HOUSING and COMMUNITY DEVELOPMENT

ATTACHMENT E

OF THE

SECTION 8 ADMINISTRATIVE PLAN

HOTMA PROVISIONS PENDING HUD'S IMPLEMENTATION DATE

Effective Date:

ATTACHMENT E

On April 16, 2026, HUD issued notice PIH 2023-27 Revision 3, which provided updated guidance to PHAs on compliance with HOTMA provisions.

On May 14, 2026, HUD issued notice PIH 2026-15, providing updated guidance to PHAs on compliance with the remaining Section 102 and 104 provisions. The notice states that PHAs must be in compliance with all Section 102 and 104 HOTMA provisions no later than January 1, 2027.

This Attachment E establishes HCD policies where HUD provides PHA discretion or where HCD policy is necessary for administration of the HCV and PBV programs. Operating procedures used to implement these policies are maintained separately.

Chapter 7. Determination and Verification of Annual Income

[HOTMA Final Rule 88 FR 9600; Notices PIH 2023-27, PIH-2026-15]

7.2 Annual Adjustments for Inflation

HUD will annually publish the inflation-adjusted items detailed in PIH 2023-27 Revision 3 no later than September 1, and the updated values will be shared online at the HUD User Web site. The revised amounts will be effective on January 1 of the following year.

7.3 Annual Income Inclusions

HCD will implement the updated definition of annual income under HOTMA as stated in 24 CFR 5.609.

7.4 Calculating Annual Income

A. Annual Reexaminations

During annual reexaminations, HCD must calculate family income using the prior year income received by the family (unless using the streamlined income determination for sources of fixed income). Prior year income is the income received during the preceding 12 months.

HCD will review any changes of income since the family’s last annual reexamination, including those that did not meet the threshold to process an interim reexamination, and non-recurring income when determining prior year income. Allowable deductions will be subtracted from the gross annual income to determine the adjusted annual income.

C. Streamlined Income Determination

HCD may use the streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income.

1. Types of Fixed Income
   - Social Security, Supplemental Security Income, Supplemental Disability Insurance.
   - Federal, state, local, or private pension plans.
   - Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts.
   - Any other source of income subject to adjustment by a verifiable COLA or current rate of

interest.

2. Fixed Income: 90 percent or more of a family's unadjusted income
   When 90 percent or more of a family's unadjusted income consists of fixed income, HCD may use the streamlined income determination and must apply a COLA or COLAS to the family's fixed-income sources, provided that the that the family certifies both that 90 percent or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. For non-fixed income, HCD is not required to make adjustments.

3. Fixed Income: Less than 90 percent of a family's unadjusted income
   When less than 90 percent of a family's unadjusted income consists of fixed income, HCD may use streamlined income determinations and must apply a COLA to each of the family's sources of fixed income. HCD must adjust all other income using third-party verification.

4. COLA Rate
   If no public verification or tenant-provided documentation is available, then HCD must obtain third-party verification of the income amounts in order to calculate the change in income for the source.

5. Triennial verification
   For any income determined pursuant to a streamlined income determination, HCD must obtain third-party verification of all income amounts every 3 years.

7.5 Adjusted Annual Income

Adjusted income is the annual income of family members residing in or intending to reside in the rental unit, less allowable deductions.

The allowable deductions for qualifying dependents and elderly or disabled families will be adjusted annually by HUD (see section 7.2).

C. Child Care Hardship Exemption [24 CFR §5.611(d)].

1. Requirements
   a) A family whose eligibility for the childcare expense deduction is ending may request financial hardship exemption to continue receiving a child-care expense deduction in certain circumstances when the family no longer has a member that is working or seeking to further their education, and the deduction is necessary because the family is unable to pay their rent.

   b) Upon approval of the family's request for a hardship exemption, HCD must recalculate the family's adjusted income and continue the child-care deduction if the family demonstrates to HCD's satisfaction that the family is unable to pay their rent. The hardship exemption and the resulting alternative adjusted income calculation must remain in place for a period of up to 90 days.

2. Hardship Exemption Eligibility:

   a) HCD will consider the following factors to determine if a family is eligible for a 90-day hardship exemption:

(1) Provide a written request for a hardship exemption detailing why the childcare expense is still necessary even though the family member is no longer employed or furthering their education. Note that verification may be requested.

