

# How the Trump Plan Would Raise Rents on HUD-Assisted Households

The Trump Administration has unveiled legislation that would raise rents on over 4 million low-income households with Department of Housing and Urban Development (HUD) rental assistance by \$3.2 billion annually when fully phased in. Working families, the elderly, and people with disabilities would pay more than three-fourths of the \$3.2 billion increase. Among other things, the plan would raise minimum housing payments for households with little or no income and eliminate deductions that lower

rents for households with high expenses, such as for medical costs or child care. Though billed as a simplification, the plan creates two separate rent formulas based on household composition. If a household includes anyone aged 18-65 who isn't disabled (under HUD's definition), the plan would raise the share of income the household must pay for rent and allow housing agencies and owners to end assistance if adults don't work a specified number of hours.

## Under Current Law

### Most households pay the highest of...

1. 30% of adjusted income (gross income minus deductions)
2. 10% of gross income
3. Minimum payment<sup>a</sup> (\$0-\$50 per month depending on program and housing agency)

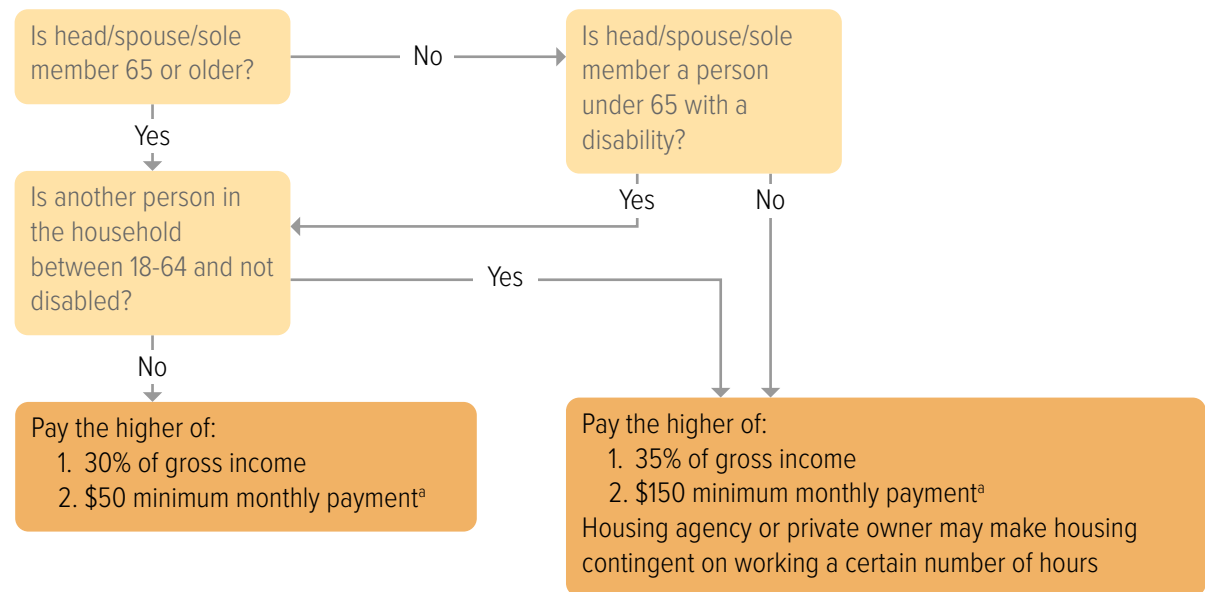
### Households can receive these income deductions:

- \$400 annually for elderly and disabled households<sup>b</sup>
- \$480 annually per dependent
- Unreimbursed child care expenses needed for employment or education
- Unreimbursed medical expenses (for elderly and disabled families only) and certain disability-related expenses (for any family with a disabled member) that exceed 3 percent of family income

A household is considered elderly or disabled if the head, the head's spouse, or the sole member is over 62 or has a disability.

## Under Proposed Legislation

The rent formula varies based on the composition of the household, and deductions are eliminated. Elderly and disabled households are reclassified under new criteria: a household is considered elderly or disabled if all members of the household are either over 65 or have a disability. Once the plan is fully phased in,<sup>c</sup> rent is determined using the following:



<sup>a</sup> Households may be eligible for a hardship exemption from the minimum housing payment today and from the rent formulas established by the Trump proposal. In practice, however, few households receive such exemptions.

<sup>b</sup> In 2016 Congress raised the standard deduction for elderly and disabled households to \$525 and the threshold for medical and disability expenses to 10 percent of income (see P.L. 114-201), but HUD has not yet implemented this change.

<sup>c</sup> Rent formula changes for elderly and disabled households would be phased in over six years.

### Example: Single Elderly Household with High Medical Expenses

John is a **75-year-old** who rents from a private landlord in HUD's project-based rental assistance program. His income is **\$16,000 a year with \$4,000 in annual unreimbursed medical expenses**. The program charges a monthly minimum monthly payment of **\$25**.

