



Special Attention of:

## NOTICE PDR-2023-02

Regional Directors, Field Office Directors,  
Economists, Public & Indian Housing  
Division Directors, Multifamily Hub Directors,  
Multifamily Program Center Directors

Issued: May 15, 2023  
Expires: Effective until superseded

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Cross References:

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Subject: Transmittal of Fiscal Year (FY) 2023 Income Limits  
for the Public Housing and Section 8 Programs

This notice transmits income limits used to define the terms “very low-income”, “low-income” and “extremely low-income” in accordance with Section 3(b)(2) of the United States Housing Act of 1937, as amended. These income limits are listed by dollar amount and family size, and they are effective on the later of May 15, 2023, or the date issued.

HUD Section 8 Income Limits begin with the calculation of median family incomes for each area. HUD uses the Section 8 program’s Fair Market Rent (FMR) area definitions in developing medians, which means that median family incomes are developed for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. For FY 2023, the geographic definitions incorporate all changes published by the Office of Management and Budget (OMB) through the September 14, 2018 bulletin.<sup>1</sup> HUD first implemented these changes through the calculation and publication FY 2022 Fair Market Rents, issued August 6, 2021. See Section III of the *Federal Register* [notice](#) for a discussion of changes to metropolitan area definitions.

HUD uses the 2021 American Community Survey (ACS) and Puerto Rico Community Survey (PRCS) median family income data (as opposed to household income data) as the basis of FY 2023 Income Limits for all areas of geography, except for the U.S. Virgin Islands and the Pacific Islands (Guam, American Samoa, and the Northern Mariana Islands). HUD would ordinarily have used the ACS 2020 data for FY 2023. However, due to interruptions to data collection caused by the Covid-19 pandemic, the Census Bureau did not release special tabulations of ACS 2020 “one-year” data. HUD uses the Consumer Price Index (CPI) forecast published by the Congressional Budget Office (CBO) in February 2023 to bring the ACS and PRCS data forward from 2021 to fiscal year 2023. The inflation factor, representing the anticipated cumulative change in the CPI from 2021 through fiscal year 2023, is approximately 1.122 (a 12.2-percent increase).

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<sup>1</sup> OMB Bulletin No. 18-04

Since FY 2010<sup>2</sup> HUD has limited annual decreases in the low and very-low income limit to five percent and all annual increases to the greater of five percent or twice the change in the national median family income. HUD has maintained these limits to increases and decreases in income limits for FY 2023. For 2023, HUD is using the annualized change in the national median family income as measured by the ACS from 2019 to 2021 because of the lack of ACS 2020 estimates as previously discussed. Twice this change is approximately 5.92 percent, which is greater than five percent, so for FY 2023, the income limits “cap” is 5.92 percent.

HUD bases the median family incomes and income limits for the U.S. Virgin Islands and the Pacific Islands on 2020 Decennial Census data which is the most current information available. The decennial data for the U.S. Virgin Islands and the Pacific Islands reports 2019 median family incomes. HUD trends these incomes forward using the change in national median family incomes between 2019 and 2021 (from the ACS). HUD then applies the same CPI adjustment used in ACS areas from 2021 to fiscal year 2023.

Newly for FY 2023, because the overall median family income in Puerto Rico is very low, at less than one third of the national median family income, HUD is electing to raise the Extremely Low Income Limits to the value of the Very Low Income Limits within the territory to expand the number of families who are eligible for targeted assistance in HUD’s rental assistance programs.

Public Housing/Section 8 Income Limits are used to determine the income eligibility of applicants for Public Housing, Section 8, and other programs subject to 42 USC 1437a(b)(2). The income limits are calculated from the HUD medians for FY 2023.

The most important statutory provisions relating to income limits are as follows:

- very low-income family is defined as low-income families whose incomes do not exceed 50 percent of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes relative to housing costs;
- low-income family is defined as those families whose incomes do not exceed 80 percent of the median family income for the area, subject to adjustments for areas with unusually high or low incomes or housing costs;
- extremely low-income family is defined as a very low-income family whose income does not exceed the higher of the poverty guidelines as determined by the Department of Health and Human Services or 30 percent of the median family income for the area;
- where the area income limits would otherwise be less than those derived from the state nonmetropolitan median, income limits are based on the state nonmetropolitan median; and,
- income limits are adjusted for family size so that larger families have higher income limits.

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<sup>2</sup> Prior to FY 2010, HUD maintained a “hold harmless” policy, whereby Section 8 income limits for certain areas were held at previously published levels when reductions would otherwise have resulted from changes in housing cost, median income, or income limit methodologies, or changes in metropolitan area definitions.

### Very Low-Income Limits:

HUD calculates very low-income limits using a set of formulae as follows. The first step in calculating very low-income limits is to determine what they would be if the four-person limit is based on 50 percent of the median family income. HUD then adjusts if this number is outside formula constraints.

