MEDICAID

INCOME

Iowa Department
of Human Services

TABLE OF CONTENTS

Page

OVERVIEW 1
Verification of Income 1
When Verification Is Submitted 2
When Incomplete Verification Is Submitted 2a
When No Verification Is Submitted 2c
Use of WAGE A Information 2d
FMAP-Related Income Limits 2h
SSI-Related Income Limits 3
State Supplementary Assistance Income Limits 4

INCOME POLICIES FOR SSI-RELATED COVERAGE GROUPS 4
What Is Income 4
What Is Not Considered Income 5
Projecting Future Income 5
Determining Joint Ownership of Income 6
Deeming SSI-Related Income 7
Deeming from an Ineligible Spouse 8
Deeming from an Ineligible Parent to an Eligible Child 11

TYPES OF SSI-RELATED INCOME 13
AIDS/HIV Settlement Payments 13
Annuities 13
AmeriCorps Payments 13
Assistance Payments 14
Benefit and Other Payments Made in Error 14
Blood Plasma 14
Census Income 14
Child Student's Earnings 14
Child Support 16
Dedicated Accounts 16a
Disaster Assistance 16a
Dividends 17
Earned Income Credit 18
Educational Assistance 18
Emergency Energy Conservation Services Assistance 20
Employer's Benefits 21
Expenses of Obtaining Income 21

Page

Experience Works Income 22
Federal Department of Labor Payments 22
Food and Shelter Received During a Medical Confinement 22
Food Programs (Federal) 22
Foster Care Payments 22
Garnishments and Other Withholdings 22a
General Assistance Payments 23
Gifts 23
Green Thumb Income 23
Home Equity Conversion Plans 23
Home Produce for Personal Consumption 25
Housing Assistance 25
Income Replacement 25
Income Tax Refunds 26
Indian Assistance 26
Infrequent or Irregular Income 26
Inheritance Income 27
Insurance 28
Interest Income 30
Jury Duty Pay 31
Lien Recovery Payments 31
Loans 31
Low-Income Home Energy Assistance Payments (LIHEAP) 31
Lump-Sum Income 31
Medical Assistance Income Trusts (Miller-Type Trust) 32a
Military Pay 32a
Noncash Items 32b
Other Excluded Federal Payments 32b
Personal Services 34
Property Tax Refunds 34
Rebates and Refunds 35
Recouped Benefits Paid in Error 35
Relocation Assistance 35
Rent Reimbursement Payments 36
Rental Property or Life Estate Income 36
Resource Conversion or Sale 37
Resource Replacement 37
Retirement Funds 38
Retroactive SSI Payments 38

Page

Sheltered Workshop Earnings 38a
Sick Pay 38a
Social Security Payments 38a
Social Services 38b
Strike Pay 38b
Third-Party Payments 39
Vacation Pay 39
Victims' Compensation Payments 40
Wages 40
Winnings 40
Workers' Compensation 40

SSI-RELATED IN-KIND INCOME 41
In-Kind Earned Income 41
In-Kind Unearned Income 42
In-Kind Support and Maintenance (ISM) 43
Determining the Client's Living Arrangement 43
Living in Another Person's Household 43
Paying a Pro Rata Share 44
When to Apply the Value of One-Third Reduction (VTR) Rule 45
When to Apply the Presumed Maximum Value Rule (PMV) 46

SSI-RELATED SELF-EMPLOYMENT INCOME 48
Determining if a Client is Self-Employed 48
Determining Income from Self-Employment 49

SSI-RELATED VETERANS AFFAIRS PAYMENTS 51
Compensation Payment 52
Pension Payments 53
Aid and Attendance and Housebound Allowance 53
Clothing Allowance 54
Payments for Dependents 54
Educational Benefits 56
Payment Adjustment for Unusual Medical Expenses 56

Page

SSI-RELATED DEDUCTIONS 58
$20 General Income Deduction 58
$65 Plus One-Half Deduction 59
Deduction for Impairment-Related Work Expenses 60
Attendant Care Services 62
Routine Drugs and Medical Supplies and Services 63
Durable Medical Equipment and Prostheses 63
Modified Vehicles 64
Driver Assistance, Taxicab or Other Hired Vehicles 65
Own Unmodified Vehicles 66
Deduction for Work Expenses for the Blind 66
Deduction for Plan for Achieving Self-Support 67

INCOME POLICIES FOR FMAP-RELATED COVERAGE GROUPS 68
Income Considered 68
Whose Income Is Not Counted 69
Income Under a Shared Living Arrangement 70
Minor Parents and Minor Pregnant Women 70
Living with a Parent Who Receives FMAP 70
Living with a Self-Supporting Parent 72
Self-Supporting Parent's Income 74
Spouse of the Self-Supporting Parent 75
Budgeting for FMAP-Related Households 76
Projecting Income 77
Rounding Down 79
Dropping the Third Digit 80
Applying Income Tests for FMAP and CMAP 80
Step 1: 185% Eligibility Test 80
Step 2: Standard of Need Eligibility Test 80b
Step 3: Benefit Standard Eligibility Test 82
Work Transition Period (WTP) 84
Qualifying Employment 85
Verification 86
Exemption Period 86

Page

TYPES OF FMAP-RELATED INCOME 87
Adolescent Pregnancy Prevention Payments 87
Adoption Subsidy 88
Alimony 89
AmeriCorps 89
Blind Training Allowance 90
Blood Plasma 90
Cafeteria or Flexible Benefit Plans 90
Car Pool Payments 91
Census Earnings 91
Child's Earnings 91
Corporation Income 91
Crime Victim Compensation 91
Department of Labor Payments 91
Disability Benefits 92
Disaster and Emergency Assistance 92
Diversion Programs 92
Dividend Income 93
Domestic Volunteer Services Act 93
Earned Income Credit 93
Energy Assistance Support and Maintenance 94
Family Investment Program Assistance 94
Family Self-Sufficiency Grants 94
Family Support Subsidy 95
Federal Payments 95
Federal Tax Refunds 96
Financial Assistance for Education or Training 96
Focus Group, Survey or Study Income 97
Food Programs 97
Food Stamp Employment and Training Allowance 97
Foster Care Payments 97
Gambling Winnings 97
General Assistance 98

Page

Gifts 98
Grants Precluded From Use for Current Living Costs 99
Home Produce for Personal Consumption....99
Housing Supplements 99
Income Tax Refunds 99
Indian Tribe Judgment Funds 99
Individual Development Accounts 99
In-Kind Earned Income 103
In-Kind Unearned Income 104
Interest Income 104
Job Corps 105
Jury Duty Pay....105
Lien Recovery Payments 105
Loans....106
Low Income Home Energy Assistance Payments (LIHEAP) 106
Medical Expense Settlement....107
Mortgages 107
Preparation for Adult Living (PAL) Stipend 107
PROMISE JOBS Payments 108
Property Sold on Contract....108
Refunds from Rent or Utility Deposits 108
Reimbursements....108
Representative Payee Income 109
Retirement Benefits 110
Retroactive Corrective Payments....111
Retroactive SSI Payments....111
Severance Pay 111
Sick Pay 111
Social Security Income 112
Social Security Benefits Extended for Education....113
Strike Benefits or Picket Pay 113
Student Earnings 114
Subsidized Guardianship Payments....114
Taxes....115
Tip Income....115
Trust Payments 115
Unemployment Insurance Benefits....115

Page

Vacation Pay 116
Vendor Payments 116
Veterans' Benefits 116
Veterans' Benefits for Education or Training 116
VISTA Payments 116
Vocational Rehabilitation Training Allowance 117
Wages 117
Welfare Reform Evaluation Payments 118
Welfare to Work Payments 118
Work Force Investment Project Incentive Allowance Payments 119
Worker's Compensation 120

CHILD SUPPORT FOR COMPOSITE FIP AND FMAP HOUSEHOLDS 121
$50 Exemption 122
Treatment of Support for Applicants 123
Establishing the Date of Receipt 125
Treatment of Support for Recipients 126
Direct Support Not Refunded by the Client 127
Support for the First Month of Ineligibility 129
Support for an Ineligible or Voluntarily Excluded Child 130

