

Department of Public Health
and Human Services

Section:
ELIGIBILITY AND BENEFIT
DETERMINATION

FOOD STAMP PROGRAM

Subject:
Deductions (Shelter)

Supersedes: FS 602-4 (01/01/06)

References: 7 CFR 273.9(d)(1) through (6), 7 CFR 273.10(d)

GENERAL RULE -- A shelter deduction is based on shelter expenses anticipated to be incurred by the household. Shelter expenses are determined by using the most recent month's expenses unless the household is reasonably certain a change will occur.

**SHELTER
COST CAP**

A shelter deduction is allowed for monthly shelter expenses that exceed 50% of the household's income after all other allowable deductions. This deduction is capped.

EXCEPTION: There is not a capped shelter deduction for a household with an elderly or disabled member. A household with an elderly or disabled member coded 'IN' on FS SEPA receives a shelter deduction for the full monthly amount that exceeds 50% of the household's monthly income after all other expenses are deducted.

The OPA Case Manager must enter a 'D' code in the 'Disabled Indicator' field on the FS SEPA screen for households with a disabled member to receive the uncapped shelter deduction.
TEAMS reads the date of birth on SSDO and allows the excess shelter expense for households with an elderly member.

NOTE: A household that includes an elderly or disabled member who is an ineligible alien or SSN disqualified coded 'DS' or is disqualified coded 'DQ' or 'DF' is subject to the shelter cap deduction.

The maximum (capped) shelter deduction for households without an elderly and/or disabled member is:

\$400.00 10/01/05 - 09/30/06
\$417.00 10/01/06 - 09/30/07

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SHELTER EXPENSE GUIDELINES The following are guidelines for all allowable shelter expenses:

1. Shelter costs must be payable in cash to someone outside the food stamp household.
2. Shelter costs are deducted ONLY in the month they become due regardless of when they are paid.
3. Households may elect to have fluctuating expenses or those billed less often than monthly averaged.
 - a. One-time expenses (e.g., repair of a furnace after a natural disaster): average the expense over the months in the current certification period. These expenses cannot be averaged over any month past the next recertification; code 'ND' on EXPE.

Example: A household has a 12-month recertification period (January-December). In March a one-time allowable shelter expense of \$1,200 is incurred. The \$1,200 is averaged over the entire recertification period (\$1,200 divided by 12 = \$100). A \$100 expense from April through December is allowed. The \$100 for January through March is not allowed as an expense.

- b. Expenses billed less often than monthly (e.g., quarterly insurance and/or property taxes): average over the interval between billings or over the period it is intended to cover regardless of the length of time until the next recertification. These expenses can be extended past the recertification date.
4. Expenses billed or due weekly or bi-weekly are factored.
5. Shelter costs paid by disqualified or ineligible members are treated as follows:

'DQ' or 'DF' FS SEPA participation code deducts all shelter expenses (except utility allowances - Page 7) paid by a disqualified individual in computing the shelter deduction.

'DS' FS SEPA participation code prorates the shelter expenses (except utility allowances - Page 7) coded against these

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individuals by dividing the expenses paid by the 'DS' individual evenly among all household members. TEAMS counts the allowable shelter expenses except the ineligible member's share. **The OPA Case Manager must code only the portion of shelter expenses paid or billed against the 'DS' member.**

'OU' FS SEPA participation code does not allow any expenses coded against these individuals (e.g., if an ineligible student pays all utility and shelter expenses, the expenses are coded against the ineligible student, and no shelter expenses are allowed).

ALLOWABLE SHELTER COSTS

The obligated amount of allowable shelter costs is used as an expense deduction.

Example: The mortgage obligation is \$450 per month and the payment is \$550. An additional \$100 is paid toward principle. The mortgage obligation of \$450 is allowed as an expense.

The monthly obligated amount of mortgage/rent is allowed each month when determining the shelter deduction without regard to when it is actually paid.

Example: A household applies for benefits in April. It has a rent obligation of \$300 a month. The household paid its rent for March plus two months in advance. The verified rent expense of \$300 is allowed for April forward as an expense.

