

Treatment of Rental Income for SNAP Households:

Example For Family of Two (Parent & Child) with One Rental Unit

SAMPLE CLIENT FACTS:

SNAP family includes a parent and 1 child.
They rent one unit in a two family house.

Monthly gross income:

Unemployment Insurance (UI): \$900/mo
Rent amount paid by tenant: \$1,000/mo

Homeownership costs:

Mortgage principal and interest: \$1,100/mo.
Property taxes and insurance are included in mortgage payment.

City water/sewer costs: \$120/mo
Trash collection fees: \$20/mo
Electricity costs (for whole house): \$240/mo

TOTAL costs with utilities: \$1,480/mo

Federal and state SNAP rules treat rental income as a form of self-employment* income. The SNAP household can exclude the cost of owning property to determine the “net” rental amount. Most households are better off when property costs are deducted up front.

How to calculate NET rental income:

Step 1: Determine *pro rata* share of expenses. Add up total homeownership costs including water/sewer and other common utilities *paid* by the homeowner.** Divide that by number of units in the property, for ex: \$1,480 / 2 living units = \$740/mo.

Step 2: Subtract the *pro rata share* of total property costs from the gross rental income: \$1,000-\$740 = \$260/mo **net rental income**. Determine if it is earned or unearned income for the SNAP household.**

Step 3: Calculate the SNAP *household’s shelter costs* for the SNAP math. This time, calculate homeowner’s *pro rata* share of their home ownership costs without utilities. The water/sewer, garbage costs are utility costs covered by the Standard Utility Allowance (SUA) in addition to electricity, phone and other utilities. The *pro rata* share of home ownership costs is **\$550/mo** (\$1,110 / 2 units). Add the SUA to the \$550 for total shelter costs.

Sample SNAP Amount using the “GROSS” RENTAL INCOME

Unearned Income: \$900 UI <u>plus</u>	\$1,900.00
\$1,000 GROSS Rental income	
Shelter Expenses	
Rent (cost of mortgage)	\$1,100.00
Standard Utility Allowance (SUA)	\$586.00
Deductions Allowed	
Standard (for 2 people)	\$149.00
Shelter Deduction (capped)	\$469.00
Total Deductions	\$618.00
Countable Income	\$1,282.00
Maximum SNAP for HH Size (2)	\$367.00
Minus 30% Countable Income	-\$384.60
Monthly SNAP Allotment	\$16.00

Sample SNAP Amount using the “NET” RENTAL INCOME

Unearned Income: \$900 UI <u>plus</u>	\$1,160.00
\$260 NET Rental income (step 2 above)	
Shelter Expenses	
Rent (<i>pro rata</i> share = 1/2 mortgage)	\$550.00
Standard Utility Allowance (SUA)	\$586.00
Deductions Allowed	
Standard (for 2 people)	\$149.00
Shelter Deduction (capped)	\$469.00
Total Deductions	\$618.00
Countable Income	\$542.00
Maximum SNAP for HH Size (2)	\$367.00
Minus 30% Countable Income	-\$162.60
Monthly SNAP Allotment	\$204.40

* Rental income is considered “earned income” (allowing the 20% earnings disregard) when the property owner spends more than 20 hours a week managing and maintaining the property. 106 C.M.R. 363.220(B)(5) 7 CFR 273.9(b)(1)(ii)

** The “costs of doing business” include the mortgage costs (principal and interest), property insurance, real estate taxes, water and sewer charges, trash removal, repair and maintenance costs. 106 C.M.R. 365.930(A)(1) and/or 106 C.M.R. 365.940, 7 CFR 273.11(b).