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OBJECTIVE

The Northwest Territories Housing Corporation (NWT HC) delivers programs to persons with limited financial resources who are either in need of a home or who require assistance to maintain or repair their home. The goal of Income Verification is to help applicants demonstrate that they qualify for assistance and ensure that all applicants have their income verified accurately and consistently across the NWT.

ENABLING LEGISLATION

Northwest Territories Financial Administration Act

The NWT HC must operate within the parameters established under the *Financial Administration Act*: Part IX Public Agencies.

Northwest Territories Housing Corporation (NWT HC) Act (R.S.N.W.T. 1988, c. N-1)

Section 10 (d) The NWT HC may “make grants or loans to individuals, municipalities and other corporate bodies for acquiring, constructing or improving housing;”

Section 10 (j) The NWT HC may “prescribe forms of mortgages, agreements and other documents and execute and deliver deeds, grants, conveyances, transfers, releases, discharges or other documents as may be necessary in the conduct of its business.”

POLICY CHANGES

Any requests for changes to this policy must be submitted on a *Request for Policy Review Form* to the Programs & District Operations Division in Head Office. The NWT HC Executive Committee must approve any changes before taking effect.



DELIVERY AGENT

The NWTHC is responsible for the delivery of all of the programs.

APPLICABLE COMMUNITIES

Income Verification applies to all NWTHC programs and all communities in the NWT as well as applicants who reside outside community boundaries.

INCOME VERIFICATION

Income verification is required for acceptance into NWTHC Housing Choices programs and for determining the level of assistance.

Annual or periodic verification of income is also required for clients who have received assistance under past and current NWTHC programs.

The District Office must refer to the specific program agreement or program policy to determine the frequency by which income verification is required.

All income verification documentation must be copied and retained on file for auditing purposes.

If a person has been in an indeterminate position (full-time or part-time) for a period of one year or more, the current year's income must be used and verified accordingly. Where current year income is **not** representative of the true nature of an applicant's earnings, please consult with the Programs & District Operations Staff in Head Office.

In all other cases (such as casual, seasonal, term or self-employed), an average of three (3) years income is required (current year income and the two preceding years), which is verified through the Canada Revenue Agency (CRA).



Where it is suspected that an applicant has not declared all income or purposely terminated their employment in order to be below the Core Need Income Threshold, then a three (3) year average of income should be verified through the Canada Revenue Agency.

In cases where the income is verified through the CRA and the report shows the applicant has not filed their income tax return(s)**, it will not be possible to verify income. Therefore, clients should be counselled to file their income tax return(s) so their income can be verified.

*** A working copy of the income tax return cannot, in any case, be used as verification of income, only the income tax return with the Notice of Assessment is acceptable.*

While some references may be made to the Canada Revenue Agency's treatment of certain types of income, the various deductions, exemptions, and expenses permitted by CRA in determining taxable income do not apply when determining total income for eligibility under NWT HC programs.

In situations where clients are married or living common-law, the NWT HC considers assistance to be given jointly to the client and his/her partner. As such, verification of income policies and procedures apply to both spouses/common-law partners.

Processing SAFE Applications:

As the SAFE program is designed to address repairs that of an urgent and emergency nature, it is necessary for District Offices to process applications promptly.

It is recognized that verifying incomes through CRA can cause delays. District Office may take alternative measures to determine the current household income if a CRA VOI is not readily available. These measures include:

- Examination of other readily available documentation, such as from previous applications or programs;



- The applicant has provided sufficient current income information;
- The applicant's household occupants are documented and if their income levels (work history) are relatively known.

If the District Office is reasonably certain of the household income and can document it, District Directors are encouraged to approve the application and move forward with repairs.

Should District Offices require further clarification on determining household income, they are encouraged to consult with PDO prior to approving the application.

