USDA Food and Nutrition Service
U.S. DEPARTMENT OF AGRICULTURE

DATE: December 17, 2024

SUBJECT: Food Distribution Program on Indian Reservations (FDPIR): Applying the New Shelter/Utility Deduction and Calculating Net Monthly Income

TO: Regional Directors
Supplemental Nutrition Programs
MARO, MPRO, MWRO, NERO, SERO, SWRO, and WRO

FDPIR Directors
FDPIR Administering Agencies

This memorandum provides FDPIR administering agencies with guidance on how to apply the new shelter/utility deduction and outlines changes in the process to calculate a household's net monthly income to account for the new shelter/utility deduction.

Beginning on December 30, 2024, the new shelter/utility deduction, found at 7 CFR 253.6(e)(5), allows a household to choose either a standard deduction amount or actual shelter/utility expenses when determining income eligibility for FDPIR. The shelter/utility deduction is applied when calculating a household's net monthly income.

Changes in the Calculation of Net Monthly Income Calculation

Beginning on December 30, 2024, FDPIR administering agencies should use the following steps in calculating a household's net monthly income. For more information on determining income and deductions, see Chapter 4 of the FNS Handbook 501.

1. Complete steps A-F found at paragraph 4640 in the FNS Handbook 501.
2. Subtract allowable monthly expenses for dependent care, child support, and medical expenses, if applicable. This is the net monthly income before the new shelter/utility deduction has been applied.

3. **NEW Shelter/Utility Deduction**. If applicable, subtract the household's choice of either:
   (1) The shelter/utility standard deduction (updated annually in Exhibit M) OR
   (2) The actual shelter/utility expenses, up to 50 percent of net monthly income. Net monthly income is calculated in Step 2 above.
   Do not round at this point.

4. Follow steps H-I found at paragraph 4640 in the FNS Handbook 501 to determine final net monthly income.

New Shelter/Utility Deduction

Households may choose either the standard deduction amount or actual shelter/utility expenses when determining income eligibility for FDPIR. Prior to selecting either option, an applicant may wish to compare 50% of their net monthly income (as calculated in Step 2 above) with the appropriate shelter/utility standard deduction amount to determine which option would be preferable. However, a household may choose either deduction option, regardless of which is higher.

Option 1: Standard Deduction

If a household chooses to claim the shelter/utility standard deduction, the standard deduction option for the current fiscal year for the 48 contiguous States and Alaska can be found in Exhibit M of the FNS Handbook 501. For Fiscal Year 2025, the shelter/utility standard deduction for the 48 contiguous States is **$712** and Alaska is **$1,137** (effective December 30, 2024). Applicants must show at least one allowable shelter or utility expense to receive this deduction option. The FDPIR administering agency must verify that the household incurs the expense on a monthly basis. The allowable shelter/utility expenses are those permitted for SNAP and are found in the FNS Handbook 501 (paragraph 4555).

Option 2: Actual Expenses Up to 50 Percent of Net Monthly Income

If a household chooses to claim actual expenses, then the household may claim up to 50 percent of their net monthly income (as calculated in Step 2 above) and must provide verification of all expenses. The allowable shelter/utility expenses are those permitted for SNAP and are found in FNS Handbook 501 (paragraph 4555). If an allowable shelter/utility bill is in a household member's name (who is not disqualified as defined in paragraph 3413), the bill may be used to show actual expenses, regardless of whether that person has income.

For households with difficult determinations and/or for which there are special policies or procedures:

- <u>Disqualified household member</u>: A pro rata share of the shelter/utility bill of the disqualified household member (as defined in paragraph 3413 of the FNS Handbook 501) may be counted towards the deduction (see paragraph 4731 of the FNS Handbook 501). For example, if a disqualified person is a household member of a four-person household and has a shelter/utility expense in their name, 75 percent of the shelter/utility bill of the disqualified person could be counted toward the deduction.

- <u>Non-household member:</u> If a shelter/utility bill is in a non-household member's name and the household shares that expense with the non-household member, only the amount actually paid or contributed by the household is deducted as a household expense (see paragraph 4740 of the FNS Handbook 501). If the payments or contributions cannot be differentiated, the expenses must be prorated evenly among persons actually paying or contributing to the expense and only the household's pro rata share is deducted (see paragraph 4740 of the FNS Handbook 501).

- <u>Infrequently Occurring Expenses:</u> If a shelter/utility expense occurs less than monthly, the household may choose either:

  (1) to have the expense(s) averaged across the certification period, or

(2) if the expense occurred in the past 30-day period in which income is assessed, the household may input the entire shelter/utility bill(s) they paid in the past 30 days.

FDPIR administering agencies should contact their respective FNS Regional Office with any questions about this memorandum.

/Original Signature on File

Sara Olson
Director
Policy Division
Supplemental Nutrition and Safety Programs