

Included Income, Excluded Income, and Examples of Methods to Calculate Income Tool

Use this attachment in conjunction with TEGL 18-16, Change 1. The definition of a low-income individual under the Workforce Innovation and Opportunity Act (WIOA) Section 3(36) does not exclude unemployment compensation (this includes Pandemic Emergency Unemployment Compensation, Pandemic Unemployment Assistance, and Extended Benefits), old-age survivors insurance benefits, or child support payments from income calculations as they were previously excluded under the Workforce Investment Act (WIA) Section 101(25). ETA used the U.S. Department of Labor’s Bureau of Labor Statistics definition of income to develop this tool.¹ This tool aims to increase NFJP grantees’ understanding of what types of income would count towards the income requirement to qualify for NFJP and provide examples of methods to calculate income.

A. Examples of the types of income that could be included when making eligibility determination based on income are outlined in the table below.

Included Income	
Income: Earnings before Taxes	<ul style="list-style-type: none"> • Wages and salaries;² • Self-employment income; • Social Security (Old-Age Survivors and Disability Insurance), private and government retirement; • Interest, dividends, rental income, and other property income; • Unemployment and workers’ compensation; and • Regular contributions for support (alimony and child support) – Please note, the term <i>regular</i> for this source of income. If an individual is a parent and cannot rely on receiving contributions such as child support, grantees may consider this when calculating income. <p>Important to Know: When gathering information about an individual’s income, please note that some types of Federal, State, or local income-based public assistance may automatically qualify someone as low-income.</p> <ul style="list-style-type: none"> • For example, under WIOA Section 3(36)(A)(i), an individual meets the low-income eligibility when they receive, or in the past 6 months has received, or is a member of a family that is receiving or in the past 6 months has received, assistance through the supplemental nutrition assistance program (SNAP) established under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.); the program of block grants to States for temporary assistance for needy families program (TANF) under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.); or the supplemental security income (SSI) program established under

¹ <https://www.bls.gov/cex/csxgloss.htm>

² <https://www.bls.gov/bls/glossary.htm>

	<p>title XVI of the Social Security Act (42 U.S.C. 1381 et seq.); or State or local income-based public assistance;</p> <ul style="list-style-type: none"> • Additionally, per WIOA Section 3(50), the term "public assistance" means Federal, State, or local government cash payments for which eligibility is determined by a needs or income test. State or local income-based public assistance payments, which includes but is not limited to the following type of assistance: <ul style="list-style-type: none"> • Utility • Child care • Nutrition • Housing <p>Note: See section 6 of TEGL 18-16, Change 1 for additional information on how public assistance may qualify an individual as "low-income."</p>
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B. Examples of types of income that could be excluded when making eligibility determination based on income are outlined in the table below. When calculating income, do not include any allowance, earnings, or payments stemming from participation in WIOA Title I programs. Per 20 CFR 683.275 (d), allowances, earnings, and payments to individuals participating in programs under title I of WIOA are not considered as income for purposes of determining eligibility for and the amount of income transfer and in-kind aid furnished under any Federal or Federally-assisted program based on need, other than as provided under the Social Security Act (42 U.S.C. 301 *et seq.*).

Excluded Income	
Volunteer/Job Training Payments	<ul style="list-style-type: none"> • Allowances, earnings, and payments to individuals participating in programs under title I of WIOA; • Any payment to volunteers under Title I (VISTA and others) and Title II (RSVP, foster grandparents, and others) of the Domestic Volunteer Service Act of 1973; • Payments to volunteers under Section 8(b)(1)(B) of the Small Business Act (SCORE and ACE); and • Payments and allowances to individuals participating in AmeriCorps to the extent excluded by the National and Community Service Act of 1990.
Student	<ul style="list-style-type: none"> • Student financial assistance received under Title IV of the Higher Education Act of 1965, including the Pell Grant, Supplemental

