

FASTFacts The HOTMA Hardship Exemptions Related to the Health & Medical Expense Deduction & the Attendant Care & Auxiliary Apparatus Deduction



FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

*Copyright 2025 Ross Business Development, Inc.
All rights reserved. Not for duplication.*

All other brands and product names are trademarks or registered trademarks of their respective owners.

Ross Business Development, Inc. 3134 Shumard Way, Marietta, GA 30064
770-424-1806
www.rbdnow.com
info@rbdnow.com

Use of This Document

This FASTFact is designed by and remains as the possession of Ross Business Development, Inc. (RBD). It is provided to the user as a reference

Other than by Ross Business Development, Inc., this document is not intended to be sold or given away to any other entity, to be used as a reference for policy development for another organization, to be used as a reference for training or to be incorporated as part of a corporation’s written policy or as an automated solution without the express, written permission of an officer of Ross Business Development, Inc.

Without in any way limiting Ross Business Development, Inc.’s exclusive rights under copyright, any use of these materials to “train” generative artificial intelligence (AI) technologies to generate text is expressly prohibited. Ross Business Development, Inc. reserves all rights to license uses of this work for generative AI training and development of machine learning language models.

Owner/agents are not required to have a written Hardship Exemption Policy but it is strongly recommended.

The material contained in this document is not comprehensive of the continually emerging issues surrounding policies in HUD’s multi-family housing program. Handbook guidance is derived from The HUD Handbook 4350.3 Rev 1 Change 4 released in 2013, HSG Notice 2023-10 and subsequent notices and resources provided on HUD’s MFH HOTMA web page. RBD makes no warranty to the usability, compliance or legality of this document.

RBD does not act as a legal advisor nor as a regulatory governing agency. The recipient should understand that any materials or comments contained herein are not designed for, nor should be relied upon as a source of legal guidance or as a final authority with respect to any particular circumstance. Ross Business Development, Inc. makes no warranty of merchantability or fitness for a particular purpose or any other warranty of any type. Owners and management should seek competent legal advice in developing and carrying out policies and procedures. While we have been diligent in our efforts to provide comprehensive and accurate regulatory information, Ross Business Development, Inc. shall not be responsible for errors or inaccuracies.

This FASTFact was created using information available as of 2/2025.

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

HOTMA IMPLEMENTATION

The Housing Opportunity Through Modernization Act (HOTMA) changes many of the deductions for HUD's Multifamily Housing programs.

One such change is to allow for a Childcare Expense Deduction even when no family member is working, seeking work or attending school. Owner/agents should develop comprehensive policies explaining when a resident would qualify for a Childcare Hardship Exemption.

Owner/agents should not implement the Childcare Hardship Exemption until HOTMA compliant site software is available and implemented.

HARDSHIP EXEMPTIONS – HEALTH & MEDICAL CARE EXPENSE DEDUCTION & THE ATTENDANT CARE & AUXILIARY APPARATUS EXPENSE DEDUCTION

HUD has given owner/agents the option to consider requests for Hardship Exemptions related to the reduction of the Health & Medical Expense Deduction and the Attendant Care & Auxiliary Apparatus Deduction.

There are two types of Hardship Exemptions related to these deductions.

1. Phase-in; and
2. Financial Hardship/General Relief.

Owner/agents are required to develop policies explaining when a Hardship Exemption will begin or end. HUD has provided guidance in revised HSG Notice 2023-10 [Implementation Guidance: Sections 102 and 104 of the Housing Opportunity Through Modernization Act of 2016 \(HOTMA\)](#).

[See RBD HOTMA FASTForms Policy Hardship Exemption.](#)

Development of such a policy is not complete without supporting forms. The RBD [HOTMA FASTForms Package](#) includes:

- ✧ Hardship Exemption Request;
- ✧ Notice Hardship Exemption Request for Additional Information;
- ✧ Notice Hardship Exemption Approval;
- ✧ Notice Hardship Exemption Denial;
- ✧ Notice Hardship Exemption Appeal;
- ✧ Notice Hardship Exemption End.

PHASE-IN HARDSHIP EXEMPTION FOR HEALTH & MEDICAL CARE EXPENSE DEDUCTION AND THE ATTENDANT CARE & AUXILIARY APPARATUS EXPENSE DEDUCTION

The Phase-in Hardship Exemption is available only to those residents who were receiving HUD assistance on January 1, 2024 and who were receiving either the Health & Medical Care Expense Deduction or the Attendant Care & Auxiliary Apparatus Expense Deduction as part of the Assistance Payment calculation as of December 31, 2023.

