

Montclair Housing Authority

Housing Choice Voucher Program

2027 HOTMA Resident Fact Sheet: Health, Medical, and Childcare Deductions

*This fact sheet is for Housing Choice Voucher Program participants. There are new rules on the way income is counted because of a federal law, the Housing Opportunity Through Modernization Act of 2016 (HOTMA). Montclair Housing Authority (MHA) will start using these rules on **January 1, 2027**. 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 MHA's payment standard. Adjusted income is what's left after MHA 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 (Elderly/Disabled Households): Previously, if you were eligible and spent more than 3% of your yearly income on certain medical expenses, you received an income deduction. MHA 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 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.

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. **Note that all qualifying households will automatically receive the phased-in relief at their next scheduled annual recertification.**

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 for 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.



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