Chapter 6 – Determining the Total Tenant Payment and the Housing Choice Voucher Rent Subsidy

KEY CONCEPTS

IN THE HOUSING CHOICE VOUCHER (HCV) PROGRAM, the HCV household and the public housing agency (PHA) each pay a portion of monthly housing costs, including rent and any tenant-paid utilities, to the owner.

THE HOUSEHOLD'S SHARE OF THE RENT is called the "total tenant payment" and is based on the household's income.

A PHA USES ITS HCV "PAYMENT STANDARD" to calculate the maximum amount of the rent subsidy it will pay.

IF THE HOUSEHOLD CHOOSES A UNIT that costs more than the PHA payment standard, then the household will have to pay more of its income toward housing costs.

UNDER CERTAIN CIRCUMSTANCES, PHAs can use an exception or higher payment standard.

TO ACCOUNT FOR THE COST of tenant-paid utilities, the HCV program calculates a Utility Allowance.

THE AMOUNT OF RENTAL ASSISTANCE a PHA gives a household also depends on the household size and composition.

AN HCV HOUSEHOLD may include a live-in aide

Chapter 6 ***Determining the Total Tenant Payment and the Housing Choice Voucher Rent Subsidy***

Rent Payment Overview

In the Housing Choice Voucher (HCV) program, the owner receives two payments: one from the household for its calculated rent portion, and one from the public housing agency (PHA) for the remainder of the total rent. The household's share is called the "total tenant payment" and is based on the household's income. The PHA's share is called a “rent subsidy.” The amount of the HCV rent subsidy is determined by several factors, including: the income of the household; rental housing market costs in the community where the voucher is being used; the rent of the tenant's chosen unit; and the cost of any tenant-paid utilities for the unit.

To fully understand the HCV program, it is important to understand how these three components relate to one another:

- The household's total tenant payment, based on HCV program regulations;
- The rent subsidy, based on the PHA's HCV payment standard; and
- The total cost of the housing, including the rent charged by the owner and the cost of any tenant-paid utilities. The U.S. Department of Housing and Urban Development (HUD) requires this cost to be "reasonable" based on modest housing costs for the locality.

The example in Table 6.01 illustrates the relationship between these three components.

Table 6.01 Three Components of the Housing Choice Voucher Benefit

Total Tenant Payment		$150
HCV Rent Subsidy	+	$600
Total Housing Costs	=	***$750***

Total Tenant Payment

Total tenant payment (TTP) is the amount that the household pays towards rent. The HCV program has both a minimum and a maximum TTP regulation. These regulations provide some flexibility for HCV households in how much they choose to contribute toward housing costs.

The minimum TTP is required to be the *highest* of these three calculated amounts:

- 30 percent of the household's monthly adjusted income; or
- 10 percent of the household's monthly gross income; or
- The portion of welfare payments specifically designated by the public welfare agency to meet the household's housing costs (also known as "welfare rent" — contact the office of Public and Indian Housing at your local HUD field office to find out if your state has this option)

There is also a maximum TTP, which is set at 40 percent of the household's monthly adjusted income for the initial move-in.

GOOD TO KNOW

PROGRAM FEES (24 CFR 982.510)
Extra fees, such as those for support services or meals, cannot be included in the total tenant payment calculation or the rent to the owner. The lease with the owner also cannot require the household to pay charges for meals or supportive services. Nor is non-payment of such charges grounds for termination of tenancy or from the Housing Choice Voucher program.

This means that HCV households must pay at least 30 percent of their income, but could pay as much as 40 percent, toward the rent and utilities when they first move into a unit. The effects of the 30 percent minimum and 40 percent maximum TTP regulations are illustrated in Table 6.02 for a household with a monthly adjusted income of $750.

Table 6.02 Minimum and Maximum Total Tenant Payment

Tenant Monthly Adjusted Income	$750
Minimum Total Tenant Payment @ 30% of $750	$225
Maximum Total Tenant Payment @ 40% of $750	$300

In this example, the HCV household would pay at least $225 towards monthly housing costs, but could choose to pay up to $300 — an increase of up to $75 — if they wanted to rent a more costly unit. As noted later in this chapter, this choice of whether the HCV household wants to spend more than 30 percent of its monthly income toward housing costs is not made until the household selects a unit during the housing search process.