(2) The rent, utility payment, and applicable expenses (childcare expenses or health and medical expenses and reasonable and auxiliary apparatus) is more than 45 percent of the family's annual adjusted income, or verifying whether the family has experienced unanticipated expenses, such as large medical bills, that have affected their ability to pay their rent.

3. Notification of Hardship Exemption

a) HCD will promptly notify families in writing of the change in the determination of adjusted income and the family's rent resulting from the application of the hardship exemption. The written notice must also inform the family of the dates that the hardship exemption will begin and expire and the requirement for the family to report to HCD if the circumstances that made the family eligible for relief are no longer applicable.

b) The notice must also state that the family's adjusted income and tenant rent will be recalculated upon expiration of the hardship exemption. HCD must provide families with 30 days' notice of any increase in rent.

4. Notification of Hardship Exemption Denial

HCD will promptly notify families in writing if they are denied the hardship exemption; The notification must specifically state the reason for the denial.

5. One Additional 90-Day Hardship

One additional 90-day hardship exemption may be provided for families that demonstrate a hardship for a separate circumstance, unrelated to the first approved hardship request.

D. Health and Medical Care and Reasonable Attendant Care and Auxiliary Apparatus Expense [24 CFR 5.611(a)3]

1. A deduction of unreimbursed amounts paid for attendant care or auxiliary apparatus expenses for family members with disabilities where such expenses are necessary to permit a family member(s), including the disabled member, to be employed. In no event may the amount of deduction exceed the employment income earned by the family member(s) able to work.

2. Equipment and auxiliary apparatus may include but are not limited to:
   - Wheelchairs
   - Lifts
   - Reading devices for the visually impaired
   - Equipment added to cars and vans to permit their use by the disabled family member.
   - Included would be the annualized cost differential between a car and the cost of a van required by the family member with disabilities.
   - For non-elderly families and elderly or disabled families without medical

expenses: the amount of the deduction equals the cost of all unreimbursed expenses for work-related disability expense less the HUD established percentage (see above) of annual income, provided the amount so calculated does not exceed the employment income earned.
- For elderly or disabled families with medical expenses: the amount of the deduction equals the cost of all unreimbursed expenses for work-related disability expense less the HUD established percentage (see above) of annual income (provided the amount so calculated does not exceed the employment income earned) plus medical expenses as defined below.

3. Unreimbursed health and medical care expenses may be deducted to the extent that, in combination with any reasonable attendant care and auxiliary apparatus expenses, they exceed the HUD-established percentage of annual income threshold.

4. The threshold has been raised from three (3) percent to ten (10) percent of annual income. Families may be eligible for a 24-month phase-in relief period or a general relief 90-day period but not both.

   a) 24-Month Phased-in Relief

      (1) Residents whose income calculation was adjusted due to the family's claim of unreimbursed health and medical care and reasonable attendant care and auxiliary apparatus expense exceeding 3% of the family's annual income, prior to the HOTMA implementation, will have an increase in the threshold of this deduction phased-in in the following manner:

         (a) Following the first income reexamination after the implementation of HOTMA, such families will receive deductions for claims of unreimbursed expenses (described herein) up to 5% percent of the annual income for 12 months.

         (b) Following the 12-month period at 5% deductions, the family will receive deductions for claims of unreimbursed expenses (described herein) in excess of 7.5% for the following 12 months.

         (c) At the conclusion of the 24-month phase in period, the family will be eligible for this deduction only if their unreimbursed medical and healthcare expenses exceed 10% of the annual income.

      (2) An elderly or disabled family or a family that includes a person with disabilities may request general or financial hardship relief (see below) prior to the end of the 24-month transition period if the family can demonstrate that the family's applicable health and medical care expenses or reasonable attendant care and auxiliary apparatus expenses increased or there has been a change in circumstances resulting in a financial hardship.

      (3) The 24-month phased-in relief period must be continued to be received by families upon portability or conversions under RAD.

   b) General Relief

      (1) To qualify, a family must demonstrate that the family's unreimbursed health and medical care expenses or unreimbursed reasonable attendant care and auxiliary apparatus expenses increased, or the family's financial hardship is a

result of a change in circumstances that would not otherwise trigger an interim reexamination.

(2) Relief is available regardless of whether the family previously received an unreimbursed health and medical care expense deduction, unreimbursed reasonable attendant care and auxiliary apparatus expense deduction, are currently receiving phased-in hardship relief.

