



MONTGOMERY COUNTY HOUSING AUTHORITY

Public Housing Department

501 E. High Street, Pottstown, PA 19464

(610) 326-7332 • Fax: (610) 970-1692 • PA Voice Relay (800) 654-5988

DATE: July 1, 2025

TO: Public Housing Residents and Housing Choice Voucher Participants

FROM: Montgomery County Housing Authority

SUBJECT: Housing Opportunity Through Modernization Act (HOTMA)
Programmatic Changes

The U.S. Department of Housing and Urban Development (HUD) has updated the regulations governing the Housing Choice Voucher and Public Housing programs. These changes will affect certain aspects of your assistance starting July 1, 2025.

Beginning July 1, 2025, the MCHA is required to:

1. apply the updated HOTMA income exclusions listed in 24 CFR 5.609 (b);
2. apply HOTMA provisions related to de minimis errors, and;
3. apply the new HOTMA definitions listed at 24 CFR 5.403 and 5.603.

Other changes including, but not limited to, asset restrictions, will go into effect once HUD has put in place the systems necessary for monitoring and reporting those changes.

If you have any questions regarding these changes and how they will affect your assistance, please contact us.

JOHN F. NUGENT III, Chairman • REV. CHARLES W. QUANN, Vice Chairman • REV. DR. JOHN R. DOUGLAS, Member
CAROLYN STEINHOFFER, Member • JUSTIN M. O'DONOGHUE, Solicitor

JOEL A. JOHNSON, AICP, PHM
Executive Director



MONTGOMERY COUNTY HOUSING AUTHORITY

104 West Main Street, Suite 1, Norristown, PA 19401-4716

(610) 275-5720 • Fax: (610) 279-1679 • PA Voice Relay: (800) 654-5988

NOTICE

DATE: July 18, 2025
TO: Housing Choice Voucher Participants
FROM: Montgomery County Housing Authority
SUBJECT: Housing Opportunity Through Modernization Act (HOTMA)
Programmatic Changes

The U.S. Department of Housing and Urban Development (HUD) has updated the regulations governing the Housing Choice Voucher and Public Housing programs. These changes will affect certain aspects of housing assistance starting in July, 2025.

Beginning July, 2025, the MCHA is required to:

1. apply the updated HOTMA income exclusions listed in 24 CFR 5.609 (b);
2. apply HOTMA provisions related to de minimis errors, and;
3. apply the new HOTMA definitions listed at 24 CFR 5.403 and 5.603.

Other changes including, but not limited to, asset restrictions, will go into effect once HUD has put in place the systems necessary for monitoring and reporting those changes.

Please visit the HOTMA section of our website at www.montcoha.org for more details.



Joel A. Johnson, AICP, P.H.M., Executive Director
Montgomery County Housing Authority

JOHN F. NUGENT III, Chairman • REV. CHARLES W. QUANN, Vice Chairman • REV. DR. JOHN E. DOUGLAS, Member
CAROLYN STEINHOFFER, Member • JUSTIN M. O'DONOGHUE, Solicitor

JOEL A. JOHNSON, AICP, PHM
Executive Director

New/Revised HOTMA Definitions

Earned Income:

Wages, tips, salaries, other employee compensation, and net income from self-employment

Self-employment includes:

- Independent contractor: An individual who qualifies as an independent contractor, instead of an employee, under IRS federal income tax requirements and whose earnings are subject to the self-employment tax
- Day Laborer: An individual hired and paid one day at a time without an agreement that the individual will be hired or work again in the future
- Seasonal Worker: An individual who is hired for a short-term position where employment begins about the same time each year. Typically, they are hired to address seasonal demands

Unearned income:

Any income a family receives that is not directly earned through work or labor, and includes amounts received by or on behalf of any family member, regardless of age.

Medical Expenses:

Medical expenses incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body and medical insurance premiums and long-term care premiums that are paid or anticipated during the period for which annual income is computed and that are not covered by insurance.