TYPES OF INCOME

The following income types require verification and are *included* as income:

- Gross wages, salaries and commissions, including overtime, (i.e. before taxes and other deductions) from all jobs held by applicants, including students – 19 years of age and older
- Alimony received by a household member
- Apprenticeship and job training wages as well as employer education assistance
- Bilingual Bonus
- Boarder Rental Income
- Capital gains** and losses
- Child Support Payments
- Child (Day) Care Assistance
- Child Maintenance Enforcement Payments
- Foster Care payments received for children being cared for on behalf of the GNWT Department of Health & Social Services or a Provincial Children's Aid Society.
- Fuel Subsidy Program as offered by a Government as a program
- Honoraria income and per diems from committee employment
- Impact Benefit Agreement (IBA) payments
- Investment income such as interest and dividends
- Maternity and Parental Leave Benefits (*See section for details*)
- Northern Allowance



- Property Rental Income
- Refundable tax credits such as
 - GST Tax Credit,
 - Canada Child Tax Benefit (CCTB),
 - National Child Benefit Supplement (NCBS),
 - Child Disability Benefit (CDB),
 - Northwest Territories Child Benefit (NWTCB)
- Refunds of pension contributions
- Registered Disability Plan – withdrawal
- Registered Retirement Savings Plan – withdrawal
- Royalties
- Settlement, Housing, Household, Home Fuel (Heating), Location, Isolation Post, Northern allowances
- Scholarships and Bursaries
- Self-employment income (which includes hunters, trappers, carvers, artists, outfitters, guides, including sport hunt etc.)
- Severance pay or retiring allowance
- Streamed Payment Income i.e. Retired Investment Fund
- Strike and sick pay from trade unions
- Student Financial Assistance (SFA)
- Treaty/land claims
- Treaty Entitlements – (i.e. small annual payments)
- Vacation Travel Allowance (VTA)
- Transfer payments from all levels of government.
For example:
 - Old Age Security Pension (OAS)
 - Canada Pension Plan (CPP)
 - Canada Pension Plan (CPP) Survivor Benefits
 - Canada Pension Plan (CPP) Disability Benefits
 - Disability Pension
 - Divisional Education Councils' Boarding and Lodging Allowance – see *Glossary*
 - Employment Insurance Benefits
 - Family and Youth allowances, including the Universal Child Care Benefit (UCCB)
 - Guaranteed Income Supplement (GIS)
 - Income Assistance, Income Support, Income Security, Social Assistance
 - Income Maintenance or guaranteed annual wage plan, Wage-loss replacement plans or income-maintenance insurance plans
 - NWT Senior Citizen Supplementary Benefit
 - Quebec Pension Plan



- Research Grants
- Retirement Pensions, Superannuation and Annuities
- Veteran's Allowance
- Workers Compensation (applicant/co-applicant only)

The following income types are *excluded* as income and verification is **NOT required:**

- Disability Benefits (if received in a lump sum)
- Inheritances during the year in lump sum or lump sum settlement of insurance policies. **

** The District Director may decide to include this income for analysis if the financial gain is substantial enough that the client no longer qualifies for social housing assistance due to an abundance of assets or wealth.

WAGE AND SALARY EMPLOYMENT

Mortgagor(s) or household members with a wage income are required to have their employer(s) complete a verification form. Wage and salary employment income verification from all employers is required for the current year.

Income verification documentation for wage employment must show a breakdown of earnings identifying allowances, overtime**, bonuses, vacation travel assistance, honoraria. A separate verification form is required for miscellaneous or for second (multiple) employment sources of income. All sources of income must be verified.

**Please note that the verifications provided by a person's employer(s) must include overtime if it is representative of the true nature of an applicant or client's earnings each year. If overtime is very rarely earned then the amount does not need to be reported by the employer(s).



SELF-EMPLOYMENT

It is the prerogative of the NWT HC to assess a sole proprietor's income in a fair manner, equal to salaried applicants.

The goal of determining a sole proprietor's income is to find a dollar amount that would accurately portray a sole proprietor's income as though it were a salaried income.

Verification of income for individuals deemed to be self-employed involves analysis of gross business income, total business expenses, gross profit, capital cost allowance, and specific elements of business expenses as "non-eligible expenses".