FMAP-RELATED LUMP-SUM INCOME 131
Recurring Lump Sum 131
Income from Contract Employment 134
Periodic or Intermittent Income 135
Nonrecurring Lump Sum 135
Exempt Lump Sums 137
Nonexempt Lump Sums 138
When to Count the Lump Sum 138
Budgeting the Lump Sum 139
Period of Proration 139a
Receipt of Another Lump Sum During a Period of a Proration 144
Members Entering the Household During a Period of Proration 145
Conditions for Shortening the Period of Proration 147

Page

FMAP-RELATED SELF-EMPLOYMENT INCOME 155
Determination of Self-Employment 156
Determination of Net Profit 157
Renting Apartments in the Client's Home 158
Providing Room and Board, Family-Life, or Nursing Care 159
Providing Child Care in Own Home 159
Other Home-Based Operations 160
Non-Home-Based Operations 161
How to Treat Self-Employment Income 162
Income and Expenses Received Regularly 162
Annualizing Income Received Irregularly 162
Income Received Irregularly for Less Than a Year 164
Change in the Cost or Nature of Self-Employment 165

FMAP-RELATED DEDUCTIONS AND DIVERSIONS 165
Unearned Income Deductions 168
Earned Income Deductions 169
20% Earned Income Deduction 169
Deduction for Child or Adult Care Expense 170
Guidelines for Applying the Child/Adult Care Deduction 171
58% Work Incentive Deduction 174
Diversion for People Not in the Home 179
Diversion for the Needs of an Ineligible or Voluntarily Excluded Person 180
Ineligible or Voluntarily Excluded Child 180
Determining Needs of the Common Ineligible Child 180a
Ineligible Parent 181
Voluntarily Excluded Parents 181
Treatment of Stepparent Income 181
Deductions 182
Parent's Income in Stepparent Cases 186
Ineligible Parent Deductions 187

OVERVIEW

This chapter contains income policy information for both SSI-related and FMAP-related Medicaid coverage groups. General income policies regarding verification of income and income limits follow this overview.

Next, you will find the income policies for the SSI-related coverage groups. This section begins with an explanation of projecting income, joint ownership, and deeming.

The following section gives instructions on how to treat each type of income for SSI-related coverage groups, alphabetized by types. In-kind income, self-employment income, and veteran's affairs payments are described in separate sections because they are longer and more detailed. The last SSI-related section covers deductions.

The balance of the chapter contains the income policies for the FMAP-related coverage groups. This part begins with a section explaining what income is considered. It also explains budgeting for FMAP-related households, income in minor parent or minor pregnant woman situations, and the Work Transition Period (WTP).

The next section gives instructions on how to treat each type of income for FMAP-related coverage groups, alphabetized by types. Child support for composite FIP and FMAP-related households, lump-sum income, and self-employment income are described in separate sections.

The balance of the chapter covers FMAP-related deductions and diversions, including stepparent situations and ineligible parent situations.

Verification of Income

Legal reference: 441 IAC 76.2(249A), 75.57(1)"f" and 75.57(2)"l"

Any countable income received during the period of time for which income is being considered needs verified. See Projecting Future Income.

The client must provide requested verification. A client who provides a signed release to a specific individual or organization for specific information has met the requirement for supplying requested information or verification. The general release does not meet this requirement unless the client asks for help.

Verify all earned and unearned income. Require verification of income when it begins, changes, ends, is questionable, or when otherwise specifically required. For more information regarding changes on FMAP-related cases, refer to 8-G, Reporting Changes. A self-employed person must keep any records necessary to establish eligibility.

Verify the potential eligibility for and receipt of unemployment insurance benefits for all FMAP-related applications.

Verify unemployment insurance benefits using report 470X160-A, *Unemployment Compensation Report*, which is provided monthly to the Department of Workforce Development. Refer to 14-G for instructions on how to read the *Unemployment Compensation Report* and the Bendex display.

The earned income and pension information on the report is not verified by Workforce Development. Treat it as a report of income that should be processed in the usual manner, according to the type of Medicaid program.

If the client reports that information received on the *Unemployment Compensation Report* or the Bendex is incorrect, or there is a recovery deducted from Social Security benefits, the client is responsible for verification.

The following sections give more information on procedures.

- When verification is submitted.
- When no verification is submitted.
- When incomplete verification is submitted.
- When WAGE A information is used as verification.

When Verification Is Submitted

Use any verification submitted with the application or review form.

If possible, verify income using documentary evidence in the person's possession. For example, use an award letter from the Veterans Administration as verification of VA benefits.

Examples of documents verifying **earned** income include:

- Pay stubs
- Pay envelope
- Employee's W-2 form
- Wage tax receipts
- State or federal income tax return
- Bookkeeping for a self-employment business
- Sales and expenditures records
- Employer's wage records
- Statement from the employer

Mr. and Mrs. A apply for Medicaid for their three children. Mr. and Mrs. A do not want Medicaid for themselves. On the application, they state that only Mrs. A has earned income, $1,200 biweekly from ABC Law Offices.

The A's submit two pay stubs with the application that cover the 30-day period before the application date. One shows gross wages of $1,478 and the other shows gross wages of $1,409. The worker considers the pay stubs submitted with the application as verification and uses the income from the pay stubs in the eligibility determination.

When Incomplete Verification Is Submitted

If verification is submitted with the application form but is incomplete, determine if the incomplete verification is consistent with the statements on the application form regarding the amount, source, and frequency of the earned income.

If the incomplete verification is **consistent** with the statements on the application form, access the WAGE A screen of the Iowa Department of Workforce Development.

If the average monthly income from the most recent quarter listed on the screen confirms the statements on the application form regarding the amount, source, and frequency of the earned income, consider the earned income as verified. Determine eligibility using the income amounts reported by the client.

Mrs. C applies for Medicaid for herself and her children. On the application, Mrs. C states that she has earned income of $400 weekly from XYZ Floral Shop. Mrs. C submits two pay stubs. One shows gross income of $410.09 and the other shows $397.88.

Since the Incomplete verification is consistent with the statements on the application form, the worker accesses the WAGE A screen. The income information on WAGE A from the most recent quarter shows $4,836. The monthly average is $1,612, which confirms the statements of Mrs. C. The worker considers the income verified. The worker projects income as follows:

$ 410.09	Pay stubs sumitted
+ 397.88	With application
$ 807.97	Total of pay stubs
$ 807.97	Total of pay stubs
÷ 2	Number of pay stubs
$ 403.98	Per week average
$ 403.98	Per week average
× 4	Multiplier for weekly income
$1,615.92	Projected monthly income

If the verification submitted is **not consistent** with the statements on the application form, request complete verification from the client.

1. Mr. D applies for Medicaid for his children on February 3. On the application, Mr. D reports he receives earned income from Jones Construction Company. He states he is paid $708.00 biweekly. Mr. D submits one pay stub, dated January 31, with the application showing gross income of $853.78.

   Since the pay stub falls within the 30-day period before the application date and is not consistent with the statements on the application, the worker does not access the WAGE A screen. Instead, the worker requests income verification from Mr. D.

   Note: If the worker could clearly determine from the pay stub that the amount Mr. D wrote on the application was a net amount, the worker could handle the situation as if the verification submitted was consistent with the client's statements on the application. However, clear documentation in the case file would be necessary.

2. Mrs. E applies for Medicaid for her children on April 3. On the application, Mrs. E reports that she receives earned income from Acme Pest Control. She states she is paid $350.00 biweekly. She submits two pay stubs, one dated December 16 showing $428.51 gross income, and the other dated February 3 showing $199.67.

   Even though the pay stubs appear to be inconsistent with Mrs. E's statements on the application, the worker ignores them since they do not cover the 30-day period before the application date.

   The worker treats the application as if no verification of earned income had been submitted. The worker accesses the WAGE A screen. If the monthly average income from the most recent quarter confirms Mrs. E's statements on the application, the earned income is considered verified and the worker will use $350.00 biweekly in the eligibility determination.

When No Verification Is Submitted

When earned income is reported on the application, but no verification is submitted with the form, access the WAGE A screen of the Iowa Department of Workforce Development.

