

Guidelines for Rental Property Owners: Calculating Tenant Income Levels

These guidelines have been prepared to assist property owners in calculating and documenting the income levels of tenants in the Small Rental Assistance Program. Property owners are urged to become familiar with the information provided and to use all appropriate documents and forms in calculating and documenting the income levels of tenants. All documents must be complete and maintained in the property owners file for the duration of time in which the unit is occupied by the approved household.

Income Guideline Reminders

1. Small Rental Assistance Program (SRAP), Rounds 1 and 2

- a. 51% of all units in an individual property must be occupied by households whose annual income is at or below 80% of the Area Median Income (AMI).
- b. Two or more unit program properties (duplex, tri-plex, or four-plex) applicants are allowed to have one unit occupied by a household whose annual income is at or below 120% AMI.

2. Neighborhood Rental Restoration Project (NRRP)

All units must be rented to households whose income is at or below 50% AMI.

3. MDA lease

Applicants must only use the **MDA Lease** for all SRAP and NRRP approved properties.

4. Income limits and rental rates

- a. Income limits are based on the county in which the property is located and the number of persons in a household. Please note that the number of persons in a household includes all individuals regardless of age or employment status.
- b. Rental rates listed on the annual MDA-released document are the maximum rates applicants are allowed to charge per unit. This rate includes **all** utilities. If an applicant opts not to pay **all** utilities, the Utility Allowance listed must be deducted to determine the maximum rent which may be charged per unit.

Guideline Documents

The following documents are included here for the property owner's use:

- Income Verification Cover Sheet and Checklist—This document will guide the property owner in the process. It includes questions and instruction necessary for the completion of each household income certification. This document must be attached to all applications and completed in its entirety.
- Income Inclusions and Exclusions—This document contains a list of all income that must be included and that which is excluded when determining a household's annual income.
- Household Members Type, Allowable Deductions, Other—This document defines household members, lists deductions allowed in calculating the household income, and other helpful information.

Identification Documentation Forms

- Tenant Release and Consent Form—This form gives the property owner permission to receive and release information required for the income verification process. All adults in the household must sign the form.
- Rental Application—This form must be completed by the applicant for the rental property. Page one of the rental application must be completed for all household members. Page two should be signed by the head of household and spouse or significant other if applicable.

Income Documentation Forms

- Form 1: Section 8 Voucher—If the tenant has a current Section 8 certification, the tenant's household income has already been reviewed by HUD. No other income verification form is required. The property owner is responsible for determining that the voucher has not expired. The property owner may also use the Housing Assistance Payment (HAP) contract.
- Form 2: Income Calculation Examples—These documents are examples of income calculations for different types of households. A similar document must be created to report the calculation of the forecasted household income.
- Form 3: Last Three Pay Stubs—This example is a reminder to the property owner to use the gross amount in calculations. If only one pay stub is available, the property owner may use YTD gross to forecast annual income.
- Form 4: Last Tax Return—This example is from 2010. For income calculation purposes, the property owners should use the most recent year's form.

- **Form 5: Self Employment/Cash Income Affidavit**—This form serves as proof of self-employment income (business income) or cash income for individual household members. Individuals who are in business and have filed the appropriate income taxes (current two years returns) must complete the top section of this form. The income listed will be the business income listed on the tax return (See Form 1040, line 12), plus any depreciation (See Schedule C, line 13). Other individuals who have not filed tax returns for their cash income will complete the bottom section by recording their anticipated weekly cash income. Once completed, this form must be signed and notarized.
- **Form 6: Last Two Tax Returns with Schedule C**—This example is of the Schedule C form which should be included with the tax returns and used to calculate Self-Employment income.
- **Form 7: Current Letter of Government/Pension Benefits**—This example shows a Supplement Security Income statement from the Social Security Administration.
- **Form 8: Tax Return Affidavit**—This form must be signed and notarized for each adult household member who has not filed a current year’s tax return. This form may also be used for an adult member who has filed but who is unable to locate the return. The appropriate reason should be checked under the area marked “Additional Filing Information” which pertains to the individual household member.
- **Form 9: Certification of Zero Income**—This form, which must be signed and notarized, is for use by tenants who receive no income or who are only receiving the benefits listed as their only source of income.
- **Form 10: Unemployment Compensation Verification**—This form is used to verify tenants’ unemployment compensation and/or to verify any income reported to the MS Department of Employment Security. A form must be completed by all adult occupants who claim no income or only unearned income (i.e. Social Security Benefits).