For example, "non-eligible expenses" relate to housing, heating, food, telephone, utilities, property taxes, rent, motor vehicle expenses, lease payments, legal and accounting fees, and travel expenses. Naturally, salaried applicants do not receive a tax break for these expenses therefore the tax break received by a sole proprietor should not be recognized by the NWT HC.

Note: If a self-employed individual receives a salary from another employment, this is considered income as well.

The District Director must consult with the District Controller/Finance Manager or the Director, Finance & Administration when determining net income for self-employed applicants.

Self-employed applicants are required to provide income verification for a three (3)-year period although a two (2)-year period is acceptable as a last resort in extenuating circumstances. The income is averaged for the period of time. (Anything less than two years is not acceptable.)

Income Tax Returns and financial statements are analyzed in the income verification process.

The T1 General - Individual Income Tax Return form is required for analysis in the income verification process.



Depending on the Sole-Proprietorship, one of the following is also required:

- T2125 Statement of Business or Professional Activities;
- T2121 Statement of Fishing Activities;
- T2042 Statement of Farming Activities;

The District Controller must ensure that three (3) years of financial and tax documentation have been collected and that the information is complete. Both the T1 General and T2125 Business and Professional Activities Forms is be obtained to verify this information.

The District Controller must analyze Gross Business Income with respect to its consistency from year to year to ensure a stable financial environment.

The District Controller must analyze the amount of the Capital Cost Allowance for the past three (3) years. Look to find evidence of investment in the business.

If there is evidence the client is not investing in their business, it is up to the discretion of the Controller to determine whether an applicant can afford the costs associated with owning a home. If there is evidence that the client is investing too much in their business, the Controller can decide that the sole-proprietor is unable to take on additional investment in a homeownership program and therefore deny NWT HC assistance.

Numerical designation for information on T2125 (Statement of Business & Professional Activities) tax form is as follows:

Gross Business or Professional Income = Line 8299

- Total Business Expenses = Line 9368

Gross Profit = Line 8519

Capital Cost Allowance = Line 9936

Ineligible Expenses:

- Meals and Entertainment = Line 8523
- Insurance = Line 8690



- Interest = Line 8710
- Legal, accounting and other professional fees = Line 8860
- Rent = Line 8910
- Property Taxes = Line 9180
- Travel = Line 9200
- Telephone and utilities = Line 9220
- Motor vehicle expenses = Line 9281
- Other Expenses = Line 9270.

The process explained using example in Appendix A.

Numerical designation for information on T2121 (Fishing Activities) tax forms are as follows:

- Gross Income = Line 8299
- Total expenses = Line 9368

Capital Cost Allowance = Line 9936

- Insurance = Line 8690
- Interest = Line 8710
- Food, meals and entertainment = Line 8523
- Motor vehicle expenses = Line 9281
- Legal, accounting and other professional fees = Line 8860
- Other Expenses = Line 9270

Numerical designation for information on T2042 (Farming Activities) tax forms are as follows:

- Gross Income = Line 9659
- Total expenses = Line 9898

Capital Cost Allowance = Line 9936

- Interest = Line 9805
- Motor vehicle expenses = Line 9819
- Legal, Accounting and other professional fees = Line 9809
- Property Taxes = Line 9810
- Rent = Line 9811
- Note: any one of these expenses may also be listed in "Other Expenses", line 9790



ASSET INCOME

Any income derived from assets or the sale of an asset shall be included for income verification.

The District Controller must analyze the nature of the investment.

A client's T1 General will show lines 120 and 121. If there are any amounts shown on these lines, there is evidence of personal assets.

Real property is considered an asset and a financial statement is required to determine the net worth. If the real property is or was residential, the applicant will not be eligible for NWTCH assistance.

A foreign bank account is considered an asset and the balance is required for analysis.

In general, a client is ineligible for NWTCH assistance if they have assets that are marked by abundance, or if they have a high level of equity.

It is recommended that these cases be forwarded to the Finance & Administration Section in Head Office for review.

