

Seattle Multifamily Tax Exemption (MFTE) and Incentive Zoning Income Verification Summary

REA #	Income Source	Required Verification Documentation	Count as income	Notes
1,2	Employment	MFTE/IZ Employment Verification <u>or</u> printout from an employment verification company showing same information. Six pay stubs should be requested <u>only</u> if there is are unsuccessful documented attempts to retrieve the above materials. See notes. If employment offer letter is available, an MFTE/IZ Employment Verification is still required to be sent to the employer regardless of start date.	GROSS INCOME , including annual wages/salary, overtime, bonuses, commission, tips. It is not acceptable to use net amounts after taxes or otherwise remove bonuses, tips or overtime to increase chances of eligibility. Bonuses anticipated or received historically are projected forward. If tips are received but employer does not provide number, assume 20% of income. Use higher of annualized periodic income and annualized YTD income. Exceptions to using the YTD figure are allowable only in cases of truly sporadic or seasonal income and with prior approval from the Office of Housing.	Form completed by applicant's employer(s) . Resident must sign Employment Verification form. Property will fax, mail, or email directly to each employer. ALL fields must be entered by employer, staff are expected to follow up on missing information. Include self-addressed envelope if mailing. If employer has outsourced employment verification, it is acceptable to pass on the expense to resident if they approve. If two attempts have been made to obtain form and no response from employer within 14 days from original submittal date, document on file. It is then acceptable to obtain 6 most recent consecutive paystubs from applicant. Ensure that YTD begin date is correct- date is not necessarily 1/1/201x, but may begin in the previous calendar year if the pay period began during that time.
3	Self-employment	MFTE/IZ Self-Employment Verification Form , include signed <u>and</u> completed most recent federal income tax return (1040) with schedules <u>or</u> Profit and Loss statement (for new businesses only that do not have 12 months covered on tax return).	Net income from operation of business or profession, including any cash withdrawals.	Form and documentation completed and submitted by applicant. Do not deduct depreciation, payments to expand business, or principal payments on debt. Count salaries, cash or assets withdrawn by family members except when reimbursement of investment in business.
4	Social Security Income	Award letter <u>or</u> recently dated Benefit Statement <u>or</u> completed MFTE/IZ Social Security or Supplemental Security Income Benefits Form	Count the anticipated gross amounts before deductions for Medicare to be received during the 12 month period beginning on the certification effective date.	Letter or statement submitted by applicant. SSA/SSI award letters for the new year are typically received by the recipient in November or December of the previous year. Use the most current information available.
6	Child support	Notarized MFTE/IZ Child Support Affidavit <u>or</u> print-out from DSHS/Office of Support Enforcement <u>or</u> notarized letter from parent paying support	Anticipated payments to be received during 12 month period beginning on the certification effective date.	Form completed/statement submitted by applicant. A notarized MFTE/IZ Child Support Affidavit must be used when there is no formal court-ordered child support arrangement and the resident cannot provide any other documentation.
7	Alimony/spousal payments	Separation Agreement/Divorce Decree <u>or</u> notarized letter from former spouse paying support	Anticipated payments to be received during 12 month period beginning on the certification effective date.	Decree <u>or</u> letter submitted by applicant.
8	Public Assistance Income	Print-out from DSHS <u>or</u> MFTE/IZ Public Assistance Verification Form	Anticipated payments to be received for 12 month period beginning on the certification effective date. DO NOT verify or count the following: Food stamps; HUD housing assistance (Section 8); Shelter Plus Care.	Most recent statement submitted by applicant <u>or</u> property sends form to agency.
9	Unemployment, Labor & Industries Disability Benefits	Benefits statement from Employment Security Department or Labor and Industries, or Unemployment Benefits Verification Request	Anticipated benefit payments to be received during 12 month period beginning on the certification effective date.	Most recent benefits statement submitted by applicant <u>or</u> property sends/receives form from agency.
10	Military Pay	Copy of current Leave and Earnings Statement (LES) with the applicable clothing allowance added <u>or</u> MFTE/IZ Military Pay Verification Request	Anticipated amounts to be received during 12 month period beginning on the certification effective date.	LES submitted by applicant <u>or</u> property sends/receives form from Commanding Officer. Do not verify or count re-enlistment bonus, Imminent Danger (Hazardous Duty) pay. Service members can request their LES at https://mypay.dfas.mil/mypay.aspx . Note that the post 9/11 GI Bill is excluded from income calculation in its entirety- this exclusion includes the Basic Allowance for Housing (BAH).
11	Periodic Distributions from Long-Term Care Insurance, Pensions, Annuities, Disability or Death Benefits	Annual benefits statement <u>or</u> MFTE/IZ Pension Verification Request form.	Full amount of periodic payments anticipated to be received during 12 month period beginning on the certification effective date. Withdrawals from retirement savings and 401k accounts that are not recurring periodic payments are not included in income.	Form completed by institution or statement provided by applicant. Lump-sum receipts from pension and retirement are counted as assets. If received as periodic payments, count as income. If the individual initially receives a lump-sum benefit followed by periodic payments, count the lump-sum as asset and treat the periodic payments as income. If not receiving payments, count as an asset.
12	Gift Income	Notarized Gift Affidavit Form signed by applicant <u>or</u> person/entity providing the assistance, stating the purpose, dates, and value of the monetary gifts (including rent payments, car payments, living allowance, etc.)	Anticipated gift payments, regardless of source outside the household, to be received during 12 month period beginning on the certification effective date. Do not count groceries provided directly to the applicant.	Form completed by applicant <u>or</u> person/institution providing income. If a cosigner provides gift payments to the household to assist with rent or bills, it must be included as income. If cosigner does not currently provide assistance and does not intend to provide ongoing assistance to household, do not include as income. The Gift Affidavit must be notarized, there are no exceptions. It may be notarized out of state and should not be notarized by property staff.

