

ADJUSTED INCOME (24 CFR § 5.611)

Once all sources of income have been verified and total Annual Income has been determined, the family's income will be adjusted by the allowable income deductions before rent is calculated.

What May be Deducted from Income

Non-elderly/Non-disabled Families

- **Dependent Deduction:** an exemption of \$480 for each member of the family residing in the household (other than the head of household, or spouse, Live-In Aide, foster adult or foster child) who is
 - under eighteen (18) years of age
 - who is eighteen (18) or older and disabled, handicapped or a full-time student.
- **Child Care Expenses:** a deduction of amounts anticipated to be paid by the family for the care of children under 13 for the period for which Annual Income is computed. Allowed ONLY when such care is necessary to enable a family member to be gainfully employed, to actively seek employment or to further his/her education. Amounts deducted must be unreimbursed expenses and shall not exceed:
 - amount of employment income included in the Authority's computation of Annual Income
 - an amount determined to be reasonable by the Authority when the expense is incurred to permit education or to actively seek employment.
- **Disability Assistance Expense Deduction:** (for families not considered a "disabled family" but which have a member, other than the head or spouse, who is disabled) a deduction of the cost of all unreimbursed expenses for Disability Assistance less three percent (3%) of Annual Income, provided the amount so calculated does not exceed the employment income earned.

For Elderly and Disabled Families Only (families whose head, co-head, spouse or sole member is elderly or disabled)

- **Elderly/Disabled Household Exemption:** An exemption of \$400 per household, regardless of the number of elderly or disabled household members *(when HOTMA is implemented, this will be \$525)*
- **Medical Deduction and/or Disability Assistance Expense Deduction (medical expenses of all family members counted)**
 - **For Elderly /Disabled Families with Medical Expenses but without Disability Assistance Expenses:** total unreimbursed medical expenses less three percent (3%) of Annual Income.
 - **For Elderly/Disabled Families with both Medical and Disability Assistance Expenses:**
 - If total of all unreimbursed disability assistance expense is equal to or greater than three percent (3%) of Annual Income, deduction equals the amount of Disability Expenses less 3% of Annual Income, PLUS actual unreimbursed Medical Expense.
 - If total of all unreimbursed Disability Assistance expense is less than 3% of Annual Income, then the deduction equals the amount by which the sum of Disability Assistance expenses plus Medical Expenses exceeds 3% of Annual Income.

The 3% threshold will become 10% when HOTMA is implemented.

How Deductions are Figured

The PHA will use current circumstances to anticipate expenses. When costs are expected to fluctuate (e.g., child care and medical expense) the PHA will estimate costs based on historic data and known future costs.)

Child Care Deduction

Child care expenses are defined as the unreimbursed amounts anticipated to be paid by the family for the care of children **under 13** years of age during the period for which Annual Income is computed. (24 CFR § 5.603) When verifications have determined that

child care expense is for allowable purposes, the amount deducted shall reflect reasonable charges for child care.

A PHA may have different amounts determined to be reasonable for differing types of child care. PHAs should keep in mind when setting the "reasonable cost limits" that infant care and child care for late shift workers is almost always more costly than daytime care.

- In determining the allowable deduction, PHA should take into account the following factors
 - whether or not the family is receiving subsidies for child care from local social service agencies and how much is being subsidized
 - how the schedule for the claimed activity (for which child care is needed) relates to the hours of care provided
 - the time required for transportation
 - the relationship of the family member(s) to the child
 - any special needs of the child that might help determine which family member is enabled to pursue an eligible activity
- In the case of child care necessary to permit employment, the amount deducted shall not exceed the amount of employment income that is included in Annual Income. In the case of EID recipients, the income amount being counted due to the disallowance is what is used as the cap.
- In the case of a family member using child care for furthering education, the family member need not be attending full time, but the time spent in educational activities must be commensurate with the child care claimed. Unlike the employment related portion of the deduction, child care costs for education purposes are not capped by the amount earned.
- The PHA should not refuse to give a family the child care expense deduction because there is an adult family member in the household that may be available to provide child care.
- When more than one family member works, the PHA will determine which member is being enabled to work because child care is provided. Unless obviously not the case, a good general rule is to assume that the child care expenses enable the lowest paid individual to work.
- If a resident claims to be paying for child care provided by an extended family member (who is not a Public Housing resident), the PHA may wish to verify that

the child care provider is actually receiving payments by asking to review the child care provider's income tax return or cancelled checks. This prevents the resident from claiming more than is actually paid.