BOARDERS/ROOMERS

Boarders unrelated to the applicant or co-applicant, are not considered to be permanent household members. The rents received for room and/or board are included in the total household income. Spouses are not considered as boarders/roomers or dependants.

In order to be considered bona fide boarders, the household must be able to prove that rent is being paid, either through copies of cheques, receipts or income tax returns. Otherwise the boarders should be treated as household members.



EMPLOYMENT INSURANCE (EI)

Income verification on Employment Insurance is obtained through the *Canada Revenue Agency* or *Service Canada*.

Employment insurance is a temporary source of income; therefore, a 3-year evaluation of the applicant's employment history should be conducted to determine financial stability for program eligibility and to remain in their current program. An analysis of future or potential earnings is required.

For the purposes of determining a monthly payment amount for a client in an existing program the client's EI Benefits are to be verified and used as income.

If applicants/clients are recipients of EI due to maternity or parental leave benefits please see Maternity & Parental Leave section on the next page.

FOSTER CHILDREN

Money (Foster Care) paid by the GNWT Department of Health & Social Services or paid by other provinces or Children's Aid Societies for the care of children is included as income.

IMPACT BENEFIT INCOME

In general, impact benefit income is derived from a negotiated "access and benefits agreements" between the affected land claimant group and a business or corporation from the mining or oil sector. These agreements address the costs for a particular business or corporation to access land overseen by the land claimant group. Some groups may decide to pay dividends while others may negotiate employment targets, etc.

These payments will be included in income.



INCOME SECURITY/SUPPORT/SOCIAL ASSISTANCE

Applicants receiving payments through an income security or income support program from either a Federal, Territorial and/or Municipal Government are to provide supporting documentation. In the NWT, this document is called a *Financial Case Report* and is provided by a Client Services Officer from the GNWT's Department of Education, Culture & Employment (ECE).

LAND CLAIM SETTLEMENT

The following payments made to persons enrolled as beneficiaries or participants under a comprehensive land claim settlements shall be included as income:

1. Payments in the nature of a distribution of income or capital from land claim settlement institutions; and
2. Payments made to seniors or students from institutions established under the land claim settlement in pursuit of land claim settlement objectives.

Where self-government forms part of the land claim settlement the paying out of dividends based on what their land claim earned is included in the calculation of income. Any money paid out based on their "government funded" services is **included** as income.

LUMP SUM VERSUS STREAMED PAYMENT INCOME

Payment received in one disbursement, also known as lump sum, such as inheritances, disability awards, insurance settlements etc., are NOT included in calculating total household income, unless noted otherwise under the section **Types of Income.**

Payments received on a periodic or regular basis, e.g. weekly, monthly, annually, such as interest on investment etc., are included in calculating total household income, unless noted otherwise.



MATERNITY AND PARENTAL LEAVE

For eligibility purposes and determining the level of assistance for a program the applicant's ordinary/regular/pre-maternity or parental leave wages are to be verified and used as income. For the purposes of payment for an existing program a client's maternity or parental leave wages (employer share & EI Benefits) are to be verified and used as income.

NORTHERN ALLOWANCE

All applicants/clients whose verified gross earnings includes one of the following: northern, settlement, household, housing, location and isolation post allowance will be included as income.

PENSION INCOME

All pension income is included for income verification. Pension income can be governmental or private and includes:

- Old Age Security;
- Guaranteed Income Supplement;
- Canada Pension Plan;
- Quebec Pension Plan;
- Widow Pension;
- Orphan Pension;
- Survivor Pension;
- Disability Pension
- RRSP Pension
- Private Pension (i.e. GNWT)

Pension income is verified through the Canada Revenue Agency (CRA) or by a photocopy of the applicants' CRA's *Notice of Income Tax Assessment*.

If an applicant or client has retired from an employer during the last three (3) years and the retirement pension is their sole source of income; using the CRA 3-year average method will mistakenly overstate their income. Only the most current CRA assessment is required or a



verification from the administrator of the specific pension plan.