13	Rental Property Income	Copy of resident's most current signed tax return (IRS Form 1040 and Schedule E) <u>or</u> if the resident has just started to rent the property and no tax return has been filed, obtain a copy of the resident's tenant rental agreement to determine rental income. If no tax return, obtain copy of the latest mortgage payments on the property, insurance, maintenance costs, taxes.	Income is the difference between rental payment received from applicant's tenant minus the mortgage payment, taxes, insurance and reasonable maintenance costs. Do not exclude depreciation.	Tax return and schedules submitted by applicant. Add back to net income any depreciation taken (See Schedule E of tax return). On 2015 Schedule E, Add line 24 (Income) and sum of row 18 (Depreciation Expense or Depletion).
14	Private Contract for Real Estate Sold	Copy of contract and amortization schedule.	Count as income the anticipated interest portion of payment for 12 month period beginning on the certification effective date.	
15	Other Income Sources	Verify that income source is not better categorized elsewhere on REA. Documentation for Other Income will depend on source. Contact the Office of Housing.	Contact the Office of Housing.	Contact the Office of Housing.
Exclusions	Do Not Include as Income	Student financial assistance in the form of grants, loans, scholarships, workstudy, etc. is excluded from income for the purpose of MFTE and IZ income verification. Nonrecurring or sporadic income, lump sum additions (such as one-time lottery, inheritances, these are valued as assets), employment income from minors unless they are 18 in first 12 months are excluded as well.		

