

**I. Calculation of Income-Based Tenant Rent in Public Housing or Project-Based Section 8**

(Note: a family living in public housing (but not project-based section 8) may choose to pay a flat rent instead of an income-based rent. See 24 C.F.R. § 960.253 (2006)).

Steps:

1. Determine Gross Annual Income. See 24 C.F.R. § 5.609 (2006).
2. Determine Deductions. See 24 C.F.R. § 5.611 (2006).
3. Calculate Adjusted Annual Income by Subtracting Total Deductions from Gross Annual Income.
4. Divide by 12 to Get Monthly Adjusted Income.
5. Calculate Total Tenant Payment by multiplying by 30% (The total tenant payment is the greater of 30% of monthly adjusted income, 10% of gross monthly income, or the minimum rent.). See 24 C.F.R. § 5.628 and § 5.630 (2006).
6. Calculate Tenant Rent by subtracting the utility allowance if Tenant pays any utilities. See 24 C.F.R. § 5.632, § 5.634 (2006). If amount is negative, tenant then receives a monthly utility reimbursement check from the public housing authority (“PHA”) or the project-based section 8 landlord and pays a zero rent.

Example: Ms. Smith works a job paying her \$8.00 for forty hours a week. She has three children under eighteen years of age – two are in elementary school and the youngest is in day care for which she pays \$300 per month. She receives \$150 per month in child support payments although a court order requires \$250 a month. She lives in public housing and is responsible for paying for electric, gas, and water. The utility allowance is \$100.00 per month. The PHA has a minimum rent of \$50.

Step 1: Gross Annual Income Equals: **\$18,440** ( $\$8.00 \times 40 \text{ hours} \times 52 \text{ weeks} = \$16,640 + \$1,800$  child support ( $\$150 \times 12$ ));

Step 2: Deductions Equal: **\$5,040** ( $\$480$  deduction for each dependent ( $\$480 \times 3 = \$1,440 + \$3,600$  child care));

Step 3: Adjusted Annual Income Equals: **\$13,400** ( $\$18,440 - \$5,040$ );

Step 4: Adjusted Monthly Income Equals: **\$1,117** ( $\$13,400 \div 12$ );

Step 5: Total Tenant Payment Equals: **\$335** ( $\$1,117 \times .30$ ) This is tenant’s total tenant payment because it is greater than 10% of gross monthly income ( $\$18,440 \div 12 = \$1,534 \times .10 = \$154$ ) and greater than the minimum rent (\$50). This is the amount tenant would pay if all utilities are paid by the PHA or the landlord. But, this amount must be adjusted by the utility allowance;

Step 6: Subtract Utility Allowance to Calculate Tenant Rent. Here, Tenant Rent Equals: **\$235** ( $\$335 - \$100$  utility allowance). This is the amount tenant must pay each month in rent.

**II. Calculation of Tenant Rent in Section 8 Housing Choice Voucher Program: (See 24 C.F.R. § 982.505 (2006)):**

Steps:

1. Determine Gross Annual Income. See 24 C.F.R. § 5.609 (2006).
2. Determine Deductions. See 24 C.F.R. § 5.611 (2006).
3. Calculate Adjusted Annual Income by Subtracting Total Deductions.
4. Divide by 12 to Get Monthly Adjusted Income.
5. Calculate Total Tenant Payment by multiplying by 30% (The total tenant payment is the greater of 30% of monthly adjusted income, 10% of gross monthly income, or the minimum rent.). See 24 C.F.R. § 5.628 and § 5.630 (2006).
6. Determine the Payment Standard Used by the PHA.
7. Determine the Gross Rent by Adding the Contract Rent to the Landlord and the PHA-Allocated Utility Allowance.
8. Calculate the Housing Assistance Payment. The PHA must pay a monthly housing assistance payment on behalf of the family that is equal to the **lower** of (1) the payment standard minus the total tenant payment (the greater of 30% of monthly adjusted income, 10% of gross monthly income, or the minimum rent); or (2) the gross rent (contract rent + utility allowance) minus the total tenant payment. See 24 C.F.R. § 982.505(b) (2006).
9. Subtract the housing assistance payment from the contract rent. The resulting amount is the tenant rent the family will pay to the landlord.

Example: Ms. Smith works a job paying her \$8.00 for forty hours a week. She has three children under eighteen years of age – two are in elementary school and the youngest is in day care for which she pays \$300 per month. She receives \$150 per month in child support payments although a court order requires \$250 a month. She participates in the Section 8 Housing Choice Voucher Program and leases a two bedroom apartment for \$875 per month plus all utilities. The utility allowance is \$100.00 per month. The PHA has a minimum rent of \$50. The two-bedroom payment standard used by the PHA is \$920. To summarize:

30% of Monthly Adjusted Income =	<b>\$335</b> (Total Tenant Payment)
Rent to Owner =	<b>\$875</b>
Utility Allowance=	<b>\$100</b>
Gross Rent =	<b>\$975</b> (\$875 + \$100 utility allowance)
Payment Standard =	<b>\$920</b>

The PHA must pay a monthly housing assistance payment on behalf of the family that is equal to the **lower** of (1) the payment standard minus the total tenant payment (the greater of 30% of monthly adjusted income, 10% of gross monthly income, or the minimum rent); or (2) the gross rent minus the total tenant payment. See 24 C.F.R. § 982.505(b) (2006). The family will pay the landlord the difference.

Here, the payment standard is less than the gross rent, so the PHA will calculate its housing assistance payment on the payment standard.

\$920 – Payment Standard

\$335 – Total Tenant Payment

\$585 – Monthly Housing Assistance Payment

\$875 – Contract Rent to Owner

\$585 – Monthly Housing Assistance Payment

**\$290** – Tenant Rent to Landlord ( Plus Utilities)

**III. Notice the Difference.** With the same income, deductions, and utility allowance, the family pays \$235 plus utilities in public housing and pays \$290 plus utilities under the voucher program.