



**TEXAS**  
Health and Human  
Services

Texas Department of State  
Health Services

## APPENDIX L

# **Texas Department of State Health Services**

## **Housing Opportunities for Persons with AIDS (HOPWA)**

### **Determining Household Annual Adjusted Income**

**09/01/25**

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# DETERMINING HOUSEHOLD ANNUAL ADJUSTED INCOME

This guide was adapted for the Texas Department of State Health Services Housing Opportunities for Persons with AIDS Program using the U.S. Department of Housing and Urban Development's [Occupancy Requirements of Subsidized Multifamily Housing Programs \(4350.3\) Chapter 5: Determining Income and Calculating Rent](#) and the [Technical Guide for Determining Income and Allowances for the HOME Program, Third Edition](#). Use this guide with DSHS HOPWA Program Form I: Rental Assistance Worksheet.

## Section 1. Introduction

1. Per 24 CFR §574.310(d), households receiving Tenant-Based Rental Assistance (TBRA) or Transitional Supportive Housing (TSH) services must pay as rent, including utilities, an amount equaling the higher of 1) 30 percent of the household's monthly adjusted income as described in [24 CFR §5.611](#), 2) 10 percent of the household's monthly income, or 3) the household's monthly welfare payments from a public agency designated to meet housing costs. To accurately calculate the household's monthly rent payment and rental assistance subsidy, Project Sponsors complete **Form H: Rent Standard and Rent Reasonableness Examination** and **Form I: Rental Assistance Worksheet** before TBRA or TSH services start and annual eligibility recertifications. Also, they complete Form H if household residency, composition, or rent have changed and they complete Form I if household eligibility factors or rent have changed.
2. The amount of assistance paid on behalf of the household is calculated using the household's annual income less allowable deductions. HUD program regulations specify the types and amounts of deductions to be included in the calculation of adjusted income.
3. The most frequent errors encountered in reviews of adjusted income determinations in household files include:
  - A. Incorrect calculations of deductions, often the result of failure to obtain third-party verification. Careful interviewing and thorough verification can minimize the occurrence of these errors.

## Section 2. Key Regulations

24 CFR §5.611: Adjusted Income

## Section 3. Key Requirements

1. There are five possible deductions that may be subtracted from annual income based on allowable household expenses and household characteristics. The remainder, after these deductions are subtracted, is called adjusted income. This section focuses on the calculation of annual adjusted income. When rental assistance is calculated, annual adjusted income is converted to monthly adjusted income.
  - A. Of the five possible deductions, three are available to any assisted household, and two are permitted only for elderly or disabled households.
    - i. A deduction for dependents;
    - ii. A child care deduction; and
    - iii. A disability assistance deduction.
  - B. The two types of deductions permitted only for households in which the head, co-head, spouse, or sole member is elderly or disabled are:
    - i. An elderly/disabled household deduction; and
    - ii. A deduction for unreimbursed medical expenses.

**NOTE:** Provide the elderly/disabled household deduction to any household whose head, co-head, spouse, or sole member is 62 or older or disabled. This deduction applies to households when the head, co-head, spouse, or sole member lives with HIV, but does not apply to households that meet eligibility only because a minor lives with HIV. A household may not designate a household member as head or co-head solely to become eligible for this deduction.

## Section 4. Calculating Adjusted Income

### 1. Dependent Deduction

- A. A household receives a deduction of \$480.00 for each household member (except foster children and foster adults) who is:
  - i. 17 or younger;
  - ii. A person with disabilities; or
  - iii. A full-time student of any age.It is not necessary for a member of the household to have legal custody of a dependent in order to receive the dependent deduction.
- B. Some household members may never qualify as dependents regardless of age, disability, or student status.
  - i. The head of the household, co-head, spouse, or sole member may never qualify as dependents.
  - ii. A foster child, foster adult, an unborn child, a child who has not yet joined the household or a live-in aide may never be counted as a dependent.
- C. A full-time student is one who is carrying a full-time subject load at an institution with a degree or certificate program. A full-time load is defined by the institution where the student is enrolled.
- D. When more than one household shares custody of a child and both live in assisted housing, only one household at a time can claim the dependent deduction for that child. The household with primary custody or with custody at the time of the initial calculation or annual recalculation receives the deduction. If there is a dispute about which household should claim the dependent deduction, the Project Sponsor should refer to available documents such as copies of court orders or an IRS return showing which household has claimed the child for income tax purposes.

