HOTMA Resident Fact Sheet: Health, Medical, and Childcare Deductions

This fact sheet is for families who live in public housing or have Housing Choice Vouchers from Section 8. There are new rules for deductions because of a federal law, the Housing Opportunity Through Modernization Act of 2016 (HOTMA). Your local public housing agency (PHA) will start using these rules by January 1, 2025. Your PHA will tell you before these changes begin. This fact sheet is not official or required by HUD or your PHA.

Overview

You generally pay 30% of your **adjusted** income as rent. This can be more in the HCV program if your rent is greater than the PHA's payment standard. Adjusted income is what's left after the PHA takes out certain income and costs from your yearly family income. These are called deductions. This fact sheet covers changes to common deductions.

Medical Expenses: Previously, if you were eligible and spent more than 3% of your yearly income on certain medical expenses, you received an income deduction. The PHA would deduct the amount you spent on those medical expenses above 3% of your income. ***New rules change this to 10%, meaning that fewer medical expenses will be deducted and your portion of the rent could increase.*** To help families, this change will be made over two years. Also, a new hardship deduction allows families who cannot pay rent due to a hardship to deduct more medical expenses for a time.

Childcare Expenses: Previously, childcare costs were only deducted from your income if they allowed a family member to work, look for work, or go to school. The new rule **adds** a hardship exemption for families who still need childcare but are not in work or school. If you qualify, childcare expenses can continue to be deducted from your annual income calculation.

Health and Medical Expense Deduction

The new rules require that qualifying health or medical expenses over 10% of your family's yearly income be deducted from your annual income total. This lowers your adjusted income and your rent.

There are two types of qualifying expenses:

1. Health and medical care expenses of elderly or disabled families.
2. Reasonable attendant care and equipment expenses for family members with a disability. Equipment can include expenses for things like a wheelchair or an assistance animal. The care or equipment must

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allow a family member, including the person with a disability, to work. The amount deducted is capped at the amount earned by the person who was able to work.

Expenses that are reimbursed, for example by your insurance, do not qualify.

If you have qualifying expenses over 10%, you likely qualify for a deduction. If you have qualifying expenses over 5% (but less than 10%) and are unable to pay the rent, talk to your PHA. You may qualify for a hardship exemption. You can use the **Income Estimation Tool** to see what amount of expenses would exceed 5% and 10% of your income.

Example

Total annual income:	$20,000
10% of annual income:	$2,000
Qualifying expenses:	$3,000
Minus the 10% threshold of	$2,000

= $1,000 reduction in your adjusted income (the amount over 10% of your income)

Hardship Exemptions to the Medical Expenses Deduction

HUD established two hardship exemptions for the new 10% threshold on medical expenses. The exemptions allow more expenses to be deducted for a limited time.

Category 1: Phased in Relief

If you previously had a deduction for medical expenses over 3% of your income, your adjusted income and your rent could increase under the new rules. To help, this increase will happen over two years.

- **1st year:** PHA will deduct eligible expenses over 5% of your family's income.
- **2nd year:** PHA will deduct eligible expenses over 7.5% of your family's income.
- **3rd year:** PHA will deduct eligible expenses over 10% of your family's income. You might also qualify for the new general hardship deduction.

Category 2: General Financial Hardship

- If your family is struggling to pay rent and you do not qualify for an interim income review, you may qualify for a general hardship exemption. For example, you might qualify if your family had a small decrease in income, a change in who lives in the home, or more medical expenses.
- If so, you will get a deduction for all eligible expenses over 5% of your yearly income.
- The exemption ends when the hardship ends or after 90 days, whichever comes first.
- Your PHA's rules might allow 90-day extensions while the hardship continues.
- This deduction is available at any time.
- During year 2 of the phase-in, if you have a hardship and choose to use this exemption, qualifying expenses over 5% of your income are deducted (instead of 7.5%). Once this period ends, only expenses over 10% would be deducted.

Childcare Expense Deduction

New HUD rules add a hardship exemption for some families who need childcare but are not working, looking for work, or in school.