Seattle MFTE and Incentive Zoning Asset Verification Summary Chart

REA #	Assets	Required Verification Documentation	Count as income	Notes
If the household declares less than \$5,000 in total assets on the Resident Eligibility Application, collect ONLY the following form:				
16-28	Household claims Less than \$5,000 in Assets	Under \$5,000 Asset Certification form. Properties may choose not to use this form, in which case they must instead verify individual assets per below direction.	If total assets for the household (including assets in the name of children) are \$4,999 or below, count as income actual amounts based on interest rates. So, if savings has interest rate of 0.25%, use that figure to calculate income from asset. For assets under \$5,000, do not calculate the imputed interest amount (0.06%).	Form submitted by applicant. This form applies to the entire household and not to each individual, e.g., if a household is comprised of two applicants that each had \$3,000 in assets for a total of \$6,000, the form can not be used. The under \$5,000 Asset Certification form provides a definition of what is counted as an asset.
If the household declares \$5,000 or more in total assets on the Resident Eligibility Application, collect the appropriate documentation below only for the assets disclosed:				
16	Checking Account	MFTE/IZ Deposit Verification Request form showing average balance for last six months <u>or</u> most recent consecutive six months's worth of bank statements.	Asset value is the average 6 month balance. Imputed interest is calculated regardless of whether account is interest bearing. Property will calculate income based on actual interest rate (when applicable for some checking accounts) and imputed 0.06% interest rate.	Statements submitted by applicant <u>or</u> form sent by property directly to financial institution(s). If household member has checking and savings at same bank and property is sending Deposit Verification Request form, only one form is required for both accounts.
17	Savings Account	MFTE/IZ Deposit Verification Request form showing current savings account balance <u>or</u> bank statement showing current account balance.	Current account balance is the asset value. Property will calculate 12 month anticipated income based on actual interest rate and imputed 0.06% interest rate.	Statements submitted by applicant <u>or</u> form sent by property directly to financial institution(s). If household member has checking and savings at same bank and property is sending Deposit Verification Request form, only one form is required for both accounts.
18, 19, 21, 22	Stocks, Bonds, Money Market Funds, CDs, IRA,401k,Annuities	Annuity or Stock Verification Request Form <u>or</u> account statement, certificate of deposit, letters or documents from a financial institution or broker's quarterly statements.	Asset value is current value less any fees and penalties for converting to cash and any tax penalties. Property will calculate income based on actual interest rate and imputed 0.06% interest rate.	Statements submitted by applicant <u>or</u> form sent by property directly to financial institution(s). Statements must show net amount household would receive if liquidated funds and any rates of return when applicable.
20	Trusts	Copy of the Trust Agreement	Determine whether applicant(s) is the creator/grantor or the beneficiary/trustee. If the grantor, determine if the trust is revocable or nonrevocable. If revocable, the value of the trust is the asset value. If nonrevocable, do not count the trust as an asset as the creator/grantor has no access to the funds. If the beneficiary, determine if they have access to the funds. If yes, the asset value is the amount that could be withdrawn less any penalties. If the beneficiary withdraws all the money as a lump sum, it is an asset. If the beneficiary receives a portion of trust on periodic basis, count amounts received as income. If there are no periodic payments and the interest income earned from the trust is reinvested, do not count the reinvested amounts as income.	Documentation provided by applicant. If no member of the household has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income. If only the interest income (not the principal) is available to any member of the household, this income is counted towards annual income, but the trust is not included in the calculation of income from assets. Contact the Office of Housing if in need of assistance.

23	Real estate	If real estate is currently owned and for sale, use the Real Estate Evaluation Worksheet . If real estate was lost due to bankruptcy, foreclosure, divorce or separation, it is not considered an asset and is not counted. Here, obtain final foreclosure documents (not Notice of Foreclosure), copy of divorce decrees that shows distribution of assets, other documentation as appropriate.	Asset value= market value less unpaid balance on any loans secured by the property and costs incurred in selling the asset, penalties, brokers fees, etc.	Documentation provided by applicant. Use the market value in all calculations, not the tax valuation or appraised value. If applicant household currently owns real estate that they are renting to other occupants, see section 13 above. If real estate was sold on contract, see section 14 above. For complicated transactions, contact Office of Housing
25	Personal property held as investment	Documented appraisal or applicant/resident certification.	Count as an asset antique cars, gems, jewelry, coin collections, that are held as an investment.	Documentation provided by applicant. DO NOT include as an asset personal property such as clothing, jewelry, furniture cars for daily transportation, wedding rings, or assets that are a part of an active business.
26	Assets disposed of for less than FMV in 2 years prior	Self-certification by applicant <u>or</u> person who purchased or received asset <u>and</u> an appraisal .	The amount counted as an asset is the difference between the fair market value of the asset and the amount actually received for the asset. Property will calculate imputed amount as if it was earning interest at 0.06%.	Note that the requirement to disclose assets disposed of over the last two years only applies when asset value exceeds \$1,000. This applies to cash gifts as well as property. DO NOT count assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation.
27	Cash on Hand	Cash on hand Affidavit	Asset value is current amount of cash on hand. Property will calculate imputed amount as if it was earning interest at 0.06%.	This is income that is not in a bank account or in another investment, such as "cash under the mattress". Impute interest income (0.06%) if over \$5,000 in assets.
28	Other Assets	Verify that asset is not better categorized elsewhere on REA. Documentation for Other Assets will depend on type. Contact the Office of Housing.	Contact the Office of Housing.	Contact the Office of Housing.