### 2. Child Care Deduction

- A. Anticipated expenses for the care of children aged 12 or younger (including foster children) may be deducted from annual income if all of the following are true:
  - i. The care is necessary to enable a household member to work, seek employment, or further his/her education (academic or vocational).
  - ii. The household has determined there is no adult household member capable of providing care during the hours care is needed.
  - iii. The expenses are not paid to a household member living in the unit.
  - iv. The amount deducted reflects reasonable charges for child care.
  - v. The expense is not reimbursed by an agency or individual outside the household.
  - vi. Child care expenses incurred to permit a household member to work must not exceed the amount earned by the household member made available to work during the hours for which child care is paid.
- B. When child care enables a household member to work or go to school, the rule limiting the deduction to the amount earned by the household member made available to work applies only to child care expenses incurred while the individual is at work. While that household member is at school or looking for work, the expense for child care is not limited.

### Example – Child Care Deduction, Separate Expenses for Time at Work and Time at School

Bernice and Ernest have two children. Both parents work, but Bernice works only part-time and goes to school half time. She pays \$4.00 an hour for eight hours of child care a day. For four of those hours, she is at work; for four of them she attends school. She receives no reimbursement for her child care expense.

Her annual expense for child care during the hours she works is \$4,000.00. Her annual expense for the hours she is at school is also \$4,000.00. She earns \$6,000.00 a year. Ernest earns \$18,000.00.

The rule requires that Bernice's child care expense while she is working not exceed the amount she is earning while at work. In this case, that is not a problem. Bernice earns \$6,000.00 during the time she is paying \$4,000.00. Therefore, her deduction for the hours while she is working is \$4,000.00.

Bernice's expense while she is at school is not compared to her earnings. Her expense during those hours is \$4,000.00, and her deduction for those hours will also be \$4,000.

Bernice's total child care deduction is \$8,000.00 (\$4,000.00+\$4,000.00). The total deduction exceeds the amount of Bernice's total earnings, but the amount she pays during the hours she works does not exceed her earnings.

If Bernice's child care costs for the hours while she works were greater than her earnings, she would not be able to deduct all of her child care costs.

Bernice is paying a total of \$8,000.00 in child care expenses. Of that expense, payments of \$4,000.00 cover the hours while she is in school; payments of \$4,000.00 cover the hours she works. If Bernice were earning \$3,500.00, her total child care deduction for the hours she works would be capped at the amount of money she earns. In this case, the total deduction would be \$7,500.00 (\$4,000.00 for expenses while she is in school plus \$3,500.00 of the amount she pays while she is working.)

- C. Child care attributable to the work of a full-time student (except for head, spouse, co-head) is limited to not more than \$480.00, since the employment income of full-time students in excess of \$480.00 is not counted in the annual income calculation. Child care payments on behalf of a minor who is not living in the applicant's household cannot be deducted.
- D. Child care expenses incurred by two assisted households with split custody can be split between the two households when the custody and expense is documented for each household and the documentation demonstrates that the total expense claimed by the two households does not exceed the cost for the actual time the child spends in care.

### 3. Deduction for Disability Assistance Expense

- A. Households are entitled to a deduction for unreimbursed, anticipated costs for attendant care and auxiliary apparatus for each household member with disabilities, to the extent these expenses are reasonable and necessary to enable any household member aged 18 or older who may or may not be the household member with disabilities to be employed.

### Example – Eligible Disability Assistance Expenses

The payments made on a motorized wheelchair for the 42-year old son of the head of the household enable the son to leave the house and go to work each day on his own. Prior to the purchase of the motorized wheelchair, the son was unable to make the commute to work. These payments are an eligible disability assistance expense.

