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HI-144 HOUSEHOLD INCOME

*For HS-122, Property Tax Adjustment and
PR-141, Renter Rebate Claims*

2009 CHANGES

The 2008 Economic Stimulus payment received from the U. S. government is not included in household income.

Instructions and the return provide clarification on the following items of household income:

- Pensions and annuities reported are taxable portions
- Social security and Medicare taxes are deductible for income reported
- Self-employment taxes reported at Line o and must be deducted from Line q.

PURPOSES OF HOUSEHOLD INCOME

Household income measures the resources available in the household by all members of the household to meet the living expenses. The State pays a portion of property taxes or rebates a portion of rent paid to eligible claimants when these expenses exceed a percentage of household income established by Vermont law.

WHAT IS HOUSEHOLD INCOME

Household Income includes taxable as well as nontaxable income. Household Income starts with the Federal Adjusted Gross Income modified by addition or subtraction of certain taxable and nontaxable income for the claimant, the spouse, civil union partner, and all other persons for the time they lived in the household for the calendar year 2008. *Example:* If a roommate resides from September to December 2008, include the income he or she received during those months.

➔ Contact the Department or go to the web site for information on when the income of a grantor to a trust may need to be included.

SPOUSE'S INCOME

The income of a spouse from whom you are not legally separated - even if that spouse does not live in the household – must be included. (report in applicable lines under Column 2)

Example

Charles and Camilla separated and Charles moves out. Camilla lives in the home and files a property tax assistance return. Neither party has initiated court proceedings. Even though Charles does not live in the home, they are not legally separated and Camilla must include his income as part of the household income.

Note: Also applies to civil unions.

ADDITIONS to Household Income: Household income begins with Federal Adjusted Income *before* the deduction of any trade or business loss, loss from a partnership, loss from a small business or "subchapter S" corporation, loss from a rental property, or capital loss. To that amount, *add* the following items:

Remember: Household Income includes taxable and nontaxable income.

- Cash public assistance and relief (report on Line a)

Example

Rosie participates in the ReachUp Program and receives for six months a \$1,000 a month stipend to cover her participation and childcare expenses. Rosie must report \$6,000.

- Payments received under the federal Social Security Act (report on Line b)

Example

Ethel and Fred each receive \$500 Social Security monthly. They are not required to file a Federal income tax return for their Social Security. Even if the Social Security income is exempt from income tax, Ethel and Fred must report the Social Security received as household income. Ethel reports the income on Line b under claimant and Fred reports the income on Line b under spouse.

Justin is a developmentally disabled person who is placed in the home Paul Provider. Justin is not qualified as a dependent of Paul Provider. Justin receives \$8,500 Supplemental Security Income (SSI) payments. The SSI payments to Justin must be reported in Paul Provider's household income in Column 3 on Line b. *See Exclusions from household income* for the example of Rosa who is an adult disabled child who lives with her parents and qualifies as a dependent.

- All benefits under Veterans' Acts (report on Line b)

Example

Victor Veteran receives \$300 monthly partial disability pay. While the income may be exempt from income tax, he must report the \$3,600 ($\$300 * 12$) as household income.

- Railroad retirement benefits (report on Line b)

Example

Charlie Caboose receives retirement from the railroad where he worked. While the income is exempt from income tax, Charlie must report the amount from his RRB-1099 statement on Line b.

- Workers' compensation (report on Line c)

Example

I. M. Hurt is injured on the job. Mr. Hurt will be out of work for three months. He received workman's compensation in the amount of \$12,000. While the income may be exempt from income tax, he must report this amount on Line c.

- Gross amount of "loss of time" insurance (report on Line c)

Example

John Smith was absent from work due to a serious illness. He received a W2 from the ABC Insurance Co. for third party sick pay in the amount of \$10,195. While the income may be exempt from income tax, he must report this amount on Line c.

- Wages, salaries, tips (report on Line d)
- Interest and dividends (report on Line e)

Example

Richie Rich received five 1099INTs totaling \$22,150. He also received three 1099DIVs totaling \$15,000. Total interest and dividends received are \$37,510. Report the interest and dividend income on Line e. While the some of the income may be exempt from income tax, he must report this amount on Line e.

- Nontaxable interest received from the state or federal government or any of its instrumentalities (report on Line f)

Example

Ingrid Investor receives \$1,500 annually for interest from an investment in the Tennessee Valley Authority. While the income is exempt from income tax, Ingrid must report the \$1,500 on Line f.