Intersection of Fair Market Rent, the Public Housing Agency Payment Standard, and the Rent Subsidy Amount

Fair Market Rent

Each year, HUD publishes new fair market rents (FMRs) for every housing market area in the United States. FMRs are based on the number of bedrooms in the rental unit and are intended to align with modestly priced rental housing costs in each area.

Public Housing Agency Payment Standard

A PHA's payment standards are based on the FMRs; each PHA is allowed the flexibility to set its HCV payment standard at an amount between 90 and 110 percent of the FMR for the area.

Under HCV regulations, the PHA's payment standards for its HCV program are based on the number of bedrooms in the unit to be rented. Thus, each PHA has a zero-bedroom (or studio) payment standard, a one-bedroom payment standard, a two-bedroom payment standard, etc.

These payment standards are used to calculate the maximum amount of the HCV rent subsidy the PHA will pay for units rented through the program. When the PHA raises or lowers its payment standard, the amount of the rent subsidy automatically goes up or down with it. Table 6.03 shows how the payment standard can change depending on the PHA's decision to use 90 percent, 100 percent, or 110 percent of the FMR for its one-bedroom payment standard. Six localities are used in Table 6.03 to illustrate this flexibility.

Table 6.03 Payment Standards Options based on Fair Market Rent for One-Bedroom Units in Six Housing Market Areas Fiscal Year 2016

Housing Market	90% FMR	100% FMR	110% FMR
Austin, TX	$812	$902	$992
Springfield, MA	$723	$803	$883
Chicago, IL	$901	$1001	$1101
Monroe, LA	$509	$565	$622
Roanoke, VA	$502	$669	$736
Santa Fe, NM	$704	$782	$860

By giving PHAs the flexibility to establish their own HCV payment standards, the federal government is permitting PHAs to respond to local housing market conditions. Some housing markets are much more competitive, so that a higher percentage of FMR is required in order for voucher holders to succeed in leasing units. Simply stated, by using a higher payment standard (e.g., 110 percent of FMR), a PHA is providing HCV households with a larger rent subsidy. This allows HCV voucher holders more choice by increasing the number of units available in the community within the HCV cost limits — but does not affect the amount of their TTP.

GOOD TO KNOW

TENANT RENT/OCCUPANCY CHARGE IN THE CONTINUUM OF CARE PROGRAM

Rental assistance projects funded through the Continuum of Care (CoC) program may also charge program participants rent, using the same three calculations listed under "Total Tenant Payment" on page 58 to determine the minimum amount a household must contribute. However, a major difference is that the CoC program does not allow a household to pay more than the highest of the three calculations. Public housing agencies that administer both a Housing Choice Voucher program and a rental assistance project/ funded by the CoC program must maintain separate processes for determining the amount of the household's contribution towards rent so that they are not overcharging.

Public Housing Agency Rent Subsidy Amount

Once the minimum tenant contribution and the PHA's HCV payment standards are known, the maximum amount of the HCV rent subsidy can be calculated. The maximum PHA rent subsidy is the highest amount of HCV rent subsidy that the PHA is authorized by HUD to pay to an owner. For people with little or no income, the rent subsidy provides most or all of the funding for monthly housing costs.

The maximum PHA rent subsidy is calculated by subtracting the minimum total tenant payment from the PHA payment standard. This calculation is illustrated in Table 6.04.

Table 6.04 Maximum Rent Subsidy

Public housing agency 1-Bedroom Payment Standard		$750
Minimum total tenant payment	-	$225
Maximum public housing agency rent subsidy	=	$525

However, the maximum PHA rent subsidy is not necessarily the actual rent subsidy that the PHA will pay on behalf of a specific household. The actual PHA rent subsidy will be based on the cost of the unit selected by the HCV household.

The PHA ends up paying the maximum rent subsidy only if the HCV household selects a unit with housing costs that are equal to or greater than the applicable HCV payment standard. If the cost for the unit is less than the payment standard, then the PHA rent subsidy will be less. If the cost of the unit is more than the payment standard, it means that the HCV household must pay more than 30 percent of its income as its TTP.

This regulation is illustrated by the examples in Tables 6.05 and 6.06. In both of these examples, the HCV one-bedroom payment standard is $750 and the household's minimum TTP is $225. Therefore, the maximum PHA rent subsidy is $525. The cost of the actual unit selected by the household varies in each table.