Payments to a care attendant to stay with a 16-year-old child with disabilities allow the child's mother to go to work every day. These payments are an eligible disability assistance expense.

- B. This deduction is equal to the amount by which the cost of the care attendant or auxiliary apparatus exceeds 3 percent of the household's annual income. However, the deduction may not exceed the

earned income received by the household member or members who are enabled to work by the attendant care or auxiliary apparatus.

- C. If the disability assistance enables more than one person to be employed, the Project Sponsor must consider the combined incomes of those persons. For example, if an auxiliary apparatus enables a person with disabilities to be employed and frees another person to be employed, the deduction cannot exceed the combined incomes of those two people.

#### Example – Calculating a Deduction for Disability Assistance Expenses

|                                                         |               |
|---------------------------------------------------------|---------------|
| Head's earned income                                    | \$14,500.00   |
| Spouse's earned income                                  | + \$12,700.00 |
| Total income                                            | \$27,200.00   |
| Care expenses for a 15-year-old child with disabilities | \$3,850.00    |
| Calculation:                                            | \$3,850.00    |
| (3 percent of annual income)                            | - \$816.00    |
| Allowable disability assistance expenses                | \$3,034.00    |

**NOTE:** \$3,034.00 is not greater than the amount earned by the spouse, who is enabled to work.

- D. Auxiliary apparatus includes items such as wheelchairs, ramps, adaptations to vehicles, or special equipment to enable a blind person to read or type, but only if these items are directly related to permitting the person with disabilities or other household member to work.
- 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 without disabilities.
  - The cost of maintenance and upkeep of an auxiliary apparatus is considered a disability assistance expense (e.g., the veterinarian costs and food costs of a service animal; the cost of maintaining the equipment that is added to a car, but not the cost of maintaining the car).
  - If the apparatus is not used exclusively by the person with disabilities, the Project Sponsor must prorate the total cost and allow a specific amount for disability assistance.
- E. In addition to anticipated, ongoing expenses, one-time nonrecurring expenses of a current resident for auxiliary apparatus may be included in the calculation of the disability assistance expense deduction after the expense is incurred. These expenses may be added to the household's total disability assistance expense either at the time the expense occurs through an interim recalculation or in the rent calculation during the following annual recalculation.
- F. Attendant care includes but is not limited to reasonable expenses for home medical care, nursing services, housekeeping and errand services, interpreters for deaf persons, and readers for blind persons.

#### Example – Calculating a Deduction When Disability Assistance Expenses Exceed Related Earnings

Kenisha Prior has a disability and lives with her mother Grace Prior. Her mother works full time. Kenisha works part time at the library. She requires a motorized wheelchair and special transportation to get to her job.

|                                          |              |
|------------------------------------------|--------------|
| Grace Prior's Income                     | \$24,000.00  |
| Kenisha Prior's Income                   | + \$5,000.00 |
| Total income                             | \$29,000.00  |
| Disability Assistance Expense            | \$8,000.00   |
| (3 percent of annual income)             | - \$870.00   |
| Allowable disability assistance expenses | \$7,130.00   |

The \$7,130.00 exceeds the amount Kenisha earns. The disability assistance deduction, therefore, is limited to the amount earned by the person made available to work or, in this case, \$5,000.00

- G. When the same provider takes care of children and a person with disabilities aged 12 or older, the Project Sponsor must prorate the total cost and allocate a specific cost to attendant care. The sum of

both child care and disability assistance expenses cannot exceed the employment income of the household member enabled to work.

#### Example – Calculating Child Care and Disability Assistance Deductions

|                        |   |             |
|------------------------|---|-------------|
| Head's earned income   |   | \$8,300.00  |
| Spouse's earned income | + | \$6,700.00  |
| Total income           |   | \$15,000.00 |

The household has two children: a 10-year-old and a 15-year-old with disabilities. One care provider, who charges \$120.00 per week, cares for both children. The care provider reports that the weekly costs of caring for the 10-year-old and 15-year-old with disabilities is \$50.00 and \$70.00 respectively.