- Alimony received (report on Line g)

Example

Diana files a prebate application. Pursuant to a divorce decree, she receives \$600 monthly alimony from her ex-husband. Diana received alimony for half the calendar year and must report \$3,600 on Line g.

- Support money (report on Line g)

Example

Diana files a prebate application. Prior to Diana's divorce, the separation agreement specified that her soon-to-be ex-husband pay her \$200 a week support. She received support for half the calendar year and must report \$5,200.

Kerry files a renter rebate claim. Mom provides \$400 a month to her son Kerry to pay his rent and utilities. Without this money, he would not be able to afford his own apartment. This is support money and Kerry must report the \$4,800.

- Child support (report on Line g)

Example

Martha received \$200 a month child support from her child's father. Martha must report the child support money received.

Mary received \$400 a month child support for 6 months from the Office of Child Support and the child's father paid her \$500 during the year. Mary must report all child support money received.

- Capital gains (report on Line i)
Capital gain may be offset by a capital loss incurred in the same tax year by the same business. NOTE: Amounts for household income cannot be less than zero.

Examples

In the same taxable year, Frank Farmer sold 20 acres of land from part of his farmland and realized \$20,000 capital gain. Frank also sold 10 cows from the farm at a \$10,000 loss. Because the capital gain occurred in the same taxable year for the same business, Frank can offset the loss on the cows against the gain on the land. He reports \$10,000 capital gain on Line i. He reports his farm business income on Line h.

In the same taxable year, Barry Baron's had a \$5,000 loss for rental income. Barry sold the apartment building and realized a \$20,000 capital gain. Barry reports \$15,000 capital gain on Line i. His rental income on Line k is zero.

In the same taxable year, Homer and Marge invest in stocks. Homer sells his stocks at a \$1,000 loss. Marge sells her stocks at a \$2,000 gain. As Homer and Marge are husband and wife, the activity is considered the "same business." Homer reports zero capital gains and Marge reports \$1,000 gain.

Homer and Marge sold stocks in 2007 resulting in a loss and \$10,000 loss carryforward. They sold stocks in 2008 at a \$15,000 capital gain. Because the loss and gain did not incur in the same taxable year, they report \$15,000 on Line i.

Capital gains excluded from Federal adjusted gross income must be included.

Examples

Ozzie and Harriet sold their home and realized a \$501,000 gain. IRS rules exclude up to \$500,000 gain on the sale of a personal residence for a jointly filed return from Federal adjusted gross income. The definition of household income for purposes of property tax assistance and renter rebate requires the entire capital gain to be reported.

Danny and Rhea sold their home and realized a \$50,000 gain. IRS rules exclude up to \$500,000 gain on the sale of a personal residence for a jointly filed return from Federal adjusted gross income. The definition of household income for purposes of property tax assistance and renter rebate requires the entire capital gain to be reported.

Capital gain may be offset by a capital loss incurred in the same tax year by the same business.

- Portion of Roth IRA distributions representing investment earnings and not included in adjusted gross income (report on Line j) 1099R shows amount of distribution and taxable portion of distribution. Taxable portion is earnings from investment and is included on Line j.

Example

Ed and Claire received a distribution from the Roth IRA that included \$10,000 in contributions and \$4,000 in interest/dividend earnings. The \$10,000 was included in previous years' AGI and reported in household income. Only the \$4,000 is "new" income and reported in household income on Line j.

- Federal pension and annuity benefits not included in adjusted gross income (report on Line j)

Example

1099R shows amount of distribution and taxable portion of distribution. Taxable portion is earnings from investment and is included on Line j.

- Rental income (report on Line k)

Example

Larry Laird rents apartments. He determines for Federal Adjusted Gross Income his profit or loss for purposes of reporting income. This year he has a \$4,000 loss. Larry reports zero rental income.

Paul Provider receives \$12,000 as rent payments for the developmentally disabled person living in his home. Paul reports this as rental income.

- Farm/partnership/S Corporations/LLC income (report on Line l)
Use the Vermont income shown on the K-1.

- Cost of living allowances paid to federal employees (report on Line m)

Example

Gary MacGovern works for a U. S. government job and was reassigned from St. Johnsbury to Burlington. He receives a \$10,000 cost of living allowance to cover the higher living costs of living in Burlington. Gary reports the \$10,000.

- Allowances received by dependents of servicemen and women (report on Line m)

Example

Wendy Wife receives \$500 a month for a year in an allowance as a dependent of a serviceman who is stationed outside the United States. While this allowance is not subject to income tax, Wendy must report the \$6,000 as household income.