<p>Financial Aid</p>	<p>Education Opportunity Grant, State Student Incentive Grants, National Direct Student Loan, PLUS, College Work Study, and Byrd Honor Scholarship Programs, to the extent excluded by the Act; and</p> <ul style="list-style-type: none"> • Payments received under the Carl D. Perkins Vocational Education Act, as amended by the Carl D. Perkins Vocational and Applied Technology Act Amendments of 1990, P.L. 101-392.
<p>Military Service-related Income</p>	<ul style="list-style-type: none"> • Any amounts received as military pay or allowances by any person who served on active duty, and certain other specified benefits paid while on active duty or paid by the Department of Veterans Affairs (VA) for vocational rehabilitation, disability payments, or related VA-funded programs are not to be considered as income, in accordance with VA Title 38 U.S.C. 4213 and 20 CFR 683.230. For additional information about assisting Veterans, please see <u>Training and Employment Guidance Letter NO. 10-09</u>. <p>All pay and/or financial allowances earned while a veteran was on active duty are exempt. Title 38 U.S.C. 4213 also exempts from inclusion in “low income” calculations any financial benefits received by a covered person under the following Chapters of Title 38 of the U.S. Code:</p> <ul style="list-style-type: none"> 11. Compensation for service-connected disability or death. 13. Dependency and indemnity compensation for service-connected deaths. 30. All-volunteer force educational assistance program. 31. Training and rehabilitation for veterans with service-connected disabilities. 35. Survivors’ and dependents’ educational assistance. 36. Administration of educational benefits <p>Also excluded from “low income” calculations are benefits received under Chapter 106 of Title 10 U.S. Code, Educational assistance for members of the selected reserve.</p> <p>Note: Pension payments authorized by Title 10 U.S. Code, such as those received by military retirees whether or not their retirement was based on disability, are not exempt and are to be included in “low income” calculations. Also not exempt are pension benefits paid under Chapter 15 of Title 38 U.S. Code.</p>

Lump sum payments	<ul style="list-style-type: none"> Lump sum payments or large cash settlements are not counted as income since they are not received on a regular basis. These funds may be provided as compensation for a loss that must be replaced, such as payment from an insurance company for fire damage to a house. <p>Note: When lump sum payments are put into a savings account and the household regularly draws from that account for living expenses, the amount withdrawn is counted as income.</p>
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C. Examples of Methods for Calculating Income

NFJP grantees have the flexibility to use different methods for calculating income and should use a method that considers an individual's current income. Methods to annualize income are not limited to, but may include the following approaches below. When annualizing an individual's income, grantees must also include other sources of income that are listed above under section A, of this tool. The examples below demonstrate three different ways to calculate an individual's wages. The methods only reflect income calculations to determine an individual's eligibility for NFJP.

- Salary Method:** Use this method for individuals who have pay stubs or other source documentation covering the most recent 6 months of their family's wages. Grantees should use this method when there is little or no variation in the wages or salaries for any of the pay stubs submitted for income verification. To calculate an individual's annual income based on wages or salaries, first, multiply the gross³ pay listed on the paystub or source documentation by the number of pay periods in the six-month determination period. Next, multiply the result by two to determine the annual wages or salaries. Example: Five pay stubs are provided indicating gross wages of \$772 each. The pay frequency is biweekly (13 times in six months). $[(\$772 \times 13 = \$10,036) \times 2] = \$20,072$.
- Average Pay Method:** Use this method for individuals who have six monthly bank statements or other source documentation which show variation in the individual's wages. These variations may result for several reasons, including overtime or work for a different employer. In circumstances where variation exists, grantees can determine an individual's average gross wages by adding the total gross wages and dividing the result by the number of monthly bank statements. Example: an individual shows bank statements from the most recent 6 months. The bank statements for 6 months show the following monthly income \$770, \$290, \$490, \$490, \$490, and \$490. The total income for the individual for 6 months is \$3,020. To calculate the monthly average, divide the result by 6. Then to calculate the individual's annual income from wages, multiply the month average \$503 by 12 to calculate annual income $(\$503 \times 12 = \$6,040)$.

³ Gross: usually refers to total earnings, before any deductions (such as tax withholding) including, where applicable, overtime payments, shift differentials, production bonuses, cost-of-living allowances, commissions, etc. <https://www.bls.gov/bls/glossary.htm#earnings>

- **Intermittent Work Method:** Use this method for individuals who have irregular income, or are self-employed. In circumstances where the individual does not have steady work, the grantee should ask the individual to supply as many pay stubs or other source documentation, as possible. To determine average gross wages, use the individual's income from the prior month. When using the Intermittent Work Method, the grantee must explain missing pay stubs, non-work periods, etc. and selected method in their case notes. Grantees should use any information that an individual submits to calculate annual income.

NFJP grantees have the discretion to develop policies, outline methodologies, and select a method that gives a result that reflects the financial circumstances of applicants at the time of application. For example, if the Salary Method provides a more accurate reflection of an individual's current income, use the Salary Method to calculate annual income. If using the Intermittent Work Method with source documentation for the prior month's income provides a more accurate reflection of an individual's current income, this method may be used as a basis for calculating annual income. ETA recommends NFJP grantees to work with their AJC and other local or state agencies that provide income-based public assistance to learn about other methods to calculate annual income (for example, energy assistance, medical assistance, child care assistance, or community development block grant assistance).