- Child care expenses DO include:
 - Child care expenses for foster children
 - Payments to a relative who does not live in the family's unit but provides child care.
 - Expenses incurred for supervised activities after standard school hours or during school holidays, e.g. summer day camp, after-school sports league, are allowable forms of child care.
- Child care expenses DO NOT include:
 - child support payments made to another on behalf of a minor who is not living in the family's household.
 - costs of general housekeeping and personal services also provided by a child care provider (amounts will be prorated)
 - child care amounts paid to a family member who lives in the family's unit

Unreimbursed Medical Expense Deduction

Medical expense deductions are allowable ONLY for families whose head, spouse or co-head is at least 62 or is a person with disabilities. HOWEVER, the medical expenses of all family members are counted.

- Unreimbursed medical expenses may be deducted to the extent that alone or in combination with any disability assistance expense, they exceed 3% of Annual Income (**10% after HOTMA Implementation**). Unreimbursed means that the expenses are not covered by insurance or some other source.
- Medical expenses are expenses anticipated to be incurred during the 12 months following certification or reexamination. The allowance is NOT intended to give a family an allowance equal to last year's expenses, but to anticipate regular ongoing and anticipated expenses during the coming year.
- When expenses anticipated could be defined as either medical or disability assistance, the PHA will consider them medical expense unless it is clear that the expenses are incurred exclusively to enable a person with disabilities to work.

- **What may be counted**

The most current IRS Publication 502 Medical and Dental Expenses may be used to determine the costs that qualify as medical expenses.

- Services of health care professionals and health care facilities (doctors, nurses, practical nurses, therapists, hospitals, clinics, etc.)
- Laboratory fees, X-rays and diagnostic tests, costs for blood, and oxygen
- Medical insurance premiums (including Medicare) and the insurance deductible
- Prescription and non-prescription medicines (non-prescription medicines should be prescribed by a licensed medical professional)
- Transportation to/from treatment including the actual cost (e.g., bus fare) or if driving by car, a mileage rate based on IRS rules or other accepted standard
- Medical care of a permanently institutionalized family member IF his/her income is included in Annual Income
- Dental treatment including fees paid to the dentist for cleaning, fluoride treatments, sealants, x-rays; fillings, braces, extractions, dentures
- Eyeglasses and contact lenses
- Hearing aid and batteries, wheelchair, walker, scooter, artificial limbs
- Attendant care or periodic attendant care
- Payments on accumulated medical bills (that will be due in the year for which Annual Income is computed) for the services of physicians, nurses, dentists, opticians, mental health practitioners, chiropractors Hospitals, health maintenance organizations (HMO's), out-patient medical facilities, and clinics
- Expenses paid to an HMO
- Purchase or rental and upkeep of equipment (e.g., where there are tenant paid utilities, the additional utility costs to the tenant because of an oxygen machine)
- Skilled, semi-skilled and unskilled nursing services

- An assistive animal and the upkeep and care of the animal
- Any other medically necessary service, apparatus or medication, as documented by third party verification

Disability Expense Deduction

The amount that may be deducted is the annual unreimbursed cost of attendant care or apparatus that exceeds 3% of Annual Income. **(10% when HOTMA is impemented)**

- A deduction for attendant care and auxiliary apparatus for a disabled family member may be allowed if expenses
 - are necessary to enable a family member 18 years or older to work
 - are not paid to a family member or reimbursed by an outside source
 - in combination with any medical expenses, exceed three percent of Annual Income
- The PHA will determine the reasonableness of the expenses based on typical costs of care or apparatus in the locality. Periodically, PHA will collect information from organizations that provide services and support to persons with disabilities.
- A family can qualify for the disability assistance expense deduction only if at least one family member (who may be the person with disabilities) is enabled to work.
- If both Child Care and a Disability expense are needed to enable a person in the family to work, the employment income used to justify the child care allowance for employment purposes may NOT also be used to justify a disability allowance.