If the average monthly income from the most recent quarter listed on WAGE A confirms the client's statements on the application form regarding the amount, source, and frequency of the earned income, consider the earned income as verified. Determine eligibility using the income amounts reported by the client.

Verify the potential eligibility for and receipt of Social Security benefits for all applications that include a child whose parent is deceased or disabled (when the disability is expected to exist 12 months or longer). Use the TPQ1 screen in IEVS.

For recipients, verify Social Security benefits using the Bendex display. This information comes from the Social Security Administration and serves as a report of changes in income.

Mr. and Mrs. Q apply for Medicaid for their three children. They do not want Medicaid for themselves. On the application, they state that only Mrs. Q has earned income, $1,200 biweekly from XYZ Law Offices. The Qs do not turn in any pay stubs with the application.

The worker accesses the WAGE A screen and sees that the most recent quarter shows $8400 gross income for Mrs. Q from the XYZ Law Offices. There is no other employment on WAGE A for any other household member.

The worker considers that the average monthly income of $2800 confirms the Qs' statement on the application. The amount reported on the application is used in the eligibility determination.

Use of WAGE A Information

When using the WAGE A screen to confirm the information on the application form, the shaded areas are the most important. Always use the income from the most recent quarter listed on the screen.

```
PANEL ID                                                    13:16:12        12/18/2000
          WAGE-A          SUMMARY EMPLOYER/WAGE
                          INFORMATION

SNN..:    444444444       DEPENDENTS:   0    WBA      $273 CURRENT CLAIM      NONE
OC DATE   12 17 2000      PLANT CLOSED  N    NBA      $7098.00 BALANCE...     000

EMPLOYER                  ACCT-LOC      1999/3   1999/4   2000/1   2000/2   2000/3
ACME LAWN SERVICE         060606-000    13177    11879    10747    12746    11542



COMMAND ===>                                                    TRXXTSX  SS55
F!=HELP  F3=EXIT
```

When using WAGE A to confirm the client's statements on the application form, clear and adequate documentation in the case file is essential. The best method of documentation is to include in the case file a screen print of the WAGE A screen with the quarter used circled or highlighted. If it is not possible to include a screen print, document the case file with the year and quarter used, i.e., 2000 quarter 2, or 2000/2.

Note: This information pertains only to the verification of earned income. It does not apply to verification of allowable deductions.

In **no circumstances** are the income amounts displayed on the WAGE A screen to be used in any calculation of financial eligibility for Medicaid. Use the WAGE A screen only to confirm the client's statements on the application regarding earned income:

- **Do not use** the WAGE A screen to verify earned income not reported on the application form.

> Mr. and Mrs. A apply for Medicaid for their children. On the application, the family's only income is reported as $600 biweekly earned income from Mr. A's job at ACME Credit Card Center. No pay stubs are submitted with the application.
>
> The worker accesses the WAGE A screen. WAGE A shows $3,800 earned income in the most recent quarter from ACME Credit Card Center. The monthly average income is $1,266.66. The worker considers the income verified.
>
> However, earned income is also listed in the most recent quarter for Mr. A from Main Street Tap. When the worker questions him about this income, Mr. A states that he forgot to list it because the job is only part-time and somewhat infrequent.
>
> Since WAGE A information can only be used to confirm the client's statements on the application or review form, and since Mr. A made no statements on the application regarding the second job, the worker requests that Mr. A provide verification of the earned income from Main Street Tap.
>
> **Note:** If Mr. or Mrs. A were attending an interview, even though one is not required, Mr. or Mrs. A could correct their application by adding statements regarding the earned income from Main Street Tap.
>
> This would allow the worker to access the WAGE A screen to determine if the monthly average income from the most recent quarter listed confirms the statements on the application regarding the income from Main Street Tap.

- Do not use the WAGE A screen when the client's statements on the application form are incomplete, such as when the employer's name is missing.

> Ms. F applies for Medicaid for herself and her children. On the application, Ms. F indicates she has $200.00 weekly earned income. Ms. F does not indicate who her employer is and does not submit any pay stubs with the application.
>
> Since the worker does not know who Ms. F's employer is, the WAGE A screen cannot be used to confirm the statements on the application. The worker requests income verification from Ms. F.

- **Do not use** the income amounts from WAGE A in the eligibility determination. If the income listed on the application form is confirmed by the information on WAGE A, use the income listed on the application form in the eligibility determination.

> Mrs. C applies for Medicaid for herself and her children. On the application, she lists weekly pay of $210. No pay stubs are submitted with the application.
>
> The worker accesses WAGE A. The income from the most recent quarter is $2,631. The average monthly income is $877. The worker considers the earned income verified. The projection of income is determined using the pay amounts Mrs. C listed on the application.

- Use a higher standard for verification when State Supplementary Assistance, MEPD, Medically Needy with a spenddown, or any coverage group involving client participation is or will be involved.

  In these cases, consider the earned income verified using the WAGE A screen only when the average monthly income from the most recent quarter listed on the screen **exactly matches** the statements on the application form regarding earned income.

> Mr. D applies for Medicaid for himself and his two children. On the application, he states the family's only income is from his job at ACME Auto Parts. No verification of the income is provided with the application.
>
> The worker accesses WAGE A and is able to confirm Mr. D's statements regarding the earned income. However, after all applicable deductions, Mr. D's children are eligible under MAC and Mr. D would only be conditionally eligible under Medically with a spenddown.
>
> If all verification has been received, the worker approves Medicaid for the children under MAC. Mr. D is coded as a considered person on the MAC case. But, since the average monthly income from WAGE A did not **exactly match** the amounts listed on the application, the worker requests pay stubs or an employer's statement before conditionally approving Mr. D for Medically Needy with a spenddown.
>
> If Mr. D fails to provide the income verification, eligibility for Mr. D will be denied for failure to supply requested information. The eligibility of the children will not be affected by Mr. D's failure to supply verification.

Use the "prudent person" concept in determining if the information on the WAGE A screen confirms the statements on the application, unless State Supplementary Assistance, MEPD, Medically Needy with a spenddown, or any coverage group involving client participation is or will be involved.

> Mr. G applies for Medicaid for his four children. He does not request Medicaid for himself. The only income received by the family is Mr. G's $1,810 biweekly earned income from ACME Tree Service. Mr. G does not supply pay stubs with the application.
>
> The worker accesses the WAGE A screen. The income from the most recent quarter listed is $11,100. The monthly average income is $3,700. The worker determines that the WAGE A information confirms the amounts listed on the application.
>
> A projection of $3,620 ($1,810 x 2) is entered. After allowing a 20% earned income deduction and a $700 child care deduction ($175 x 4 if child care is verified), the countable income of $2,196 does not exceed the five-member MAC income limit at 133%.

If, using prudent-person concept, the average monthly income from the most recent quarter listed on the WAGE A screen does not confirm the statements on the application form, request verification of the earned income.

> Mrs. J applies for Medicaid for herself and her two children. On the application, Mrs. J states she receives between $500 and $600 biweekly from Acme Computer Sales. No pay stubs are submitted with the application. The worker accesses the WAGE A screen. The most recent quarter listed shows $4,788 reported. The monthly average would be $1,596 ($4,788 ÷ 3 months).
>
> The worker determines that the monthly average income is significantly higher than the amounts stated on the application. THEREFORE, WAGE A does not confirm the amounts on the application. The worker documents the case file accordingly and requests income verification from Mrs. J.

FMAP-Related Income Limits

Legal reference: 441 IAC 75.1(1), 75.1(6), 75.1(14), 75.1(15), 75.1(28)"a," 75.58(2), 76.1(31)

Income must be within FMAP program limits, unless otherwise specified by the coverage group under which the person is applying or eligible. See Applying Income Tests for FMAP and CMAP.

Discontinue application of the Standard of Need Test (Test 2) beginning with the month following the month of decision. Do not apply Test 2 when determining initial eligibility for a new person who enters an existing FMAP-related eligible group.

	Household Size						
	1	2	3	4	5	6	7
Test 1	$675.25	$1,330.15	$1,570.65	$1,824.10	$2,020.20	$2,249.60	$2,469.75
Test 2	$365.00	$719.00	$849.00	$986.00	$1,092.00	$1,216.00	$1,335.00
Test 3	$183	$361	$426	$495	$548	$610	$670

For the mothers and children coverage group, income limits are based on poverty levels:

- 300% of poverty for pregnant women and infants.
- 133% of poverty for children aged 1 through 18.