In Table 6.05, the cost of the actual unit selected is $750, which is the same as the one-bedroom payment standard. The PHA will therefore pay the maximum PHA rent subsidy of $525 and the household will pay the minimum TTP of $225.

Table 6.05 Cost of Unit Equal to PHA Payment Standard

Public housing agency 1-bedroom payment standard: $750		
Actual cost of the unit selected		$750
Minimum total tenant payment @ 30%	-	$225
Actual public housing agency rent subsidy	=	$525

Table 6.06 illustrates what happens if the HCV household selects a unit that costs $725, which is $25 less than the PHA one-bedroom payment standard.

In Table 6.06, the PHA rent subsidy decreases by from $525 to $500 because the cost of the unit is $25 less than the PHA payment standard. The minimum total tenant payment of $225 does not change, even though the rent for the unit is lower.

Table 6.06 Cost of Unit Less Than the PHA Payment Standard

Public housing agency 1-bedroom payment standard: $750		
Actual cost of the unit selected		$725
Minimum total tenant payment @ 30%	-	$225
Actual public housing agency rent subsidy	=	$500

Paying More than the Minimum Total Tenant Payment

If the unit selected by the HCV household costs more than the applicable PHA payment standard, then the household will be required to pay more of its income toward housing costs (i.e., more than the minimum TTP). However, the household is not allowed to pay more than 40 percent of its income (i.e., maximum TTP) when it first moves into a unit. This situation is illustrated in Table 6.07 using the same basic income and payment standard information used in Tables 6.05 and 6.06, except the cost of the unit is now $775, which is $25 higher than the payment standard.

In Table 6.07, the maximum PHA rent subsidy permitted is still $525 and the minimum total tenant payment is still $225 for a total of $750. However, the cost for the unit is $775.

In order to rent this unit, the household will be required to pay the additional $25 because the HCV rent subsidy cannot be increased.

Therefore, the TTP goes up to $250. Because of the HCV program's flexibility, the household will be permitted to pay the additional $25, as long as the household's TTP does not go above 40 percent of its income (i.e., the maximum total tenant payment), which in this example is $300.

Table 6.07 Cost of Unit More than the PHA Payment Standard

Public housing agency 1-bedroom payment standard: $750 **Minimum total tenant payment @30%:** $225 **Maximum total tenant payment @40%:** 300		
PHA 1 bedroom payment standard		$750
Minimum total tenant payment @ 30%	-	$225
Actual public housing agency rent subsidy	=	$525

Actual cost of the unit		$775
Maximum PHA rent subsidy + minimum total payment	-	$750
Shortfall in order to rent unit	=	$25
Minimum total payment @ 30%	+	$225
Actual total tenant payment needed	=	$250

Minimum Rent Requirement (24 CFR 5.630)
As described above, the minimum tenant total payment (TTP) is required to be the highest of these amounts:

- 30 percent of the household's monthly adjusted income; or
- 10 percent of the household's monthly gross income; or
- The portion of welfare payments specifically designated by the public welfare agency to meet the household's housing costs

PHAs are also permitted to establish a program-wide minimum rent amount of up to $50. For some households with little or no income, $50 may exceed the highest of the three calculations above.

People experiencing chronic homelessness typically have very little income and few assets. A monthly rent of even $50 is impossible to pay if you are not receiving any income. HCV regulations require PHAs to have a financial hardship policy that waives minimum rent requirements for people in certain situations, including:

- When the household has lost eligibility for or is awaiting an eligibility determination for a federal, state, or local assistance program;
- When the household faces eviction because it is unable to pay the minimum rent;
- When the income of the household has decreased because of changed circumstances, including loss of employment;
- When a death has occurred in the household; or
- Under other circumstances, as determined by HUD or the PHA.

Using Housing Cost Information to Select Housing

The minimum and maximum tenant contribution and the maximum PHA rent subsidy are all important factors to help households select housing that can be approved within the HCV cost guidelines. Because these HCV guidelines depend on a flexible PHA payment standard and a flexible total tenant payment, it is important that the HCV household know how to work within this framework to find appropriate housing.

