

03 Expenses

The above expenses are used after passing the gross income test to determine benefits.

Self-employment and educational expenses reduce income before the gross income testing. See [Self-employment](#) and [Educational Expenses](#) for allowable expenses and the farming loss deduction.

A Shelter Expenses and Deduction



Shelter expenses are expenses incurred to provide shelter to the budgetary unit. The expenses are used to determine benefit amounts and identify whether the budgetary unit's expenses exceed their income.

Policy

For NA, a shelter expense may result in a shelter expense deduction.

For CA, shelter expenses may affect the CA Payment Standard. For more information about the A1/A2 payment standard, see [CA Payment Standard](#).

Shelter Deduction

The shelter deduction is not the actual shelter cost obligation. The shelter deduction is the total shelter costs added with the utility allowance that exceeds 50% of the budgetary unit's net income after all other deductions and allowances have been applied.

When the budgetary unit does not include a participant that is elderly or has a disability, the shelter deduction cannot exceed the **higher** of the following:

- The maximum shelter deduction amount. (See [maximum shelter deduction](#) for the amount.)
- The NA homeless shelter deduction when the budgetary unit is [homeless\(g\)](#) and incurs a shelter expense. (See [NA homeless shelter deduction](#) and [Elderly or Have a Disability - NA Special Considerations](#) for more information.)

The shelter deduction does not have a maximum limit when the budgetary unit includes a participant that is elderly or has a disability.

Multiple Residences in the Same Month

Shelter costs for the budgetary unit when expenses of two or more residences occur in the same month are allowable for NA only when **any** of the following applies:

- The budgetary unit occupies and is billed for shelter costs on more than one residence because of employment or training away from home.
- The budgetary unit moves and is billed for shelter expenses for more than one residence during the same month.

Unoccupied Shelter Costs

Shelter costs of a temporarily unoccupied residence are allowable for NA only when **all** of the following apply:

- The budgetary unit intends to return to the residence.
- The residence is not leased or rented to others.
- The residence is unoccupied for **any** of the following reasons:
 - Illness
 - Employment or training away from home
 - Abandonment caused by a natural disaster or [casualty loss\(g\)](#)

Quick access to the types of shelter expenses:

- [Disaster Costs](#)
- [Homeowner Association Fees](#)
- [Housing Allowance](#)
- [Mortgage](#)
- [Public Housing](#)
- [Rent](#)
- [Rental Space](#)
- [Shelter Insurance](#)
- [Subsidized Housing](#)
- [Taxes](#)

Disaster Costs

A disaster cost expense exists when there is damage to the budgetary unit's shelter caused by a natural disaster.

Disaster cost expenses, including charges for the repair of a home damaged or destroyed by a natural disaster, such as a fire or flood, are allowable for NA only.

However, the cost of repair or replacement that has been or will be reimbursed by relief agencies, insurance companies, or other sources is not an allowable expense.

NOTE Designation of a disaster area by a local, state, or federal agency is not required. Implementation of the Disaster Nutrition Assistance Program (DNAP) is not required.

The participant has the option of **one** of the following:

- A one-time deduction for the month after the month the expense is incurred or billed.
- Averaging the expense through the end of the NA approval period starting with

the month the change became effective.

Homeowner Association Fees

Mandatory homeowner association (HOA) fees are allowable for NA.

Housing Allowance

A housing allowance is allowed when a CA budgetary unit pays rent to an NA budgetary unit and both are part of the same NA case. The housing allowance allows the A1 Payment Standard, but does not allow the rent amount as an additional expense for NA.

Shelter Insurance

The following shelter insurance expenses are allowable:

- Fire insurance expenses billed separate from a mortgage for the shelter. This includes mandatory fees billed by a rural fire department for fire protection.

NOTE Average fire protection mandatory fees over the number of months the bill is intended to cover, no matter how long the approval period is or when it started.