EXAMPLE

Family pays

\$100/week for child care

\$100/week for disability assistance

This allows individual to work and earn \$150 per week.

The total for BOTH the disability assistance allowance and child care

allowance may not exceed \$150 per week.

- In evaluating the family's request for this deduction, the PHA will consider factors such as
 - how the work schedule of the relevant family members relates to the hours of care provided
 - the time required for transportation
 - the relationship of the family members to the person with disabilities
 - any special needs of the person with disabilities that might determine which family members are enabled to work
- When the PHA determines that the disability assistance expenses enable more than one family member to work, the expenses will be capped by the sum of the family members' incomes.

- **Allowable Expenses**

Attendant Care (when individual provides other non-eligible services, total amount paid will be prorated)

- medical care
- nursing services
- in-home or center based care services
- interpreters for persons with hearing impairments
- readers for blind
- cost of general housekeeping and personal services IF the person enabled to work is the disabled person needing this assistance

Auxiliary Apparatus

- wheelchairs
- ramps
- adaptations to vehicles and other equipment (when calculating the amount of deduction, include payments on a specially-equipped van to the extent they exceed the payments that would be required on a car)

purchased for transportation of a person who does not have a disability)

- special equipment to enable a blind person to read or type
 - special computer adaptations
 - cost for maintaining and repairing an auxiliary apparatus
 - cost of maintaining special adaptations
 - cost and care of service animals (include vet, grooming, food)
- No disability assistance expenses are allowed if they are paid to a family member who lives in the household; expenses will be allowed if paid to a relative not living in the household.

Determining Deduction Amount - Unreimbursed Medical Only

The deduction is calculated by subtracting 3% of Annual Income from the total expense.

- If total expense is less than or equal to 3% of Annual Income, the deduction would be "0"
- If total expense is greater than 3% of Annual Income, the deduction would be the difference
- The deduction may not exceed that portion of Annual Income earned by the individual freed to work because of the assistance expense.

Example - expenses less than 3% of AI

Annual Income = \$15,500

3% of AI = 465

Anticipated medical costs = \$400

\$400 is less than \$465, so this family receives no medical deduction.

Example - expenses greater than 3% of AI

Annual Income = \$15,500

3% of AI = 465

Anticipated medical costs = \$800

$\$800 - \$465 = \$335$, so this family receives a medical deduction.

Determining Deduction - Disability Apparatus Only

Example: Apparatus —single person with a disability, no dependents:

Annual Income =	\$15,500
3% of AI =	465
Assistive animal care costs =	\$2,400
$\$2400 - \$465 =$	$\$1935$ deduction allowed

Determining Deduction When Family Qualifies for Both Medical and Disability

Families with a head or spouse who is elderly or a person with a disability can potentially receive both the unreimbursed medical and the unreimbursed disability expense deductions.

When both medical and disability expenses are verified, the 3 percent deductible from Annual Income is subtracted from the sum of the two, as follows:

Example: Head of household is a senior with a disability who works part time

Annual Income =	\$15,500
Income from employment =	\$6,600
3% of AI =	\$465
Anticipated medical cost =	\$400
Assistive animal care costs =	<u>+ \$3,000</u>
Total allowable expense	\$ 3,400

The total allowed deduction = $\$3,400 - \$465 = \$2,935$

Note: If you add a dependent under the age 13 and child care is needed for the head of house to work, the family will also qualify for the child care deduction.

Permissive Deductions in the Public Housing Program

Permissive Deductions (24 CFR § 5.611) are defined as additional, optional deductions that may be applied to Annual Income for Public Housing only (not the HCV Program). PHAs considering the use of permissive deductions should consider several things when developing a new deduction.