Old Age Security (OAS) and Canada Pension Plan (CPP) recipients receive T4/NR4 tax slips, which they can also access on-line through their *Service Canada Account*. Not only can they view and print their tax slips, they can also view their most recent OAS and CPP payment rates and their CPP contributions.

To access *My Service Canada Account*, a Personal Access Code is required. Applicants can apply for a Personal Access Code on-line:

<http://www.servicecanada.gc.ca/en/online/mysca.shtml>

Please note that if an applicant receives even \$1.00 in Federal Guarantee Supplement money they automatically receive the NWT Senior Citizen Supplementary Benefit of \$160.00. Please add the \$160.00 to the Gross Income; additional verification is not needed for the \$160.00.

SEASONAL EMPLOYMENT INCOME

Income verification is required for a three (3) year period. The seasonal income is averaged for the period of time.

STUDENT INCOME

A person, who is simultaneously (at the same time) registered as a full-time student and is earning full-time wages or working part-time in excess of 30 hours, will have their earning **included** & assessed as income. The earnings of a full-time student who works part-time, 30 hours or less; or works full-time only during an official break in the school year are **excluded** as income.

All earnings of part-time students 19 years of age and older is **included** as income, unless otherwise stated in the Program Policy.

All student allowances such as books and tuition will be included as income.



TRADITIONAL EMPLOYMENT INCOME

Individuals involved in employment that is considered Traditional employment are recognized as taking part in a form of self-employment.

Recognized forms of Traditional employment include: Hunting and Trapping, Sports Hunt, Fishing, Production & Sale of Indigenous art, and any other traditional endeavour in which income is derived.

Income verification is obtained from the individual or company where the applicant sells his/her goods, for example Northern Stores, Co-op or Wildlife Office. Income verification is required for a three (3) year period. The income is averaged for the period of time.

If this documentation is unavailable the applicant will be considered a Self-Employed individual with a non-incorporated business and their income will be verified using the method described under the section *Self-Employment*.

TREATY ENTITLEMENTS

In most cases dividends and treaty payments are small annual payments. Historically Aboriginal Land Claims or Treaty payments were aimed at helping people live traditionally (buy traps, hunting supplies etc.). These payments are included for the purposes of determining income.



GLOSSARY

Alimony: Payments required by any court order for support, based on the Federal Divorce Act or relevant provincial/territorial legislation, and; payments required by a legal domestic contract such as a separation agreement, a paternity agreement, marriage contract or cohabitation agreement.

Boarders/Roomers: Boarders and roomers are unrelated individuals living in a unit and paying rent to the household for shelter or room & board services. They are not considered permanent members of the household.

Capital Cost Allowance: Is a tax term for depreciation. For tax purposes, Revenue Canada allows self-employed persons to deduct a portion of the cost of depreciable property such as equipment and buildings used in the business itself. This is allowed primarily because these types of properties wear out or become obsolete over time.

Child: A person related by blood, marriage, common-law or adoption to other members of the household (applicant or co-applicant) and less than 19 years of age.

Child Tax Benefit: Was originally introduced in January 1993 as a replacement to payments made under Family Allowance, the Dependant Child Tax Credit and the Refundable Child Tax Credit.

Dependant: A child (as defined above) who lives at least 50% of the time with the applicant and co-applicant.

Depreciation: This refers to an item which diminishes in value over time.

Divisional Education Councils' Boarding/Lodging Allowance: This is money paid on behalf of high school students who are attending high school in another community because their home community does not offer a high school program. Typically this rates range from \$25 - \$40 per day per student, excluding holidays and is dependent on the student attending classes.



Fraud: Intentional misrepresentation or concealment of income information in order to deceive or mislead the Corporation. Fraud is a deception or falsity deliberately practiced in order to secure unfair or unlawful gain. It should be considered as any act, expression, omission, reckless disregard toward truth, or concealment of information calculated to deceive the Corporation to the client's advantage. All cases of fraud will be reported to the Royal Canadian Mounted Police.

