



How Do Fair Market Values on Housing Affect SSI Payments?

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It's not uncommon for parents of adult children with special needs to allow their children to live with them rent-free or charge them a low rental amount. They can do this more easily since they are typically the primary caregivers for the individual with special needs. They also often believe that it can help their child financially without [impacting the child's SSI payment](#). Despite their good intentions, this strategy has a downside—it does impact their payments.

The Social Security Administration (SSA) defines In-kind Support and Maintenance (ISM) as someone providing food and shelter to an SSI recipient for free or at a reduced cost, regardless of the source. While the SSA has proposed a rule change that could exclude food from this calculation in the future, the current rules factor in things like free housing, meals, or groceries. When calculating an individual's SSI benefits, the SSA considers these contributions as ISM which counts toward income.

Understanding ISM's Impact on SSI

When determining an SSI recipient's benefit amount, the SSA applies a formula to calculate the countable income. Countable income includes any cash received plus the value of ISM. The more ISM an individual receives, the fewer SSI benefits they may be eligible for. The SSA has specific rules and guidelines for how it values ISM, and it can vary depending on the living arrangement and the type of support received. Some general guidelines for valuing ISMs include the following:

- **Presumed Maximum Value (PMV):** *It is the presumed value of the ISM that the SSA attributes to the individual based on their living arrangement. The PMV can vary based on factors like the number of people living together and whether the individual receives support from a relative or a non-relative.*
- **One-Third Reduction Rule:** *In some cases, the SSA applies the One-Third Reduction Rule to reduce an individual's SSI benefit when they live in another person's household, and the person providing the support doesn't charge them the*

full fair-market value of their food and shelter. The SSA reduces the SSI benefit by up to one-third of the federal benefit rate for SSI recipients.

- **Presumed Value of One-Third Reduction (PVOTR):** When the One-Third Reduction Rule applies, the SSA may use the PVOTR as a simplified method to calculate the reduction in SSI benefits. PVOTR is one-third of the federal benefit rate for SSI recipients plus any applicable state supplementary payments.
- **Value of In-Kind Support and Maintenance (VTR):** If the PMV and PVOTR do not apply or are not suitable, the SSA calculates the Value of In-Kind Support and Maintenance (VTR) using various factors like the actual cost of the support provided and the individual's living arrangements.

Fair Market Value and ISM Calculations

Fair Market Value (FMV) is an essential factor in how the SSA calculates ISM for SSI recipients. SSA uses it to determine the value of the support the recipient receives, particularly when the support provider (i.e., a parent, relative, friend, etc.) is not charging them the full fair market rate for it.

To better understand this, let's look at an example: George is an SSI recipient living in an area where the average rent for a 1-bedroom apartment is \$1500 per month. George is renting a 1-bedroom apartment from his parents for \$500 per month. Therefore, George is paying for only one-third of the apartment's FMV. While his parents think they are helping George save on deductions to his SSI payment, the SSA sees the below-market rent payments as income and would reduce George's SSI benefit payments according to a calculation formula.

The SSA calculates the ISM (aka George's rental apartment) by deducting the presumed maximum value (PMV) or the presumed value of one-third reduction (PVOTR) from the federal benefit rate. The PMV and PVOTR are determined based on various factors, including the living arrangement and the number of people sharing the household. For more information, the SSA has helpful calculation examples under their [Supplemental Security Income \(SSI\) Living Arrangements page](#).

Conclusion

When an SSI recipient's housing costs are below the fair market value of their neighborhood, it can indeed impact the recipient's payments. When calculating SSI benefits, the SSA considers the value of ISM provided, including non-cash support such as housing. Therefore, it is essential for SSI recipients and those helping them to be aware of SSA's rules and guidelines to ensure accurate reporting and eligibility for the appropriate

benefits. If you are unsure about ISM and SSI payments, reach out to resources such as the [Special Needs Alliance](#), where our members can guide you through the process.

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