



FUNDAMENTALS OF EXPENSES AND DEDUCTIONS

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• Introduction

- ▶ This course is designed to introduce the essentials of income expenses and deductions for new managers to navigate HUD compliance for timely file processing.
- ▶ This course is designed to cover the adjusted income due to allowed expenses and deductions portion to determine the total tenant payment portion inline with HUDs guidelines.
- ▶ Upcoming and current deduction changes due to HOTMA

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The five possible deductions:

Three types of deductions available to any household:

- a. A deduction for dependents;
- b. A disability assistance deduction
- c. A childcare deduction

Two types of deductions permitted only for households in which the head, spouse, or co-head is elderly or disabled are:

- a. An elderly/disabled family deduction;
- b. A deduction for unreimbursed medical expenses.

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A deduction for dependents:



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Exclusions to Dependent Deduction

- ▶ Some family members may never qualify as dependents regardless of age, disability, or student status.
- ▶ 1. The head of the family, the spouse, and the co-head may never qualify as dependents.
- ▶ 2. A foster child or an unborn child
- ▶ 3. live-in aide may never be counted as a dependent

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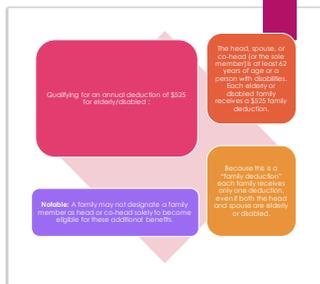
Required Dependent Verification:

A full-time student is one who is carrying a full-time subject load at an institution with a degree or certificate program. A full-time load is defined by the institution where the student is enrolled. Verification of full-time student status is required.

- When more than one family shares custody of a child and both live in assisted housing, only one family at a time can claim the dependent deduction.
- The family with primary custody or with custody at the time of the initial certification or annual recertification receives the deduction. Documents such as copies of court orders or an IRS return showing which family has claimed the child for income tax purposes.

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A deduction for elderly/disabled deduction:



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Required Elderly/Disabled Verification:

Proof of age verification for age restricted communities.
Birth Certificate
Passport
Social Security Award letter with Birthdate

Proof of Disability:
Printout from Social Security
3rd party verification through the doctor's office of stating the applicant is permanently disabled

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Dependent Deduction Regulation:
Effective January 1, 2024, the dependent deduction amount is \$480.
This amount will be adjusted annually and applies to a family's next annual or interim reexamination.
PHAs/MFH Owners must implement the adjusted dependent deduction for all income examinations that are effective on January 1 or later.
[2023-10hsgn \(hud.gov\)](https://www.hud.gov/2023-10hsgn)

Elderly/Disabled Family Deduction Regulation:
Effective January 1, 2024, the elderly/disabled family deduction increases from \$400 to \$525.
This applies to a family's next interim or annual reexamination, whichever is sooner, after the date on which the PHA/MFH Owner implements the new elderly/disabled family deduction.
The amount of the deduction will be adjusted annually. Not later than September 1 annually, HUD will publish the CPI-W adjusted elderly/disabled family deduction to the HUDUser Web site.

HOTMA changes effective January 1, 2024

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Child Care Deductions:

Anticipated expenses for the care of children under age 13 including foster children

if all the following are true:

- The care is necessary to enable a family member to work, seek employment, or further his/her education.
- The family has determined there is no adult family member capable of providing care during the hours care is needed.
- The expenses are not paid to a family member living in the unit.
- The amount deducted reflects reasonable charges for childcare.
- The expense is not reimbursed by an agency or individual outside the family.
- Childcare expenses incurred to permit a family member to work must not exceed the amount earned by the family member made available to work during the hours for which childcare is paid.

