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**HOUSING AUTHORITY OF THE CITY OF SEATTLE**  
**MANUAL OF OPERATIONS**

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**SUBJECT:** Determining Income

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**SCOPE:** This Section shall apply to all residents of assisted housing programs administered by the Seattle Housing Authority, unless specifically noted.

**POLICY:**

The verification process during the time of application, interim reexamination and annual reexamination is a critical task in the administration of the Department of Housing and Urban Development (HUD) assisted housing programs. This task requires the Seattle Housing Authority (SHA) to verify factors that affect the determination of an resident's adjusted income. The verification process also requires the resident to provide and disclose information that is true and complete, which is necessary in SHA's administration of HUD's assisted housing programs.

In accordance with the verification guidance issued with Notice PIH 2004-01 which comes from the regulations found at 24 CFR Parts 5, 903, 960 and 982, applicable to the Public Housing and Housing Choice Voucher Programs, SHA has established written policies that provide for third party verification of income for residents. HUD regulations, 24 CFR Parts 960.259(c) and 982.516(a), require SHA to obtain and document in the resident files, independent third party verification (or document the reason why third party verification was not available) of reported family income, the value of assets, expenses related to deductions from income and other factors affecting adjusted income. 24 CFR §960.259(c) (1) and §982.516(a) (2)

HUD regulations specify the types and amounts of income and deductions to be included in the calculation of annual and adjusted income. SHA's verification requirements are designed to maintain program integrity.

To prevent fraud and abuse in HUD programs, the United States Code (USC) and Code of Federal Regulations (CFR) allow HUD and SHA to obtain information about residents to determine their eligibility or level of housing assistance. Most importantly, the USC authorizes computer-matching agreements of income information. Below is a summary of laws and regulations that govern the use of "upfront" or computer matching income verification.

24 CFR §5.234 (Requests for Information from SWICAs and Federal Agencies; Restrictions on Use) indicates that income information will generally be obtained through computer matching agreements between HUD and a SWICA or Federal Agency, or between a PHA and a SWICA.

42 USC 3544(c) (2) (A) (Preventing Fraud and Abuse in Housing and Urban Development Programs) provides the legal basis for preventing fraud and abuse in HUD programs. The law allows HUD to require that residents sign a consent form to request the following: current or previous wages and salaries from employers, wage information and unemployment compensation from the State agency charged with the administration of the State unemployment law, and income information from the Commissioner of Social Security and the Secretary of the Treasury.

Where there are partnership agreements, regulatory agreements and/or financial agreements, that have been incorporated into a management plan approved by HUD and / or SHA, the criteria for determining income set forth in those documents shall take precedence over this Section.

#### **IMPLEMENTING POLICY:**

##### **A. Housing Choice Voucher Program**

Staff shall refer to the Section 8 Administrative Plan for details of Housing Choice Voucher Program policy and procedures.

##### **B. Impact Property Management**

Staff shall refer to the property's Management Plan for details of its policy and procedures. If the Management Plan does not address income, staff shall default to this Manual Section.

##### **C. Annual Income (24 CFR 5.609; Federal Register 4/20/01)**

Annual income means all amounts, monetary or not, which go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or are anticipated to be received from a source outside the family during the 12-month period following admission; and which are not specifically excluded in the income exclusion list below. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

##### **Annual income includes, but is not limited to:**

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. Net income from the operation of a business or profession. (Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based upon straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash of assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash of assets invested in the operation by the family);
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph b. above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal (see Exhibit 47 [HUD Reg Exhibit]) is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate as determined by HUD);
4. The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment of a pension or annuity, this does not include Social Security or SSI.