In these cases, the Phase-in Exemption is automatically applied via the first certification created after site software is updated.

- ✧ For the first 12 months, the deduction will be the out-of-pocket expense that is over 5% of Annual Income.
- ✧ For the second 12 months, the deduction will be the out-of-pocket expense that is over 7.5% of Annual Income.
- ✧ Then, the deduction will be the out-of-pocket expense that is over 10% of Annual Income.

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

Example – Calculating the Health & Medical Care Expense Deduction (Before HOTMA Implementation) 2025 AR Mr. & Mrs. Mukawa

Age of Mitsuki Mukawa - HOH	63
Age of Maiki Mukawa - Spouse	57
Mitsuki's Annual Income	\$22,992
Maiki's Annual Income	\$20,232
Total Annual Income	\$43,224
3% of Annual Income (Before HOTMA)	\$1,297
Mitsuki's Out-of-pocket Health & Medical Care Expenses	\$2,700
Maiki's Out-of-pocket Health & Medical Care Expenses	\$2,500
Total Health & Medical Care Expenses for both members	\$5,200
Less 3% of Annual Income (Before HOTMA)	<\$1,297>
Health & Medical Care Expense Deduction	\$3,903
Annual Income	\$43,224
Health & Medical Care Expense Deduction (Before HOTMA)	<\$3,903>
Elderly/Disabled Family Deduction (Before HOTMA)	<\$400>
Annual Adjusted Income	\$38,921
Monthly Adjusted Income	\$3,243 (3,243.42)
TTP (30% of Adjusted Income)	\$973 (972.90)

Example – Calculating the Health & Medical Care Expense Deduction (After HOTMA Implementation with Phase-in) 2026 AR Mr. & Mrs. Mukawa

Age of Mitsuki Mukawa - HOH	64
Age of Maiki Mukawa - Spouse	58
Mitsuki's Annual Income	\$25,000
Maiki's Annual Income	\$22,000
Total Annual Income	\$47,000
5% of Annual Income (After HOTMA – Phase-in)	\$2,350
Mitsuki's Out-of-pocket Health & Medical Care Expenses	\$3,000
Maiki's Out-of-pocket Health & Medical Care Expenses	\$2,700
Total Health & Medical Care Expenses for both members	\$5,700
Less 5% of Annual Income (After HOTMA – Phase-in)	<\$2,350>
Health & Medical Care Expense Deduction	\$3,350
Annual Income	\$47,000
Health & Medical Care Expense Deduction (After HOTMA – Phase-in)	<\$3,350>
Elderly/Disabled Family Deduction (After HOTMA – Phase-in)	<\$525>
Annual Adjusted Income	\$43,125
Monthly Adjusted Income	\$3,594 (3,593.75)
TTP (30% of Adjusted Income)	\$1,078 (1,078.20)
Increase First Year	\$105/month

Notes: _____

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

Example – (After HOTMA with Phase-in) 2027 AR - Mr. & Mrs. Mukawa

For this example, assume that the 2027 Elderly/Disable Family Deduction is increased for inflation to \$550

Age of Mitsuki Mukawa - HOH	65
Age of Maiki Mukawa - Spouse	59
Mitsuki's Annual Income	\$27,000
Maiki's Annual Income	\$23760
Total Non-Asset Income	\$50,760
7.5 % of Annual Income (After HOTMA – Phase-in) \$50,760 * .075 or 7.5% = 3,807	\$ 3,807
Mitsuki's Out-of-pocket Health & Medical Care Expenses	\$3,300
Maiki's Out-of-pocket Health & Medical Care Expenses	\$3,000
Total Health & Medical Care Expenses for both members	\$6,300
Less 7.5 % of Annual Income (After HOTMA – Phase-in) 50,760 * .075 or 7.5% = 3,807	<\$3,807>
Health & Medical Care Expense Deduction	\$2,493
Annual Income	\$50,760
Health & Medical Care Expense Deduction (After HOTMA – Phase-in)	<\$2,493>
Elderly/Disabled Family Deduction (After HOTMA – Phase-in)	<\$550>
Annual Adjusted Income	\$47,717
Monthly Adjusted Income 47717 / 12 = 3976.42	\$3,976
TTP (30% of Adjusted Income) 3976 * .3 or 30% = 1192.93	\$1,193