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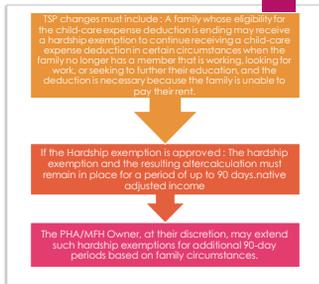
Childcare Verification :

- ▶ Verify the applicable need for childcare
- ▶ Verify the out-of-pocket expenses amount and frequency:
- ▶ Receipts
- ▶ Email from provider
- ▶ Printout from agency
- ▶ 3rd Party form



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Anticipated HOTMA TSP Changes Effective May 31, 2024 *:



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Medical Expense Deductions:

- ▶ The medical expense deduction is permitted only for families in which the head, spouse, or co-head is at least 62 years old or is a person with disabilities.
- ▶ If the family is eligible for a medical expense deduction, owners must include the unreimbursed medical expenses of all family members, including the expenses of nonelderly adults or children living in the family.
- ▶ Medical expenses include all expenses the family anticipates to incur during the 12 months following certification/recertification that are not reimbursed by an outside source, such as insurance.
- ▶ The owner may use the ongoing and reoccurring expenses the family paid in the 12 months preceding the certification/recertification to estimate anticipated medical expenses.
- ▶ The medical expense deduction is that portion of total medical expenses that exceeds 10% of annual income.



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Medical Expense Deductions:

- ▶ HOTMA changed the threshold for Medical Expense deduction from 3% to 10%



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Medical Expenses

Common Medical Expenses are :

1. Copay for doctor visits
2. Mileage to and from doctor visits
3. Out of pocket expenses for prescription medication
4. Assisted Animals and its upkeep

Less Common Medical Expenses are:

1. Alcoholism and drug addiction treatment
2. Medical care of permanently institutionalized family member if his/her income is included in Annual Income

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Calculating Medical Expenses:

In addition to anticipated expenses, past one-time nonrecurring medical expenses that have been paid in full may be included in the calculation of the medical expense deduction**for current tenants at an initial, interim or annual recertification that were incurred while residing on the site.

Past one-time nonrecurring medical expenses that have been paid in full are not applicable when calculating anticipated **medical expenses at move-in**** If the tenant is under a payment plan, the expense would be counted as anticipated.

There are two options for addressing one-time medical expenses. These expenses may be added to the family's total medical expenses either:

- (1) at the time the expense occurs, through an interim recertification,
- (2) at the upcoming annual recertification

NOTE: If the one-time expense is added at an interim recertification, it cannot be added to expenses at the annual recertification.

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Assisted Animal Guidance

- ▶ Guidance in the HUD regulations on expenses that should be included is defined as upkeep to mean those things that are "necessary".
- ▶ Deductions should include food, grooming, vet visits
- ▶ Pet clothing, specialty items if viewed as non-essential and are not included

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Example : Calculating Medical Expense Deduction

- ▶ Age of head 70
- ▶ Age of spouse 62
- ▶ Calculation:
- ▶ Annual income \$15,000
- ▶ Total medical expenses \$2,000
- ▶ 10% of annual income
- ▶ Calculation Annual income : $\$15,000 \times .10$
- ▶ \$ 1,500 Total medical expenses \$2,000 - \$1,500
- ▶ Allowable medical expenses \$ 500.00



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Medical Exclusions :

- ▶ Medical exclusions are listed below :
- ▶ Cosmetic Surgery
- ▶ Health club dues
- ▶ Household help – unless deem nursing type assistance
- ▶ Medical Savings account
- ▶ Vitamins and herbal substances
- ▶ Nonprescribed medicine



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Medical Expenses HOTMA TSP extension until May 31, 2024*

Like Childcare, Medical expenses have establish policies on how they define what constitutes a hardship (i.e., when a family is unable to pay rent, triggering eligibility for a hardship exemption). PHAs/MFH Owners have discretion to establish policies for the purpose of determining eligibility for general hardship relief for the health and medical care expense deduction and for the child-care expense hardship exemption.

PHAs/MFH Owners must describe these policies in their ACOPs, Administrative Plans, or Tenant Selection Plans, as applicable.

Some factors to consider when determining if the family is unable to pay rent may include determining that the rent, utility payment, and applicable expenses (childcare expenses or health and medical expenses) is more than 45 percent (for example) of the family's adjusted income, or verifying whether the family has experienced unanticipated expenses, such as large medical bills, that have affected their ability to pay their rent.

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Final tips

- ▶ Recommended Review of :
 - ▶ HOTMA section 102 & 104 Revised 2/6/2024
 - ▶ HOTMA's Deadlines
 - ▶ January 1, 2024, May 31, 2024*
January 1, 2025
 - ▶ HOTMA Notice H 2023-10

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Questions?



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