5. Payments in lieu of earnings such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph 4.d. of this section).
6. Welfare assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - a. the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus
  - b. the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
7. Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;
8. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit (see paragraph 4.h. below).
9. Annual income of emancipated minors as head, spouse, or co-head. Emancipated minors other than the head, spouse, or co-head would be considered a dependent and his/her income handled accordingly.
10. Benefits or other *unearned* income of minors. When more than one household shares custody of a child, the family that counts the dependent deduction counts the unearned income of the minor. The other household claims neither the dependent deduction nor the unearned income of the minor.
11. Alimony or child support paid to a person outside the household. There is no deduction for an amount paid to a person outside the household, even if the amount is garnished from the wages / benefits of a household member, it must be included in annual income.
12. Income of temporarily absent family members. All income for family members approved to reside in the unit must be counted, even if some members are temporarily absent, including members on active military duty and students away at school.
13. Long-Term Insurance. Any payments in excess of \$180 per day must be counted toward the gross annual income.

**Annual income does NOT include the following:**

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children;
3. Payments received for the care of foster adults (usually individuals with a disability, who are unrelated to the tenant family, and who are unable to live alone);
4. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal property losses (see paragraph 3.e. of this section);
5. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
6. Income of a Live-in Aide (as defined in paragraph C. of this section);
7. The full amounts of student financial assistance paid directly to the student or to the educational institution;
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
9. Amounts received under training programs funded by HUD;
10. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
11. Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) which are made solely to allow participation in a specific program;
12. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for SHA on a part-time basis that enhances the quality of life in public housing. No resident may receive more than one such stipend during the same period of time. If the stipend exceeds \$200 per month, the entire stipend shall be counted as income;
13. Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by the provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;
14. Temporary, non-recurring or sporadic income (including gifts) received by the family;

15. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
16. Earnings in excess of \$480 for each full-time student 18 years or older (excluding head of household or spouse);
17. Adoption assistance payments in excess of \$480 per adopted child;
18. The earnings and benefits to any resident resulting from the participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, section 22 of the U.S. Housing Act of 1937 or any comparable Federal, State or local law during the exclusion period. For purposes of the paragraph, the following definitions apply:
  - a. Comparable Federal, State or local law means a program providing employment training and supportive services that:
    - (1) is authorized by a Federal, State or local law;
    - (2) is funded by the Federal, State or local government;
    - (3) is operated or administered by a public agency; and
    - (4) has as its objective to assist participants in acquiring employment skills.
  - b. Exclusion period means the period during which the resident participates in a program described in this section, plus eighteen (18) months from the date the resident begins the first job acquired by the resident after completion of such program that is not funded by public housing assistance under the U.S. Housing Act of 1937. If the resident is terminated from employment without good cause, the exclusion period shall end.
  - c. Earnings and Benefits means the incremental earnings and benefits resulting from a qualifying employment training program or subsequent job;
19. Deferred periodic payments of Supplemental Security Income and Social Security benefits that are received in a lump sum payment or in prospective monthly amounts.
20. Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
21. Amounts paid by a State agency to a family with a member who has a developmental disability and who is living at home to offset the cost of services and equipment needed to keep the family member who has the developmentally disability at home; and
22. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the U.S. Housing Act of 1937. The following is at least a partial list of such programs, whose income should be excluded:
  - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b));

- b. Payments to Volunteers under the domestic Volunteer Services Act of 1973 (42 U.S.C. 5044 (g), 5058);
  - c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626 (c));
  - d. Income derived from certain sub marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
  - e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
  - f. Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552 (b));
  - g. Income derived from the disposition of funds of the Grand River Bank of Ottawa Indians (Pub. L. 94-540, 90 Stat. 2503-04);
  - h. The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-08) or from funds held in trust for an Indian tribe by the Secretary of the Interior (25 U.S.C. 117b, 1407);
  - i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087 uu);
  - j. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056 (f));
  - k. Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the "In Re Agent Orange" product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
  - l. Payments received under the Maine Indian claims Settlement Act of 1980 (Pub. L. 96-420, 94 Stat. 1785);
  - m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q); or
  - n. Earned income tax credit (EITC) refund payments received on or after January 1, 1991 (26 U.S.C. 32 (j)).
  - o. Any assistance or benefit received from the Medicare prescription discount card or the \$600 transitional assistance subsidy must be excluded as annual income. (Social Security Act, Section 1860D-31(g)(6))
23. Long-Term Insurance. Any payments in excess of \$180 per day must be counted toward the gross annual income.