Child care expense  $\$50 \times 52 \text{ weeks} = \$2,600.00$

Total disability assistance expense  $\$70 \times 52 \text{ weeks} = \$3,640.00$

Total disability assistance expense (\$3,640.00) less 3 percent of annual income (\$450.00) = \$3,190.00

|                                 |   |            |
|---------------------------------|---|------------|
| Child care deduction            |   | \$2,600.00 |
| Disability assistance deduction | + | \$3,190.00 |
| Total deductions                |   | \$5,790.00 |

Total deductions when compared to earnings must not exceed employment earnings of \$6,700.00.

#### 4. Medical Expense Deduction

- A. The medical expense deduction is permitted only for households in which the head, spouse, or co-head is 62 or older or disabled (elderly or disabled households).
- B. If the household is eligible for a medical expense deduction, Project Sponsors must include the unreimbursed medical expenses of all household members, including the expenses of nonelderly adults or children living in the household.
- C. Medical expenses include all expenses the household anticipates to incur during the 12 months following calculation/recalculation that are not reimbursed by an outside source, such as insurance.
- D. The Project Sponsor may use the ongoing expenses the household paid in the 12 months preceding the calculation/recalculation to estimate anticipated medical expenses.
- E. The medical expense deduction is that portion of total medical expenses that exceeds 3 percent of annual income.

#### Example – Calculating the Medical Expense Deduction

Head of Household: 64 years old

Spouse: 58 years old

|                           |             |
|---------------------------|-------------|
| Household's annual income | \$12,000.00 |
| Total medical expenses    | \$1,500.00  |

#### Sample Calculation

|                            |             |
|----------------------------|-------------|
| Household's annual income  | \$12,000.00 |
|                            | x 0.03      |
| 3 percent of annual income | \$360.00    |
| Total medical expenses     | \$1,500.00  |
|                            | - \$360.00  |
| Total deductions           | \$1,140.00  |

- F. In addition to anticipated expenses, past one-time nonrecurring medical expenses that have been paid in full may be included in the calculation of the medical expense deduction for current households at an initial, interim or annual recalculation. Past one-time nonrecurring medical expenses that have been

paid in full are not applicable when calculating anticipated medical expenses when TBRA or TSH services begin. If the household is under a payment plan, the expense would be counted as anticipated.

- i. There are two options for addressing one-time medical expenses. These expenses may be added to the household's total medical expenses either: (1) at the time the expense occurs, through an interim recalculation, or (2) at the upcoming annual recalculation.

**NOTE:** If the one-time expense is added at an interim recalculation, it cannot be added to expenses at the annual recalculation.

- ii. The following example illustrates the two options. Households may use either option.

#### Example – One-Time, Nonrecurring Medical Expenses

Maria and Gustav Crumpler had a total of \$2,932.00 in medical expenses last year (Year 1). Of this amount, \$932.00 covered Gustav's gall bladder surgery; \$2,000.00 was for routine costs that are expected to re-occur in the coming year. The entire amount may be included in the Crumpler's medical costs for the coming year (Year 2) despite the fact that the gall bladder surgery is a past event that is not likely to re-occur.

If, during the coming year (Year 2), the Crumplers experience additional one-time medical costs not anticipated at the annual recalculation, they may request an interim recalculation or wait for their next annual recalculation (during Year 3) and ask for the unanticipated expenses to be included in the medical expense calculation for the following year.

The Project Sponsor may wish to explain to residents that including past one-time medical expenses in an annual recalculation rather than in an interim recalculation will result in a rent reduction for a larger number of months.

