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Utility Allowance FAQs

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These FAQs explain how to handle utility allowances in YHDP and CoC-funded **Rapid Re-Housing (RRH)**, **Joint Transitional Housing–Rapid Re-Housing (TH–RRH)**, and **Permanent Supportive Housing (PSH)** projects. The rules depend on the housing component, the funding source, and any HUD-approved YHDP waivers or alternative requirements for your project. If your project has an approved waiver that affects rent or occupancy charges, the waiver controls.

Quick Start: The 3-Step Calculation

Use these three steps whenever a participant pays any utilities directly to a utility company (not included in rent).

Step 1 – Figure out what the participant would owe. This is their rent contribution, maximum occupancy charge, or RRH rent share, depending on the project type (see Question 5).

Step 2 – Look up the utility allowance (UA). Use the local PHA utility allowance schedule for the unit's size and location and the utilities the participant pays (see Question 7).

Step 3 – Subtract. Step 1 amount minus Step 2 amount.

- **If the result is more than $0:** the participant pays that amount toward rent. No reimbursement is owed.
- **If the result is $0 or less:** the participant pays $0, and the project owes a **utility reimbursement** equal to the amount below zero.

Key Terms

Term	What it means in plain language
Utility allowance (UA)	The PHA's estimate of what reasonable utilities cost each month for a unit of that size and type. It is a set number from a schedule, not the participant's actual bill.
Utility reimbursement	Money the project pays when the UA is bigger than what the participant owes (Step 3 comes out below $0).
Rent contribution	What a participant must pay toward rent in TH or PSH funded with CoC rental assistance (24 CFR 578.77(c)).
Occupancy charge	What a participant may be charged in TH or PSH funded with CoC leasing or operating funds (24 CFR 578.77(b)). Charging is optional, but there is a maximum.
RRH rent share	The portion of rent an RRH participant pays, as set in the CoC's written standards.
Tenant-paid utilities	Utilities the participant pays the utility company directly. Utilities included in rent do not count.

General Questions

1. What is a utility allowance?

A utility allowance (UA) is the local public housing authority's (PHA's) estimate of reasonable monthly costs for utilities a participant pays separately from rent.

The allowance is used in the participant's rent or occupancy-charge calculation. **It is not based on the participant's actual monthly bill.**

2. Which utilities count?

Under HUD Notice CPD-17-11, utilities include:

- Gas
- Oil (or other heating fuel)
- Electricity
- Water
- Sewer
- Trash removal

Telephone does not count. Do not include cable, internet, or streaming services either. Only include a utility if the participant is responsible for paying it.

3. What is the difference between a utility allowance and a utility reimbursement?

The **utility allowance** is the amount you subtract in the calculation. The **utility reimbursement** is the payment the project owes when the allowance is bigger than what the participant owes.

Simple rule: Participant pays = what they owe minus UA (never less than $0). Reimbursement = whatever is left of the UA after the participant's payment reaches $0.

What participant owes (Step 1)	Utility allowance (Step 2)	Participant pays toward rent	Utility reimbursement owed
$300	$200	$100	$0
$50	$200	$0	$150
$0	$200	$0	$200

4. When do utility allowance requirements apply?

They apply **whenever a participant pays one or more utilities directly** (the utility is in their name or they are billed separately from rent).

If all utilities are included in the rent, or the project pays them, **no utility allowance is used** for those utilities.

5. Is the calculation different for TH, PSH, and RRH?

Yes. Step 1 changes based on the housing type and funding source. Steps 2 and 3 are the same for everyone.

Project type / funding	Step 1: What the participant owes	Rule
TH or PSH paid with CoC **rental assistance**	Required rent contribution: the **highest** of (a) 30% of monthly adjusted income, (b) 10% of monthly gross income, or (c) the housing portion of welfare assistance, if any. This is mandatory.	24 CFR 578.77(c)
TH or PSH paid with CoC **leasing or operating** funds	The **maximum** occupancy charge, using the same formula. Charging participants is optional, but you must still calculate the maximum (see Question 6).	24 CFR 578.77(b)
RRH	The participant's rent share under the CoC's written standards. Do **not** use the TH/PSH formula unless the written standards say to.	CoC written standards (578.77 does not apply to RRH)

Joint TH–RRH projects: Use the row that matches the participant's **current** housing component. While in the TH portion, use the TH row for that portion's funding source. Once they move to the RRH portion, switch to the RRH row.

6. Our TH project doesn't charge participants anything. Do we still owe utility reimbursements?

Possibly, yes. Even if you choose not to charge an occupancy charge, you must still calculate the **maximum** occupancy charge the participant could have been charged. Then compare it to the UA:

- If the UA is **less than or equal to** the maximum occupancy charge, **no reimbursement** is owed.
- If the UA is **more than** the maximum occupancy charge, **reimburse the difference**.

