

Northumberland County Community Housing Directives

Housing Services Division

555 Courthouse Road

Cobourg, Ontario K9A 5J6

Subject: Adjusted Family Net Income (AFNI)

Directive Number: 2021-10

Effective Date: Upon issuance, October 18, 2023

Intent

To set out how to determine adjusted family net income (AFNI) for the calculation of rent-geared-to-income (RGI).

Background

As of July 1, 2021, Northumberland County will be implementing a simplified calculation of rent-geared-to-income (RGI) in line with Ontario Regulation 316/19 under the Housing Services Act, 2011 (HSA).

The simplified RGI calculation is based on 30 per cent of AFNI. AFNI is the annual net income of all members of a family unit or benefit unit – excluding the income of full-time students. A person's annual net income can be determined using either:

- Tax-based net income
- Approximated net income

If the person has or had a Registered Disability Saving Plan (RDSP), any net income from the RDSP is excluded from their net income.

AFNI is further adjusted to exclude current assistance income in order to determine the non-benefit income of Ontario Works (OW), and Ontario Disability Support Program (ODSP) benefit units.

Social assistance rent scales and utility adjustments are unchanged.

Tax-based Net Income

Tax-based net income is the net income amount from a person's income tax return as assessed by the Canada Revenue Agency (CRA). This amount is set out on Line 23600 of the income tax return.

Line 23600 can be verified using either of the following documents issued by CRA:

- Proof of Income Statement
- Notice of Assessment (NOA)

The tax year used to determine a person's net income is different depending on when the RGI annual review is conducted.

- If the annual review is conducted between July and December, RGI is based on net income from the previous tax year.
- If the annual review is conducted between January and June, RGI is based on net income from the tax year before the previous year.

If the amount of the tax-based net income does not reasonably reflect the average amount of income expected to be received over the following 12 months, approximated net income is used to determine AFNI (see below). Some examples of this include if the tenant or co-op member:

- is unable to provide their NOA or Proof of Income Statement for the tax year, as requested
- has had an in-year change in income – whether or not this resulted in an RGI change.

Tax-based net income can be used to determine AFNI even if an income source has changed, as long as the tax-based net income amount is still roughly equal to the current amount of income.

In-Year Reviews

Any changes to household composition or changes to full time student status must be reported, and an in-year review will be completed.

A household may request an in-year review for decreases in income of 20%. Households will no longer be required to report an increase in income before their next annual review.

Proof of Income Statement

Although RGI tenants and co-op members may provide their NOA or Proof of Income Statement as verification of tax-based net income, the Proof of Income Statement should be encouraged.

The Proof of Income Statement is a simple version of the tax assessment that summarizes all income and deductions for the tax year. It can provide more detailed information than the NOA and may be required in circumstances where someone declares employment-related income, social assistance or an RDSP. It may also be more beneficial than the NOA if the family member has multiple sources of income or has had income changes during the tax year.

Housing providers should encourage tenants and co-op members to register for a My CRA Account in order to have ready access to their most recent Proof of Income Statement or NOA.

Approximated Net Income

Approximated net income is the amount that best approximates a person's net income for the next 12-month period, calculated and adjusted in a manner similar to tax-based net income – i.e. to best reflect what would normally be included on Line 23600 of the income tax return.

Approximated net income may be required instead of tax-based net income at the following times:

- Move-in – if the incoming tenant or co-op member has not filed their income tax return or the tax-based net income amount does not accurately reflect the current average income amount.

- Annual RGI reviews – if the tax-based net income amount does not accurately reflect the current average income amount or the income tax information is not available. Approximated net income will normally be required at annual RGI review if there was a previous in-year change in income, whether or not it also resulted in an in-year RGI change.
- In-year reviews – approximated net income is used for all in-year reviews when income has changed.