To qualify, your family must:

- Already be receiving the childcare deduction.
- Show that you cannot afford rent without the deduction and that the lack of childcare would cause hardship.

For example, if you needed childcare to work but had to quit your job to care of a sick family member and still need childcare.

Exemptions are granted for 90-day periods. Your PHA's rules might allow 90-day extensions while the hardship continues.

Related Resources

- Income Estimation Tool and Directions
- HOTMA Income and Assets Training Series
- Hardship Exemptions Resource Sheet
- Examples of Medical Expenses That Are Deductible and Nondeductible

HOTMA Resident Fact Sheet: Asset and Real Property Limitations

This fact sheet is for families who live in public housing or have Housing Choice Vouchers from Section 8 (HCV). There are new rules that limit the assets and property that families can have when applying to and, in some cases, participating in these housing programs. The new rules are based on a federal law, the Housing Opportunity Through Modernization Act of 2016 (HOTMA). Your local public housing agency (PHA) will start using these rules by January 1, 2025. Your PHA will tell you before the changes begin. This fact sheet is not official guidance or required by HUD or your PHA.

New rules from HUD (the Department of Housing and Urban Development) say that families living in public housing and participating in the housing choice voucher program (HCV or Section 8) cannot have more than **$100,000*** worth of net family assets. Also, participating families may not own a home that they could live in. **There are notable exceptions to these rules!**

These new rules apply to **all new applicants** to public housing and Section 8. PHAs must deny applicants with assets or property that are over the limit.

PHAs can decide on a policy for how they will apply the rules to **existing residents** at annual and interim reviews. Through a written policy, the PHA can chose to:

- Not enforce the limits at all for existing residents.
- Strictly enforce the limits.
- Enforce the limits but allow residents time to come into compliance.
- Have exceptions to the limits.

Most families will not be impacted by the asset limitation rules. If you're not sure, ask your PHA if these new rules apply to you.

Assets

Assets refer to anything valuable you own, such as jewelry, stocks, tools, artwork, or a vehicle. A common asset is real property (real estate), such as land or housing. "Net family assets" refers to the cash value of all assets owned by the family, after subtracting any money you owe on the assets and any reasonable costs that you would have to pay to sell them. Although the new rules say that you can only have assets up to

** As adjusted annually for inflation.*

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$100,000* in value, there are many things that HUD has excluded. Anything that's excluded is not counted toward the net family assets total.

Some common examples of assets that are **excluded** from the total limit of $100,000* include:

- **Necessary items.** Items you need to keep up, use, and live in your home or that you need for work, education, or health. This might be a car that you use to get to work, an expensive medical device, or a laptop you use for school. Whether a specific item is considered "necessary" will depend on the family's circumstances. HUD has provided guidance in **Notice PIH 2023-27**.
- **Non-necessary items of personal property, if the combined total value is not more than $50,000*.** Examples include: a recreational boat, coin collection, or antique jewelry. This will include most assets you own that are not a home (see the section below) or a necessary item. To get this exemption, the total value of all these items must be $50,000* or less.
- **Retirement accounts.** This covers IRS-recognized retirement plans, such as an IRA, 403(b), or 401(k). The value of the account is not included as an asset.
- **Educational savings accounts.** This includes IRS-recognized educational savings and tuition accounts, as well as any "baby bonds" programs funded by federal, state, or local governments.
- **Interest in Indian trust land.** Interest in land held in a trust by the Bureau of Indian Affairs cannot be counted towards the asset limitations.
- **Tax refunds and credits for 12 months after they are received.** This includes the Earned Income Tax Credit (EITC).
- **Equity in a home owned through the HCV homeownership program**, or a manufactured home when the family receives HCV assistance to rent the space.
- **Property that you cannot legally sell.** This could include property that is the subject of a legal dispute.

Certification: If the assets you own add up to less than **$50,000***, including land or property, your PHA may accept a self-certification when you move-in and two out of every three years. Not all PHAs will accept a self-certification. If your PHA does allow self-certification, you will need to certify that your assets do not exceed $50,000* and share how much income you expect to earn from those assets. Regardless of your PHA's policy, they must fully verify your family assets at least once every three years, using third-party documentation. Some PHAs will fully verify assets every year.