#### **D. DSHS Cash Grants (imputed welfare income)**

1. Where the resident is being sanctioned for non-compliance of some kind, SHA must count the full amount of TANF grant the resident is eligible for, even if they're receiving a smaller grant amount as a result of the sanction.
  - a. The only exception to this rule occurs when an resident is receiving a reduced grant at the time of their eligibility interview. If a reduced grant is in effect at the time of admission, only the actual, reduced grant amount will be counted. This is the case for the resident's initial income calculation and at subsequent reviews, if a reduced grant is still in effect.
  - b. When a resident with "imputed welfare income" obtains any additional income, it is not added to the overall income until it exceeds the amount of the welfare sanction amount. Under no circumstances will a resident who is under a sanction pay less rent than the share of rent based on the former welfare income.
2. In the case of recoupment, only the smaller grant amount should be counted, not the full grant amount, since recoupments are generally due to a DSHS oversight.

#### **E. Assets**

1. Assets are items of value that may be turned into cash. Annual income includes amounts derived from assets to which the resident has access. Necessary personal property is not counted as an asset. The calculation to determine the amount of income from assets to include in annual income considers both of the following:
  - a. The total cash value of the assets; and
  - b. The amount of income those assets are earning or could earn.
2. The "cash value" of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as penalties for premature withdrawal, broker and legal fees, and settlement costs for real estate transactions. The cash value is the amount the resident could actually receive in cash if the asset is converted to cash.
3. Assets may include:
  - a. Amounts in savings and checking accounts;
  - b. stocks, bonds,
  - c. savings certificates,
  - d. money market funds, other investment accounts;
  - e. equity in real property or other capital investments;
  - f. cash value of trusts that are available to the household;
  - g. IRA, Keogh and similar retirement savings accounts;
  - h. contributions to company retirement/pension funds;
  - i. lump-sum receipts such as inheritances, capital gains, lottery winnings,
  - j. cash from sale of assets, insurance settlements,
  - k. SS and SSI lump-sum payments and other claims;

- l. personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.;
    - m. cash value of life insurance policies;
    - n. assets valued at more than \$2000.00 disposed of for less than fair market value during the 2 years preceding the family's examination.\*\*
    - o. Excluding interests in Indian trust land or equity accounts in HUD homeownership programs
4. When the total cash value of all assets are more than \$5,000, annual income includes the greater of the following:
  - a. Actual income from assets; or
  - b. A percentage of the value of assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets.

\*\*Residents must declare whether an asset has been disposed of for less than fair market value. The amount counted as an asset is the difference between the cash value and the amount actually receive only when the fair market value exceeds the gross amount received by more than \$1,000.

#### **F. Allowances and Deductions (24 CFR 5.611)**

1. For Annual and Interim Recertifications only. There are five possible deductions that may be subtracted from annual income based on allowable expenses and household characteristics.
2. The three types of deductions available to any assisted household:
  - a. \$480 for each dependent;
  - b. Child care deduction; and
  - c. Disability assistance deduction.
3. The two types of deductions permitted only for households in which the head, spouse, or co-head is elderly or disabled:
  - a. \$400 for any elderly / disabled family;
  - b. Medical deduction for unreimbursed medical expenses that exceeds 3% of annual income.
4. Dependent Deduction
  - a. A household receives a deduction of \$480 for each member who is:
    - (1) Under 18 years of age;
    - (2) A person with disabilities; or
    - (3) A full-time student of any age.
  - b. The head of household, spouse, and co-head may never qualify as dependents. In addition, a foster child, an unborn child, a child who has not yet joined the family or a live-in aide may never be counted as a dependent.
  - c. A full-time student is one who is carrying a full-time subject load at an institution with a degree or certificate program. A full-time load is defined by the institution where the student is enrolled.

- d. When more than one household shares custody of a child and both live in assisted housing, only one family at a time can claim the dependent deduction for that child. The household with the primary custody or with custody at the time of move-in or annual recertification receives the deduction.