Specifically, HUD calculates the very low-income limit for a four-person family as follows:

- (1) HUD calculates and sets 50 percent of the area median family income as the preliminary four-person family income limit;
- (2) HUD increases the four-person very low-income limit if it would otherwise be less than the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom FMR. This adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median family income;
- (3) HUD reduces the four-person very low-income limit to the greater of 80 percent of the U.S. median family income level, or the amount at which 30 percent of a four-person family's income equals 100 percent of the two-bedroom FMR. This adjusts income limits downward for areas with unusually high median family income relative to housing costs;
- (4) HUD increases the four-person income limit if it is less than 50 percent of the relevant state nonmetropolitan median family income level;<sup>3</sup> and,
- (5) HUD increases the four-person income limit if it is less than 95 percent of last year's very low-income limit and reduces to the greater of 105 percent of last year's very low-income limit or to a level representing twice the rate of change in the national median family income estimate if that amount would be larger than five percent. For FY 2023 income limits, twice the annualized increase in the national median family income as measured from the 2019 to 2021 ACS is approximately 5.92 percent, so the cap on increases is set at 5.92 percent.

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<sup>3</sup> Under a Housing and Community Development Act of 1987 amendment, nonmetropolitan area income limits should never be set lower than the State nonmetropolitan median family income level. In implementing this provision, HUD used its discretion to apply this policy to metropolitan areas as well. Doing so avoids the anomaly of assigning higher income limits to a nonmetropolitan county than are assigned to a metropolitan area where the median family income is less than the State non-metro level but above the level for the non-metro county.

**Low-Income Limits:**

Most four-person low-income limits are the greater of 80 percent of the median family income, or 80 percent of the state nonmetropolitan median family income. Because HUD does not always base the very low-income limits on 50 percent of median, however, calculating low-income limits as 80 percent of median would produce anomalies inconsistent with statutory intent (e.g., very low-income limits could be higher than low-income limits). To address this, HUD generally sets the four-person low-income limit at 1.6 (i.e., 80 percent/50 percent) times the relevant four-person very low-income limit. There are two exceptions to this practice: first, the four-person low-income limit may not exceed the U.S. median family income ( \$96,300 for FY 2023), except when justified by high housing costs; and, second, once adjusted, HUD limits decreases in the four-person low-income limit to five percent, and caps increases at the greater of five percent or twice annualized change in the national change in median income as measured from the 2019 to 2021 ACS, which is approximately 5.92 percent. Use of very low-income limits as a starting point for calculating other income limits has the effect of adjusting low-income limits in areas where the very low-income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

**Extremely Low-Income Limits:**

HUD calculates the extremely low-income limits for all areas in the U.S. with the exception of U.S. territories using the 2023 Poverty Guidelines for the 48 contiguous states and the District of Columbia (Lower-48 States), for Alaska and for Hawaii. These poverty guidelines were published in the *Federal Register* by HHS on January 19, 2023.<sup>4</sup> HUD first calculates extremely low-income limits as 30/50ths (60 percent) of the Section 8 very low-income limits. HUD then compares these to the appropriate poverty guideline and if the poverty guideline is higher, HUD chooses that value. If the poverty guideline is above the very low-income limit at that family size, the extremely low-income limit is set at the very low-income limit because the definition of extremely low-income limits caps them at the very low-income levels.

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<sup>4</sup> <https://www.federalregister.gov/documents/2023/01/19/2023-00885/annual-update-of-the-hhs-poverty-guidelines>

## Family Size Adjustments:

By statute, family size adjustments are required to provide higher income limits for larger families and lower income limits for smaller families. HUD applies the factors shown below to the very low-income limits and the low-income limits, but not the extremely low-income limits set at the poverty income threshold, as follows:

### Number of Persons in Family and Percentage Adjustments

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

HUD does not include income limits for families with more than eight persons in the printed lists because of space limitations. For each person over eight-persons, the four-person income limit should be multiplied by an additional eight percent. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) Income limits are rounded up to the nearest \$50. Local agencies may round income limits for nine or more persons to the nearest \$50, or they may use the un-rounded numbers. HUD does not re-test family size-adjusted income limits for compliance with the cap and floor policy. Rounding anomalies may produce some family size-adjusted income limits whose annual change is slightly larger or smaller than the five percent decline and the 5.92 percent increase allowed for FY 2023.

Due to the inclusion of the federal poverty guidelines, these family size adjustments described above are not sufficient to determine the level of extremely low-income limits. The poverty guidelines have fixed dollar amount adjustments between household sizes (different for Alaska and Hawaii than the rest of the U.S.). Therefore, the actual amounts shown for 1- to 8-person families will not necessarily follow the percentages shown above. For families with more than eight persons, HUD has developed a tool that should be used to calculate the extremely low-income limit for that area at <https://www.huduser.gov/portal/datasets/il.html>. Please use the FY 2023 Income Limits Documentation system, pick the area in question, and select “Click Here” under the label “Extremely Low-Income Limits.” Near the bottom of the explanations, there is a drop-down box to select the number of household members needed (from 9 to 20).

FY 2023 income limits are available in multiple formats and available at <https://www.huduser.gov/portal/datasets/il.html>. Questions related to how these income limits apply to the programs of state and other federal agencies should be referred to those agencies. Questions concerning the methodology used to develop these income limits are addressed in the [FY 2023 Income Limits Methodology](#), or the documentation system for income limits and median family income, which are on the income limits website.

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Julia R. Gordon  
Assistant Secretary for Housing and FHA  
Commissioner, H

/s/

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Dominique G. Blom  
General Deputy Assistant  
Public and Indian Housing, P