Current law	Trump Proposal: Housing Costs Increase by 33 Percent
<p>Tenant pays the higher of:</p> <ol style="list-style-type: none"><li>1. 30% of adjusted income</li><li>2. 10% of gross income</li><li>3. \$25 minimum monthly payment</li></ol> <ul style="list-style-type: none"><li>• Deductions for medical expenses over 3% of income (\$3,520) and elderly status (\$400)</li><li>• Gross income = \$16,000 or \$1,330/month</li><li>• Adjusted income = \$16,000 - \$3,520 - \$400 = \$12,080 or \$1,010/month</li><li>• Monthly rent = 30% x \$1,010 = \$300</li><li>• <b>\$1,030 left over to cover monthly expenses (\$1,330-\$300)</b></li></ul>	<p>Tenant pays the higher of:</p> <ol style="list-style-type: none"><li>1. 30% of gross income</li><li>2. \$50 minimum monthly payment</li></ol> <ul style="list-style-type: none"><li>• Still considered elderly under new rule</li><li>• No deduction for medical expenses or elderly status</li><li>• Gross income = \$16,000 or \$1,330/month</li><li>• Monthly rent = 30% x \$1,330 = \$400, a 33% increase</li><li>• <b>\$930 left over to cover monthly expenses (\$1,330-\$400)</b></li></ul>

Note: Income and rent calculations are rounded to the nearest \$10.

### Example: Disabled Household with a Non-Disabled Adult Member

Mary and her **19-year-old** daughter, Carol, use a voucher to rent their apartment. **Mary has a disability and cannot work.** Carol is a full-time college student living at home. Their income is **\$11,000 a year with \$600 in annual unreimbursed medical expenses** for Mary. Their housing agency charges a monthly minimum housing payment of **\$50**.

Current law	Trump Proposal: Housing Costs Increase by 28 Percent
<p>Tenant pays the higher of:</p> <ol style="list-style-type: none"> <li>1. 30% of adjusted income</li> <li>2. 10% of gross income</li> <li>3. \$50 minimum monthly payment</li> </ol> <ul style="list-style-type: none"> <li>• Deductions for medical expenses over 3% of income (\$270), disabled status (\$400), adult dependent (\$480)</li> <li>• Gross income = \$11,000 or \$920/month</li> <li>• Adjusted income = \$11,000-\$270-\$400-\$480 = \$9,850 or \$820/month</li> <li>• Monthly rent = 30% x \$820 = \$250</li> <li>• <b>\$670 left over to cover monthly expenses (\$920-\$250)</b></li> </ul>	<p>Tenant pays the higher of:</p> <ol style="list-style-type: none"> <li>1. 35% of gross income</li> <li>2. \$150 minimum monthly payment</li> </ol> <ul style="list-style-type: none"> <li>• No longer considered a disabled household because Carol does not have a disability, and thus subject to higher rent formula</li> <li>• No deduction for medical expenses, disabled status, or adult dependent</li> <li>• Gross income = \$11,000 or \$920/month</li> <li>• Monthly rent = 35% x \$920 = \$320, a 28% increase</li> <li>• <b>\$600 left over to cover monthly expenses (\$920-\$320)</b></li> <li>• Housing agency could make assistance contingent on Carol working, meaning she and her mother could lose their home if she cannot work a certain number of hours and continue her education</li> </ul>

Note: Income and rent calculations are rounded to the nearest \$10.

### Example: Family in Deep Poverty with Minimum Housing Payment Increase

Sarah and her **two children**, an infant and a toddler, live in Public Housing. Sarah provides full-time care to her children because she lacks affordable child care. Her income is **\$3,000** a year, or \$250 a month. She pays **\$80/month for utilities**. The housing authority **does not charge a minimum payment**.

Current law	Trump Proposal: Housing Costs Increase by 300 Percent
<p>Tenant pays the higher of:</p> <ol style="list-style-type: none"> <li>1. 30% of adjusted income</li> <li>2. 10% of gross income</li> <li>3. \$0 minimum monthly payment</li> </ol> <ul style="list-style-type: none"> <li>• Deductions for dependents (\$480 per child)</li> <li>• Gross income = \$3,000 or \$250/month</li> <li>• Adjusted income = \$3,000-\$480-\$480 = \$2,040 or \$170/month</li> <li>• <b>Monthly housing costs = 30% x \$170 = \$50</b></li> <li>• Since utilities cost \$80, household receives \$30 utility assistance payment so total for rent and utilities does not exceed 30% of income: \$80-\$30 = \$50</li> <li>• <b>\$200 left over to cover monthly expenses (\$250-\$50)</b></li> </ul>	<p>Tenant pays the higher of:</p> <ol style="list-style-type: none"> <li>1. 35% of gross income</li> <li>2. \$150 minimum monthly payment</li> </ol> <ul style="list-style-type: none"> <li>• No deductions for dependent children</li> <li>• Gross income = \$3,000 or \$250/month</li> <li>• 35% of gross income = \$1,050 or \$90/month, less than the minimum housing payment</li> <li>• <b>Monthly housing costs = \$150, a 300% increase</b></li> <li>• Tenant pays full utility cost with no utility assistance (the \$150 in housing costs consists of \$80 for utilities plus \$70 for rent)</li> <li>• <b>\$100 left over to cover monthly expenses (\$250-\$150)</b></li> <li>• Housing agency could make assistance contingent on work, without providing child care, meaning Sarah and her children could lose their home if she cannot work a certain number of hours</li> </ul>

Note: Income and rent calculations are rounded to the nearest \$10.