(3) If a HCD determines that a family is eligible for general relief, the family will receive a deduction for the sum of the eligible expenses that exceed 5 percent of annual income. The family's hardship relief ends when the circumstances that made the family eligible for the relief are no longer applicable or after 90 days, whichever comes earlier.

(4) Hardship Exemption Eligibility

HCD will consider the following factors to determine if a family is eligible for a 90-day hardship exemption:

- The family must demonstrate that the rent, utility payment, and applicable expenses (childcare expenses or health and medical care and reasonable attendant care and auxiliary apparatus expenses expenses) is more than 45 percent of the family's adjusted annual income, or verifying whether the family has experienced unanticipated expenses, such as large medical bills, that have affected their ability to pay their rent. However, this financial hardship would not otherwise trigger an interim reexamination.

- The family must provide a written request for a hardship exemption detailing why the health and medical expenses and reasonable attendant care and auxiliary apparatus expense is still necessary. Note that verification may be requested.

c) Notification of Hardship Exemption

(1) HCD will promptly notify families in writing of the change in the determination of adjusted income and the family's rent resulting from the application of the hardship exemption. The written notice must also inform the family of the dates that the hardship exemption will begin and expire and the requirement for the family to report to HCD if the circumstances that made the family eligible for relief are no longer applicable.

(2) The notice must also state that the family's adjusted income and tenant rent will be recalculated upon expiration of the hardship exemption. HCD must provide families with 30 days' notice of any increase in rent.

d) Notification of Hardship Exemption Denial

HCD will promptly notify families in writing if they are denied the hardship exemption; The notification must specifically state the reason for the denial.

e) One Additional 90-Day Hardship

A second 90-day hardship exemption may be provided for families that demonstrate a hardship for a separate circumstance, unrelated to the first approved hardship request.

7.5 Enterprise Income Verification (EIV), Third Party Verification, and Factors Affecting Eligibility and Family Rent

HCD is required to use HUD's Enterprise Income Verification (EIV) system and the Income Validation Tool (IVT) in its entirety as a third-party source to verify employment and income information for annual reexaminations, and to reduce administrative subsidy payment errors in accordance with HUD administrative guidance [24 CFR § 5.233(a)(2)(i)].

Prior to initial certification, applicants shall be informed that HCD will subsequently verify the family's income information they have provided HCD through HUD's Enterprise Income Verification (EIV) system. HCD will follow the updated verification hierarchy described in PIH Notice 2023-27 or subsequent guidance.

Updates to Level 4 Verification: Written Third-Party Verification (High) An original or authentic document generated by a third-party source dated within 120 days of the date received by the HCDHCD. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. HCD may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

HCD are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages when they do not elect to use EIV + Self-Certification or the income type is not reported in EIV. For new income sources or when two pay stubs are not available, the HCD should determine income based on the information from a traditional written, third-party verification form or the best available information.

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (i.e., tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, HCD is required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

EIV may be used as Level 4 verification and may be used to calculate income as long as the family agrees with the information in EIV; this practice is known as "EIV + Self-Certification." HCD may use their discretion to determine which method of calculation is reasonable: the last 4 quarters combined or an average of any number of quarters. The EIV Income report must be pulled within 120 days prior to the reexamination effective date.

7.8 Income Validation Tool (IVT)

The IVT report facilitates and enhances identification of unreported or under-reported income during regular reexaminations. The IVT also provides income and wage, unemployment compensation and SSA benefit information. Additionally, the IVT report provides income information for heads of household and family members where there may be discrepancies in family reported income and employer reported information. HCD will review the EIV system and reports as required by HUD under 24 CFR 5.233 and PIH 2023-27.

7.10 Assets

A. Verification of Assets

1. HCD will fully verify the net family assets and anticipated income earned from assets at new admission. During an annual or interim reexamination, HCD may rely solely on a family self-certification that their net family assets are equal to or less than $54,898 or as adjusted annually by HUD for inflation (see Section 7.2).
2. This self-certification is subject to the following two conditions:
   a) a full verification of family assets (i.e., two bank statements) were provided during the last annual or interim verification; and
   b) the family has met all other requirements to complete reexamination except submittal of the required asset verifications (two bank statements).

3. Excluded from Net Family Assets

   a) Necessary Personal Property

   - Necessary personal property are items essential to the family for the maintenance, use, and occupancy of the premises as a home; or they are necessary for employment, education, or health and wellness. Necessary personal property is excluded from net family assets.