Multifamily Tax Exemption (MFTE) and Incentive Zoning Income Verification Process

Determining Rents in MFTE and Incentive Zoning Programs

1.) Provide Resident Eligibility Application (REA) to Applicant	<ul style="list-style-type: none"> * REA must be completely filled out by applicant to be accepted. All income sources are for 12 months after move-in. * Property representative and applicant must sign same day. * Property completes cover page, each adult household member completes pages 1-4. * If not completed correctly or absent from file, resident is not eligible and property is out of compliance. * Retain on file for 6 years after move-out. * Satisfies MFTE requirement to provide definition of income to applicant and disclose all income sources. * REA values expected to represent reasonably accurate estimates only.
2.) Obtain Income and Asset Documentation to Support Sources Disclosed in REA	<ul style="list-style-type: none"> * Once REA is completed, income sources should be verified within 2 weeks of signature date. * Use REA crosswalk above to determine what documentation is required for each income/asset source * If total household assets are under \$5,000, 3rd party verification of each asset is not necessary. Use Under \$5,000 Asset Certification form. * If unsure about appropriate documentation for a given source, contact Office of Housing. * Retain all income documentation on file minimum 6 years after move-out. * Gross discrepancies between REA and documented value of income requires follow-up with applicant.
3.) Enter Verified Income into Household Eligibility Certification (HEC)	<ul style="list-style-type: none"> * Enter all verified income, assets values and income from assets into the HEC. Recommend using in Excel form prior to printing /signing. * For employment income, calculate the annualized periodic and the annualized YTD and use higher of two calculations. * When total household assets are valued at \$5,000 or higher, HEC will choose the higher of the actual value or the imputed value of assets * If total household income falls at or below the maximum income allowable for the unit, the household is eligible for the affordable unit. If total household income is above the maximum income limit, the household is not eligible for an affordable unit. No exceptions to this are granted under any circumstances. The Office of Housing will never grant exceptions directly to applicants to relay to property staff. * Property representative and applicants must sign REA and HEC prior to the lease being signed. * Calculations and data entered entirely by property representative- applicants sign when complete. * Retain all documentation on file for 6 years after move-out and for all applicants determined to be ineligible.
4.) Sign Lease	* Property will be held accountable for income ineligible tenants who are not screened and placed in designated affordable units.
Reporting	<ul style="list-style-type: none"> * Annual Property Certification Reports are due no later than 10/31, reporting information from 10/1 prior year to 9/30 current year. * The Office of Housing will pursue remedies for any compliance issues identified during compliance period reported.
Compliance Resources	<ul style="list-style-type: none"> * The MFTE and Incentive Zoning Compliance Page is located at the webpage below. All updates, forms, and program information will be posted on this page. It is management's responsibility to keep up with updates and contact the MFTE/IZ Compliance Specialist if there are any questions or issues. <p style="text-align: center;">http://www.seattle.gov/housing/property-managers/mfte-and-iz-compliance</p>

Rent Maximums	<ul style="list-style-type: none"> * Rent maximums are calculated yearly by the Office of Housing based on the Area Median Income (AMI) provided by the US Department of Housing and Urban Development. * Current Rent Maximums for MFTE and Incentive Zoning are posted on compliance webpage. See link below left. * Rent maximums may only be updated to current effective limits upon lease renewal or when MTM, with proper notice.
Adjustments to Maximum Rents	<ul style="list-style-type: none"> * Gross rents must be at or below the maximum allowable rent. *Gross rents include the base rent, tenant paid utilities, and all non-optional recurring fees the tenant pays as a condition of tenancy. Base rent must be below adjusted amount as follows:
Adjusted Maximum Rent Calculation	<ul style="list-style-type: none"> Maximum Rent - Utility Allowance (see current schedule on webpage) - All non-optional recurring fees (regardless of source/purpose) = Adjusted Maximum Rent <p>When base rent is at or below the Adjusted Maximum Rent, the property is in compliance with MFTE/IZ requirements. Property may then add in any optional fees, such as pet rent, storage, parking, etc.</p>
Rent Calculation Example	Property has 75%AMI maximum for all income/rent restricted 1 BR units. Tenants are responsible for electricity and heat, are required to obtain renters insurance, pay King County Sewer Capacity Fee, and required to pay for wi-fi. Per the below calculation, the max rent that can be charged is \$1,258:
2016 75%AMI Max Rent	\$1,355
Utility Allowance	-\$40 (electricity and heat option per UA schedule)
KC Sewer Capacity Fee	-\$35 (example only, charge will vary)
Renter's Insurance	-\$12 (only factor in when required)
Required Internet	-\$10 (only factor in when required)
Adjusted Maximum Rent	\$1,258 (example only, other req. fees may reduce rent further)