Despite the complexity of calculating rental costs and subsidies, two basic regulations apply when selecting housing in the HCV program:

1. For households willing to pay up to 40 percent of monthly income toward housing costs, the maximum monthly housing cost cannot exceed the combined total of the maximum TTP and the maximum PHA rent subsidy.
2. For households willing to pay no more than 30 percent of monthly income toward housing costs, the household should seek housing with total costs that do not exceed the PHA payment standard.

Maximum Initial Rent Burden (24 CFR 982.508)

The 40 percent maximum total tenant payment regulation is designed to ensure that the amount paid by households toward housing costs is affordable. This 40 percent limit is also referred to as the "maximum initial rent burden" and is only applicable in two specific situations:

- When an HCV household first enters the program and leases a unit
- When an HCV household moves to a new unit

Thus, an HCV household may not at any time during its program participation select a new unit that will require it to pay more than 40 percent of its income towards housing costs.

The 40 percent limit does not apply in the case of an HCV household already leasing a unit through the HCV program whose owner, in accordance with the lease, subsequently decides to increase the rent. If this increase results in the household paying more than 40 percent of its income, the PHA can approve the increase, provided the new rent charged by the owner is reasonable (see Chapter 8).

"Exception Payment Standards" for a Geographic Area (24 CFR 982.503)

Under certain circumstances, PHAs can request from HUD an "exception" for a higher payment standard. If the request is granted, the PHA can set the amount above 110 percent of the FMR for all units in a particular geographic region or for all units of a given size leased by HCV households in the exception area.

REASONABLE ACCOMMODATION

REQUESTING AN EXCEPTION PAYMENT STANDARD

Some public housing agencies (PHAs) aren't aware that they can ask the U.S. Department of Housing and Urban Development for an exception payment standard as a reasonable accommodation for a person with a disability, including a person who is chronically homeless. Reasonable accommodation requests for payment standard increases may be made for a variety of reasons:

- A person with a disability may wish to reside in a neighborhood where the units exceed the payment standard because of its proximity to family supports, work, medical supports, or other disability-related needs.
- Wheelchair accessible units may be available primarily in newer buildings and therefore be more expensive than the average units.
- If no accessible units can be identified, a person with a disability may ask the owner to make modifications to an existing unit and request a higher payment standard to cover the cost, as long as the unit meets the PHA's rent reasonableness standard.

When program budgets are tight, PHAs may be unwilling to pursue an "exception payment standard" request with HUD even if higher housing costs make it difficult for HCV households to use their vouchers successfully.

"Exception Payment Standards" for People with Disabilities

(24 CFR 982.503) On a case-by-case basis, HUD or a PHA may approve a higher payment standard for a person with a disability as a reasonable accommodation. A higher payment standard may be needed by a person with a disability in order to locate housing that is barrier-free, close to public transportation or supportive services, or suitable for other important reasons related to their disability.

A PHA may approve an exception payment standard up to 110 percent of the FMR without obtaining HUD approval. Requests for exception payment standards above 110 percent must be submitted by the PHA to HUD, unless the PHA already has HUD approval for an exception payment standard for the entire geographic area as described above.

As noted, some PHAs aren't aware that they can ask HUD for an exception payment standard as a reasonable accommodation. Others may want to avoid the necessary paperwork. However, it is clear that the payment standard has a direct impact on an HCV household's ability to locate safe, decent, and affordable housing of its choice in the community and that these exceptions are important for people who have been chronically homeless and are trying to use the HCV program.

By working with a PHA to encourage higher payment standards for people experiencing chronic homelessness, you will help HCV households locate housing that meets their unique needs.

Voucher Size and Subsidy Standards (24 CFR 982.402)

The amount of the HCV subsidy a household receives depends not only on the payment standard, but also on the household's size and composition. These characteristics dictate the voucher size (e.g., one-bedroom, two-bedroom, etc.) appropriate for the household. For example, two unmarried adults or a parent with a child would most likely qualify for a two-bedroom voucher, while a single person typically qualifies for a studio or one-bedroom voucher.

In addition to these general regulations, there are some instances when a larger voucher might be necessary for a person with a disability, including a person experiencing chronic homelessness. For example, a chronically homeless person with a physical disability might need an extra bedroom to store large pieces of medical equipment that they use on a regular or interim basis. A person with a developmental disability might have a live-in aide or rotating support service staff who spend the night and will require a bedroom. In accordance with HUD guidance, in special situations such as these, the PHA can provide a larger voucher as a reasonable accommodation.