A property owner/landlord is allowed the full amount of shelter costs (such as mortgage, taxes, insurance) that the household is required to pay to live there. The gross income minus the cost of doing business received from rental property if a household member is not involved in management of the property 20 hours/week or more is countable unearned income to the owner/landlord's household (FS 503-1).

NOTE: No portion of expenses can be used as both a shelter cost and a self-employment cost.

Example: Household A owns the home and rents a room to Household B. Both households are receiving food stamps as separate households. Household A has mortgage payment of \$400 (includes taxes and insurance). Household B is responsible for \$100 rent and half of the heating/cooling expense.

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Household A is entitled to \$400 for the mortgage expense and the full SUA. The \$100 from Household B is unearned income to Household A. Household A may claim self-employment allowable costs for providing the room such as paint, new carpet for the room.

Household B is entitled to \$100 rent expense and the full SUA.

Separate households residing in the same residence are allowed the actual amount of rent they are billed as a shelter deduction. When households reside together and neither household owns the residence, a rent payment made from one household to another is exempt as pass-through shelter payment up to the full amount of rent billed. If the payment is more than the full rent charged for the residence, the excess payment is unearned income to the household receiving the payment.

Allowable shelter costs include:

1. **Rent** including lot rent for a mobile home, but does not include rent for storage space, garage, or parking space.
2. **Mortgage** or other continuing charges leading to ownership of the shelter occupied by the household (e.g., loan repayments including interest for the purchase of a mobile home and condominium fees in their entirety).
3. Payments on **home equity loans, home equity lines of credit** or other forms of **second mortgages** that the home property is used as collateral.
4. **Property taxes**, state, and local **assessments**.

NOTE: Mandatory fees on a property tax bill, such as for garbage, are allowable as a part of the property tax deduction.

5. Home owner's **insurance** on the structure only.

Costs for insuring furniture or personal belongings are not allowed if the insurance policy separates structure and content costs. The entire premium amount is allowed if the insurance policy does not separate structure and content costs.

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NOTE: Mandatory fees for installment payments are allowed (e.g., \$2.03/mo extra for homeowner's insurance if paid monthly instead of annually).

NOTE: Renter's insurance is not an allowable expense.

6. Charges for **repair of a home** substantially damaged or destroyed due to a natural disaster, such as a fire or flood. The costs do not include charges for the repair of the home that have been or will be reimbursed by private or public relief agencies, insurance companies, or other sources.
7. **Utility** expenses. Households cannot claim actual utility expenses and are entitled to only one of the mandatory utility allowances.

**SPECIAL
CIRCUMSTANCES**

1. **Moving** - if a household reports moving during the month and submits one set of bills from the previous address and one set of bills from the current address, the expenses from both locations that are due in the benefit month are allowed as expenses.

NOTE: Only one mandatory utility allowance for both homes is allowed as an expense.

2. **Unoccupied home** - the shelter costs for the **home** if **temporarily unoccupied** by the household because of employment or training away from home, illness, or abandonment caused by a natural disaster or casualty loss.

The household may claim both the shelter costs of its current residence and the costs of the unoccupied home as deductions. The maximum shelter deduction applies. All of the following criteria must be met for costs of an unoccupied home to be included in the household's shelter costs:

- a. The household must intend to return to the home;
- b. The current occupants of the home, if any, must not be claiming the shelter costs for food stamp purposes; and,
- c. The home must not be leased or rented during the household's absence.

NOTE: Only one mandatory utility allowance for both homes is allowed.

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3. **Two occupied homes** - sometimes a member of a household occupies and incurs out-of-pocket expenses for two homes because of employment or training away from home, or illness. Expenses are allowed for both residences (e.g., a spouse works as a traveling salesman and returns home each weekend, the cost of rent or motels while on the road is allowed as a shelter expense).

NOTE: Only one mandatory utility allowance for both homes is allowed.

4. **Group home residents** - (FS 201-6).