- Permissive deductions must be included in the PHA's ACOP and granted to all families that qualify for them.
- Permissive deductions should "fill-in" or complement existing income exclusions and deductions.

The most important thing to consider when deciding whether or not to adopt permissive deductions is the fact that HUD will not add operating subsidy to make up for the rental shortfall the PHA will experience because of the permissive deduction. This is the reason most PHAs have not adopted permissive deductions.

INCOME DEDUCTION CHECKLIST

Name: _____ Date: _____

Instructions: At initial certification and each annual reexamination, complete the questions about deductions from income expected in the coming 12 months.

Type of Deduction for Adjusted Income	Yes or No	Date Verified
<p>1. Dependent Deduction</p> <p>a. Do you have any family members, other than head, spouse, foster children, and live-in attendants who are under age 18?</p> <p>b. 18 or older and either a full-time student or disabled?</p> <p>c. If yes, list names of such family members</p> <p>_____.</p> <p>_____.</p> <p>_____.</p> <p>_____.</p> <p>d. Verification source: Relationship of family members:</p> <p>_____.</p> <p>_____.</p> <p>e. Verification source: Full time student over age 18:</p> <p>_____.</p> <p>_____.</p> <p>f. Verification source: Disability of family member over age 18</p> <p>_____.</p> <p>_____.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>____/____/____.</p> <p>____/____/____.</p> <p>____/____/____.</p> <p>____/____/____.</p> <p>____/____/____.</p> <p>____/____/____.</p>
<p>2. Childcare Deduction</p> <p>a. Is the family paying for care of children under age 13 so an adult can work?</p> <p>b. Is the family paying for the care of children under age 13 so an adult can attend education or job training classes?</p> <p>c. Is the family paying for the care of children under age 13 so an adult can look for work?</p> <p>d. If yes, list names of such family members</p> <p>_____.</p> <p>_____.</p> <p>e. Verification Source: Hours and cost of Child Care:</p> <p>_____.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>____/____/____.</p> <p>____/____/____.</p> <p>____/____/____.</p>
<p>3. Disability Expense Deduction</p> <p>a. Is the family paying for care or apparatus for a disabled family member so an adult can work?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>____/____/____.</p>

Type of Deduction for Adjusted Income	Yes or No	Date Verified
<p>b. If yes, list name(s) of person with disability receiving care or using apparatus:</p> <p>_____.</p> <p>_____.</p> <p>c. Verification source: Disability of family member:</p> <p>_____.</p> <p>_____.</p> <p>d. Verification source: Need for care or apparatus</p> <p>_____.</p> <p>_____.</p> <p>e. Verification source: Cost of care or apparatus</p> <p>_____.</p> <p>_____.</p>		<p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p>
<p>4. Elderly or Disabled Family Deduction</p> <p>a. Is the family head or spouse a person age 62 or older?</p> <p>b. Is the family head or spouse a person with a disability?</p> <p>c. Verification Source: Age of head or spouse</p> <p>_____.</p> <p>_____.</p> <p>d. Verification Source: Disability of head or spouse</p> <p>_____.</p> <p>_____.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p>
<p>5. Unreimbursed Medical Expense Deduction (Elderly/Disabled families only)</p> <p>a. Is the family head or spouse elderly or disabled?</p> <p>b. If yes, does the family expect unreimbursed medical expenses over the period covered by the certification?</p> <p>c. List names of family members who expect unreimbursed medical expenses:</p> <p>_____.</p> <p>_____.</p> <p>_____.</p> <p>d. Check type of unreimbursed medical expenses anticipated:</p> <p>Medical Insurance premiums (including Medicare)?</p> <p>Hospital costs?</p> <p>Doctor visits</p> <p>Dentist visits?</p> <p>Dentures, bridgework, crowns?</p> <p>Eye doctor visits?</p> <p>Eyeglasses or contact lenses?</p> <p>Clinic visits?</p> <p>Therapy of any type (include physical, emotional and psychiatric)?</p> <p>Laboratory fees, X-rays, Diagnostic tests?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p> <p>_____ / ____ / ____.</p>