- Flood insurance for the residence itself.
- Vehicle insurance (comprehensive and collision) when the participant is living in the vehicle.
- Lenders Interest Coverage that is a required part of the insurance coverage on the property.
- Private Mortgage Insurance (PMI) required by the lender for protection in case of foreclosure.
- Homeowners insurance for the house itself.
- Rental insurance for the structure itself.
- Any portion of personal liability insurance that covers the structure.

The following insurance payments are not allowable:

- Disability insurance
- Death-Life insurance
- Rental insurance (when insuring furniture or personal belongings)
- Personal liability insurance that does not cover the structure

Mortgage

Mortgage payments are an allowable expense deduction for NA.

To receive the expense, the housing unit must be occupied by the budgetary unit or temporarily unoccupied with certain criteria. (See [Unoccupied Shelter Costs](#) for a list of criteria.) Mortgage payments include the following:

- All mortgage payments, regardless of why the money was obtained or how it was

used.

NOTE When a mortgage is obtained for medical expenses, treat the repayment as a shelter expense and not a medical expense.

- Home equity loan payments, regardless of why the money was obtained or how it was used.
- Interest payments.
- Payments for a connecting piece of property to a participant's home and lot, when financed by a second mortgage or other loan secured by the home and lot.
- Portions of the closing costs on a home that are identified as taxes and insurance.

- Other continuing charges that lead to ownership of the housing unit. Continuing charges include the following:

Bills for mortgage during foreclosure proceedings.

Payments on loans issued for the repair of housing units given to participants under the Homestead Act.

Personal loan payments that are secured by a lien on the property.

Charges for buying land on which a mobile home is located.

Vehicle payments when the participant is living in the vehicle.

Vehicle insurance (comprehensive and collision) when the participant is living in the vehicle.

However, a [Reverse Mortgage\(g\)](#) is not an allowable shelter expense deduction for NA.

The following are not allowable as part of the mortgage payment:

- Penalties for late payments, arrearages, and closing costs.
- Down payments on a home.
- Federal Housing Authority (FHA) mortgage payments made during any moratorium period granted by FHA.
- License plate fees on a vehicle that the participant is living in.

Public Housing

Public housing provides housing for eligible low-income families, the elderly, and persons with disabilities for little or no cost. The property is generally owned by a government agency.

Public housing payments are an allowable expense deduction for NA.

(See <https://housing.az.gov/general-public/arizona-public-housing-authority-section-8-0> for more information on public and subsidized housing)

Rent

Rent, rental taxes, and mandatory surcharges that are billed to every tenant as part of the rent for a primary housing unit are allowable for NA.

NOTE Do not allow fees that are not mandatory such as late charges and deposits for such things as pets, tool sheds, washers, dryers, and furniture. Do not allow rental insurance for furniture and personal belongings, even when it is mandated by the landlord or on the lease.

Allow rental shelter expenses for the primary housing unit, including the following:

- Rent and taxes on a motel or hotel room.
- Fees for a campground space.
- Charges for renting land where a mobile home is located. (See [Rental Space](#))
- The portion of rental insurance that is for the structure only.

NOTE When structure coverage is not known, the entire amount of the rental insurance is not an allowable expense.

- Residential fees to live in a Group Living Arrangement (GLA).

Rental Space

Charges for rent on a space or lot for a mobile home or trailer in which the budgetary unit resides, are allowable as a shelter deduction for NA.

Subsidized Housing

Subsidized housing provides reduced rates for housing for eligible low-income families, the elderly, and persons with disabilities. The property is generally privately owned and paid for entirely or partially by a government agency.

Subsidized housing payments are an allowable expense deduction for NA.

(See <https://housing.az.gov/general-public/arizona-public-housing-authority-section-8-0> for more information on subsidized housing)

Taxes

Property taxes, (state and local assessments on the structure or the property itself, billed separately from the mortgage), are allowable shelter expense deductions for NA.

NOTE These expenses are averaged over the number of months the bill is intended to cover, no matter how long the approval period is or when it started. (See [Example 1](#))