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Q&A Foster Care Income

By Amanda Talbot, Novogradac & Company LLP

Question: A household has applied to live in a low-income housing tax credit (LIHTC) unit. There are three individuals that will be moving into the unit. The head of the household currently fosters a 16-year-old child and her 19-year-old brother who is a foster adult. The head of the household receives income from the local welfare agency for the care of these individuals. The 19-year-old foster adult is employed part time while attending school at the local university. The 16-year-old foster child has a savings account that earns interest. Which of these income sources should be included in the income calculation for this household?

Answer: The income received by the head of household for the care of the foster child and foster adult should not be included in the income calculation. The full amount of income from employment of the foster adult should be included in the income calculation and the interest on the savings account should be included in the income calculation.

Change 3 to the U.S. Department of Housing and Urban Development (HUD) Handbook 4350.3 was released on June 23, 2009. In that version, a significant change was made to the treatment of income of foster children and adults. Previously, all income earned or unearned by foster children and foster adults was excluded from the household income calculation. The HUD handbook indicates that only certain income related to these individuals should be excluded from the household income calculation. It states: "Payments received by the family for the care of foster children or foster adults are *not* counted. This rule applies only to payments made through the official foster care relationships with local

welfare agencies."

Figure 5-2 of HUD Handbook 4350.3 was revised to indicate that the employment and other income of foster adults should be included in the income calculation, and although the employment income of foster children is excluded from household income (as is the case with any other child residing in the household who is younger than the age of 18), the unearned or other income of foster children should be included in the income calculation.

The change in this rule is somewhat illogical because on page 3-10 of the handbook HUD indicates that foster children and adults should not be included in the family size for establishing income eligibility. What this effectively means is that the income from these individuals must be included in the household's income, but these individuals cannot be considered when determining the income limit for the household. In the scenario presented above, the income limit should be the limit for a one person household.

It is important to note that regardless of the full time student status of a foster adult all employment income must be included in the income calculation. HUD Handbook 4350.3 allows the employment income of full-time students older than 18 to be limited to \$480 annually when that full-time student is a dependent. The employment income of a foster



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adult cannot apply the same limit because a foster adult can never be considered a dependent.

Sometimes a foster care situation can be temporary. Although the foster child may be relocated from the unit within an upcoming year, any income should be annualized based upon the situation as of the effective date of the certification. ❖

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Novogradac Journal of Tax Credits Information

Address all correspondence and
editorial submissions to:
Alex Ruiz / 415.356.8088

Address inquiries regarding
advertising opportunities to:
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