



Health and Medical Expenses & Child Care Expenses

Hardship Exemptions Resource Sheet

This resource is meant for both PHAs and families participating in public housing and the Housing Choice Voucher program (Section 8).

Health and Medical Expense Deduction

New HUD rules allow health and medical expenses exceeding 10% of a family's annual income to be deducted from the amount of a family's income to determine the **adjusted** income which is then used to calculate the rent.

Qualifying expenses are the sum of:

- Unreimbursed health and medical care expenses of any elderly or disabled family; and
- Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with a disability, in order to enable any member of the family, including the person with a disability, to be employed.
 - » This deduction may not exceed the combined earned income of the adult family members who are able to work due to the attendant care or auxiliary apparatus.

Note: *The full text of the rule can be found in the Code of Federal Regulations in section 24 CFR 5.611(a)(3).*

Estimating Qualifying Expenses


HUD has an **Income Estimation Tool** which may be used by the public housing agency (PHA) and families to estimate at what amount of expenses a family would begin to receive a deduction for health and medical expenses.

In the following example, the family earns \$20,000 per year. The tool shows that qualified expenses over \$2000, which is 10% of the family's income, could be deducted in determining the family's adjusted income.



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Income Estimation Tool

Keep this page for your records. Use the estimates below to determine if you may qualify for an interim recertification (reexamination) to adjust your monthly payment.

Recertification date: Jan-2024

(month/year)

Family's annual income: \$ 20,000.00

If your family qualifies as an elderly or disabled family and has unreimbursed health, medical, or disability assistance expenses of more than \$ 2,000.00 a year (10% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

If your family qualifies for a hardship exemption and has unreimbursed health, medical, or disability assistance expenses of more than \$ 1,000.00 a year (5% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

Hardship Exemptions to the Health and Medical Expenses Deduction

HUD has also created two categories of hardship exemptions to the new 10% threshold for unreimbursed medical expenses. The exemptions allow for more expenses to be deducted from the family's adjusted income for a limited period of time.

Category 1: Phased In relief for families already receiving a health and medical deduction

The new rule increases the health and medical expense deduction to the amount by which those expenses exceed 10% of the family's annual income. This is an increase from the previous threshold of 3%. Families previously receiving the deduction may see an increase in their non-deductible health and medical expenses, which could result in an increase in their adjusted income and their rent. However, this may be offset by the increased deduction for elderly and disabled families from \$400 to \$525. This hardship exemption phases in the new deduction amount over two years.

Eligibility: As of January 1, 2024, the family must have been receiving a deduction from annual income of qualified health and medical expenses exceeding 3 percent of annual income.

Form and duration of the exemption: Those families experiencing a hardship will have a phase in to the new deduction amount over two years:

- 1st year: PHA deducts eligible expenses exceeding 5% of the family's income.
- 2nd year: PHA deducts eligible expenses exceeding 7.5% of the family's income.

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- After 24 months this hardship exemption expires. The PHA will deduct expenses exceeding 10% of the family's annual income, unless the family requests and qualifies for a new exemption under category 2.

Category 2: General Financial Hardships

This exemption is for families who can demonstrate a financial hardship due to an increase in their qualified expenses or because of a change that would not otherwise trigger an interim reexamination. For example, a decrease in income or a change in family composition.

Eligibility: A family must demonstrate that their applicable expenses increased or the hardship is a result of a change in circumstances, as defined by the PHA, that would not otherwise trigger an interim reexamination.

This relief is available regardless of whether the family previously received health and medical deductions or is currently receiving, or previously received, a hardship exemption under the first category.

Form and duration:

- The family may receive a deduction of all eligible expenses exceeding 5% of their annual income.
- The exemption ends when the circumstances that made the family eligible for the exemption no longer apply or after 90 days, whichever comes earlier.
- The PHA may, at their discretion, extend the relief for one or more additional 90-day periods while the family's hardship continues.

Category 2 may also include families that qualified under Category 1 but:

- Exhausted that relief (after 24 months), or
- Chose to apply for relief under this category in the 2nd year of receiving a Category 1 deduction. The family would then receive a deduction for their qualifying expenses over 5% of their income instead of those exceeding 7.5% of their income.
- The family will no longer be eligible for a hardship exemption under the first category, even if they had not finished the 24 month period.


Note: The full text of the rule related to these hardship exemptions can be found in the Code of Federal Regulations in section 24 CFR 5.611(c).

Estimating if a family qualifies for a hardship exemption

The **Income Estimation Tool** can also be used to see if a family may be eligible for a hardship deduction. The tool shows the amount of qualified expenses over 5% of the family's income. If the family has a financial hardship making it unable for them to pay the rent and has qualified health and medical expenses over 5% they should speak to the PHA to see if they qualify for a hardship exemption.

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In this same example, the tool shows that the family would have to have qualified expenses over \$1000, which is 5% of the family's income, to potentially qualify for a hardship exemption.



Income Estimation Tool

Keep this page for your records. Use the estimates below to determine if you may qualify for an interim recertification (reexamination) to adjust your monthly payment.

Recertification date: Jan-2024 Family's **annual** income: \$ 20,000.00
(month/year)

If your family qualifies as an elderly or disabled family and has unreimbursed health, medical, or disability assistance expenses of more than \$ 2,000.00 a year (10% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

If your family qualifies for a hardship exemption and has unreimbursed health, medical, or disability assistance expenses of more than \$ 1,000.00 a year (5% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

Child Care Expense Deduction

Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education may be deducted from income.

This means that the amount of child care expenses may be deducted from the family's annual income in determining their adjusted annual income and therefore their rent. The expenses that can be deducted cannot exceed the amount of income earned by the person who is able to work due to the childcare.

For example, if childcare costs are \$6000 for the year and the parent who is able to work due to childcare earns \$5000 annually, then \$5000 would be deducted in determining the family's adjusted income.

Note: The full text of the rule can be found in the Code of Federal Regulations in section 24 CFR 5.611(a)(4).

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Exemption to Continue the Child Care Expense Deduction

A family whose eligibility for the child care expense deduction is ending may request a financial hardship exemption to continue the deduction.

Eligibility: The family must demonstrate that they are unable to pay their rent because of loss of this deduction, and the child care expense is still necessary even though the family member is no longer employed or furthering education.

For example, the parent who was working due to the child care had to leave their job to care for a sick family member. In order to provide this unpaid care they continue to need childcare.

Form and duration of relief:

- Up to 90 days.
- The exemption may be extended, at the PHA's discretion, for additional 90-day periods based on family circumstances.
- The PHA may terminate the hardship exemption if they determine that the family no longer needs it.

PHA Policy: The PHA must have an established policy for determining a family's inability to pay the rent if they request a child care hardship exemption.

Family notification: The family must receive prompt notification in writing of the change in adjusted income and the rent due to the child care hardship exemption, and dates for when the hardship exemption will begin and expire.

Note: *The full text of the rule related to these hardship exemptions can be found in the Code of Federal Regulations in section 24 CFR 5.611(d).*

Related Resources

- [Income Estimation Tool](#) and [Directions](#)
- [HOTMA Income and Assets Trainings Series](#)