

Social Security Online

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SI 00835.465 ISM and Households - Household Costs

Citations:

Regulations, 20 CFR 416.1133(c)

A. INTRODUCTION

A household's food and shelter costs are elements in making determinations of ISM from inside and from outside the household. For purposes of determining ISM, we distinguish between **household operating expenses** and **household costs**.

As defined in [SI 00835.020](#), **household operating expenses** are the household's average monthly **cash** expenditures for food and shelter.

As defined in [SI 00835.020](#), the term **household costs** denotes both the **household operating expenses** paid by the household for food and shelter (these relate to inside ISM), and the **current market value (CMV)** of items of food and shelter provided by persons outside the household (these relate to outside ISM).

B. POLICY — HOUSEHOLD OPERATING EXPENSES AND INSIDE ISM

The household's operating expenses (i.e., actual cash expenditures for food and shelter) are used in determining the existence and amount of **inside ISM** without regard to the current market value (CMV) of the food and shelter provided.

NOTE: For purposes of determining household operating expenses, it is immaterial whether the members of the household have pooled their funds to pay for the food and shelter items or individual members make payments for particular expenses directly to the vendors.

The following are **not** household operating expenses:

- unpaid portions of food and shelter bills (i.e., arrearages) until they are paid;
- the cost of food consumed by individuals who separately consume or separately purchase their food;
- the value of food purchased with food stamps.

C. POLICY — CMV OF HOUSEHOLD COSTS AND

OUTSIDE ISM

When a person who is not a household member pays a vendor directly for any of the **household's costs** or provides the household with food or shelter items for less than the CMV, **outside ISM** exists. It is necessary to establish the CMV of the food or shelter item provided when determining the value of outside ISM.

NOTE: The CMV of household costs is usually the vendor charge. When there is no vendor involved, the CMV is whatever the item would sell for on the open market. (See [SI 00835.020B.6](#) for the definition of CMV.)

D. POLICY — WHAT ARE HOUSEHOLD COSTS

1. List of Applicable Items

When computing household operating expenses for inside ISM or the CMV of household costs for outside ISM, the following **10** items are the **only** ones used in the applicable computations.

- Food
- Mortgage (including property insurance **required** by the mortgage holder)
- Real property taxes (less any tax rebate/credit)
- Rent
- Heating fuel
- Gas
- Electricity
- Water
- Sewer
- Garbage removal

NOTE: Condominium fees in themselves are not household costs. However, condominium fees may include charges which are household costs (e.g., garbage removal). To the extent that such charges are identifiable, use them in the computation of inside and outside ISM.

2. When to Count Mortgages

In general, all mortgages (including second mortgages) are household costs regardless of the reason for an additional mortgage. Payments on a mobile home are also considered mortgage payments. When extra mortgage payments are made, (i.e., prepayments to reduce the principle owed), only the required mortgage amount is a household cost.

EXCEPTION: The portion of a mortgage that includes repayment on a business expense is not a household cost. For example, if an additional mortgage is taken out to cover the cost of building a barn on an operating farm, the payment on the mortgage for the barn is not a household cost. (See [SI 00835.471](#) for how to distinguish between household and non-household expenses.)

3. When to Count Insurance

Only property insurance required by the mortgage holder in order to receive the mortgage is considered a household cost. Insurance (property, fire, theft, etc.) held at the owner's or renter's option is **not** a household cost.

4. Use of Land

The use of land alone is not a household cost. Thus, if an individual receives land or the use of land without charge, this does not result in outside ISM. Similarly, third party vendor payments of real property tax, rent or mortgage on land alone do not cause an individual to receive ISM in the form of shelter.

A trailer space rental fee which is for space **alone** is not a household operating expense for purposes of determining inside ISM, nor is it outside ISM if someone outside the household pays the fee. However, if the fee is **not** for use of land alone, that part of the fee which is for water, sewer, etc. is part of the household costs for purposes of determining inside and outside ISM.

EXAMPLE: James Smith, an eligible individual, lives alone in a house trailer that he owns. The trailer is situated on the property of his brother, Bill. James pays no rent for the use of the land. Bill provides water and electricity free of charge. The free use of the land results in no ISM to James. However, James is charged with outside ISM based on the CMV of the water and electricity.

NOTE: : The use of land without charge may result from the individual holding an easement, a life estate, or a similar arrangement. If so, resource development of the arrangement may be necessary. (See [SI 01140.110](#) and [SI 01130.100](#)).

E. PROCEDURES - DOCUMENTING HOUSEHOLD COSTS

1. Inside ISM

When the issue is inside ISM, document household operating expenses following the instructions in [SI 00835.340D](#).

2. Outside ISM

When the issue is outside ISM, document the CMV of household costs following the instructions in [SI 00835.350C](#).

3. Curtailment

For both inside and outside ISM, if the tax, mortgage, or rental cost of a residence include land as well as shelter, do not undertake development to value the shelter separately from the land.

F. REFERENCES

- Computing inside ISM, [SI 00835.340](#)
- Computing outside ISM, [SI 00835.350](#)
- Conversion of household costs, [SI 00835.470](#)

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