5. Child Care Deduction

- a. A household receives a deduction for child care expenses that are amounts anticipated to be paid by the family for care of children under thirteen (13) years of age, including foster children, during the period for which annual income is computed if all of the following are true:
  - (1) The care is necessary to enable a family member to work, seek employment, or further his or her education (academic or vocational).
  - (2) The family has determined there is no adult family member capable of providing care during the hours care is needed.
  - (3) The expenses are not paid to a family member living in the unit.
  - (4) The amount reflects reasonable charges for child care.
  - (5) The expense is not reimbursed by an agency or individual outside the family.
  - (6) The amount deducted does not exceed the amount of income earned by the family member made available to work during the hours for which child care is paid. NOTE: The expense for child care while that family member is at school or looking for work is NOT limited.
- b. Child care payments on behalf of a minor who is not living in the household cannot be deducted.

6. Deduction for Disability Assistance Expenses

- a. A household is entitled to a deduction for unreimbursed, anticipated costs for attendant care and “auxiliary apparatus” for each member who is a person with disabilities as certified by a physician or health care provider.
- b. The deduction is equal to the amount by which the cost of the care attendant or auxiliary apparatus exceeds three percent (3%) of household’s annual income. The deduction may not exceed the earned income received by the household member or members who are enabled to work by the attendant care or auxiliary apparatus.
- c. *Disability assistance* expenses include attendant care and auxiliary apparatus expenses that are:
  - (1) Necessary to enable a family member (18 years of age or older), including the member with disabilities to be employed;
  - (2) Anticipated to be paid by the household in the twelve (12) months following the effective date of the certification/recertification;
  - (3) NOT paid or reimbursed by an outside source such as insurance, Medicare or grants by a state agency or charitable organization; and
  - (4) NOT paid to a family member living in the household.
- d. Auxiliary apparatus includes, but is not limited to, wheel chairs, ramps, special devices for the visually impaired and adaptations to vehicles, but only if these items are directly related to permitting the disabled person or other household member to work. If the apparatus is not used exclusively by the member with a disability, staff shall pro-rate the total cost.

- e. The cost of maintenance and upkeep of an auxiliary apparatus is considered a disability assistance expense. (e.g. cost of maintaining the equipment that is added to a car, but not the cost of maintaining the car)
- f. Attendant care includes but is not limited to reasonable expenses for home medical care, nursing services, housekeeping and errand services, interpreters for hearing-impaired, and readers for persons with visual disabilities.
- g. If the individual or organization providing attendant care for the family member with the disability also provides other services to the family, staff must prorate the total cost and allowance specific amount for attendant care. The allocation must be reasonable in terms of hours and type of care (e.g., specialized medical vs. companionship) provided.

NOTE: The sum of both child care and disability assistance expenses cannot exceed the employment income for the household member enabled to work.

7. Elderly / Disabled Deduction

- a. A household receives a deduction of \$400 as an elderly or disabled household in which:
  - (1) The head, spouse or co-head (or sole member) is at least 62 years of age or a person with disabilities.
  - (2) Each household receives only one deduction, even if both the head and spouse are elderly or disabled.

8. Deduction for Medical Expenses.

- a. This allowance is permitted ONLY FOR households whose HEAD or SPOUSE is 62 years of age or OLDER, or is a person with disabilities (elderly or disabled families).
- b. If the household is eligible for a medical expense deduction, staff must include the unreimbursed medical expenses of ALL household members, including the expenses of non-elderly adults or children living in the household.
- c. Medical expenses include all expenses the family anticipates to incur during the 12 months following recertification that are not reimbursed by an outside source, such as insurance.
- d. Medical expenses may include but are not limited to: services of health care professionals or facilities; medical insurance premiums (does not include Life, Long-term Care or disability insurances); prescription medicines; nonprescription medicines prescribed by a physician; dental expenses; eyeglasses, hearing aids; medical assistance such as nursing services; chore services.
- e. *Service Animal (IRS definition for allowable medical expenses)* –Anticipated costs for the care of a “specially trained” guide dog or other animal to be used by a visually-impaired, hearing impaired person, or to assist persons with other “physical” disabilities are allowed. (Costs for the care of animals that are NOT “specially trained” or used to assist persons with “non-physical” disabilities are not eligible medical expenses). Costs may include: veterinary expenses, equipment and food. Anticipated expenses are based on the prior years out-of-pocket expenses verified by third party receipts.