	Household Size								
Poverty Level	1	2	3	4	5	6	7	8	Additional Person
300%	$2,873	$3,878	$4,883	$5,888	$6,893	$7,898	$8,903	$9,908	$1,005 each
133%	$1,274	$1,720	$2,165	$2,611	$3,056	$3,502	$3,947	$4,393	$446 each

After being determined eligible, pregnant and postpartum women (in the 60 days after the end of pregnancy) do not have income limits.

The Medically Needy coverage group does not have an income limit, although the applicant may have to meet a spenddown before eligibility exists. See 8-J, INCOME POLICIES.

SSI-Related Income Limits

Legal reference: 20 CFR 435; 20 CFR 416 Subpart D; 441 IAC 75.1(3), 75.1(6), 75.1(12), 75.1(13), 75.1(17), 75.1(23), 75.1(25), 75.1(27), 75.1(29)"a," 75.1(33), 75.1(34), 75.1(36), 75.1(37), and 75.1(39)

The monthly countable income limits based on SSI are:

Single Person	Couple	300% of SSI Maximum Benefit
$721	$1,082	$2,163

Current poverty levels used for Medicaid coverage groups are:

Family Size	100%	120%	135%	200%
Individual	$ 958	$1,149	$1,293	$1,915
Couple	$1,293	$1,551	$1,745	$2,585

These amounts apply to coverage groups as follows:

- For qualified Medicare beneficiaries (QMB), the income limit is 100% of the poverty level.
- For specified low-income Medicare beneficiaries (SLMB), the income range is over 100% of the poverty level but less than 120% of the poverty level.
- For expanded specified low-income Medicare beneficiaries (E-SLMB), the income range is 120% of the poverty level but less than 135% of the poverty level.
- For qualified disabled and working people (QDWP), the income limit is 200% of the poverty level.

For Medicaid for employed people with disabilities (MEPD), net income for the family size is compared to 250% of poverty. (See 8-F, Medicaid for Employed People With Disabilities: Family Income Less Than 250% of Federal Poverty Level, for extended listing of 250% levels and family size. See 8-C, Household Size, for additional information about family size under MEPD.)

The Medically Needy coverage group does not have an income limit, although the applicant may have to meet a spenddown before eligibility exists. See 8-J.

State Supplementary Assistance Income Limits

Legal reference: 441 IAC 50.2(1), 51.3(3), 51.4(1), 52.1(1), 177.4(7), 177.4(8)

For State Supplementary Assistance, the person's income after allowable deductions must fall within the payment schedule limits for category under which the person qualifies:

- Residential care facility. (See 6-B, Income (RCF).)
- Dependent person. (See 6-B, Income (DP).)
- Family-life home. (See 6-B, Income (FLH).)
- In-home health-related care. (See 6-B, Income (IHHRC).)
- Blind allowance. (See 6-B, Blind Supplement.)
- Medicare and Medicaid eligibles. (See 6-B, Income (SMME).)

INCOME POLICIES FOR SSI-RELATED COVERAGE GROUPS

The following sections explain:

- What is defined as income for SSI.
- What is not considered income for SSI.
- How to project future income.
- Determining joint ownership of income.
- Deeming income from an ineligible spouse or parent.

What Is Income

Legal reference: 20 CFR 416.1102, 416.1103, 416.1123, and 416.1167

Under SSI, "income" is anything a person receives either in cash or in kind that can be used to meet the person's basic needs of food, clothing, or shelter. This includes any income deemed from a parent, spouse, or sponsor. See Deeming SSI-Related Income.

Determine the countable amount of earned and unearned income prospectively. For the retroactive period, use actual income received.

When determining eligibility, consider all gross income unless it is specifically excluded. See Recouped Benefits Paid in Error for an exception to this policy.

See TYPES OF SSI-RELATED INCOME for a list of various types of income and information on whether the income is earned, unearned, counted, or not considered as income for SSI-related coverage groups.

What Is Not Considered Income

Legal reference: 20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Some types of payments do not meet the definition of income and are not considered income. Items that do not meet the definition of income include:

- Income benefit payments made in error.
- Employer's benefits.
- Tax refunds.
- Third-party payments other than those for food, clothing, or shelter.
- Veterans $90 pension exclusion for certain residents of medical institutions. See Pension Payments.
- Veterans aid and attendance and housebound allowance.
- Veterans benefits attributable to unusual medical expenses, except as noted under Payment Adjustment for Unusual Medical Expenses.

Each of these items, as well as other types of payments that are not considered income, are described under TYPES OF SSI-RELATED INCOME, arranged alphabetically.

Projecting Future Income

Legal reference: 20 CFR 416.1102, 416.1103, 416.1123; 42 CFR 435.725(e)(2)

Except when determining eligibility for the retroactive period, consider the income received in the 30 days before the application or review month to project future income when that income is an accurate indicator of future income.

If income fluctuates to the extent that a 30-day period alone cannot provide an accurate indicator, use an average over a longer past period if it will provide a more accurate indication of future income.

If income has changed and previous months' income is not an accurate indicator of future income, use the best information available to project future income. For example, the interest earned in the previous month on a savings account that has substantially increased or decreased would not be an indicator of future income.

When projecting income for cases that have fluctuating income and client participation, reevaluate the income at least every six months. Set a tickler at the eligibility review to request verification of actual income received. This includes earnings and interest income. Update client participation to reflect actual income in the month it was received.

Convert weekly income to monthly income by multiplying by 4.3. Convert biweekly income to monthly income by multiplying by 2.15.

See Determining Income from Self-Employment when projecting income for a self-employed client.

Determining Joint Ownership of Income

Legal reference: 441 IAC 75.5(1), Public Law 100-360

When there is income from property other than a trust, consider income paid in the name of one person as available only to that person, unless the document providing income states otherwise.

If the income-producing property is in the name of several people, consider each person's income to be in proportion to that person's ownership interest in the resource.

If the income is in the name of two people, count half to each person.

If the income is a joint payment to both spouses, count half to each person. If the client or the client's spouse can prove different ownership by a preponderance of evidence, divide the income in proportion to the ownership.

If there is trust property, follow the provisions of the trust regarding ownership.

See 8-D, Joint Ownership, for information about determining ownership of a resource.

1. Mr. and Mrs. P jointly own a CD. One-half of the interest is income to each spouse.
2. Mr. and Mrs. W jointly own a farm. One-half of the earnings is income to each spouse.

Deeming SSI-Related Income

Legal reference: 20 CFR 416.1160, 416.1163, 416.1202, 441 IAC 75.1(39)

Deeming of income is the determination of a specific portion of an ineligible parent's or ineligible spouse's income used to calculate the benefits of the eligible spouse or child. Determine deemed income for SSI-related Medicaid and State Supplementary Assistance coverage groups according to SSI policies except for the following coverage groups:

- Medically Needy. See 8-J, Households With Ineligible Spouse or Children.
- In-home health-related care. See 6-B, Eligibility for Children.
- Dependent person. See 6-B, Ineligible Spouse.
- Medicaid for employed people with disabilities (MEPD). See 8-F, Family Income Less Than 250% of Federal Poverty Level.

When determining eligibility, apply deeming policies to the income of an ineligible spouse or parent if either:

- An eligible person was living for any part of a month in the same household with an ineligible spouse, or
- The eligible person was a child living in the same household with a parent (or the spouse of a parent).

For all coverage groups except Medically Needy, do not apply the deeming procedure if the applicant's income alone, after appropriate exclusions and deductions, is over income limits. Allow the ineligible parent to deem income to an ineligible child in the household until the ineligible child reaches age 18 (or 21, if the child is a student). However, do not allow deeming to a child receiving FIP.

When determining the income of the ineligible spouse, parent, spouse of a parent, or ineligible children, do not include:

- Any excluded income.
- FIP payments or Veteran Affairs payments based on need.
- Any income that was counted in calculating the amounts of those payments.
- Court-ordered support or alimony payments. Deduct support payments from the income of the ineligible spouse or parent before determining the amount of income deemed. Deduct support payments first from unearned income. Any balance remaining then reduces gross earned income.