For example, let us assume Maria has unanticipated dental surgery during Year 2 at a cost of \$3,550.00 six months after the annual recalculation. The Crumpler's current annual income is \$25,000.00.

|                                                                       |              |
|-----------------------------------------------------------------------|--------------|
| Annual income                                                         | \$25,000.00  |
| Less elderly household deduction                                      | - \$400.00   |
| Less allowable medical deduction (\$2,932 less 3 percent of \$25,000) | - \$2,182.00 |
| Adjusted annual income                                                | \$22,418.00  |
| Adjusted monthly income                                               | \$1,868.00   |

If the Crumplers request an interim recalculation, the \$3,550.00 additional cost will lower their rent for 6 months; if they wait for their annual recalculation, the cost of the dental surgery will affect their rent for 12 months.

|                                                                       |              |
|-----------------------------------------------------------------------|--------------|
| Annual income                                                         | \$25,000.00  |
| Less elderly household deduction                                      | - \$400.00   |
| Less allowable medical deduction (\$6,482 less 3 percent of \$25,000) | - \$5,732.00 |
| Adjusted annual income                                                | \$18,868.00  |
| Adjusted monthly income                                               | \$1,572.00   |

**OPTION 1:** If the Year 2 rent is adjusted through an interim recalculation, the Crumplers will save 6 months times \$88.00 or \$528.00.

**OPTION 2:** If the Crumplers wait until their annual recalculation, the large bill will affect their rent for the 12 months of Year 3, and they will save twice as much, or \$1,056.00.

- G. When a household is making regular payments over time on a bill for a past one-time medical expense, those payments are included in anticipated medical expenses. However, if a household has received a deduction for the full amount of a medical bill it is paying over time, the household cannot continue to count that bill even if the bill has not yet been paid.

### Example – Medical Expense Paid over a Period of Time

Ursula and Sebastian Grant did not have insurance to cover Sebastian's operation four years ago. They have been paying \$105.00 a month toward the \$5,040.00 debt. Each year that amount (\$105.00x12 months or \$1,260.00) has been included in their total medical expenses. A review of their file indicates that a total of \$5,040.00 has been added to total medical expenses over the four-year period. However, the Grants bring a current invoice to their annual recalculation interview. Over the four-year period they have missed five payments and still owe \$525.00. Although they still owe this amount, the bill cannot be included in their current medical expenses because the expense has already been deducted.

- H.** Not all elderly or disabled applicants or participants are aware that their unreimbursed expenses for medical care are included in the calculation of adjusted income for elderly or disabled households. For that reason, it is important for Project Sponsors to ask enough questions to obtain complete information about allowable medical expenses. The following list highlights some of the most common expenses that may be deducted. A list of examples of eligible medical expenses may be found in Exhibit 1.
- i.** Services of doctors and health care professionals;
  - ii.** Services of health care facilities;
  - iii.** Medical insurance premiums or costs of an HMO;
  - iv.** Prescription/nonprescription medicines that have been prescribed by a physician;
  - v.** Transportation to treatment;
  - vi.** Dental expenses;
  - vii.** Eyeglasses, hearing aids, batteries;
  - viii.** Live-in or periodic medical assistance such as nursing services, or costs for an assistance animal and its upkeep;
  - ix.** Monthly payments on accumulated medical bills;
  - x.** Medical care of a permanently institutionalized household member if his or her income is included in annual income; and
  - xi.** Long-term care insurance premiums. The household member paying a long-term care insurance premium must sign a certification that states the insurance is guaranteed renewable, does not provide a cash surrender value, will not cover expenses covered under Medicare, and restricts the use of refunds. The certification must be maintained in the household's file.
- I.** *Special calculation for households eligible for disability assistance and medical expense deductions.* If an elderly household has both unreimbursed medical expenses and disability assistance expenses, a special calculation is required to ensure that the household's 3 percent of income expenditure is applied only one time. Because the deduction for disability assistance expenses is limited by the amount earned by the person enabled to work, the disability deduction must be calculated before the medical deduction is calculated.
- i.** When a household has unreimbursed disability assistance expenses that are less than 3 percent of annual income, the household will receive no deduction for disability assistance expense. However, the deduction for medical expenses will be equal to the amount by which the sum of both disability and medical expenses exceeds 3 percent of annual income.
  - ii.** If the disability assistance expense exceeds the amount earned by the person who was enabled to work, the deduction for disability assistance will be capped at the amount earned by that individual. When the household is also eligible for a medical expense deduction, however, the 3 percent may have been exhausted in the first calculation, and it then will not be applied to medical expenses.
  - iii.** When a household has both disability assistance expenses and medical expenses, it is important to review the collected expenses to be sure no expense has been inadvertently included in both categories.