   - Necessary personal property includes more than merely items that are indispensable to the bare existence of the family. It may include personal effects (such as items that are ordinarily worn or utilized by the individual), items that are convenient or useful to a reasonable existence, and items that support and facilitate daily life within the family's home.

   - Necessary personal property does not include bank accounts, their financial investments, or luxury items.

   b) Non-Necessary Personal Property
   - Non-necessary personal property with a combined value greater than $52,787, or the amount adjusted annually by HUD for inflation, is considered part of net family assets. When the combined value of all non-necessary personal property does not exceed $54,898, or as adjusted annually for inflation (see Section 7.2).

   c) Determining Necessary and Non-necessary Personal Property

   Determining what is a necessary item of personal property is a highly fact-specific determination, and therefore HCD must gather enough facts to qualify whether an asset is necessary or non-necessary personal property. Items of personal property that do not qualify as necessary personal property will be classified as non-necessary personal property.

HCD will refer to the list of necessary and non-necessary personal property provided in PIH 2023-27 when reviewing personal property.

B. Limitation on Assets (24 CFR § 5.618)

HCD must deny admission to families based on asset restrictions detailed in 24 CFR §5.618 and PIH 2023-27.

The policy regarding limitation on assets will not apply to participants in the program.

Chapter 15. Annual and Interim Re-certification

[HOTMA Final Rule 88 FR 9600; Notices PIH 2023-27, PIH-2026-15]

15.2 Interim Re-certifications

A. Interim Reexamination

Any approved addition to the family composition will be processed as an interim recertification. HCD will only update the family composition information unless the family meets one of the conditions described under "Interim Rent Increases" or "Interim Rent Decreases" described below.

- No increases in earned income will result in an interim reexamination unless the family reported zero income or a decrease in income within the same annual or biennial reexamination cycle (Refer to "Interim Rent Increases").
- EIV is no longer required to verify tenant's employment and income information during an interim recertification.
- The total family income increases or decreases must last longer than one-month (30 days); the tenant must report such a change in writing to the management office within ten (10) days of occurrence.
- HCD will not conduct an interim reexamination for an increase in income within the last three months of the family's next annual reexamination period.
- HCD will conduct requests for interim adjustments when a family member is permanently moving out of the unit.
- HCD has established a ten (10) percent threshold to determine when to complete an interim reexamination for increases in income other than earned income (refer to Section B below). As a result, HCD will round up increases of 9.5 and higher to 10%, the standard threshold set by HUD.
- If the monthly rental payment decreases as a result of the rent adjustment, the adjusted rent will become effective the first day of the month following the date the information is reported to HCD. If the rent should increase based on the family income, the adjustment will become effective the first day of the second month following the month in which the change is reported

or 30 days, whichever is greater, after proper verification is completed.

- If it is found that the family failed to timely report any changes in income or family composition within ten (10) days or provided inaccurate or incomplete information, it may be considered fraud, any of the following may occur:
    - Any increase in rent which would have occurred had changes been reported in a timely manner will be made retroactive to the effective date of the change in circumstances and the family agrees to reimburse HCD for the difference between the rent they should have paid and the rent they were charged.
    - Any decrease in rent that would have occurred had changes been reported in a timely manner will be made effective the first day of the month following the date the change is reported to HCD and will not apply retroactively.

B. Interim Rent Increases

1. Families are required to report to HCD all increases in adjusted unearned income that occurred between regularly scheduled annual re-examinations. Any increase of the family's unearned income by ten (10) percent or more must be processed.

2. Families are required to report to HCD all increases in earned income. HCD must conduct a full interim reexamination due to an increase in earned income if the family had an interim reexamination to decrease rent during the annual reexamination period. Any increase of the family's earned income by ten (10) percent or more must be processed.

C. Interim Rent Decreases

1. HCD must conduct a full interim reexamination if the family's adjusted unearned income has decreased by any percentage.

D. Non-Interim Reexaminations

In accordance with HOTMA, HUD now defines the following types of changes to a household's family composition or rent calculations as "Non-Interim Reexamination" - except if there is a change of income that exceeds the thresholds as provided above.

HCD will process and submit a Non-Interim Reexamination, regardless of the reexamination results in a recalculation of the rent the family is to be charged, for the transaction types provided in PIH 2023-27.