An HCV household can choose to rent a larger or smaller unit than the size of the voucher issued, as long as the rent amount fits within the PHA's payment standard for the voucher size. For example, if a household is issued a voucher for a one-bedroom unit, but the household finds a unit with two bedrooms that doesn't cost more than the PHA's one-bedroom payment standard, this unit may be approved by the PHA. If the unit is larger than the voucher size, the payment standard and subsidy amount will still be based on the voucher size issued. If the unit is smaller than the voucher size, the subsidy will be reduced accordingly. In all cases, the household may not spend over 40 percent of its adjusted income toward housing costs when it first moves in, and the rent for the unit must be reasonable in comparison to those of similar units in the community.

Live-In Aides (24 CFR 5.403 and 24 CFR 982.316)

An HCV household may also include a live-in aide who actually resides in the unit. As defined by HUD, a live-in aide for an elderly, disabled, or handicapped person:

- Is essential to the care and well-being of the person;
- Is not obligated for the support of the person; and
- Would not be living in the unit except to provide the necessary supportive services.

Although PHAs can screen live-in aides, the income of an aide is not included when determining household income, as described in Chapter 4. A PHA may apply the same screening criteria it uses for tenant screening and refuse to approve a particular person to share the housing as a live-in aide who:

- Has committed fraud, bribery, or any other corrupt or criminal act in connection with any federal housing program; or
- Has committed drug-related or violent criminal activity.

GOOD TO KNOW

EXAMPLES OF HOUSEHOLD COMPOSITIONS AND VOUCHER SIZES

Common household compositions and their corresponding voucher sizes include:

- One-Bedroom Voucher:
  - A single adult
  - Two adults
  - A single adult with a minor dependent child
- Two-Bedroom Voucher:
  - An individual with a disability and their live-in aide
  - Two unrelated adults
  - A head of household (with or without spouse) with one or two dependents
- Three-Bedroom Voucher:
  - Three unrelated chronically homeless adults
  - Two unrelated chronically homeless adults and a live-in aide
  - A head of household (with or without spouse) with two or three dependents

The PHA may also withdraw prior approval of a particular live-in aide if the aide engages in any of above activities. The PHA may also establish other reasonable standards for screening live-in aides such as conducting criminal record checks.

Utility Allowances (24 CFR 982.517)

Within the HCV program, "gross rent" or total housing cost is defined as the actual rent charged by the owner for the unit plus the cost of any tenant-paid utilities. In some rental housing situations, all of the utilities are included in the monthly rent charged by the owner, while in others the tenant must pay out-of-pocket for some or all of the utilities.

To determine total housing costs for units in which utility bills must be paid by the tenants, a PHA estimates the average monthly cost of utilities and adds this "Utility Allowance" to the rent actually charged by the owner.

Utility Allowances can be very complicated because they must consider all types and combinations of tenant-paid utilities that might come up when leasing units (e.g., gas heat, electric heat, oil heat, gas hot water, electric hot water, etc.) and all possible types of housing units (e.g., apartments, single family homes, duplexes, etc.).

The PHA must establish and maintain a Utility Allowance schedule for all essential tenant-paid utilities. Note that although the Utility Allowance schedule must include those services that are necessary in its locality to provide housing that complies with federal housing quality standards (described in Chapter 7), PHAs are not allowed to include costs for non-essential services such as telephone, cable TV, satellite, or internet in the Utility Allowance schedule.

Table 6.08 shows a sample monthly Utility Allowance for a one-bedroom duplex unit in which electric heat and hot water and electric lighting are paid for by the tenant.

In this example, the allowance for tenant-paid utilities is $80 per month. The Utility Allowance is intended by HUD to reflect average monthly utility usage amounts based on year-round usage. It is not intended to be accurate for each month of the year.

GOOD TO KNOW

GROSS RENT VS. CONTRACT RENT

Housing Choice Voucher and other housing programs use two terms when discussing the costs related to subsidizing a housing unit. The "gross rent" is equal to the total housing costs, including the monthly rent charged by the owner and the cost of any tenant-paid utilities or utility allowance. The "contract rent" is the amount actually paid to the owner, which may be less than the gross rent if the tenant is responsible for paying utilities.