You can use the **Assets and Real Property Limitations Worksheet** to help you determine the value of your assets.

Real Property

The new rules state that residents may not own property that is "suitable" for them to live in, with some exceptions. This is separate from the $100,000* net family assets limitation. If you own a property that you **cannot** live in, its value may still be included in your net family assets (explained above).

Several factors affect whether a house is suitable to live in. If you cannot live in the home, then owning it will not affect your eligibility for the housing program, unless the value puts you above the asset limit.

** As adjusted annually for inflation.*

A property may **not be suitable** for your family to live in if it:

- Is unsafe because of its condition (unless the issues can be easily fixed).
- Does not meet the disability-related needs of your family. For example, the house has too many stairs or is not close to public transportation.
- Is in a location that would cause hardship. For example, the house is located too far from your work or school.
- Is not big enough for your family.
- Is not a home you are legally allowed to live in. For example, a building in an area zoned for commercial use only.

The limit on owning a home does not apply if you:

- Get assistance for that home under the Housing Choice Voucher Program.
- Co-own that home with someone who lives in it (and that person is not part of your family in the housing program).
- Are currently selling the home.
- Are a victim of domestic violence, dating violence, sexual assault, or stalking. (This includes any member of your family.)

What happens if your PHA finds that your assets value more than $100,000* or you own a home that you could live in?

The answer depends on which written policy your PHA has related to the asset and property limits.

If your PHA strictly enforces the limit: You will no longer be able to participate in the public housing or HCV program. If you do not move, the PHA will start the termination or eviction process. Depending on your PHA's policy, they may wait up to 6 months before beginning the termination process.

If your PHA offers an option to fix the issues (cure): Some PHAs will enforce the limits but will allow families up to 6 months to come into compliance. That means you will have 6 months to fix the issue so that you are no longer over the asset or property limit. How you do this will depend on what assets or property you have. You may be able to transfer money to an account that is not included as an asset (like a retirement account) or sell your home. Contact your PHA for their specific rules.

If your PHA does not enforce the limit: Some PHAs will have a policy to not enforce the asset and real property limits. In that case, being "out of compliance" with this rule will not affect you. However, the PHA will still need to ask about and calculate the value of your assets.

Exceptions: As a part of their policy, your PHA can establish exceptions to the asset and property limits based on certain traits like age, disability, or income. For example, your PHA might have a strict enforcement policy, except for families that are considered extremely-low income. For those families, the PHA could have a policy to not enforce the asset limits.

For related resources see:
hudexchange.info/programs/hotma/hotma-income-and-assets/#resident-resources

** As adjusted annually for inflation.*

HOTMA

Housing Opportunity Through Modernization Act of 2016

HOTMA: What Does it Mean for Me?

Part 1: Income and Reviews

A Training for Public Housing Residents and Housing Choice Voucher Program Participants

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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Training Topics

1. Background on HOTMA
2. Annual income reviews
3. Interim reviews
4. Related resources for residents

Webinar 2:

1. Net family assets
2. Real property

BACKGROUND ON HOTMA

New Rules on Income and Reviews

- HOTMA — Housing Opportunity Through Modernization Act
- PHA — Public Housing Agency
- Affects public housing & Housing Choice Voucher participants
- PHAs will make these changes by January 1, 2025
- PHAs have some discretion on how some rules are implemented

Overview of Income Changes Impacting Residents

These new rules make changes to:

- What counts as income.
- When you need an interim review.
- When rent changes take effect after an interim review.

Adjusted income: total of all included income for the family in a year, minus deductions. Rent is based on this number.

INCOME CALCULATIONS

Changes Income Definition

Income review (reexamination or recertification)

- Determines your rent from your monthly adjusted income
- Using federal rules, PHA decides which money counts as income and what does not

Included income: Counts as part of your income.

Excluded income: Doesn't count in determining your income and rent. Must be specifically excluded.