## **5. Elderly Household Deduction**

An elderly or disabled household is any household in which the head, spouse, or co-head (or the sole member) is 62 or older or disabled. Each elderly or disabled household receives a \$400.00 household deduction. Because

this is a “household deduction” each household receives only one deduction, even if both the head and spouse are elderly or disabled.

#### **Example – Special Calculation for Households Who Are Eligible for Disability Assistance/Medical Expense Deductions**

The following is basic information on the household:

|                                           |                    |
|-------------------------------------------|--------------------|
| Head (retired/disabled)—SS/pension income | \$16,000.00        |
| Spouse (employed)—employment income       | + \$4,000.00       |
| Total Annual Income                       | <u>\$20,000.00</u> |

|                                      |          |
|--------------------------------------|----------|
| Total disability assistance expenses | \$500.00 |
|--------------------------------------|----------|

|                        |            |
|------------------------|------------|
| Total medical expenses | \$1,000.00 |
|------------------------|------------|

**Step 1:** Determine if the disability assistance expenses exceed 3 percent of the household’s total annual income.

|                                          |                   |
|------------------------------------------|-------------------|
| Total disability assistance expenses     | \$500.00          |
| Minus 3 percent of total annual income   | - \$600.00        |
| Allowable disability assistance expenses | <u>(\$100.00)</u> |

No portion of the disability expenses exceeds 3 percent of the annual income; therefore, the disability assistance deduction is \$0.

**Step 2:** Calculate if the medical expenses exceed the balance of 3 percent of the household’s total annual income.

|                                                       |                 |
|-------------------------------------------------------|-----------------|
| Total medical expenses                                | \$1,000.00      |
| Minus the balance of 3 percent of total annual income | - \$100.00      |
| Allowable medical expenses deduction                  | <u>\$900.00</u> |

#### **6. No Deduction for Alimony or Child Support Paid to a Person outside the Assisted Household**

There is no deduction for an amount paid to a person outside the assisted household for alimony or child support. Even if the amount is garnished from the wages of a household member, it must be included in annual income.

#### **Example – Child Support Garnished from Wages**

George Graevette pays \$150.00 per month in child support. It is garnished from his monthly wages of \$950.00. After the child support is deducted from his salary, he receives \$800.00. The Project Sponsor must count \$950.00 as George’s monthly income.

### Exhibit 1: Examples of Medical Expenses that are Deductible and Nondeductible

(Source: 24 CFR §5.611; Occupancy Requirements of Subsidized Multifamily Housing Programs [4350.3], Exhibit 5--: Deductible and Nondeductible Medical Expenses)

The following are examples of eligible items for medical expense deductions. Please note that this list is not exhaustive.

**NOTE:** Types of medical expenses may include those listed below or any other medically necessary service, apparatus, or medication, as documented by third-party verification.