UTILITY ALLOWANCE = AVERAGE COSTS, NOT ACTUAL CONSUMPTION

The Utility Allowance is not paid to the tenant. Instead, it is used to reduce the actual amount of the tenant's share of the rent paid to the owner. Housing Choice Voucher households are responsible for paying for all tenant-paid utilities even if the costs exceed the allotted Utility Allowance amount for that unit in any given month. Keep in mind that the Utility Allowance reflects average costs and not actual consumption.

Utility Allowance Schedules

HUD regulations require that Utility Allowance schedules be updated at least annually. Make sure to get a copy of the most current schedule. PHAs that cover a wide geographic area may have multiple schedules, so make sure to check the schedule in effect for the area where each unit is located.

Table 6.08 Example of Public Housing Agency Monthly HCV Utility Allowance

TYPE OF TENANT-PAID UTILITY	1-BEDROOM DUPLEX UTILITY MONTHLY ALLOWANCE
Oil Heat	Not applicable
Gas Heat	Not applicable
Electric Heat	$40
Electricity for lights	$20
Gas hot water	Not applicable
Domestic hot water (oil)	Not applicable
Electric hot water	$20
Total Utility Allowance	$80

How to Use the Utility Allowance

The Utility Allowance is used for two purposes:

1. The PHA subtracts the Utility Allowance from the TTP to reduce the amount of rent the tenant has to pay to the owner. This reduction in the TTP theoretically results in money left over to the tenant to pay for utilities. Table 6.09 illustrates this HCV regulation.

Table 6.09 Utility Allowance Calculation

Total tenant payment		$225
Allowance for tenant paid utilities	-	$80
Tenant share of rent paid to owner	=	$145

2. The PHA adds the Utility Allowance to the monthly rent charged by the owner to determine the gross rent. The gross rent is used when applying the payment standard. Table 6.10 illustrates this function of the Utility Allowance.

Table 6.10 Utility Allowance and Gross Rent

PHA One-Bedroom Payment Standard: $750		
Rent charged by owner		$650
Utility allowance	+	$80
Total monthly housing cost (Gross Rent)	=	$730

This unit's total cost is $730, which is $20 less than the $750 one-bedroom payment standard. The household's share of rent would be reduced by $80 (the utility allowance), leaving the household responsible for only a $145 payment to the owner. This reduction in its rent gives the household room in its finances to pay the monthly utility bills.

REASONABLE ACCOMMODATION

UTILITY ALLOWANCES

People with disabilities, including those who have been experiencing chronic homelessness, can request a higher Utility Allowance, if needed, as a reasonable accommodation. For example, a person with physical disabilities may require a higher Utility Allowance to compensate for extra electricity used by needed medical equipment.

Negative Utility Allowance Payments (24 CFR 5.632)

For people with very low incomes, deducting a Utility Allowance from the TTP may cancel out the full TTP amount, or even result in money being owed to the household. This is sometimes referred to as a negative "utility allowance payment" (UAP) and is a common occurrence for formerly homeless households in the HCV program.

It is important to note that in this situation, the negative UAP is made to the household on the assumption that it is a reimbursement for expenditures that the household has already made for utilities. Alternatively, some PHAs are willing to send the negative UAP to a utility company on behalf of the household. This policy should be described in the PHA's HCV Administrative Plan.

Calculating Monthly Adjusted Income and Total Tenant Payment

The PHA is responsible for examining an HCV household's income and determining its total tenant payment. To determine how much the household pays toward housing costs (i.e., rent and tenant-paid utilities) the PHA conducts a thorough examination of the household's income — including any assets — and calculates an annual and monthly gross and adjusted income for the household.

Gross Income (24 CFR 5.609)

Public housing agencies calculate a household's gross income by examining income from a variety of sources that are anticipated during the upcoming year. This includes any income generated from assets.