Family Members and Income

Household / family members:
Generally, the people who live with you.

Not included:

- Home health/ live-in aides
- Foster children / adults
- Earned income of family members under 18 years old and full-time students is not included.

Do include:

- Family members who are temporarily away.

Earned & Unearned Income

Examples of earned income (excluded for anyone under 18 and full-time students):

- Wages, salaries, tips, or other pay from work.
- Net income from self-employment.
- Earnings as a day labor, seasonal work, or independent contractor.

Examples of unearned income (included for all family members):

- Government subsidies or benefits (TANF, social security or disability payments).
- Any pension or annuity.
- Child support payments.
- Income from assets (dividends from stocks, bonds, or other financial investments).

Excluded (Not Counted) Income

Common types of income that are *excluded (not counted)* from income calculations:

- Income earned by children under 18 years old
- Income from temporary, one-time jobs
- Tax refunds and credits
- Presents or gifts from family and friends
- Free items like food, clothes, and shampoo
- Special payments for people with disabilities so they can live at home
- Student financial aid, like loans or grants for school
- Payments for taking care of foster children or adults

See the HOTMA Resident Worksheet: Student Financial Aid for more information.

Examples: Included and Excluded Income

Example 1: Seasonal Worker

Ana Johnson, camp counselor

- Works during the summer
- Likely to be contracted again next year based on discussions with her employer

Income is ***included***.

Examples: Included and Excluded Income

Example 2: Independent Business Owner

Bill Conrad, Landscaper and business owner

Has income but also business expenses

Total income: $75,000

– Business expenses $35,000 ← Excluded

= **Net income $40,000 ← Included**

Only the net income of $40,000 is included in Bill's annual income.

Examples: Included and Excluded Income

Example 3: Non-Recurring Income

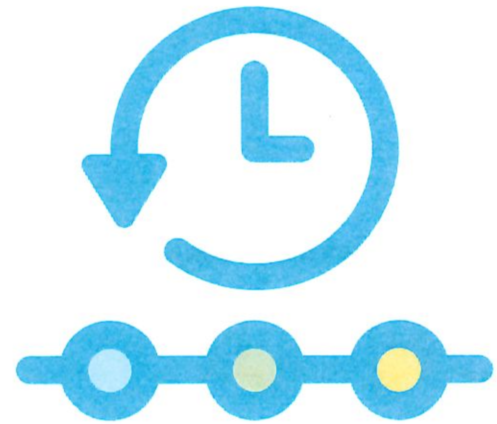
Trevor Lucky won $1,000 in the lottery.

Income is ***excluded***.

INTERIM REVIEWS

What is an Interim Review?

- Happen when there are changes in family income or who lives with you.
- Interim reviews happen between regular, annual reviews.
- May happen less often under HOTMA.
- Each PHAs rules may be different.



Income Decreases

Income decreases by 10% (or less, based on PHA policy) require an interim review.

Report as soon as possible.

Income Increases

Income increases by 10% or more **may** require an interim review.

Your PHA might **not** conduct an interim review after an income increase if:

- The increased income is from **earned income**.
  - Unless you also had a rent reduction since the last regular review (depending on PHA policy).
- Your income increased by less than 10%.
- Your next annual review is within 3 months (depending on PHA policy).

Example

January: $30,000 in annual income ($2500 / month) at annual review

February: Unearned income (child support) increases $125 / month (**5%** since annual)

July: Unearned income (child support) increases $125 / month (**10%** since annual). Tenant reports change.

August: PHA conducts interim review. Total change = $250/ month (**10%**). PHA gives notice of rent increases

October: New rent

Income Estimation Tool

$3,000 / 12 = $250

Check out the Income Estimation Tool for yourself!

Family's **adjusted annual** income: **$ 30,000.00**

If your family's adjusted annual income is anticipated to **increase** by this amount or more, for the 12 months following your recertification you may be required to report the change to your rental office. Your monthly payment may then be adjusted.

$ 3,000.00

If your family's adjusted annual income is anticipated to **decrease** by at least this amount for the 12 months following your annual examination, you may report this to the rental office and an interim recertification may lower your monthly payments. (This amount is based on a calculation of **10%** of your adjusted annual income.)