For income not based on need, allow the $20 general income deduction and the $65 plus one-half deduction per household. For example, apply the $20 general income deduction to veteran's compensation income, but not to a veteran's pension that is based on need.

The following sections explain:

- Deeming from an ineligible spouse.
- Deeming from an ineligible parent to an eligible child.

Deeming from an Ineligible Spouse

Legal reference: 20 CFR 416.1160

If the applicant's income is within program guidelines and an ineligible spouse lives in the same household, also consider the ineligible spouse's income to determine eligibility through the deeming process. An ineligible spouse is a spouse who is not eligible for SSI or SSI-related Medicaid, or State Supplementary Assistance.

When deeming income from an ineligible spouse:

1. Verify the ineligible spouse's unearned income. Subtract from the ineligible spouse's unearned income an allocation for each ineligible child. The allocation is $361 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.

2. Verify the ineligible spouse's earned income. Subtract from the ineligible spouse's earned income any remaining balance of the ineligible child's allocation not subtracted from the ineligible spouse's unearned income.

3. Add the remaining unearned income and the remaining earned income of the ineligible spouse.

   If the total of the ineligible spouse's income is equal to or less than $361, there is no income available to be deemed to the applicant. Process as a one-person household.

   If the ineligible spouse's total remaining income is over $361, continue as follows.

4. Combine the applicant's unearned income and the ineligible spouse's remaining unearned income.

5. Combine the applicant's earned income and the ineligible spouse's remaining earned income.

6. If a $20 general income deduction is applicable to the coverage group being examined, subtract it first from the total countable unearned income. If the total countable unearned income is less than $20, subtract any unused portion of the $20 deduction from the total countable earned income, if any.

7. From the remaining earned income, subtract the impairment-related work expenses, the $65 work expense, and one-half of the remainder.

8. Add the earned and unearned income together to get the total countable income.

If the total countable income is less than the payment standard for a couple when at home, the applicant is eligible.

The applicant's SSI benefit will be the lesser of:

- The SSI benefit rate for an individual minus the applicant's own income, or
- The SSI benefit rate for a couple minus the couple's income.

1. Mrs. L applies for Medicaid on April 21 after entering a nursing facility on April 2. Before April 2, Mrs. L lived with her spouse and child. The application indicates that Mrs. L has unpaid medical expenses incurred within the 90 days before month of application.

   Mrs. L receives a Social Security benefit of $600 per month effective January 1. Mr. L has earned income of $900 per month. Their child receives unearned income of $150 per month. Computation for the SSI coverage group is as follows:

   If Mrs. L's own income makes her ineligible, it's not necessary to consider Mr. L's income, except for Medically Needy.

$ 600.00	Unearned income of Mrs. L
- 20.00	General income deduction
$ 580.00	Countable unearned income
$ 721.00	SSI benefit for one person
- 580.00	Mrs. L's countable income
$ 141.00	Deficit

Mrs. L's income alone does not create ineligibility. The worker moves to the deeming process:

$ 900.00	Earned income from Mr. L
- 211.00	Allocation for ineligible child ($361 - $150 = $211)
$ 689.00	($689 exceeds $361)
- 65.00	Work exclusion
$ 624.00	
- 312.00	1/2 remainder
$ 312.00	Countable earned income from Mr. L
$ 580.00	Countable unearned income of Mrs. L
+ 312.00	Countable earned income of Mr. L
$ 892.00	Countable income for the couple
$ 1,082.00	SSI benefit for a couple if both were eligible for SSI

Result: The Ls' countable income is less than the SSI payment standard for a couple. Income eligibility exists for the retroactive period for Mrs. L.

2. Mr. M has applied for Medicaid. He receives $800 in Social Security disability benefits and Medicare. Mrs. M receives a Social Security benefit of $400. They have two children, Y and Z. Each child receives $150 Social Security benefits.

   If Mr. M's own income makes him ineligible for SSI, it's not necessary to consider Mrs. M's income, except for Medically Needy, QMB, SLMB, E-SLMB, or QDWP.

$ 800.00	Mr. M's unearned income
- 20.00	General income deduction
$ 780.00	
$ 721.00	SSI benefit for one person
- 780.00	Mr. M's countable income
$ .00	

   Mr. M's income creates ineligibility for SSI. The worker moves to the deeming process for SSI-related Medically Needy:

$	400.00	Mrs. M's unearned income
-	211.00	Allocation for ineligible child X ($361 - $150 = $211)
-	211.00	Allocation for ineligible child Y ($361 - $150 = $211)
$	.00	Mrs. M's countable unearned income

$0 does not exceed $361. There is no income available to deem to Mr. M.

Mr. M's countable income of $780 ($800 - 20) is compared to the Medically Needy income level (MNIL) for a household size of one to determine the spenddown amount, and to 100% of the federal poverty level for a household size of one to determine QMB eligibility.

Deeming from an Ineligible Parent to an Eligible Child

Legal reference: 20 CFR 416.1160

When a child applicant is living in the same household with an ineligible parent, deem the ineligible parent's income when determining eligibility. Deem a stepparent's income to the child if the natural parent lives in the house with the stepparent and child.

If the child lives with a stepparent only, do not deem the stepparent's income to the child, but consider any food and shelter the stepparent provides to the child as in-kind support and maintenance. See In-Kind Support and Maintenance (ISM).

When deeming income from an ineligible parent or the spouse of an ineligible parent to a child:

1. Verify the ineligible person's unearned income. Subtract from the ineligible person's unearned income an allocation for each ineligible child. The allocation is $361 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.

2. Subtract the $20 general income deduction from the unearned income.

3. Verify the ineligible person's earned income. Subtract from the ineligible person's earned income any remaining portion of the ineligible child's allocation that was not used to offset the ineligible person's unearned income.

4. Subtract from the earned income any balance of the $20 general income deduction that was not used to offset the unearned income.

5. Subtract the $65 standard work expense deduction and one-half of the remainder from the balance.

6. Combine the remaining earned income with the remaining unearned income.

7. Subtract an allocation for the ineligible parents or stepparent in the household. The remaining amount is the income available for deeming to the child.

   - For one ineligible parent, the allocation is equal to the SSI payment standard for one person.
   - For two ineligible parents or an ineligible parent with a spouse, the allocation is equal to the SSI payment standard for a couple.

8. Treat the income as unearned income for the child and, if applicable to the coverage group being examined, apply the $20 general income deduction.

9. Add any remaining countable earned income of the child.

10. Compare this amount with the payment standard for an individual to determine eligibility for the child.

Note: If there is more than one applicant child in the household, divide the parental income to be deemed equally among the children.

Client S, age 17, was living with his parents and two brothers before entering an RCF. He has no income of his own. His father has earnings of $1,270 per month. His brothers and mother have no income. The computation is as follows:

$ 1,270.00	Father's earned income
- 722.00	Allocation for ineligible children (2 x 361)
$ 548.00	
- 20.00	General income deduction
$ 528.00	
- 65.00	Work expense deduction
$ 463.00	
- 231.50	1/2 remainder
$ 231.50	
- 1,082.00	Parental exclusion
$ .00	Deemed income to Client S

Countable income of zero is less than the SSI payment standard for one person. As Client S has no income of his own, income eligibility exists for the retroactive period.

TYPES OF SSI-RELATED INCOME

Income is either countable or excluded from consideration. "Countable income," which is the gross income expected to be received for the month under consideration, is either earned or unearned.

The following section is an alphabetical listing of various types of payments that explains how these payments are used in determining eligibility for SSI-related coverage groups.

AIDS/HIV Settlement Payments

Exempt settlement payments from any fund established pursuant to the class action settlement of Susan Walker v. Bayer Corporation, et. al., 96 C5024(N.D. Ill.) as income.

Some settlement payments were made in lieu of the class action settlement. These payments are also exempt as income. These settlements were made on or before December 31, 1997. These funds must be kept in a separate, identifiable account.

Annuities
20 CFR 416.1121

An annuity is a contract in which a person receives fixed payments for a specified period. See 8-D, Annuities, for information on how to count the annuity payments.

