



New England

U.S. Department of Housing and Urban Development

Office of Public Housing
Boston Hub
Thomas P. O'Neill, Jr. Federal Building
10 Causeway Street
Boston, Massachusetts 02222-1092

AUG 27 2012

New England PIH Advisory letter # 2012-3

SUBJECT: Employee Benefit Plan Credits as Income Exclusions

Dear Executive Directors:

Our office has received numerous inquiries from housing authorities and PIH program participants as to whether employee benefit medical participation credits should be counted as income for the purpose of calculating the subsidy amounts available to PIH program participants. We take this opportunity to provide the following clarification.

Many employers provide medical participation credits as an employee benefit. These credits can be used by employees to purchase health insurance. The applicable regulation addressing the question of whether such credits should be counted towards a program participant's income is found at 24 CFR § 5.609(c)(4), entitled "Annual income." That regulation provides that "annual income does not include the following... [a]mounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.

Accordingly, we advise that as long as the program participant's medical participation credits can be used only to purchase or offset the cost of healthcare coverage and are not convertible to cash, they should not be counted towards a program participant's income. Please note that it may be necessary for the housing authority to obtain additional verification from the employer to clarify the nature of any medical participation credits that are reflected on a program participant's pay stubs in order to make an appropriate determination as to whether or not the credits should be considered income. For the purposes of completing Form HUD-50058, medical participation credits should be reflected as an Income Exclusion on Line 7e of the form. Please reference Form 50058 Instruction Booklet, pages 24-31 for guidance on allowable Income and Exclusions.

Sincerely,

A handwritten signature in black ink, appearing to read "Marilyn B. O'Sullivan".

Marilyn B. O'Sullivan
Director