$ 3,000.00

What if Someone Moves In or Moves Out?

Always report changes to your household.

Addition to the household:

- Birth / adoption
- Foster child / adult
- Other dependent
- Adult (Age 18+)
- Elderly (Age 62+) / disabled family member

A reduction in the household:

- Family member permanently moved out.
- Family member passed away.

If there is a **decrease** in family size and your family's adjusted income ...	The PHA will ...
decreases	**always** conduct an interim review
increases	process the change, but not conduct an interim review unless the threshold is met.

How Soon Will Your Rent Change?

Income increase or decrease?	Did you report on time?	When your rent would change:
Decrease	Yes	1st day of the month after the event
Decrease	No	1st day of the month after the review (PHA ***may*** allow retroactive decrease)
Increase	Yes	1st day of the month after 30 days' notice
Increase	No	Retroactive to 1st day of the month after event

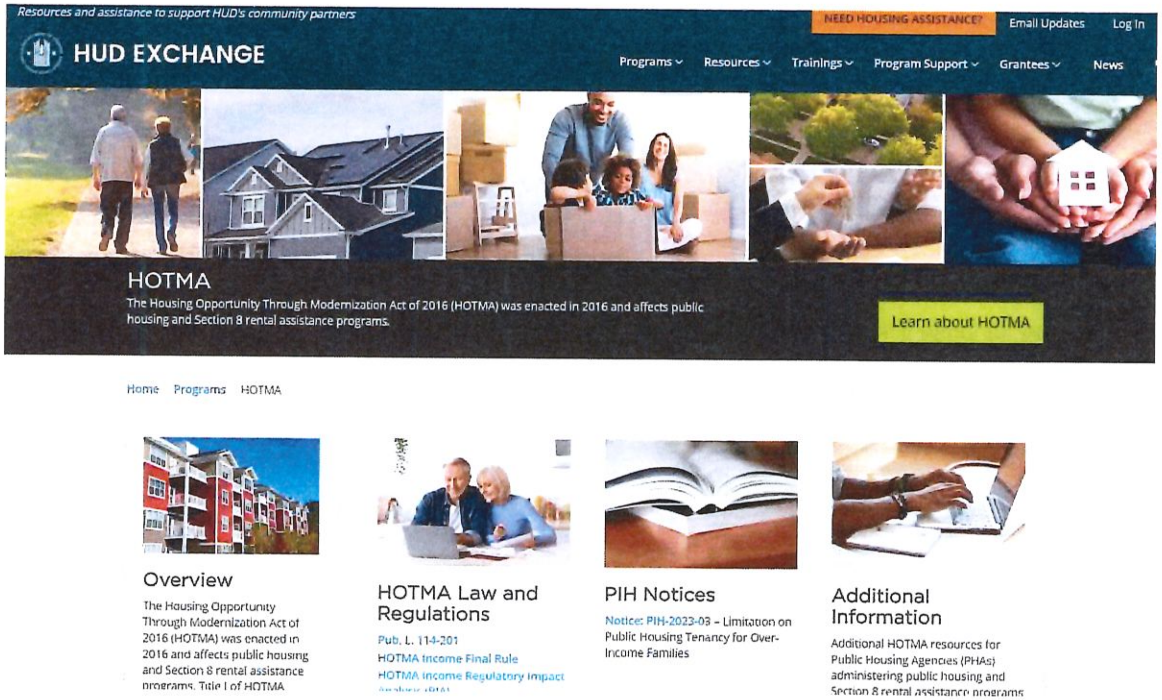
Rule of thumb: report as soon as you can!

ADDITIONAL RESOURCES

Resident Fact Sheets and Worksheets

- Income Calculation and Reviews
- Health, Medical, and Childcare Deductions
- Interim Reviews
- Student Financial Aid

PHA Materials



End of Training

Thank you for participating.

https://www.hudexchange.info/programs/public-housing/hotma/

Questions: HOTMAquestions@hud.gov