Income Included in Approximated Net Income

In determining approximated net income, only ongoing income that is anticipated to be received regularly over the 12-month period following the RGI review is considered. This may include the following types of income that are also included in net income on Line 23600 of the income tax return:

- employment income, including wages, salaries, commissions, bonuses, tips, gratuities, vacation pay, and remuneration as a dependent contractor (do not include strike pay)
- net self-employment income (business, professional, commission, farming, fishing, and income from partnerships)
- Employment Insurance, including benefits for training if not a full-time student
- Workplace Safety and Insurance Board (WSIB) benefits for loss of earnings
- wage-loss replacement plan benefits or payments for sick leave, short-term disability or maternity leave under a private or workplace insurance plan
- veterans' benefits for income support or replacement (do not include amounts for disability or death of a war veteran due to war service)
- Old Age Security (OAS), Guaranteed Income Supplement (GIS), Guaranteed Annual Income Supplement (GAINS)
- Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) – excluding CPP or QPP child benefits
- Registered Retirement Income Fund (RRIF) and Registered Retirement Savings Plan (RRSP) income from T4RSP slips
- private pensions, foreign pensions, and superannuation
- Interest, dividends and other investment income - excluding income from Tax-free Savings Account (TFSA) investments

- Annuities
- capital gains
- net rental income
- spousal support payments received (but not child support payments)
- all other taxable income sources

Do not include net Registered Disability Saving Plan (RDSP) payments, onetime lump sum payments, income tax credits or benefits, children's benefits, child support payments, or social assistance payments from Ontario Works or the Ontario Disability Support Plan (ODSP) when determining a person's approximated net income.

Adjustments to Approximated Net Income

Like tax-based net income, approximated net income is not net of income tax deductions. In most cases the gross amount of income is used in determining approximated net income.

The gross income amount may be adjusted (i.e. in most cases, tax deductions will be added back into AFNI) if a person has the following ongoing and regular expenses or deductions from their income:

- registered pension plan deductions eligible for tax deductions
- RRSP contributions eligible for tax deductions
- annual union, professional, or like dues
- child care expenses eligible for tax deductions
- disability supports eligible for tax deductions
- employment expenses
- spousal support payments paid under an enforceable court order or agreement (but not child support payments paid).

Where these amounts are not known, not material, or cannot be predicted, gross income amounts should be used to determine the approximated net income. These deductions will be reflected in the next income tax assessment and will be considered the next time that tax-based net income is used in the calculation of RGI.

Verification of Approximated Net Income

Approximated net income is verified at source. It must come from the employer or organization that issues the income. It may be a regular statement of income (e.g. pay stub or monthly financial statement) or a letter from the employer or organization to verify gross income.

The documentation must provide sufficient information to allow for an annualized approximation of the net income that is anticipated to be received over the 12-month period following the RGI review. It may include one or more statements or pay stubs at the discretion of the housing provider.

Calculating AFNI

AFNI is the total of the tax-based net income or approximated net income of all members of a family unit or benefit unit – excluding the income of full-time students. AFNI (or non-benefit income in the case of benefit units) is then divided by 12 to find the monthly AFNI amount that is used in the calculation of RGI.

Employment Income

For household members who work, there is an exemption of \$75 or \$150 per month depending on family size.

Registered Disability Savings Plan (RDSP) Income

If the person has or had a Registered Disability Saving Plan (RDSP), any net income from the RDSP is excluded from their net income. Net RDSP income is any RDSP payment minus any required RDSP repayment in the same tax year.

If excluding net RDSP income from tax-based net income:

- RDSP payments are set out on Line 12500 of the income tax return
- Most RDSP repayments are made through an “assistance holdback amount” that is not reflected in the tax assessment and does not impact RGI.

However, repayments of amounts that were previously included as income are included in Line 23200 (Other deductions) of the tax assessment. Line 23200 may also include other deduction amounts in addition to an RDSP repayment.

Non-Benefit Income

In the case of Ontario Works or ODSP benefits, the monthly AFNI amount is reduced by the current net social assistance amount to determine the amount of non-benefit income. The net social assistance amount is verified by the current Statement of Assistance from Ontario Works or ODSP, and is the amount paid to the benefit unit after deductions (e.g. income deductions, overpayment deductions).

- If AFNI is determined based on approximated net income, all Ontario Works and ODSP payments are excluded, leaving only non-benefit income.
- If AFNI is determined based on tax-based net income, non-benefit income is determined by deducting the current monthly net social assistance income from the monthly AFNI (i.e. Line 23600 of the income tax return divided by 12 months).

Where non-benefit income is above the applicable non-benefit income limit in the social assistance scales, this amount is used in the calculation of RGI instead of the full AFNI amount.

Repealed Rules

N/A

Legislative Authority

O. Reg. 316/19 s 3, 6

If there are any questions please contact the Service Manager, Northumberland County Housing Services at 905-372-3329.