See *Vermont Guidelines for Military Personnel* for more information.

- Other income (report on Line m)

Examples (other types of income not specifically listed should also be reported)

Joe Taxpayer itemized his deductions on his 2007 Federal return received a \$300 federal and \$100 state tax refund. The state income tax refund needs to be reported.

Wanda Worker received a one-time employee recognition award of \$2,000. This is reported as other income.

David Directeur sits on three company boards of directors and receives \$2,000 a year from each. The payments are reported as other income.

EXCLUSIONS from Household Income:

The following income is not reported in household income:

- Property tax assistance payments or renter rebates from the State of Vermont

Example

Harry received \$375 for a renter rebate last year. This payment is not part of his household income.

- \$6,500 of income earned by a full-time student who qualifies as your dependent

Example

Karen Coed lives with her parents, goes to school full-time and works a part-time job. She earns \$8,500 this year. Karen's parents file a property tax assistance return. They report \$2,000 of Karen's earned income as part of household income on Line d in Column 3 Other Persons.

Chester Coed lives with his parent, goes to school full-time and receives \$2,500 interest a year from the savings account his grandparents set up for him. Chester's parents file a property tax assistance return. They must report the \$2,500 as part of household income on Line e in Column 3 Other Persons because this is not earned income.

- \$6,500 of income received by a parent who qualifies as your dependent

Example

Meg's mother lives with her. Mom receives \$6,000 from a part time job. Meg, however, provides more than half of Mom's support so Mom would qualify as Meg's dependent. Since \$6,500 of income received is excluded, none of Mom's income needs to be included as part of household income.

Frederick's dad lives with him. Dad receives \$800 a month in Social Security. Frederick provides more than half of Dad's support so Dad would qualify as Frederick's dependent. Since \$6,500 of income received is excluded, \$3,100 ($\$800 * 12 - 6,500$) of Dad's income is included as household income on Line b in Column 3 Other Persons.

- \$6,500 of income received by an adult disabled child who qualifies as your dependent

Example

Rosa is an adult disabled child of Pearl and lives with Pearl. Rosa qualifies as Pearl's dependent. Rosa receives Supplemental Security Income, a stipend from a trust, and earns money at a part time job. The first \$6,500 of all Rosa's income is exempt from household income. Pearl reports the remainder on the applicable line (Line b for SSS, Line d for wages or Line e for the stipend)

- Payment made by State of VT or an agency designated in Section 8 of Title 18 for flexible family funding or adult foster care payments (formerly difficulty of care payments) to an individual for support of an eligible person with a developmental disability as defined under subdivision 8722(2) of Title 18 (formerly called difficulty of care payments).

- Payment made by the State of VT for foster care

Example

Patty Parent and her husband open their house to foster children. The State pays them a stipend to reimburse them for the cost of the care. None of the State payments for foster care go into household income.

- Payment made by State of VT to a family for support of a developmentally disabled person

Example

Wayne and Judy's child is developmentally disabled and they care for the child in their home. The State provides them with a \$1,000 annual stipend to help defray miscellaneous expenses for the child's care. This stipend is not part of their household income.

- Gifts from non-governmental sources

Example

Elmira's rental unit was destroyed by fire and she lost her home and belongings. Her church group provided \$2,500 to help her get another apartment, the Salvation Army provided her with \$250 for clothing, the local grocery store donated a \$300 gift certificate, and the local furniture store donated \$500 furnishings. These items are all gifts from non-governmental sources and not included in household income.

- Surplus food or other relief in kind supplied by a government agency

Example

The Agriculture Department supplies surplus milk, cheeses and cereals to persons over a certain age or under an income threshold. The value of the food is not included in household income.

The Weatherization Division provides building materials to make houses more weather proof. The value of the materials is not included as household income.

- Contribution portion of a pension or annuity distribution if the contribution was included in adjusted gross income in the year of contribution

- Income of a person living in the household under a written homesharing agreement

Example

Doris, age 68, now finds it harder to care for her home. She goes to a homesharing agency to find someone to live in her home and help her care for her home. The agency matches Doris with Mary and they sign a homesharing agreement. Doris files a property tax assistance return, and Mary's income is not included as part of Doris' household income.

Jim, age 35, is disabled from a car accident. He wants to stay in his own home and goes to a homesharing agency that matches Jim with a couple, Sam and Sara. Jim files a property tax assistance return. The couple's income is not included as part of Jim's household income.