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

Example – Calculating the Health & Medical Care Expense Deduction (After HOTMA with Phase-in)

2028 AR - Mr. & Mrs. Mukawa

For this example, assume that the 2028 Elderly/Disable Family Deduction is increased for inflation to \$575

Age of Mitsuki Mukawa - HOH	66
Age of Maiki Mukawa - Spouse	60
Mitsuki's Annual Income	\$28,350
Maiki's Annual Income	\$24,948
Total Annual Income	\$53,298
10 % of Annual Income (After HOTMA – Phase-in) 53,298 * .10 or 10% = 5,329.80	\$ 5,330
Mitsuki's Out-of-pocket Health & Medical Care Expenses	\$3,790
Maiki's Out-of-pocket Health & Medical Care Expenses	\$4,000
Total Health & Medical Care Expenses for both members	\$7,790
Less 10 % of Annual Income (After HOTMA – Phase-in) 53298 * .10 or 10% = 5329.80	<\$5,330>
Health & Medical Care Expense Deduction	\$2,460
Annual Income	\$53,298
Health & Medical Care Expense Deduction (After HOTMA – Phase-in)	<\$2,460>
Elderly/Disabled Family Deduction (After HOTMA – Phase-in)	<\$575>
Annual Adjusted Income	\$50,263
Monthly Adjusted Income 50263 / 12 = 4188.58	\$4,189
TTP (30% of Adjusted Income) 4189 * .30 or 30% = 1256.70	\$1,257

The Phase-in Hardship Exemption does not require 90-Day review.

If a family's assistance is terminated for cause, the Phase-in Exemption ends. If an IC is created to reinstate assistance the Health & Medical Expense Deduction and/or the Attendant Care & Auxiliary Apparatus Expense Deduction will be out-of-pocket expenses that exceed 10% of Annual Income.

If assistance is Suspended, the Phase-in Exemption will continue on any IC or AR created to reinstate assistance. When the IC or AR is created to reinstate assistance, the Phase-in percentage used is based on the effective date of the certification.

TRANSFERRING THE PHASE-IN HARDSHIP EXEMPTION

When processing an application, owner/agents should ask if applicants are currently receiving assistance from HUD.

If the answer is yes, and if the resident is qualified for the Health & Medical Expense/Attendant Care & Auxiliary Apparatus Expense Phase-in Hardship Exemption while living on the current property, the Phase-in Hardship Exemption may continue when the resident moves to the new property.

This is an owner/agent option and must be described in the property Tenant Selection Plan.

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

It is the resident's responsibility to provide the current certification (MI, IC, AR or IR) in place at the time of Move-out from the former property. Owner/agents should confirm that assistance has not been terminated, thus ending Phase-in, before the resident moved out.

Owner/agents may want to update their Rental History Questionnaire.

See RBD FASTForms [Screening Rental History Questionnaire](#)

FINANCIAL HARDSHIP (GENERAL RELIEF) EXEMPTION FOR HEALTH & MEDICAL CARE EXPENSE DEDUCTION AND THE ATTENDANT CARE & AUXILIARY APPARATUS EXPENSE DEDUCTION

While the Phase-in Hardship Exemption applies only to those families who were receiving the Health & Medical Care Expense Deduction and/or the Attendant Care & Auxiliary Apparatus Expense Deduction as of 1/1/2024, families that were not receiving either of those deductions as of 1/1/2024 (HOTMA Effective Date) may still qualify for a Financial Hardship Exemption (General Relief).

Owner/agents decisions about the definition of a financial hardship must be fact-based. HUD is not providing rules through regulation. Owner/agents will make their own determinations about when a family qualifies for a Hardship Exemption.

Basically, HUD says that owner/agents should consider the Financial Hardship Exemption (General Relief) when expenses increase or when the family's financial hardship is a result of a change in circumstances (defined by the owner/agent). In such a case, the family will receive a deduction for the eligible expenses that exceed five percent (5%) of Annual Income.

If the change in circumstances does not coincide with the effective date of an IR or AR, the owner/agent will create a new certification to initiate the exemption.

Under the final rule, the Financial Hardship Exemption (General Relief) and the resulting alternative adjusted income calculation ends the earlier of:

1. 90 Days; or
2. Such time that the owner/agent determines the family can pay their rent under the normal Adjusted Income calculation (Financial Hardship Exemption (General Relief).is no longer necessary).