- f. The medical expense deduction is that portion of total medical expenses that exceeds 3% of the household's total annual income.

**G. Release of Information [24 CFR 5.230]**

- a. Adult members of an resident household must authorize SHA to request independent verification of data. Adult members will be required to sign the HUD Form 9886 Release of Information/Privacy Act form. The HUD Form 9886 authorizes HUD and the SHA to obtain third party verification of the following:

- Any income information or materials from State Wage Information Collection Agencies (SWICA).
- Income information obtained from previous and current employers.

The HUD Form 9886 authorizes HUD **only**, to obtain third party verification of the following:

- Income information from the SSA.
- Income return information from the IRS.

- b. Household members will be required to sign authorization forms when information is needed that is not covered by the HUD Form 9886.
- c. Household members' refusal to cooperate with the HUD prescribed verification system will result in lease enforcement action.

**H. Methods of Verification and Time Allowed**

1. SHA will verify information through the 5 methods of verification acceptable to HUD in the following order:
  - a. Third-Party Up-Front
  - b. Third-Party Written
  - c. Third-Party Oral
  - d. SHA in-person review of Documents
  - e. Written Certification/Self-Declaration of the resident.
2. SHA will allow 10 business days (two (2) weeks) for return of third-party verifications, before going to the next method of document review or self-declaration. SHA will document the file as to why third-party verification was not used.
3. Verifications are valid for 120 days from the date of receipt by SHA. If the verification is greater than 120 days old, staff must re-verify. Time limits on verifications do not apply to information that does not need to be re-verified such as age, disability status, family membership, citizenship status, and social security number.
4. Third Party Verification.
  - a. *Third-Party Upfront Income Verification:*

The verification of income through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals.

**Types of Income That May be Verified Using Upfront Income Verification (UIV).**

- (1) Gross Wages and Salaries (including overtime pay, commission, fees, tips, bonuses, and other compensation for personal services.)
- (2) Unemployment Compensation
- (3) Welfare Benefits
- (4) Social Security Benefits (including Federal and State benefits, Black Lung benefits, dual benefits.)
  - (a) Social Security (SS)
  - (b) Supplemental Security Income (SSI)

*b. Third-Party Written Verification*

Independent verification of income and/or expenses by contacting the individual income/expense source(s) supplied by the resident. The verification documents must be supplied directly to the independent source by SHA and be returned directly to SHA from the independent source.

Third-party written verification forms may be sent and returned via first class mail, by fax, or by e-mail. SHA will not give third party verification forms directly to the resident.

*c. Third-Party Oral Verification*

Independent verification of income and/or expenses by contacting the individual income/expense source(s) supplied by the resident, via telephone or in-person visit. Staff shall originate the call to the source for verification.

*5. Review of Documents*

The SHA reviews original documents provided by the resident in support of their declaration of income during the income reexamination. This verification method can only be used as the sole source of income verification when third party verification cannot be obtained.

Residents have an obligation to the SHA to provide any letter or other notice, including any letter or notice from HUD that provides information concerning the amount or verification of family income, per section 3(f) of the U.S. Housing Act of 1937, as amended. Below is a summary of some acceptable resident-provided documents:

- Consecutive and original pay stubs
- Social Security Administration award letter
- Bank statements
- Pension benefit statements
- Temporary Assistance to Needy Families (TANF) award letter

- Other official and authentic documents from a Federal, State, or local agency.
- Signed letters or statements (provided that the information can be confirmed by phone)
- Pharmacy computer print-outs
- Medical insurance premium billings/invoices
- Medicare explanation of benefit forms
- School enrollment documents
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6. *Self-Certification/Self-Declaration*

As a last resort, when verification cannot be made by third-party verification or review of documents, families will be required to submit a written, notarized self-certification. Self-certification means a certification/statement under penalty of perjury.