The following shelter expenses are not allowed as a deduction:

1. Past due bills or amounts carried forward;
2. Expenses not verified;
3. Expenses paid by vendor payment unless the vendor payment is counted as income;
4. Costs that will be reimbursed. LIEAP is not a reimbursement. HUD or FmHA utility reimbursements are examples of reimbursed costs that are not allowed as a shelter deduction;
5. One time deposits;
6. Closing costs, as a whole, are not allowable expenses. Itemized allowable closing costs such as homeowner's insurance and property taxes are allowed as expenses;
7. Payments for prior months as an expense for the current benefit month; and,

Example: Household's monthly rent obligation is \$300/mo. Last month the household only paid \$100, so the landlord statement indicates this month's obligation is \$500. The \$300 is allowed as a rent deduction.

8. **In-kind benefits** are benefits that no monetary payment is made on behalf of the household.

Example: A household manages a duplex in exchange for rent. No money is exchanged.

**SHELTER
EXPENSES NOT
ALLOWED**

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There is no income to count and no shelter expense is allowed; code 'IK' on EAIN.

**MANDATORY
UTILITY
ALLOWANCES**

Households cannot claim actual utility expenses and are entitled to only one of the mandatory utility allowances. The household is allowed a mandatory utility allowance if the household is obligated to pay for heating, cooling, cooking fuel, electricity, water, sewage, garbage, and telephone expenses including charges for initial installation of the utility.

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NOTE: Cooling costs are electricity expenses required to operate a swamp cooler or air conditioner (window or central unit) and do not include window fans. Space heaters do not entitle households to the SUA even if it is their only source of heat.

A household is allowed the full appropriate utility allowance if all of the individuals who share the utility expenses are not in the food stamp assistance unit because they are an ineligible alien, SSN disqualified, or ABAWD disqualified coded 'DS' or are disqualified coded 'DQ' or 'DF' but are otherwise required household members. This also applies to households with an ineligible student.

Example: The household of mom, boyfriend (ineligible student), and their child. Each pays half of the heating/cooling costs separate from the rent. The household receives the full SUA coded against mom.

1. **Standard Utility Allowance (SUA)** is a \$358 utility expense and is available to the following households:
 - a. Households incurring heating or cooling expenses separately from their rent or mortgage including any households charged only for excess heating/cooling costs if the household pays or is anticipated to pay excess heating/cooling costs for any one month.

Example 1: A household rents a public or private apartment for \$300 a month. In the summer months, the household pays \$10 a month to pay for the excess electricity generated by the household's air conditioning unit. The household is allowed the SUA year round because of its cooling costs.

Example 2: A household rents an apartment in public housing and is responsible to pay excess heating and/or cooling expense. The household is allowed the SUA year round if the household pays or is anticipated to pay the excess heating/cooling costs for any one month.

Example 3: A household rents a house for \$300 a month and is responsible to pay electricity. The house has central air conditioning. The household is allowed the SUA year round because of the cooling costs.

- b. Households receiving direct or indirect assistance under the Low Income Home Energy Assistance Act of 1981 (LIHEAA) that includes the Low Income Energy Assistance Program (LIEAP).
- c. Households in private/public rental housing who incur heating/cooling costs and are billed by their landlords on the basis of individual usage or who are charged a flat rate separately from their rent.
- d. Households receiving direct or indirect energy assistance that is excluded from income consideration (other than that provided under the LIHEAA) only if the amount of the expense exceeds the amount of the assistance, and the expense is for heating/cooling costs.

NOTE: The OPA Case Manager must thoroughly document their decision whether the SUA was or was not allowed as shelter expense.

The OPA Case Manager uses past utility information when it is an indication of what is expected in the future. If the household's average utility costs exceed the HUD energy assistance and it is anticipated the same will most likely recur, the household is allowed the SUA.

If the past utility information leads the OPA Case Manager to believe that the same will not occur such as HUD expects to provide more assistance

and the household expects less utility expenses, the SUA is not allowed.