Maximum occupancy charge	Utility allowance	Participant pays	Reimbursement owed
$35	$20	$0	$0
$55	$60	$0	$5
$0 (no income)	$75	$0	$75

In other words, not charging rent does **not** mean every participant gets the full allowance, and it does **not** mean no one gets a reimbursement. Participants with little or no income are the most likely to be owed one.

Choosing the Right Allowance

7. Which utility allowance schedule should we use?

Use the **utility allowance schedule from the PHA that covers the area where the unit is located**.

When reading the schedule, match:

- **Unit size** (number of bedrooms in the unit)
- **Housing type** (apartment, single-family, townhouse, etc.)
- **Fuel source** for heating, cooking, and water heating (gas vs. electric)
- **Only the utilities the participant pays**

- **The schedule version in effect** when you do the calculation

Print or save the schedule you used and keep it in the participant file with the completed calculation.

8. Should we include allowances for a refrigerator, stove, or microwave?

Include a separate **tenant-provided appliance allowance** when:

- The participant is responsible for supplying the appliance; and
- The applicable PHA schedule provides an allowance for it.

Do not add this allowance simply because the appliance is in the unit.

The electricity or fuel used to operate the appliance is separate. If the landlord provides the appliance but the participant pays for electricity or cooking fuel, include the applicable utility allowance under the PHA schedule.

9. Does solar or energy efficiency change the allowance?

Only if the PHA has a separate schedule for it. Some PHAs keep an energy-efficient utility allowance schedule for qualifying buildings (for example, LEED or Energy Star buildings). If the unit qualifies, use that schedule.

Otherwise, use the regular schedule. A low bill, by itself, is **not** a reason to reduce the allowance.

10. When do we need to redo the calculation?

Recalculate:

- At move-in (before the first rent or occupancy charge is set)
- At each income re-examination
- When the participant's income changes enough to require an interim adjustment under your policies
- When the participant moves to a different unit or starts or stops paying a utility
- When a Joint TH–RRH participant moves from the TH portion to the RRH portion

Paying Utility Reimbursements

11. Which funds can we use to pay utility reimbursements?

Funding type	Can it pay utility reimbursements?
Rental assistance	Yes, for participants assisted with rental assistance (including RRH).
Operating	Yes, for TH and PSH participants.
Leasing	**No.** CoC leasing funds may never pay for utilities that are not included in the lease.
Program income or match	Yes, if the reimbursement would be an eligible CoC cost.

12. Can we pay the utility company instead of the participant?

Yes. You may pay the reimbursement directly to the participant **or** to the utility company on the participant's behalf.

To pay the utility company, you must:

- Get the participant's **written permission** first.
- **Notify the participant in writing** of the amount paid each time.
- Keep the permission, the notices, and proof of payment in the file.

13. What if the utility bill is less than the reimbursement owed?

The participant gets the rest.

Example: The reimbursement owed is $200 and the bill is $175. With written permission, you pay $175 to the utility company and **$25 to the participant**.

Do not overpay the utility company, and do not keep the difference.

14. What if the utility bill is higher than the allowance?

The allowance **does not increase** to match the actual bill. The participant is responsible for costs above the allowance.

Example: The UA is $120 and the bill is $160. The calculation still uses $120. The participant is responsible for the extra $40.

Explain this to participants at move-in, help them plan for seasonal changes (summer cooling, winter heating), and connect them to other utility assistance they may be eligible for.

15. Can we pay the participant twice (reduce their rent and also give them the full allowance)?

No. The allowance is applied once. It first reduces what the participant owes. Only the **leftover** amount (if any) is paid as a reimbursement. See the table in Question 3.

16. Can we pay more rent to the landlord instead of issuing a utility reimbursement?

No. Raising the contract rent or calling the payment something else does not replace the reimbursement. If a reimbursement is owed, pay it to the participant or to the utility company (with written permission).

17. Are utility reimbursements taxable? Do we need to issue a 1099?

HUD has **not** decided whether these payments are taxable or require a 1099. HUD tells providers to ask the IRS, a CPA, or a tax attorney.

You may have heard in a past training that a 1099 is required for payments over $600. **That is not a HUD requirement.** Calling the payment a "reimbursement" in your records does not by itself decide how it is taxed.

Documentation

18. What documentation should we keep?

Keep the following in the participant file:

- The PHA utility allowance schedule used (the version in effect at the time)
- Which utilities the participant pays, and proof (for example, the lease or a utility bill in the participant's name)
- The income calculation and the rent contribution, occupancy charge, or RRH rent share calculation
- The completed utility allowance worksheet showing Steps 1–3
- The reimbursement amount owed and proof it was paid
- Written permission and written payment notices, if paying the utility company
- Your project's occupancy-charge policy (TH/PSH with leasing or operating funds)

Reminder: The worksheet shows the calculation. It does not prove the payment was made. Keep both.

Sources: HUD Notice CPD-17-11; 24 CFR 578.77