AmeriCorps Payments
SI00830.537

Stipends or living allowance payments are generally based on minimum wage requirements and are wages. See Wages and see SSI-RELATED DEDUCTIONS for deductions that are applied to wages.

Educational awards or payments made as an alternative to educational awards are wages. See Wages and see SSI-RELATED DEDUCTIONS for deductions that are applied to wages.

Clothing allowance payments are unearned income.

Any food, shelter, or clothing received by the participant is unearned income in the form of in-kind support and maintenance. See In-Kind Unearned Income.

Assistance Payments
20 CFR 416.1124(c)(2)

Exclude state or local general assistance cash payments to the recipient that are based on the need of the recipient (e.g., State Supplementary Assistance, General Relief, Rent Reimbursement, Energy Assistance).

Unless specifically excluded, count assistance payments that are funded in whole or in part from federal monies. For exceptions to this policy, see Indian Assistance and Third-Party Payments. Verify the amount and source of the payment either with evidence provided by the client or by contacting the paying agency.

Benefit and Other Payments Made in Error
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

If the person receives a benefit or other payment in error and returns it by the end of the following month, the payment is **not considered income**.

If the person has a valid reason for not returning the payment by the end of the following month (such as a lengthy hospital stay), the payment is still not considered income. However, if the payment is not returned and the client has no good reason for not returning it, count the payment as income in the month of receipt.

> An SSI-eligible person enters a nursing home and informs the Social Security Administration. Social Security continues to make SSI payments, even though the person should not be eligible for SSI after entry to the nursing home. The client returns the checks when they are received. The erroneous SSI payments are not considered income.

Blood Plasma
20 CFR 416.1102

Count income from selling blood plasma as unearned income.

Census Income
20 CFR 416.1110

Count as earned income any wages from either temporary or permanent census employment, including wages received while in training. See Wages for more information.

Child Student's Earnings
20 CFR 416.1112(c)(3)

Exclude up to $1,750 per month of a student child's earnings, but not more than $7,060 per calendar year. When the income exceeds $1,750 per month or $7,060 per calendar year, count the excess, subject to the work expense deduction of $65 + 1/2.

See $65 Plus One-Half Deduction for coverage groups that do not receive the work expense deduction.

To qualify, the student must meet all of the following criteria:

- Under age 22.
- Not married.
- Not the head of the household.
- Regularly attending a school, college, or university or taking a course of technical training designed to prepare the student for employment. "Regularly attending school" means:
  - 12 hours a week for grades 7-12.
  - 8 hours a week for college or university studies.
  - 12 hours a week for technical training courses.
  - 15 hours a week for technical training courses with shop practice.

  A child can attend school less than the amount of time indicated above if reasons beyond the child's control justify the child's reduced credit load or attendance.

> Client M, a disabled child, is forced to limit vocational school attendance to one day a week due to the unavailability of transportation. Although he is enrolled for attendance of less than 12 hours per week, Client M qualifies as regularly attending school because the lack of transportation is a circumstance beyond his control.

Consider that a child who is a homebound student because of a disability is regularly attending school if the child is studying a course or courses given by a school (grades 7-12), college, university, or government agency at home, and a home visitor or tutor directs the studies.

Consider a child to be attending school during periods when school is not in session (such as summer vacation) when the child was regularly attending school before the break and intends on regularly attending when classes resume.

Count payments from Neighborhood Youth Corps, work-study, and similar programs as earned income.

Child Support
20 CFR 416.1124(c)(11)

The annual $25 child support collection fee withheld by the Child Support Recovery Unit is not considered income.

Exclude one-third of support payments for minor children. Count the remainder as unearned income. Count the full amount of child support payments for a child aged 18 or older.

The following are income to the child whether or not the child lives with the parent receiving the money or receives the money from the parent:

- Child support payments received by a member of the child's family on behalf of a minor child, including back child support.
- Current child support payments received by a member of the child's family on behalf of a child age 18 or older.

Back child support payments received by a member of the child's family on behalf of a child aged 18 or older are income to the child when the child:

- Lives with the person who receives the money, or
- Receives the money from the person (when the child does not live with the person).

Back child support payments received by a member of the child's family on behalf of a child aged 18 or older are income to the person receiving the payment if the child does not live with that person and does not receive the money.

When the client receives irregular child support payments, use an estimated amount based on the absent parent's payment history for the last three quarters. Verify the amount using court records, canceled checks, IRS records, or CSRU.

Dedicated Accounts
20 CFR 416.1247

Exclude the interest and other income earned on funds in a dedicated account as countable income for SSI participants. When past-due benefits are paid for eligible people under age 18, the representative payee is required to establish a dedicated account. The dedicated account may be used only for:

- Medical treatment, education, and job skills training.
- Personal needs assistance, special equipment, housing modification and therapy or rehabilitation that is related to the child's impairment.
- Other items and services related to the child's impairment approved by the Social Security Administration.

Do not exclude the funds in a dedicated account when the person is terminated from the SSI program or is terminated and later reapplies and is approved.

Make a referral using form 470-2826, *Supplemental Insurance Questionnaire*, and send through the local mail to the Bureau of Long Term Care, Attention: IME Revenue Collection Unit.

Disaster Assistance
20 CFR 416.1124(c)(5), 416.1150

Exclude:

- Assistance provided under any federal statute when the United States President declares a catastrophe to be a major disaster.
- Interest earned on the assistance.
- Unemployment benefits from FEMA that Iowa Workforce Development has identified as paid because of the disaster.

- In-kind support and maintenance if the client's circumstances meet the following conditions:
  - The client was living in a household maintained as the client's home when the disaster occurred.
  - The President declared the catastrophe to be a major disaster for the purposes of the Disaster Relief Act of 1974 and the Emergency Assistance Act.
  - The client stops living in the home because of the catastrophe and begins to receive support and maintenance within 30 days after the catastrophe.
  - The client receives support and maintenance while living in a residential facility (including a private household) maintained by another person.

Record the date the disaster occurred and the date assistance is received (or support and maintenance begins) in the case record.

Dividends
20 CFR 416.1103, 416.1121(c), and 416.1124(c)(9)

Dividends earned on countable resources are excluded income when determining eligibility.

Dividends earned on excluded resources are excluded income except for the following:

- Dividends earned on unspent tax refunds related to an Earned Income Tax Credit or a Child Tax Credit are countable unearned income.
- Dividends earned on gifts to children under age 18 who have a life-threatening condition are countable unearned income. The gift must be from an organization that is described in Section 501(c)(3) of the Internal Revenue Code of 1986 and is exempt from taxation under Section 501(a).

- Dividends earned on the proceeds from the sale of a homestead that was excluded for up to three months when the client intends to purchase another home are countable unearned income.
- Dividends earned on unspent relocation assistance payments are countable unearned income.
- Dividends earned by funds that are SSI or Social Security Disability benefits excluded from resources for nine calendar months after receipt are countable unearned income.
- Dividends earned on unspent victims' compensation payments are countable unearned income.
- Dividends earned as a retirement benefit, such as IPERS, are countable if the resource is no longer available after the recipient chooses to receive monthly benefits instead of a lump sum.

Earned Income Credit
Public Law 101-508

Exclude a federal or state earned income credit whether received as a part of earned income included with regular paychecks or as a lump sum included with the income tax refund. Also see 8-D, *RESOURCES*.

Educational Assistance
20 CFR 416.1124"c"(3)

Exclude the following educational assistance except for any part the recipient uses for general living expenses (food, clothing, or shelter):

- Any impairment-related expenses necessary for school.
- Any portion of a grant, scholarship, fellowship, or gift received by or for a recipient to pay for tuition, transportation to and from school, books, or fees at any educational institution. Exclude only the amounts billed by the institution. Count any excess funds as income and prorate them over the period of intended use.

Any portion of such educational assistance that is not used to pay current tuition, fees, or other necessary educational expenses but will be used for paying this type of educational expense at a future date is excluded from income in the month of receipt. This exclusion does not apply to any portion set aside or actually used for food, clothing, or shelter.