Income Inclusions

Sources of income that are counted when a PHA calculates a household's income, or "inclusions," include:

- Wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services
- Net income from the operation of a business or profession
- Interest, dividends, and other net income of any kind from real or personal property
- The full amount of periodic amounts received from Social Security,

annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount

- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay

GOOD TO KNOW

REIMBURSEMENTS TO THE UTILITY COMPANY

Given the lack of income of people experiencing chronic homelessness, it is highly probable that once the utility allowance is applied, there will be a negative Utility Allowance Payment (UAP) situation. Housing Choice Voucher program regulations allow public housing agencies to make negative UAP disbursements directly to a utility company on behalf of the household, instead of to the household. For people who lack money management skills, this direct payment option may be a valuable tool to ensure that the lights and other essential utilities remain on and to help maintain their credit history with the utility company. Advocates, case managers, family members, and others working with chronically homeless people should discuss this option with the public housing agency and determine the best way to set up payments to the utility company.

Income Exclusions

The PHA also leaves many sources of income out of its calculations of household income. These are referred to as "exclusions," and include:

- Income from employment of children (including foster children) under the age of 18 years
- Payments received for the care of foster children or foster adults
- Lump-sum additions to family assets, such as inheritances, insurance payments, capital gains, and settlement for personal or property losses
- Income of a live-in aide

Adjusted Income (24 CFR 5.611)

In the context of the HCV program, "adjusted income" refers to allowances and deductions permitted by HUD that are subtracted from gross income. It does not mean "take-home pay" or "net income" for people who are employed.

Adjusted Income Allowances

The allowances and deductions that make up adjustments to gross income in the HCV program include:

- *$480 per year allowance for each dependent* — A dependent is defined as a household member other than the household head or their spouse who is:

  - 17 years of age or younger;
  - A full-time student; or
  - A person with a disability.

  Neither the head of the household nor their spouse can ever be considered a dependent.

- *$400 per year allowance for a disabled or elderly household* — This allowance is limited to $400 per household, and not $400 for each disabled member of the household.
- *Childcare allowances* — This allowance is for childcare expenses to enable a household member to work or further their education and cannot exceed the amount earned by the person who goes to work.
- *Disability assistance allowance* — This adjustment is only for equipment and resources (e.g., wheelchairs, attendant to care for person with a disability) that permits someone in the household to work. These expenses cannot be deducted unless someone in the household (either the person with the disability or someone who would otherwise provide care for that person) is enabled to work as a result of the expense. In addition, only those expenses that exceed three percent of household income can be deducted.
- *Medical expenses* — Anticipated medical expenses that, in combination with any disability assistance allowance, exceed three percent of income, can be deducted.

Whose Income Counts?

When calculating a household's gross and adjusted income, the PHA must know who the members of the household are, and what each member's income is. However, some household members' income is not included in the calculation.

INCOME NOT COUNTED	INCOME COUNTED
• Earned income of minors age 18 and under, including foster children	• Unearned income attributable to a minor (e.g., child support, SSI)
• Income of permanently absent family members	• Income of temporarily absent family members
	• First $480 of income of adult students living away from home who are not the head of household or spouse

See Appendix B on page 126 for a sample Rent Calculation Worksheet that demonstrates how to determine the total tenant payment, factoring in any adjustments and the Utility Allowance.

GOOD TO KNOW

ISSUES UNIQUE TO PEOPLE WITH ZERO INCOME

Most people experiencing chronic homelessness have little or no income. In spite of their eligibility for the Housing Choice Voucher program, they may face unique barriers to being active participants. For example, households with zero income may need to request a waiver to a public housing agency's minimum rent requirement and locate alternative funding to turn on utilities in a new unit to make sure it will pass the housing quality inspection.

Self-Sufficiency Incentives (24 CFR 5.617)
"Self-Sufficiency Incentives for Persons with Disabilities" (formerly known as the Earned Income Disregard) is a HUD work incentive for people with disabilities, including those who are experiencing chronic homelessness. This HCV regulation allows PHAs to disregard the increased income obtained by an individual with a disability who goes to work. This option is important in the HCV program because an increase in income usually means an increase in the household's total tenant payment. Disregarding this increase for a period of time gives the formerly chronically homeless person greater incentive to earn income from employment because the increase in income does not result in an increase in rent.

The disregard is available for the first two years of employment. With the self-sufficiency incentive, rent is not increased for the first 12 months after the person's income increases due to work. For the second 12 months, only 50 percent of the income increase is counted in calculating TTP.

To qualify for the Self-Sufficiency Incentive, an adult member of the household must be a person with a disability who was unemployed for at least one year prior to employment.

In addition to income from regular employment, income from any economic or other job training program qualifies to be disregarded.