Dependent:

A family member who is under 18 years of age or a person of any age who is a person with a disability or a full-time student, except that the following persons can never be dependents: the head of household, spouse, cohead, foster children/adults and live-in aides. Identifying each dependent in the family is important because each dependent qualifies the family for a dependent allowance.

Minor:

A minor is generally defined as a child under 18 years of age. For the purpose of income calculation, the earned income of children under 18 is typically excluded, meaning it's not counted towards the family's total income.

Foster Child:

A foster child is defined as a minor who is not a member of the household, but is placed with the household by an authorized placement agency or court order. These foster children are not considered part of the assisted family for income calculation purposes, but are considered members of the household for determining unit size and utility allowance.

Foster Adult:

A foster adult is defined as a member of the household who is 18 years of age or older and meets the definition of a foster adult under state law. This means the individual is unable to live independently due to a debilitating physical or mental condition and has been placed

with the household by an authorized placement agency or court order. While foster adults are considered part of the household for occupancy purposes, their income and assets are not counted for income limit purposes.

The term "Family" also includes, but is not limited to the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

A single person who may be an elderly person, a displaced person, a disabled person, a near elderly person or any other single person; or

A group of persons residing together and such group includes, but is not limited to: a family with or without children (a child who is temporarily away from the home because of placement in foster care is considered a member of the family);

An elderly family;

A near-elderly family;

A disabled family;

An otherwise eligible youth who has attained at least 18 years of age and not more than 24 years of age and who has left foster care, or will leave foster care within 90 days, and is homeless or is at risk of becoming homeless at age 16 or older;

A displaced family; and

The remaining member of a tenant family

De minimis errors:

De minimis errors occur when the MCHA's determination of a family's income deviates from the correct income determination by no more than \$30 per month in monthly adjusted income (or \$360 in annual adjusted income). HUD may revise the amount of de minimis error through rulemaking.

New/Revised HOTMA Income Exclusions

- (1) Any imputed return on an asset when net family assets total \$50,000 or less (which amount HUD will adjust annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers) and no actual income from the net family assets can be determined.
- (2) The following types of trust distributions:
 - (i) For an irrevocable trust or a revocable trust outside the control of the family or household excluded from the definition of net family assets under § 5.603(b):
 - (A) Distributions of the principal or corpus of the trust; and
 - (B) Distributions of income from the trust when the distributions are used to pay the costs of health and medical care expenses for a minor.
 - (ii) For a revocable trust under the control of the family or household, any distributions from the trust; except that any actual income earned by the trust, regardless of whether it is distributed, shall be considered income to the family at the time it is received by the trust.
- (3) Earned income of children under 18 years of age.
- (4) Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- (5) Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation.
- (6) Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- (7) Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- (8) Income of a live-in aide, foster child, or foster adult as defined in §§ 5.403 and 5.603, respectively.
- (9)
 - (i) Any assistance that section 479B of the Higher Education Act of 1965, as amended (20 U.S.C. 1087uu), requires be excluded from a family's income; and
 - (ii) Student financial assistance for tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and other fees required and charged to a student by an institution of higher education (as defined under Section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)) and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

(A) Student financial assistance, for purposes of this paragraph (9)(ii), means a grant or scholarship received from—

- (1) The Federal government;
- (2) A State, Tribe, or local government;
- (3) A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3);
- (4) A business entity (such as corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or
- (5) An institution of higher education.

(B) Student financial assistance, for purposes of this paragraph (9)(ii), does not include—

- (1) Any assistance that is excluded pursuant to paragraph (b)(9)(i) of this section;
- (2) Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded pursuant to paragraph (b)(9)(i) of this section);
- (3) Gifts, including gifts from family or friends; or
- (4) Any amount of the scholarship or grant that, either by itself or in combination with assistance excluded under this paragraph or paragraph (b)(9)(i), exceeds the actual covered costs of the student. The actual covered costs of the student are the actual costs of tuition, books and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit. This calculation is described further in paragraph (b)(9)(ii)(E) of this section.