| Type of Medical Expenses                                                                                                  | May Include                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Services of recognized health care professionals                                                                          | Services of physicians, nurses, dentists, opticians, mental health practitioners, osteopaths, chiropractors, Christian Science practitioners, and acupuncture practitioners                                                                                                                       |
| Services of health care facilities; laboratory fees, X-rays and diagnostic tests, blood, oxygen                           | Hospitals, health maintenance organizations (HMOs), laser eye surgery, out-patient medical facilities, and clinics                                                                                                                                                                                |
| Alcoholism and drug addiction treatment                                                                                   |                                                                                                                                                                                                                                                                                                   |
| Medical insurance premiums                                                                                                | Expenses paid to an HMO; Medicaid insurance payments that have not been reimbursed; long-term care premiums (not prorated)                                                                                                                                                                        |
| Prescription and nonprescription medicines                                                                                | Aspirin, antihistamine only if prescribed by a physician for a particular medical condition                                                                                                                                                                                                       |
| Transportation to/from treatment and lodging                                                                              | Actual cost (e.g., bus fare) or, if driving in a car, a mileage rate based on IRS rules. If the individual is receiving reimbursement for the cost of transportation to/from treatment or the lodging from another source, the cost or mileage is not eligible for the medical expense deduction. |
| Medical care of permanently institutionalized household member IF his/her income is included in Annual Income             |                                                                                                                                                                                                                                                                                                   |
| Dental treatment                                                                                                          | Fees paid to the dentist; x-rays; fillings, braces, extractions, dentures                                                                                                                                                                                                                         |
| Eyeglasses, contact lenses                                                                                                |                                                                                                                                                                                                                                                                                                   |
| Hearing aid and batteries, wheelchair, walker, artificial limbs, Braille books and magazines, oxygen and oxygen equipment | Purchase and upkeep (e.g., additional utility costs to household because of oxygen machine [in properties with household paid utilities only])                                                                                                                                                    |
| Attendant care or periodic medical care                                                                                   | Nursing services, assistance animal and its upkeep                                                                                                                                                                                                                                                |
| Payments on accumulated medical bills                                                                                     | Scheduled payments                                                                                                                                                                                                                                                                                |

Some items that may not be included in medical expense deductions are listed below.

| Type of Medical Expenses                                                   | May Not Include                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cosmetic surgery                                                           | <p>Do not include in medical expenses amounts paid for unnecessary cosmetic surgery. This applies to any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Procedures such as face-lifts, hair transplants, hair removal (electrolysis), and liposuction generally are not deductible. However, if medical complications, e.g., infections, etc., occur as a result of the procedure that requires medical treatment, the medical treatment expenses would be treated as a medical expense deduction.</p> <p>Amounts paid for cosmetic surgery may be deducted if necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease.</p> |
| Health club dues                                                           | Do not include in medical expenses the cost of membership in any club organized for business, pleasure, recreation, or other social purpose, such as health club dues, YMCA dues, or amounts paid for steam baths for general health or to relieve physical or mental discomfort not related to a particular medical condition.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Household help                                                             | Do not include in medical expenses the cost of household help, even if such help is recommended by a doctor. However, certain expenses paid to a person providing nursing-type services may be deductible as medical costs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Medical savings account (MSA)                                              | Do not deduct as a qualified medical expense amounts contributed to an Archer MSA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Nutritional supplements, vitamins, herbal supplements, "natural medicines" | Do not include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, "natural medicines," etc., unless they are recommended in writing by a medical practitioner licensed in the locality where practicing. These items must be recommended as treatment for a specific medical condition diagnosed by a physician or other health care provider licensed to make a diagnosis in the locality where practicing. Otherwise, these items are taken to maintain ordinary good health, and are not for medical care.                                                                                                                                                                                                                                                                                                                                 |
| Personal use items                                                         | Do not include in medical expenses an item ordinarily used for personal, living, or household purposes unless it is used primarily to prevent or alleviate a physical or mental defect or illness. For example, the cost of a wig purchased upon the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease or incontinence supplies can be included with medical expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Nonprescription medicines                                                  | Do not include in medical expenses nonprescription medicines unless they are recommended in writing by a medical practitioner licensed in the locality where practicing. These items must be recommended as treatment for a specific medical condition diagnosed by a physician or other health care provider licensed to make a diagnosis in the locality where practicing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

## Exhibit 2: Acceptable Forms of Verification

(Source: *Occupancy Requirements of Subsidized Multifamily Housing Programs [4350.3]*, Appendix 3: *Acceptable Forms of Verification*)

When determining household annual adjusted income for TBRA or TSH services, Project Sponsors must obtain documentation of all deductions claimed by the household. Only third-party verification is permitted.