Blood or oxygen?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Prescription or non-prescription medicines?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Hearing aid, batteries?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
In-home health care?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Medical transportation?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Medical apparatus (rented or purchased)?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Medical costs of permanently institutionalized family member*	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Hospice care of a family member?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
Assistive animal expenses?	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
<hr/>		
e. Other unreimbursed medical expense not listed above? Describe: _____ _____	Yes <input type="checkbox"/> No <input type="checkbox"/>	____ / ____ / ____ .
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f. Verification Source(s): Unreimbursed Medical Expenses _____ _____ _____ _____ _____ _____ _____ _____ _____		____ / ____ / ____ . ____ / ____ / ____ . ____ / ____ / ____ . ____ / ____ / ____ . ____ / ____ / ____ . ____ / ____ / ____ . ____ / ____ / ____ .
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6. List and verify any optional deductions here:		

Applicant / Resident Certification

I hereby certify that I have answered the questions on this checklist truthfully and that the deductions listed on the form represents all the income deductions available to my household.

Head of Household Name _____
 Head of Household Signature _____
 Housing Authority Witness _____

 *But only if member's income is included in Annual Income

ADJUSTED INCOME WORKSHEET (PH and Section 8)

<p>1. _____ Annual Income (From Annual Income Worksheet)</p>	
<p>2. Dependent Deduction _____ (a) Enter the number of family members other than head, spouse, foster children and live-in aids who are either: under 18, <u>or</u> 18 or older <u>and</u> either a full-time student, or disabled. _____ (b) Compute Dependent Deduction: 2a x \$480</p>	
<p>3. Childcare Expenses _____ (a) Enter the cost of care for family members under age 13 paid so that either an adult family member can work, or further his/her education. _____ (b) Is an adult being freed to work by the care? If yes, enter the employment income made possible by the care. Otherwise, enter zero. _____ (c) Compute Childcare allowance. Enter 3a, but never greater than 3b when childcare has enabled an adult to work. When the childcare is for education or to seek work, enter 3a.</p>	
<p>4. Disability Expense Allowance. Answer the two questions below to determine whether you must compute these amounts.</p>	
<p>(a) Does the family include a disabled individual? Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>(b) Will the family be paying for care or apparatus for a disabled family member so that someone in the family can earn income in the next 12 months? Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>Complete 4(c) through 4(f) only if you answered both 4(a) and 4(b) "YES." Otherwise, leave 4(c) through 4(f) blank and go on to item 5.</p>	
<p>_____ (c) Enter the total of verified, unreimbursed, care/apparatus expenses the family will be paying for disabled members so an adult family member can work. _____ (d) Enter 3% of Annual Income. (.03 x Line 1.) _____ (e) Enter employment income made possible by the care/apparatus. _____ (f) Compute Disability Expense Allowance. Enter 4c minus 4d, BUT NEVER MORE THAN 4e. If 4c minus 4d is less than or equal to zero, enter zero.</p>	
<p>5. Medical Expenses: Complete item 5 only if head or spouse is elderly or has a disability _____ (a) Enter total, verified, unreimbursed medical expenses for the next 12 months. _____ (b) Enter 3% of Annual Income. (.03 x Line 1) _____ (c) Medical Expense Allowance. Check the applicable statement & complete the appropriate calculation. ONLY ONE STATEMENT WILL APPLY. [] If 4(c) through 4(f) are blank, then: 5(a) minus 5(b) = 5(c) _____ [] If 4(c) is less than 4(d): [4(c) + 5(a)] minus 5B = 5(c) _____ [] If 4(c) is greater than or equal to 4(d): 5A = 5(c) _____</p>	
<p>6. \$400 _____ Elderly/Disabled Household Allowance. (Head or spouse is elderly or has a disability)</p>	
<p>7. _____ Total Allowances. 2b + 3c + 4f + 5c + 6 = Total Allowances.</p>	
<p>8. _____ Adjusted Income. Line 1 minus Line 7 equals Adjusted Income.</p>	