(C) Student financial assistance, for purposes of this paragraph (b)(9)(ii) must be:

- (1) Expressly for tuition, books, room and board, or other fees required and charged to a student by the education institution;
- (2) Expressly to assist a student with the costs of higher education; or
- (3) Expressly to assist a student who is not the head of household or spouse with the reasonable and actual costs of housing while attending the education institution and not residing in an assisted unit.

(D) Student financial assistance, for purposes of this paragraph (b)(9)(ii), may be paid directly to the student or to the educational institution on the student's behalf. Student financial assistance paid to the student must be verified by the responsible entity as student financial assistance consistent with this paragraph (b)(9)(ii).

(E) When the student is also receiving assistance excluded under paragraph (b)(9)(i) of this section, the amount of student financial assistance under this paragraph (b)(9)(ii) is determined as follows:

(1) If the amount of assistance excluded under paragraph (b)(9)(i) of this section is equal to or exceeds the actual covered costs under paragraph (b)(9)(ii)(B)(4) of this section, none of the assistance described in this paragraph (b)(9)(ii) of this section is considered student financial assistance excluded from income under this paragraph (b)(9)(ii)(E).

(2) If the amount of assistance excluded under paragraph (b)(9)(i) of this section is less than the actual covered costs under paragraph (b)(9)(ii)(B)(4) of this section, the amount of assistance described in paragraph (b)(9)(ii) of this section that is considered student financial assistance excluded under this paragraph is the lower of:

(i) the total amount of student financial assistance received under this paragraph (b)(9)(ii) of this section, or

(ii) the amount by which the actual covered costs under paragraph (b)(9)(ii)(B)(4) of this section exceeds the assistance excluded under paragraph (b)(9)(i) of this section.

(10) Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, "baby bond" accounts created, authorized, or funded by Federal, State, or local government.

(11) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

(12)

(i) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(ii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (e.g., special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(iii) Amounts received under a resident service stipend not to exceed \$200 per month. A resident service stipend is a modest amount received by a resident for

performing a service for the MCHA or owner, on a part-time basis, that enhances the quality of life in the development.

(iv) Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.

(13) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

(14) Earned income of dependent full-time students in excess of the amount of the deduction for a dependent in § 5.611.

(15) Adoption assistance payments for a child in excess of the amount of the deduction for a dependent in § 5.611.

(16) Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

(17) Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance.

(18) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.

(19) Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit.

(20) Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (e.g., proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).

(21) Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law.

(22) Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits under a category of assistance

programs that includes assistance under any program to which the exclusions set forth in paragraph (b) of this section apply. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary.

(23) Replacement housing “gap” payments made in accordance with 49 CFR part 24 that offset increased out of pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing “gap” payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing “gap” payments.

(24) Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. Nonrecurring income includes:

- (i) Payments from the U.S. Census Bureau for employment (relating to decennial census or the American Community Survey) lasting no longer than 180 days and not culminating in permanent employment.

- (ii) Direct Federal or State payments intended for economic stimulus or recovery.

- (iii) Amounts directly received by the family as a result of State refundable tax credits or State tax refunds at the time they are received.

- (iv) Amounts directly received by the family as a result of Federal refundable tax credits and Federal tax refunds at the time they are received.

- (v) Gifts for holidays, birthdays, or other significant life events or milestones (e.g., wedding gifts, baby showers, anniversaries).

- (vi) Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization.

- (vii) Lump-sum additions to net family assets, including but not limited to lottery or other contest winnings.

(25) Civil rights settlements or judgments, including settlements or judgments for back pay.

(26) Income received from any account under a retirement plan recognized as such by the Internal Revenue Service, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals; except that any distribution of periodic payments from such accounts shall be income at the time they are received by the family.

(27) Income earned on amounts placed in a family's Family Self Sufficiency Account.

(28) Gross income a family member receives through self-employment or operation of a business; except that the following shall be considered income to a family member:

(i) Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations; and

(ii) Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.