- e. Households receiving direct or indirect energy assistance that is counted as income and incur a heating or cooling expense.
2. **Limited Utility Allowance (LUA)** is a \$188 utility expense and is available to households not entitled to the SUA but incur at least two non-heating/cooling utilities, such as electricity, water, sewer, garbage, or telephone including a cell phone if that is the only telephone used in the home.
3. **One Utility Allowance (OUA)** is a \$78 utility expense and is available to households incurring only one non-heating/cooling utility such as electricity, water, sewer, or garbage. This utility allowance does not include telephone costs.
4. **Telephone Allowance** is a \$32 utility expense and is available to households incurring telephone costs only. The household must incur the basic service fee for one telephone to be entitled to the telephone standard. The basic service fee for a cellular phone is allowable if that is the only telephone used in the home.

NOTE: If the household is self-employed and claims the cell phone as a business expense, it cannot also claim the phone as a utility expense.

If two or more **separate households** live together and each pays a utility expense, each household is entitled to the **same full** appropriate utility allowance such as the SUA **regardless of how the expenses are divided between the households**. The utility allowance is not prorated. If one household pays all of the utility expenses and the other household pays none, only the household paying the expenses is entitled to the appropriate utility allowance as an expense.

Example 1: Household A and Household B live in the same apartment and are separate households. Both pay \$100 each for rent. Household A pays the heat bill, and Household B pays the electricity and phone bills. Both households are allowed \$100 rent and the full SUA because both are contributing to the utility expenses, and heat is one of the expenses.

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Example 2: Household A and Household B live in the same apartment and are separate households. Household A pays \$200 rent and all utilities. Household B pays \$300 rent to Household A. Household A is allowed \$200 rent and the appropriate utility allowance as an expense; Household B is allowed \$300 rent and is not entitled to a utility allowance.

Example 3: Household A and Household B live at the same residence as separate households. Household A pays \$100 rent and electricity costs that does not include heating or cooling costs. Household B pays \$200 rent and telephone costs.

The residence has two utilities and both households shared in the costs so each household receives the full LUA as an expense.

UTILITY COSTS NOT ALLOWED

The following are examples of expenses that are not allowed:

1. One-time deposits;
2. Repair or replacement of things such as utility lines unless they were damaged or destroyed by a natural disaster such as a fire or a flood;
3. Late fees, interest charges or amounts carried forward from a past billing period; and,
4. Costs associated with cutting wood for heat such as cutting permits, gas for a chain saw and truck, or equipment like a chain saw.

VERIFICATION OF SHELTER COSTS

Shelter expenses are verified:

1. At application;
2. At recertification, if questionable;

NOTE: Unchanged information is not required to be verified unless the information is incomplete, inaccurate, inconsistent or outdated.

3. At six month report period if the household moved, and the move results in changes in shelter costs;

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4. If a six month reporting household moves during the six month reporting period and the change in shelter costs causes increased benefits; and,
5. If a change reporting household moved, and the move results in changes in shelter costs.

The OPA Case Manager must send the household a TEAMS notice allowing at least 10 days to provide verification of shelter costs. This request for verification must be sent prior to authorizing and approving benefits at application, recertification, and six month report period. The OPA Case Manager may not use approval notices as the 10-day request for shelter cost verification. Shelter costs not verified are not allowed as a deduction.

≥UTILITY CODES

The SUA is coded on EXPE according to the heating or cooling source: 'CO SU' - coal; 'EL SU' - electricity; 'GP SU' - gas or propane; 'OI SU' - Oil; 'WO SU' - Wood; 'OH SU' - Other Heat Source.

1. **Non-heating or cooling costs** (code 'CO' - coal; 'EL' - electricity; 'GP' - gas or propane; 'OI' - oil; 'WO' - wood);

NOTE: The cost for wood is only an allowable heating cost if a payment is made to a third party for the wood.
2. **Electricity** (code 'EL');
3. **Cooking fuel** (code 'GP' for gas/propane, and 'OI' for oil);
4. **Water and sewer** (code 'WA');
5. **Garbage and trash collection fees** are only allowed if they are not billed as a mandatory fee on the property tax bill (code 'GB');
6. **Initial installation and maintenance fees** charged by the utility provider including installation fees charged by the utility provider for wells and septic systems (code 'UI'); and,
7. **Standard telephone allowance** (\$32) for households that have a telephone in their home. The telephone standard is based on the basic fee and tax on the basic fee for one telephone (code 'TL').