Count as income any portion of grants, scholarships, fellowships, and gifts that is excluded from resources because it is set aside to pay for tuition, fees, or other necessary educational expenses but is used for some other purpose. The funds are income in the month that they are spent or in the month when the person no longer intends to use the funds to pay tuition, fees, or other necessary educational expenses.

- ♦ If funds are not spent after the ninth month, they are countable resources as of the tenth following the month of receipt.
- ♦ Veterans educational benefits such as:
  - Any VA educational grants or scholarships for tuition, transportation to and from school, books, and fees at any educational institution.
  - Payments made as part of the veterans vocational rehabilitation program.
  - Any portion of a VA educational benefit that is a withdrawal of the veteran's own contribution. This is a conversion of a resource and is not income.
- ♦ Grants made or insured under a program administered by the Secretary of Education under Title IV, such as:
  - PELL or Basic Educational Opportunity Grants (BEOG).
  - Presidential Access Scholarships (Super PELL).
  - Federal Family Education Loan Program (formerly GSL).
  - Perkins Loans (formerly NDSL).
  - Federal Work Study funds.
  - Robert C. Byrd Honors Scholarship Program.
  - College Assistance Migrant Program (CAMP).

- High School Equivalency Program (HEP).
- TRIO Grants for disadvantaged students such as Upward Bound, Student Support Services, Robert E. McNair Post-Baccalaureate Achievement.

Count as unearned income any part that the recipient uses for general living, or any purpose other than education. Prorate it over the period of time it was intended to cover.

Count payments and allowances that are **not** grants, such as:

- Any amount received as a gift from a relative, friend, or other individual.
- Allowances to members of the United States armed forces.
- Allowances or retainer payments to students under ROTC.
- Grants with a requirement that work must be performed during or after study before receiving the grant, unless received under Title IV program which is listed previously.

Emergency Energy Conservation Services Assistance
20 CFR 416.1124(b)

Exclude any cash or in-kind assistance provided under the Emergency Energy Conservation Services Program or the Energy Crisis Assistance Program, including:

- Winterization of old or substandard dwellings (neither the cost of the materials, nor the cost of labor is counted).
- Insulation.
- Emergency loans or grants to install energy conservation devices.
- Alternative fuel supplies and special fuel vouchers or stamps.
- Alternative transportation activities designed to save fuel and guarantee continued access to training, education, and employment.
- Legal or technical training relating to the energy crisis.
- Fuel to operate food preparation appliances, or meals provided because utilities have been shut off.

Employer's Benefits
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Employer payments made on behalf of employees are **not considered income** when the payments are not earnings, and not available to meet the employee's needs of food, clothing, or shelter. For example, the contributions by an employer in a health insurance fund and an employer's payment of FICA and unemployment compensation taxes are not income to the employee.

Expenses of Obtaining Income
20 CFR 416.1123(b)(3)

When a client incurred expenses that were essential in obtaining an unearned income payment, deduct the amount of the expenses to determine the amount of the payment to consider as income. The amount deducted is **not considered income**.

Essential expenses of obtaining unearned income may include legal, medical, and other expenses connected with an accident settlement or legal expenses connected with a claim for a benefit program such as Social Security benefits.

When a client receives payment for damages in connection with an accident settlement, subtract legal fees, unmet medical expenses that will not be reimbursed, and other essential expenses connected with the accident.

When a client receives a retroactive check from a benefit program such as Social Security, subtract legal fees connected with the claim.

Deduct essential expenses are from the first and subsequent payments received until the expenses are completely offset.

A guardianship or conservatorship fee is an essential expense only if the presence of a guardian is a requirement for receiving the income. Guardianship fees are never an essential expense for obtaining Social Security or SSI benefits because the Social Security Administration never requires appointment of a legal guardian.

Experience Works Income
20 CFR 416.1124(b)

Exclude assistance, except wages or salaries, provided under the Experience Works program (formerly Green Thumb). Count wages and salaries as **earned** income. Experience Works is funded through Chapter 35 of Title 42 U.S. Code, Programs for Older Americans.

Federal Department of Labor Payments
20 CFR 416.1103 and 416.1104

Exclude cash or in-kind support service payments made by the U.S. Department of Labor payments. Support services are payments such as child care, transportation, medical care, and meals.

Count cash or in-kind financial payments made by the U.S. Department of Labor payments for training. Financial payments include payments for tuition, on-the-job training, stipends, and work experience.

Food and Shelter Received During a Medical Confinement
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Food and shelter received during a medical confinement are **not considered income**. Medical confinement occurs when a person receives inpatient medical services in a medical facility.

Food Programs (Federal)
20 CFR 416, Subpart K Appendix

Exclude the value of:

- Food Assistance benefits.
- Food provided under the WIC program.
- Free school lunches or breakfasts.
- Congregate meals.
- Federally donated food.

Verification is not required.

Foster Care Payments
20 CFR 416.1124

Exclude foster care payments from a public or private nonprofit child-placing agency to a foster family.

Garnishments and Other Withholdings
20 CFR 416.1102, 416.1110, 416.1123(b)(1)

A debt that a client is required to pay or that is withheld from the client's income (such as child support, alimony or garnishment) continues to be considered income received by the client. Use the gross amount of income before these deductions.

1. Mr. S, who has Social Security income of $700, is ordered by the court to pay alimony of $200 per month to his former spouse. His countable monthly income continues to be $700, regardless of his legal obligation.
2. Mr. Q has Social Security income of $300 and earnings of $400 per month. However, $100 per month of Mr. Q's earnings is garnished to pay a debt. Mr. Q's total earnings of $400 are considered to be received and are considered as income.

General Assistance Payments
20 CFR 416.1124(c)(2)

Exclude county general assistance cash payments based on the need of the recipient. See Assistance Payments for information about other types of state or federal assistance payments. Do not count assistance that is lent to the client.

Gifts
20 CFR 416.1124(a)(6)

Count cash gifts as income in the month received. Exclude gifts that qualify as infrequent or irregular income. See Infrequent or Irregular Income. For gifts used to pay educational expenses, see Educational Assistance.

Count noncash gifts as income in the month received. Determine the value according to the amount the client would get if the gift were sold. Refer to In-Kind Unearned Income.

Exception: The value of any noncash item (other than food, clothing, or shelter) is **not** considered income if it will be partially or totally excluded as a resource the month after it is received.

Green Thumb Income
20 CFR 416.1124(6)

See Experience Works Income.

Home Equity Conversion Plans
20 CFR 416.1103(c), 416.1103(f), 416.1121(c)

Home equity conversion plans are arrangements designed to allow homeowners (commonly elderly people) to convert the equity value of their homes into cash without having to leave the home.

Under these plans, the home is either mortgaged or sold to a financial institution or an individual in exchange for a regular cash payment or a line of credit, which the homeowner receives as long as the homeowner lives in the home. Common arrangements and the income policies that apply are explained below. The actual terms of specific contracts may vary.

If you need help to understand the contract or the correct income policy to apply, submit your questions on form 470-0116, *Clarification Request*, along with the contract, through your area income maintenance administrator to the Division of Financial, Health and Work Supports.

- **Reverse Mortgage**

  Reverse mortgages allow a homeowner to borrow some percentage of the appraised value of the home. The homeowner then receives regular periodic payments (or a line of credit), which commonly does not have to be repaid as long as the borrower lives in the home.

  The payments the homeowner receives from the arrangement are considered as loan proceeds and are **not considered income**. However, if the loan proceeds are retained into the following month, they become a countable resource.

- **Sale-Leaseback**

  Under a sale-leaseback arrangement, the homeowner transfers the title of the home to a buyer in exchange for regular periodic payments. The buyer then allows the former homeowner to remain in the home for life (or some other agreed-upon time period) in exchange for rent. In some instances, the payment made to the former homeowner includes interest.

  Consider the noninterest portion of the payments the former homeowner receives as a conversion of a resource, **not as income**. Consider any portion of the payment that is due to interest is considered as unearned income. If the interest portion of the payment is retained into the following month, it becomes a countable resource.

- **Time Sale**

  Under a time sale arrangement, the homeowner signs a contract to sell the home at death but maintains the title and continues to live in the home. The buyer then pays a monthly cash payment to the homeowner.