Foster Children: Children who are either permanently or temporarily in the care or custody of the government department or agency that is responsible for the protection of children. These children are placed in homes designated by the government department or agency. Foster children are not considered to be permanent household members of the designated Foster Parent(s).

Full-Time Student:

Attending an Educational Institution

This definition applies to students who attend classes at an educational institution. The institution must confirm the status of the student as "full-time". The student is required to spend a minimum of 15 hours per week on coursework.

Obtaining Education via Distance Learning

This definition applies to students who do not attend an educational institution, but follows a course of study which is delivered in a variety of ways which may include, internet or on-line courses, correspondence courses, and teleconference courses. This type of student may be classified as a full-time student if the institution providing the distance learning courses confirms that the student is required to spend a minimum of 15 hours per week on coursework.

The institution must provide estimates of the hours a course will likely require from a student. Persons holding a full-time job position are not considered a full-time student.



Honorarium: Payment that is made to a person for services for which fees are not legally or traditionally required, without obligation on the part of the payer. (A person elected to a Board of Directors may receive an honorarium).

Household: A person or a group of persons who occupy or who have need of a dwelling in the NWT and do not own another property elsewhere (worldwide).

Income in Kind: The value of goods or services that are received from another person in lieu of cash for other goods or services provided. Examples of such income include food, smoke meat, and butchered wildlife.

Mortgage: A contract between a borrower and a lender used as a method by which individuals buy or repair residential property without paying the full value upfront. The borrower (also called the mortgagor) uses a mortgage to pledge real property to a lender (also called the mortgagee) as security against the debt or loan for the rest of the value of the property.

Mortgagee: An entity that lends money to a borrower for the purpose of purchasing a piece of real property. By accepting a mortgage on the real property the lender creates security in the full repayment of the loan in the future.

Mortgagor: An individual or couple who borrow money to purchase a piece of real property. The Mortgagor provides the lender with a guarantee for the full repayment of the loan.

National Child Benefit (NCB): Is a joint initiative of the federal, provincial, and territorial governments. For more information, visit NCB Web site:

www.nationalchildbenefit.ca

Pension: Is an arrangement to provide people with an income when they are no longer earning a regular income from employment.

Real Property: Refers to the land. **Real estate** is a legal term that encompasses land along with anything



permanently affixed to the land, such as buildings. Real estate is often considered synonymous with real property.

Registered Retirement Savings Plan (RRSP): A legal trust registered with the Canada Revenue Agency and used to save for retirement.

Self-Employment: An applicant is considered self-employed if one or more of the following apply:

- An individual who earns income directly from their business, trade or profession, rather than at a specified wage or salary;
- An individual registered or recognised as the owner, majority shareholder, or partner of a business or company;
- An individual registered or recognised as having controlling interest in a company or business;
- An individual who receives payment from consumers as a result of providing goods or services through trade or profession.

Senior Citizen: For NWT HC programs, a person 60 years old or older.

Single-Parent Family: One parent and at least one child dependant on that parent.

Streamed Payment Income: Payments received on a periodic or regular basis, e.g. weekly, monthly, annually, such as interest on investments or insurance policies.

Total Household Income: Total income of the household member(s) before tax deductions.

Travel/Living Out Allowances: Travel or living out allowances of any household member are actual amounts reimbursed by the employer for work-related expenses.

Universal Child Care Benefit (UCCB): Started in July 2006 as a new monthly benefit paid to eligible families to help provide child care for children less than six years of age. The UCCB provides families a \$100 monthly payment (up to \$1200 annually) for each child less than six years of age. It will be paid separately from the Canada Child Tax Benefit (CCTB). The UCCB is taxable.



VOI

(Verification of Income)

Glossary

Wage & Salary Employment: Any permanent full-time or part-time, indeterminate or a term position of one year or longer.



VOI

(Verification of Income)

Appendices

APPENDICES – CARE MAJOR PROGRAM

Appendix A: **Worksheet**
Business and Professional Activities for the
Self-employed
Fishing Activities
Farming Activities