Owner/agents are allowed to extend the Financial Hardship Exemption in 90 day increments.

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

Example: Financial Hardship Exemption

- ✧ Mr. Brandon Beck's Annual Recertification is due on February 1, 2026.
- ✧ At AR he did not report any Health & Medical Expenses and/or Attendant Care & Auxiliary Apparatus Expenses.
- ✧ In August 2026, Mr. Beck was involved in a boating accident.
- ✧ On August 15, 2026, Mr. Beck asks Sue Flay, the property Service Coordinator, if he would qualify for a Financial Hardship Exemption because he can't cover his rent while paying for these new medical expenses.
- ✧ The property's Hardship Exemption policy indicates that the resident would qualify for a Financial Hardship Exemption if:
 1. Annual medical & other qualified expenses exceed 30% of Annual Income.
 2. The family's income is at or below the Extremely Low Income limit.
 3. Net Cash Value of Assets is less than \$50,000.
- ✧ Sue Flay determines that the family is eligible for a Financial Hardship Exemption (General Relief) and schedules an appointment with Teresa Green the property manager.
- ✧ Teresa creates an Interim Recertification effective September 1, 2026.
- ✧ The Exemption is approved for 90 days.
- ✧ When providing his approval letter, Teresa reminds Mr. Beck that he must report if his financial situation changes.

Mr. Beck Is A Senior Living In Sterling Estates					
Mr. Beck's AR is 2/1/2026		Mr. Beck's IR Request		Mr. Beck's Hardship Request	
Mr. Beck's Income	\$25,000	Mr. Beck's Income	\$25,000	Mr. Beck's Income	\$25,000
Mr. Beck's Income from Assets	\$1,650	Mr. Beck's Income from Assets	\$1,650	Mr. Beck's Income from Assets	\$1,650
Mr. Beck's Annual Income	\$26,650	Mr. Beck's Annual Income	\$26,650	Mr. Beck's Annual Income	\$26,650
10% of Annual	\$2,665	10% of Annual	\$2,665	5% of Annual	\$1,333
Mr. Beck's Medical Expenses	\$0	Mr. Beck's Medical Expenses	\$12,000	Mr. Beck's Medical Expenses	\$12,000
Mr. Beck's Medical Expense Deduction	\$0	Mr. Beck's Medical Expense Deduction	\$9,335	Mr. Beck's Medical Expense Deduction	\$10,668
Elderly Disabled Family Deduction	\$525	Elderly Disabled Family Deduction	\$525	Elderly Disabled Family Deduction	\$525
Annual Adjusted Income	\$26,125	Annual Adjusted Income	\$16,790	Annual Adjusted Income	\$15,458
Monthly Adjusted Income	\$2,177	Monthly Adjusted Income	\$1,399	Monthly Adjusted Income	\$1,288
TTP	\$653	TTP	\$420	TTP	\$386
		AAI Variance \$	\$9,335		
		AAI Variance %	35.73		

FASTFacts – HOTMA Hardship Exemptions Related to the Health & Medical Expense and the Attendant Care & Auxiliary Apparatus Deduction

SWITCHING FROM THE PHASE-IN HARDSHIP EXEMPTION TO THE FINANCIAL HARDSHIP EXEMPTION

In 2026, some residents who qualify for the Phase-in Hardship Exemption, may request a Financial Hardship Exemption (General Relief). Remember, for the second 12 months after full implementation of HOTMA, Phase-in will include out-of-pocket expenses that exceed 7.5% of Annual Income.

If the resident qualifies for the Financial Hardship Exemption (General Relief), the Health & Medical Expense Deduction and the Attendant Care & Auxiliary Apparatus Expense Deduction will include out-of-pocket expenses that exceed 5% of Annual Income.

Owner/agents are allowed to make this change if the resident qualifies based on the owner/agent’s Hardship Exemption Policy.

Remember, the Financial Hardship Exemption (General Relief) ends the earlier of:

1. 90 Days; or
2. Such time that the owner/agent determines the family can pay their rent under the normal Adjusted Income calculation (Financial Hardship Exemption (General Relief) is no longer necessary).

When the Financial Hardship Exemption (General Relief) ends, the resident’s Health & Medical Expense Deduction and/or the Attendant Care & Auxiliary Apparatus Expense Deduction includes out-of-pocket expenses that exceed 10% of Annual Income.

Notes: _____

