

least annually. However, under the QHWA of 1998, public housing agencies may now offer tenants the option to pay a flat rent, or an income-based rent. Those tenants who select a flat rent will be required to recertify income at least every three years. In addition, the Changes to the Admissions and Occupancy Final Rule (65 FR 16692; March 29, 2000) specified that household composition must be recertified annually for tenants who select a flat rent or an income-based rent.

The matching program identifies tenants receiving inappropriate (excessive or insufficient) rental assistance resulting from under or over-reported household income. When excessive rental assistance amounts are identified, some tenants move out of assisted housing units; other tenants agree to repay excessive rental assistance. These actions may increase rental assistance or number of units available to serve other beneficiaries of HUD programs. When tenants continue to be eligible for rental assistance, but at a reduced level, the tenants will be required to increase their contributions toward rent.

Tribes and TDHEs set admission and eligibility requirements pursuant to the requirements contained in the Native American Housing Assistance and Self-Determination Act of 1996. They are not required to provide tenant data to the Department. Therefore, their participation is discretionary.

III. Program Description

In this computer matching program, tenant-provided information included in HUD's automated files will be compared to data from the SSA and the IRS. HUD will normally request that the SSA conduct matching of earned income information and that the IRS conduct matching of unearned income information at least annually. The Federal tax information matching normally occurs in the first quarter of the Federal Fiscal Year, which begins in October and uses Federal tax information for the prior tax year.

HUD will also request SSA matching of social security, supplemental security income, and special veterans benefits information monthly for residents due to be recertified in four months, and daily (on the receipt of new certifications) for residents. The daily process is currently used only for HUD's Office of Housing's Rental Assistance Programs and may be expanded to the Office of Public and Indian Housing's rental assistance programs. Indian Tribes and Tribally Designated Housing Entities may receive and use social

security and supplemental security income matching information provided by HUD.

HUD may also request SWICA matching to supplement SSA and IRS matching and income verification. Public housing agencies, but not owners and management agents, may also request SWICA matching.

HUD will disclose to the SSA, IRS, and SWICAs only tenant personal identifiers, *i.e.*, SSNs, surnames, and dates of birth. 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 conduct the computer matching to OPM data.

HUD will then compare income data obtained from the sources cited above to tenant-reported income data included in HUD's system of records known as the Tenant Eligibility Verification Files (HUD/REAC-1) published at 65 FR 52777; August 30, 2000. HUD/REAC-1 receives tenant data from the Tenant Housing Assistance and Contract Verification Data (HUD/H-11), published at 62 FR 11909, March 13, 1997. The tenant income comparisons identify, based on criteria established by HUD, tenants whose incomes require further verification to determine if the tenants received appropriate levels of rental assistance.

A. Income Verification

HUD will normally request that POAs verify matching results as described below. However, under certain limited circumstances, HUD may verify tenant incomes with independent income sources. For example, such circumstances may include: (a) When HUD declares a public housing agency in breach of an annual contributions contract; or (b) when tenants fail to disclose SSA and IRS data, or the tenants commit 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 data to POAs.

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

Since HUD cannot redisclose tax data directly to POAs, HUD will notify tenants of discrepancies between the tenant-reported income and the SSA

and IRS data. HUD will supply the tenants with their income information taken directly from SSA and IRS data and request that the tenants provide this information to the POA. Concurrently, HUD will notify the POA that a discrepancy exists between information provided by the tenants and other sources and will request reverification of the tenants' incomes. The notifications to the POAs will not include any tax information.

Income information that tenants disclose to the POAs will be verified directly with the income source or with the tenant. HUD has determined that POAs may consider the Federal tax information that tenants disclose to the POAs as verified if the tenant does not contest the accuracy of this information when offered an opportunity to do so. If the tenant contests the Federal tax information, the POA must verify it with the entities that provided the information to the SSA or the IRS.

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, Supplemental Security Income and Special Veterans Benefits Data

Unlike the income information supplied by the SSA and the IRS for tax purposes, SSA's social security, supplemental security income and special veterans benefits data may be disclosed to POAs. (The Foster Care Independence Act of 1999; Pub. L. 106-169 provided a new Title VIII of the Social Security Act, which authorized special benefits for certain World War II veterans.) Therefore, after receiving this data from the SSA and comparing it to tenant-reported income, HUD will disclose the SSA social security, supplemental security income and special veterans benefits data to POAs. These disclosures will include information on monthly social security, supplemental security income, and special veterans benefits data and, where applicable, income discrepancy information between tenant-reported data, as reported by POAs, and the income amounts provided by the SSA. POAs will use this information in periodic verifications of tenant incomes that are required to determine program eligibility and rental assistance amounts. HUD has implemented secure electronic facilities for transmitting social security, supplemental security