) or Ontario Disability Support Program (ODSP).

If the non-benefit income is below the non-benefit income limit in Column 3 of Tables 1, 2 and 3 of *O. Reg. 316/19*, RGI is set at the amount identified in Column 2 of each table. If the non-benefit income is above the non-benefit income limit in Column 3, RGI is calculated using 30% of the monthly non-benefit income.

The tax-based approach is appropriate for benefit units if their circumstances have not changed since the applicable tax year. For example, the tax-based approach would be used in situations where the benefit unit only received OW or ODSP during the applicable tax year, or they also had non-benefit income and the amount has remained consistent.

The approximated approach must be used for benefit units who started receiving social assistance since the time of the applicable tax year, or who have new or different non-benefit income than that reflected in NOA or Proof of Income Statement.

APPROXIMATED NET INCOME

When tax-based net income does not accurately reflect the average income expected over the next 12 months, housing providers may approximate annual adjusted net income. While housing providers are encouraged to use tax-based net income wherever possible, the approximated net income method may be more appropriate in situations where there has been a significant change in employment status or income source since the applicable tax year used for the RGI review.

In determining when to use approximated net income, housing providers should consider the following:

- If income has decreased since the applicable tax year, would the use of tax-based net income to calculate RGI cause hardship for the tenant or member?
    - Housing providers should assess if current household income has decreased by approximately 20% or more compared to tax-based income, although the approximated method may be used if the decrease is less than 20% if using the tax-based income would result in an economic hardship for the tenant or member.
- If income has increased since the applicable tax year, would the use of tax-based net income to calculate RGI at the current review pose a significant increase in RGI at the next review?
    - This may be the case in situations where household income has increased due to a change in income source, such as a tenant or member transitioning from social assistance to Old Age Security.

Housing providers are responsible for determining when to approximate net income in the following circumstances:

- **Annual Review:** A tenant or member's tax-based net income does not accurately reflect the current average income (ex. tenant or member started a new job, and their income is significantly different from that on their NOA or Proof of Income Statement), or tax-based information is not available due to extenuating circumstances.
    - Housing providers must consult their Program Coordinator to determine an appropriate course of action if they believe a tenant or member has not filed taxes due to extenuating circumstances.
- **In-Year Review:** The tenant or member reports a change in income or household composition and an in-year review is permitted by York Region's policy (see Program Instruction 2021-10: In-Year Rent-Geared-to-Income Reviews).

Approximated net income may also be used at move-in if an applicant has not filed their taxes for the applicable tax year, or if tax-based net income does not accurately reflect their current average income expected to be earned for the next 12-months. When an applicant has not filed taxes, housing providers must use the approximated adjusted net income method to determine the initial RGI calculation. The applicant must be informed that filing taxes each year by the CRA deadline is an eligibility requirement for RGI assistance.

Housing providers may combine tax-based and approximated net income to determine annual net income, where appropriate. This may be necessary when not all income is captured on the NOA or Proof of Income Statement that would normally be included in Line 23600, or where one household member has a new source of income since the applicable tax year, but it is still appropriate to use the tax-based method for other household members..

Included Income

Approximated net income includes income expected to be received regularly by the tenant or member over the 12-month period following the RGI review. The gross income amount is used. Only income types that would normally be included on Line 23600 of the income tax return are included, such as:

- Employment income such as wages, salary, commission, bonuses, tips, gratuities, vacation pay and remuneration as a dependent contractor
- Self-employment income
- Employment Insurance benefits
- Workplace Safety and Insurance Board payments
- Payments for sick leave or a short-term disability under a private or workplace insurance plan
- Old Age Security, Guaranteed Income Supplement, Guaranteed Annual Income Supplement
- Canada Pension Plan (CPP) or Quebec Pension Plan (QPP), excluding CPP or QPP child benefits
- Registered Retirement Income Fund (RRIF) and Registered Retirement Savings Plan (RRSP) income from T4RSP slips
- Private and foreign pensions
- Interest, dividends and other investment income, excluding income from investments held in Tax-Free Savings Accounts
- Annuities
- Capital gains
- Net rental income

- Veterans’ benefits for income support or replacement
- Spousal support payments

Excluded Income

When approximating net income, the following income sources are excluded, as they would not appear on Line 23600:

- Income tax credits or benefits
- Children’s benefits
- Child support payments

Other income sources to be excluded when approximating adjusted net income are:

- One-time or retroactive lump sum payments (may or may not appear on Line 23600)
- OW or ODSP benefits
- Net RDSP income

Adjusting Approximated Net Income

Where possible, housing providers may subtract the following ongoing and regular expenses or deductions from the gross income amount:

- Registered pension plan deductions and adjustments eligible for tax deductions
- Registered Retirement Savings Plan (RRSP) contributions eligible for tax deductions
- Annual union, professional, or like dues
- Childcare expenses eligible for tax deductions
- Disability supports eligible for tax deductions
- Employment expenses eligible for tax deductions
- Spousal support payments paid under an enforceable court order or agreement

If a tenant or member is unable to provide information required to confirm the above deductions, or it cannot be determined, the housing provider should proceed with using gross income. Deductions will be addressed the next time tax-based net income is used to determine RGI.

Annualizing Net Income

Housing providers must annualize current income to compare it to the tenant or member’s tax-based net income. Table 1 provides the conversion factors used when annualizing income depending on the frequency of payments.

Table 1:
Approximated Net Income Conversion Factors

Frequency of Payments	Conversion to Annual Amount
Annual	Use actual amount
Quarterly	Multiply by 4 quarters
Monthly	Multiply by 12 months
Semi-Monthly	Multiply by 24 (12 months multiplied by 2)
Biweekly	Multiply by 26 (52 weeks divided by 2)
Weekly	Multiply by 52 weeks

Verifying Net Income

Tenants and members must submit documentation to support estimating an annual average for the 12-month period following the RGI review. Housing providers have discretion to determine the documents required to verify income, which can include pay stubs or letters from the employer or organization that issues the income. The number of pay stubs collected is also at the discretion of the housing provider but must allow the housing provider to be reasonably certain the income change declared by the tenant or member reflects a significant and ongoing increase or decrease in annual income to support using the approximated method.

Documentation must allow the housing provider to verify:

- The type of income or deduction
- The income amount received, or the deduction amount paid
- The time period covered
- The name or the employer or organization issuing the income payment or that received the deduction payment

Housing providers should avoid requesting personal bank statements to verify income, as bank statements show the amount received net of income taxes.

Non-Benefit Income

When approximating net income for OW and ODSP benefit units, monthly non-benefit income is determined using the included income sources identified by this Program Instruction. Net OW and ODSP payments are excluded when approximating net income, to ensure only non-benefit income is being considered.

If the non-benefit income is at or below the non-benefit income limit in Column 3 of Tables 1, 2 and 3 of *O. Reg. 316/19*, RGI is set at the amount identified in Column 2 of each table. If non-benefit income is above the non-benefit income limit in Column 3, RGI is calculated using 30% of the monthly non-benefit income.

Authority: *O. Reg. 316/19*, s. 3, 6, 10
O. Reg. 367/11, s. 29.1

Please contact your Program Coordinator with any questions.

This notice will be available in an accessible format or with communication supports upon request from 1-877-464-9675 or 905-830-4444 ext. 72119

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