

## Title I, Section 102

# Comparison of H.R. 3700 with Current Law

| Title I,<br>SECTION 102         | Current Law   | H.R. 3700   |
|---------------------------------|---|---|
| Affordability and minimum rents | For rent and reasonable utility costs, families generally pay the higher of 30 percent of adjusted income or 10 percent of gross income, plus (for voucher holders) the amount by which rent and utility costs exceed the local payment standard. For public housing and vouchers, agencies may establish a minimum rent up to \$50, subject to federally established hardship exceptions. For project-based section 8, HUD establishes the minimum rent by regulation up to a maximum of \$50 (currently \$25). In public housing, tenants are permitted to choose annually between a “flat rent” that does not take income into account and an income-based rent determined under the regular rules. (Section 3(a)) | Requirements are similar to those under current law, except that required interim adjustments for changes in income between periodic income reviews are limited (see recertification of income below), and HUD must certify to Congress within six months of HOTMA’s enactment that minimum rent hardship protections are being enforced and that HUD “will continue to provide due consideration to the hardship circumstances” of housing assistance recipients (Section 102(b)). |

## Title I, Section 102

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|                           |  |   |
|---------------------------|--|---|
| Recertification of income | Verification of income and calculation of family contribution for rent and utilities required at least every three years for families on “fixed” incomes (at least 90 percent of income from fixed income sources), and annually for other families. (Sections 3(a)(1) and 8(c)(3) and (o)(5).) Interim recertifications for income declines required at tenant’s request. Interim recertifications for increases at discretion of agency. | Interim recertifications at tenant’s request for any decrease in adjusted income exceeding 10 percent (and for smaller drops if HUD establishes or permits the PHA or owner to establish a threshold below 10 percent) and required for an annual increase exceeding 10 percent (or a different threshold if HUD establishes one), except that no interim rent increases based on earnings are permitted unless the family has received an interim reduction during the year. A PHA or owner may choose not to conduct an interim recertification for an increase in income that occurs in the last 3 months of a certification period. (Section 102(a)(1)(B), inserting new paragraph (6) on Reviews of Family Income in section 3(a) of the U.S.H.A.) |
| Use of prior-year income  | Regulations state that income is based on the 12-month period following certification. A shorter period may be used, but rents are then subject to recertification at the end of that period. (24 CFR 5.609.)  | Agencies and owners must use income from the prior year when setting rents, except for purposes of the initial income determination when a family begins receiving housing assistance and interim recertifications due to changes in income. (Section 102(a)(1)(B), inserting new section 3(a)(7) of the U.S.H.A.)  |
| Work-related deductions   | For voucher tenants with disabilities and all public housing residents who were recently unemployed or on welfare, the full amount of an earnings increase in the first year after the increase occurs and half of that amount in the second year is disregarded. (Section 3(d).) Reasonable child care expenses needed for employment or education are deducted. (Section 3(b)(5)(A).)  | Eliminates existing earned income disregard. (Section 102(a)(2), deleting section 3(d) of the U.S.H.A.) Child care deduction is unchanged.  |