**NOTE:** The source documents below are the preferred forms of verification.

| Factor to be verified                                          | Sources                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Verification Tips                                                                                                                                            |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Auxiliary apparatus.</b>                                    | <ul style="list-style-type: none"><li>• Written verification from source of costs and purpose of apparatus.</li><li>• Written certification from doctor or rehabilitation agency that use of apparatus is necessary to employment of any household member.</li><li>• In a case where the person with disabilities is employed, statement from employer that apparatus is necessary for employment.</li><li>• Copies of receipts.</li><li>• Evidence of periodic payments for apparatus.</li></ul> | <ul style="list-style-type: none"><li>• The Project Sponsor must determine if the expense is to be considered a medical or disability assistance.</li></ul>  |
| <b>Care attendant for household members with disabilities.</b> | <ul style="list-style-type: none"><li>• Written verification from attendant stating amount received, frequency of payments, hours of care.</li><li>• Written certification from doctor or rehabilitation agency that care is necessary to employment of household member.</li><li>• Copies of receipts.</li><li>• Cancelled checks indicating payment amount and frequency.</li><li>• Notarized statement or signed affidavit attesting to amounts paid.</li></ul>                                | <ul style="list-style-type: none"><li>• The Project Sponsor must determine if this expense is to be considered a medical or disability assistance.</li></ul> |

**Child care expenses.**

*(including verification that a household member who has been relieved of child care is working, attending school, or looking for employment)*

- Written verification from person who provides care indicating amount of payment, hours of care, names of children, frequency of payment, and whether or not care is necessary to employment or education.
- Verification of employment as required under Employment Income.
- Verification of student status (full or part-time) as required under Full-Time Student Status.
- Copies of receipts
- Cancelled checks indicating payments.
- For school attendance, school records, such as paid fee statements that show that the time and duration of school attendance reasonably corresponds to the period of child care.
- For verification of “looking for work,” details of job search effort as required by Project Sponsor’s written policy.
- Deduction provided only for care of children 12 and younger.
- When the same care provider takes care of children and persons with disabilities, the Project Sponsor must prorate expenses accordingly.
- Project Sponsors should keep in mind that costs may be higher in summer months and during holiday periods.
- The Project Sponsor must determine which household member has been enabled to work.
- Care for employment and education must be prorated to compare to earnings.
- Costs must be “reasonable.”

**Disability status.**

- Verification from appropriate source of information stating that individual qualifies under the definition of disability.
- If a person receives Social Security Disability solely due to a drug or alcohol problem, the person is not considered disabled under housing law. A person that does not receive Social Security Disability may still qualify under the definition of a person with disabilities.
- Project Sponsors must not seek to verify information about a person’s specific disability other than obtaining a professional’s opinion of qualification under the definition of a person with disabilities.

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|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Full-time student status.</b><br/><i>(of household members aged 18 or older, excluding head, spouse, or foster children)</i></p> | <ul style="list-style-type: none"> <li>• Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc., or from VA Office.</li> <li>• School records, such as paid fee statements that show a sufficient number of credits to be considered a full-time student by the educational institution attended.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• None</li> </ul>                                                                                                                           |
| <p><b>Medical expenses.</b></p>                                                                                                        | <ul style="list-style-type: none"> <li>• Verification by a doctor, hospital or clinic, dentist, pharmacist, etc., of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance.</li> <li>• Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when the expenses are not expected to change over the next 12 months.</li> <li>• Receipts, or pay stubs, which indicate health insurance premium costs, or payments to a resident attendant.</li> <li>• Receipts or ticket stubs that verify transportation expenses directly related to medical expenses.</li> <li>• Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of the next 12 months.</li> <li>• Cancelled checks which indicate health insurance premium costs, or payments to a resident attendant.</li> <li>• Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification.</li> </ul> | <ul style="list-style-type: none"> <li>• Medical expenses are not allowable as deduction unless applicant is an elderly or disabled household. Status must be verified.</li> </ul> |