# METHODS FOR CALCULATING ANNUALIZED INCOME

When calculating income, States and SDAs are encouraged to use any one of the following methods as appropriate. The examples are illustrative only and SDAs should obtain as many pay stubs as possible.

## 1. STRAIGHT PAY OR SALARY METHOD

Under the Straight Pay Method, the participant supplies a sample of pay stubs covering the most recent six months of family income. Upon reviewing the pay stubs the intake worker determines that the wage informa-tion on the pay stubs is the same. There is no variation in the wages for any of the pay stubs submitted for the income verification.

The intake worker will calculate the income based upon the wages indicated on one of the pay stubs, since there are no variations in the gross income on the pay stubs. Based upon the length of the pay period repre-sented by the pay stubs, (usually weekly, bi-weekly or monthly) the gross income is multiplied by the number of pay periods in a year. That is, 52 x gross wages, 26 x gross wages, or 12 x gross wages respectively. The result will be the annualized income used to determine eligibility.

**EXAMPLE:**

Five (5) pay stubs are provided indicating gross wages of $548.00 each. The pay stubs are sporadic and cover a period of 3 months. The pay frequency is bi-weekly. An intake worker would multiply the gross wages indicated on the pay stub by the frequency occurrence.
26 X $548 = $14,248

## 2. AVERAGE PAY METHOD

Under the Average Pay Method, a sample of six pay stubs are submitted which show variations in the gross earnings. The variations may result from overtime, lost time or work for different employers.

In calculating the annualized income, the intake worker must determine the average gross earnings based upon the number of pay stubs provided. To determine the average gross earnings, the intake worker must total the gross earnings of all the pay stubs provided and divide the result by the number of pay stubs. The result will be the average gross earnings per pay period. After determining average gross earnings the intake worker will then determine the pay frequency and multiply the gross average earnings by the number of pay periods in a year.

**EXAMPLE:**

Participant provides intake worker with six (6) pay stubs with gross earnings of; $534.00, $475.00, $398.00, $534.00, $498.00, and $534.00. The pay frequency is weekly. The intake worker should do the following:

Add: $534 + $475 + $398 + $534 + $498 + $534 = $2973.00
Divide: $2973/6 = $495.50 = Average gross earnings
Multiply: $495.50 x 52 = $25,766 Annualized gross income

## 3. YEAR-TO-DATE METHOD

Under the Year-To-Date Method of calculating annualized gross income, the participant provides recent pay stubs with cumulative year-to-date gross earnings indicated on the pay stub. The cumulative year-to-date gross earnings indicate the gross earnings up to the date of the pay period ending date on the pay stub. To compute the annualized income, the intake worker counts the number of pays that have occurred since January 1, and divides that number into the gross year to-date earnings indicated on the pay stub. [After this computation, the steps are the same as for the average pay method.] The result of this computation (average gross income per pay period) is then multiplied by the number of pay periods in a year to determine the annualized gross earnings.

**EXAMPLE:**

Participant provides the intake worker with a recent pay stub whose gross year-to-date earnings are $13,756. The pay period ended September 30, 1992. The pay frequency is bi-weekly. Upon counting the number of pays that have occurred since January 1, 1992, the intake worker has determined that the participant has been paid 19 times. Calculation of the gross annualized income would be done as follows:

Divide $13,756 by 19 bi-weekly pays = $724.00
Multiply $724.00 by 26 = $18,824 (based upon bi-weekly pay frequency 26 pays per year)
or
Divide $13,756 by 38 weekly pays = $362.00
Multiply $362.00 by 52 = $18,824 (based upon weekly pay frequency 52 pays per year)

## 4. INTERMITTENT WORK METHOD

When an applicant has not had steady work with one or more employers, she/he should supply as many pay stubs as possible and complete an Applicant Statement explaining all missing pay stubs and non-work periods during the last six months. In such cases the intake worker should total all wages for the six month period and multiply the result by two to annualize the wage income.

If the applicant reports little or no includable income, as shown above, she/he should indicate other resources relied upon for life support during the last six months on the Applicant Statement Such resources may include such things as unpaid debts, gifts, loans, unemployment compensation, etc.