

in HUD's automated files will be compared to data from the SSA and the IRS, as well as from SWICAs and the Office of Personnel Management (OPM). HUD intends the SSA and IRS matching to be a continuing program for assisted housing programs nationwide. HUD will normally request that the SSA conduct matching of earned income information, and that the IRS conduct matching of unearned income information, on an annual basis. HUD will request SSA matching of social security and supplemental social security income information monthly. Initially HUD may limit the matching or the verification process to selected HAs and private owners/management agents to test the effectiveness of the computer matching and tenant income verification processes.

HUD anticipates that it will only conduct SWICA matching in selected States. Furthermore, HUD anticipates that the extent of SWICA and OPM matching will decrease in future years, after the effectiveness of SSA and IRS matching and income verification has been demonstrated. HAs may also request SWICA matching.

HUD will disclose to the SSA, IRS, and SWICAs only tenant personal identifiers, i.e., SSNs, surnames, dates of birth, and sex. The SSA, IRS, and SWICAs will conduct the matching of the HUD-provided personal identifiers to personal identifiers included in their automated files. Those agencies will provide income data to HUD only for individuals with matching personal identifiers.

The process of income matching between HUD and the OPM varies from the above. The OPM will disclose its data to HUD, and HUD will actually conduct the computer matching to OPM data.

HUD will then compare the SSA, IRS, OPM, and SWICA income data to tenant-reported income data included in HUD's system of records known as the Tenant Housing Assistance and Contract Verification Data (HUD H-11). This comparison will identify, based on criteria established by HUD, tenants whose income(s) require further verification.

#### A. Income Verification

HUD will normally request that HAs or private owners/management agents verify matching results as described below. However, under certain limited circumstances HUD may verify tenant income(s) with independent income sources. For example, such circumstances may include when: (a) HUD declares an HA in breach of an annual contributions contract; or (b) the

tenant fails to disclose SSA and IRS data, the tenant has committed other serious violations, and HUD's analysis of the data could support legal actions. HUD may send letters to employers to request income data, but HUD will not disclose tax return data to HAs, private owners/management agents, employers, or payors.

#### (1) Verification of SSA and IRS Data Referenced in Section 6103(l)(7) of the Internal Revenue Code

Since HUD cannot redisclose tax return data directly to HAs or private owners/management agents, HUD plans to notify tenants of discrepancies between the tenant-reported income and the SSA and IRS data. HUD will supply the tenant with income information taken directly from SSA and IRS data and request that the tenant provide this information to the HA or private owner/management agent. Concurrently, HUD will notify the HA or the private owner/management agent that a discrepancy exists between information provided by the tenant and other sources and will request reverification of the tenant's income. This notification will not include any tax return information.

Income information that tenants disclose to the HA or private owners/management agents will be verified directly with the income source or with the tenant. Tenants who fail to report to the HA or private owner/management agent after HUD's initial notice will receive a second notice sent by the HA or private owner/management agent. If the tenant still fails to provide the information to the HA or private owner/management agent, the HA or private owner/management agent may then terminate housing assistance, after providing the tenant an opportunity to grieve any adverse action.

The SSA and the IRS have advised HUD that the process described in the preceding paragraph is consistent with the intent of section 6103(l)(7) of the Internal Revenue Code, as the intent of the matching is to create a dialogue between the benefit recipient and the benefit provider.

#### (2) Verification of Social Security and Supplemental Social Security Income Data

Unlike the income return information supplied by the SSA and the IRS, HUD may disclose SSA Title 2 (social security) and Title 16 (supplemental social security income) data to HAs and private owners/management agents. Therefore, after receiving this data from the SSA and comparing it to tenant-reported income, HUD will disclose the SSA social security and supplemental

social security income data to HAs and private owners/management agents. These disclosures will be limited to those instances in which a significant disparity exists between the SSA and the tenant-reported data. HAs and private owners/management agents will then notify the tenant if a disparity exists that affects the tenant's housing assistance.

#### (3) Verification of SWICA Data

HUD will disclose matching results for SWICA wage and unemployment claim data directly to HAs, but not to private owners/management agents. The comparison of SWICA wage information and the tenant-reported data will reveal whether income verification is necessary. The HA must then obtain wage information directly from the tenants' employer(s), including information from prior years when appropriate. The SWICA unemployment claim data must be verified with the tenant. Verification with the SWICA would only be required if the tenant disputes the SWICA claim data.

#### (4) Verification of OPM Data

HUD will disclose matching results for OPM data to HAs and private owners/management agents. The OPM data, when compared to the tenant-reported data, provides an indicator that income verification is necessary. The HAs and private owners/management agents may then obtain wage information directly from the employer(s), including information from prior years when appropriate.

#### B. Administrative or Legal Actions

Regarding all the matching described in this notice, HUD anticipates that HAs and private owners/management agents will take appropriate actions in consultation with the tenant to resolve the disparities between tenant-reported and independent income source data. If appropriate, the HAs and private owners/management agents will increase the tenant's contribution toward rent, i.e., reduce the housing assistance provided.

After verifying that the tenant had access to income that the tenant did not report, the HA or project owner/management agent will:

- (1) Notify the tenant in writing of any findings;
- (2) Calculate the unreported income and excessive housing assistance received by the family;
- (3) Offer the tenant an opportunity to contest any findings;
- (4) Provide a grievance hearing or a right to contest to the tenant, if requested; and