- Income of a person living in the household who is a bona fide employee hired to provide personal care to a household member and is not related to the person to whom the care is provided

Example

Fran lives with the Alden and Alicia Smith family and she provides nanny services to the children. Fran is an employee of the Smith family. The Smiths file a property tax assistance return. Fran's income is not included as part of their household income.

- Income of a spouse age 62 or older not living in the household but has moved permanently to a nursing home or other care facility.

Example

Bess, age 60, is married to Harry, age 63. Harry moved to a nursing home in January of the calendar year. Harry receives Social Security and interest income. Bess files a property tax assistance return. Harry's income is not included as part of her household income.

NOTE: If Harry files a renter rebate claim for his nursing home rent, Bess cannot file for property tax assistance.

- Income of a person when residing with a homeowner who is age 62 or disabled for the primary purpose of providing attendant care services or homemaker services or companionship services that allow the homeowner to remain in his or her home or to avoid institutionalization

Example

Jeffrey, age 65, needs help to live in his home. In exchange for room and board, Lana moves into Jeffrey's home to provide cooking and cleaning, drive Jeffrey to his appointments, help him with his medications and run errands. Lana works part-time. Jeffrey files a property tax assistance return and Lana's income is not part of his household income.

ADJUSTMENTS TO HOUSEHOLD INCOME: The following items may be subtracted to adjust household income if the income upon which deduction is based is included in the household income

- Employment taxes (Social Security and Medicare) withheld from an individual's pay
If a portion of income is not required to be reported as household income, enter only the employment taxes withheld for the income included in household income.
Example Sara is a full-time student living with her parents and qualifies as her parent's dependent. She earned \$15,000 during the calendar year. The first \$6,500 is exempted from household income and the remaining \$8,500 is included in household income. Total Social Security and Medicare on the \$15,000 is \$1,140. The employment taxes deduction allowed for Sara is \$646 (\$8,500 * 7.6%).
- Net self-employment taxes paid by an individual
- Child support money if substantiated by receipts or other evidence that the commissioner may require
- Adjustments to Federal Adjusted Gross Income from 1040 Line 36 or 1040A Line 20

For spouses or civil union partners filing jointly, enter the adjustments to Federal Adjusted Gross Income in the claimant's column only.

AMENDING OR CHANGING HOUSEHOLD INCOME

The only change allowed on a property tax assistance return or renter rebate claim is correction of household income on timely filed return. The change to household income must be done within three years of the filing due date of the return. To amend household income, complete a Form HI-144 for the applicable year with the correct income information, mark "AMENDED" and send to the Department.

Example

In June 2007, Randy Rental files an amended tax return for tax year 2006 that reduces his household income. He filed a timely 2006 renter rebate claim on

September 4, 2007. Randy has three years to amend the household income. Since he filed a "late" but valid rebate application on September 4, 2007, he needs to amend the 2006 renter rebate claim for the change in his household income by September 1, 2010. To amend his household income, he obtains a 2006 HI-144 from the Department's web, completes the form with the updated information, writes "AMENDED" on the top of the form and mails to the Department.

2003 VT	Household Income	Form HI-144	AMENDED ---- ----
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**Do not complete another HS-122 or PR-141.
SEND ONLY THE HI-144 MARKED AMENDED.**

HOUSEHOLD INCOME FOR AN AMENDED INCOME TAX RETURN

An extension of time to file an income tax return does NOT apply to the HS-122 or PR-141.

If the household income is not known on April 15 for good cause, the homestead declaration and property tax adjustment claim or renter rebate claim can be filed using the best available information to determine the household income amount.

Good cause includes income received from K-1 sources or other business sources that have not concluded their end of year accounting, or waiting for corrected income statements. Filing a claim in January before W-2 statements are issued is not good cause.

Best available information includes using last year's household income adjusted by factors used to determine income tax. The household income may also be reported as over the maximum eligible household income.

Household income reported as over the maximum eligible household income means no property tax adjustment or renter rebate will be issued until an amended HI-144 is filed.

Household income reported on best available information means if a property tax adjustment or renter rebate is issued, the amended HI-144 may create additional payment or require repayment. Any additional property tax adjustment payment is sent to the town. The town refunds to the

homeowner any overpayment on the property tax bill. The Department bills the homeowner or renter directly for any required repayment.

While household income may be amended for three years after the due date, it is advisable to amend as soon as the correct household income is known. Interest from the due date to the date of repayment plus a 10% penalty applies to repayments.

See information on amending household income.