## Title I, Section 102

# Comparison of H.R. 3700 with Current Law

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| Dependent standard deduction                            | \$480 deducted from total annual income for each dependent in a household. No provision to adjust deduction for inflation. (Sec. 3(b)(5)(A).)  | Dependent deduction would initially remain at \$480 but would be adjusted for inflation in future years. (Section 102(c), amending section 3(b)(5) of the U.S.H.A.)  |
| Deductions for the elderly and people with disabilities | Each elderly or disabled family (defined in U.S. Housing Act as a family whose head, spouse or sole member is at least 62 or has a disability) is eligible for a \$400 standard income deduction. Elderly and disabled families are eligible for a deduction of unreimbursed medical expenses, and families with a member who has a disability are eligible for a deduction of reasonable expenses for attendant care and auxiliary aids necessary for the person with a disability or another member to be employed, but only the portion of unreimbursed medical, attendant care, and auxiliary aid expenses above 3 percent of income is deducted. (Section 3(b)(5)(A)) | Increases standard deduction for elderly and disabled families to \$525, with adjustments for inflation in future years. Limits deduction for medical, attendant care and auxiliary aid expenses to expenses exceeding 10 percent of income. HUD would be required to enact regulations providing exemptions for families who due to financial hardship cannot pay rent increases required under HOTMA's deduction provisions. (Section 102(c) amending Section 3(b)(5) of the U.S.H.A.) HUD would be required to conduct a study to determine the impact of decreases in deductions on elderly and disabled people. (Section 102(i).) |
| Veterans' aid and attendance expenses                   | No special exclusion, although some expenses for veterans who are elderly or have disabilities are excluded under the regular medical and disability expense deduction.  | Excludes from income "any expenses related to aid and attendance under section 1521 of title 38, United States Code, to veterans who are in need of regular aid and attendance". (Section 102(c), amending Section 3(b)(4) of the U.S.H.A.)  |
| Verification of income and cross-program data sharing   | Agencies and owners must obtain third-party verification of income and deductions or document why it is not available. (24 CFR 982.516 for voucher program.) No special provision regarding reliance on determinations of income by other programs.  | Allows agencies and owners to rely on determinations of income conducted for other federal means-tested public assistance programs, including TANF, Medicaid, and Food Stamps. (Section 102(a), inserting new section 3(a)(8)(D) of the U.S.H.A.) Agencies cannot be required to maintain records of excluded income. (Section 102(c), amending section 3(b)(4) of the U.S.H.A.)   |

## Title I, Section 102

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|                         |   |  |
|-------------------------|---|--|
| Income from assets      | Regulations require agencies to impute (i.e., deem) income from assets exceeding \$5,000 using current interest rates, and count the higher of imputed income or actual income from the asset when determining the family's rent. (24 CFR 5.609.)   | Actual income from assets is counted when determining rents, but imputed income is only counted to the extent that net family assets exceed \$50,000. (Section 102(c), amending section 3(b)(4) of the U.S.H.A.)   |
| Impact on program costs | Increases or reductions in tenant rent payments can lower or raise the amount of funding for which PHAs are eligible under the public housing operating fund (though with a time lag) and the voucher renewal formula (under some circumstances). Changes in funding eligibility in these programs do not automatically affect federal costs, however, because in some years Congress has provided funding levels below the amount for which agencies were eligible. Rent changes also affect the subsidies owners receive under project-based Section 8 contracts. | Allows HUD to make adjustments in the public housing operating fund formula for agencies that experience a material and disproportionate reduction in rent revenues due to HOTMA's rent provisions during the first year in which the provisions are implemented. In addition, directs HUD to report to Congress in each of the first two years after implementation on the effect of the bill's rent and asset limit provisions on revenues and costs in public housing, the voucher program and project-based Section 8, and to recommend legislative changes to address any overall material reduction in public housing revenues or increase in voucher or project-based costs. (Section 102(g)) |

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|                   |   |  |
|-------------------|---|--|
| Payment standards | <p>Agencies must set a “payment standard” for each unit size within 10 percent of the HUD-determined Fair Market Rent (FMR). The payment standard operates as the maximum subsidy for a unit. HUD may approve lower or higher payment standards. (Section 8(o)(1).) Payment standards may vary by neighborhood. The subsidy payment may not exceed the difference between the payment standard or the unit’s rent and applicable utility allowance, whichever is lower, and a family’s required contribution. If a family rents a unit with a rent higher than the local payment standard, it must pay the rent above the payment standard itself (in addition to 30 percent of adjusted income).</p> | <p>The 90 to 110 percent of FMR discretionary range for area payment standards remains unchanged, but PHAs can increase the payment standard to 120 percent of the FMR without having to seek HUD approval as a reasonable accommodation for a person with a disability. (Section 102(d), amending section 8(o)(1)(D) of the U.S.H.A.)</p> |
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