The payments the homeowner receives from a time sale contract are considered as a conversion of a resource and are **not considered income**. If the payments are retained into the following month, they become a countable resource.

Home Produce for Personal Consumption
Section 1612(b)(8) of the Social Security Act; 20 CFR 416.1124(c)(4)

Exclude home produce used for personal consumption and produce that is traded. When produce is sold, consider net earnings as earned income. When the client is engaged in commercial farming, see SSI-RELATED SELF-EMPLOYMENT INCOME.

Housing Assistance
20 CFR 416.1124(b); U.S. Housing Act of 1937, Section 8; U.S. Housing Act of 1959, Section 202(h); National Housing Act; Housing Act of 1949, Title V; Housing and Urban Development Act of 1965, Section 101 (12 USC Section 1701, 41 USC Section 1451)

Exclude rent subsidies, cash toward utilities, and indirect assistance (guaranteed loans, mortgages, and mortgage insurance) provided to home buyers by the Department of Housing and Urban Development (HUD) and the Farmer's Home Administration (FMHA).

Exclude any rent reduction to a person in low-income housing when the assistance is under the U.S. Housing Act of 1937, as amended.

Verify the authority for the client's federal or federally assisted housing. If the client cannot get verification, contact the local public housing authority. If HUD and a private owner have entered into a contract directly, contact the owner or manager of the project to verify the nature and authority for the housing assistance payments. Document the findings in the client's case record.

Income Replacement
20 CFR 416.1102, 416.1103, 416.1123; P. L. 130-60

If a person's income is lost, stolen, or destroyed, then is replaced, the replacement is **not considered income**. For example, if the person loses a January paycheck and receives a replacement check in March, the pay is considered as income only for January.

Income Tax Refunds
20 CFR 416.1102, 416.1103, 416.1123; P. L. 130-60

Income tax refunds are **not considered income**. An Earned Income Tax Credit is not a refund and is considered income but is excluded as income. See Earned Income Credit in this chapter.

Indian Assistance
20 CFR 416.1124(b) and (c)(2), 416.1102, 416.1103, 416.1123; Public Law 103-66

Count as unearned income payments made through the Bureau of Indian Affairs (BIA) General Assistance program. These payments are federally funded and administered by the BIA through its local agency (usually the tribe). Payments made by the BIA for adult custodial care are excluded.

Some Native Americans may receive other types of funds, such as distribution payments from judgment funds, mineral rights, or tribal trust funds. Numerous types of payments may be made and numerous exclusions may apply to these payments.

If the client has a tribal distribution payment, find out as much as you can about the payment and send a *Clarification Request* to the Bureau of Financial, Health and Work Supports for instructions on how to count it. Applicable information might include:

- The name of the Indian tribe or group.
- The name and location of the reservation.
- The reason for the payment.
- A description and location of the land if payment involves a land conveyance.

Up to $2,000 per year of income received by a Native American from interests of individual trusts or restricted lands **is not** considered income.

Infrequent or Irregular Income
20 CFR 416.1112(c)(1), 416.1124(c)(6)

Exclude infrequent or irregular income if the quarterly amount does not exceed $30 for earned income or $60 for unearned income.

"Infrequent income" is income that is received (or available on demand) no more than once in a calendar quarter.

"Irregular income" is income that the client cannot reasonably expect to receive. "Irregular income" is unpredictable and cannot be scheduled, so that the client cannot count on it or budget for it.

Income from work performed on an "as-needed" basis for the same employer (not the same as regular part-time work) meets the definition of irregularly received income.

However, if the person works on one or more days each week for the same employer, count the income as regular and frequent, even when that income is less than $30 per month.

If both members of a couple have infrequent or irregular income, add all the income together before applying this exclusion. See Projecting Future Income for determining the amount of income to project.

Inheritance Income
20 CFR 416.1121

Exclude the part of a cash inheritance that is spent on the deceased's last illness and burial. Count any remaining cash inheritances as income in the month of receipt. Refer to Lump-Sum Income.

Count inheritances not received in the form of cash, as in kind income. See In-Kind Unearned Income.

The value of an asset that is not owned, in part, by the client and is received as inheritance is income in the month of receipt. If there is an estate opened, the asset may be available before the estate is closed. Count the inheritance as a resource the month after the month of receipt.

Do not count as income inherited items that were a result of the death of a spouse and that were already counted as a resource.

In Iowa, real and personal property passes to the person who inherits it immediately at the time of death and is not dependent on settlement of the estate unless the terms of the will are being contested.

Insurance
20 CFR 416.1102

♦ **Accelerated Life Insurance Payments**

Count as income any payments made by a life insurance company or privately owned and operated business that are an early payout of some of the proceeds of a life insurance policy.

Under this arrangement, the life insurance company or private business pays the owner of a life insurance policy money that would ordinarily go to the beneficiary after the owner's death (e.g., during a terminal illness).

The payments may be in one lump sum or monthly. (Any payments not spent in the month of receipt become a resource in the following month.)

20 CFR 416.1103(e)

♦ **Credit Life or Credit Disability Insurance Payments**

Payments issued to or on behalf of borrowers to cover payments on loans or mortgages in case of death or disability are **not considered income**.

The payments are made directly to the loan or mortgage company, so the money is not available to the person. Although a payment might be used for food, clothing, or shelter (for example, when an insurance company makes a mortgage payment), do not count the payment as income.

20 CFR 416.1123(a)
Youngberg vs. Iowa DHS, Polk Co. District Court No. AA3294 (June 12, 2000)

♦ **Income Insurance Policy**

Count the proceeds from income insurance policies as income in the month that proceeds are received, regardless of the period they were meant to cover. An income insurance policy is one that pays a flat-rate benefit without regard to the actual charges or expenses incurred. Examples are:

- Indemnity policies that pay a per diem amount without regard to charges or expenses.
- Disability insurance that pays a flat-rate benefit intended to replace lost income.
- Cancer or dismemberment policies that pay a flat benefit.

Note: Benefits from insurance policies that pay a flat rate to an individual are not considered income if:

- The policy was purchased to pay for medical care and with regard to anticipated charges,
- The benefit is payable only if the policy holder actually receives the type of medical care for which the policy was purchased, and
- The benefit is actually used to pay for medical care for which the policy was purchased.

See Third-Party Payments.

20 CFR 416.1121

♦ **Death Benefits**

The part of life insurance and death benefits from Social Security, Veterans Administration, or Railroad Retirement that the beneficiary spends to pay expenses of the insured's last illness and burial that will not be reimbursed by a third party is **not** considered income. Count any remaining proceeds as income. Examples of last illness and burial expenses include:

- Hospital and medical expenses remaining after health insurance payments.
- Funeral expenses.
- Funeral-related expenses, such as clothing to wear to the funeral or food for relatives.
- Burial plot.
- Interment.

If death benefits are received in more than one month, assume that the funds first received are the first spent on the deceased's last illness and burial. **Note:** Amounts not spent in the month of receipt become countable resources in the next month.

Mr. B receives death benefits of $1,000 in April and $1,000 in May. Funeral expenses are $1,500. $500 is counted as income in May.

Interest Income
20 CFR 416.1103, 416.1121(c), and 416.1124(c)(9)

Interest earned on **countable** resources is excluded income when determining eligibility. Interest earned on **excluded** resources is excluded income except for the following, which are countable unearned income:

- Interest earned on unspent tax refunds related to an Earned Income Tax Credit or a Child Tax Credit.
- Interest earned on gifts to children under age 18 who have a life-threatening condition. The gift must be from an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and be exempt from taxation under Section 501(a).
- Interest earned on the proceeds from the sale of the homestead that was excluded for up to three months when the client intends to purchase another home.
- Interest earned on unspent relocation assistance payments.
- Interest earned by SSI or Social Security Disability benefits that are excluded from resources for nine months after receipt.
- Interest earned on unspent victim's compensation payments.

Consider interest income when the interest becomes available to the account holder. Interest on bank accounts (savings, CDs, etc.) is available to the account holder when the interest is actually recorded on the account. The frequency with which interest is computed is immaterial. Do not consider bank service charges when determining countable income.

> Interest recorded on an account monthly is countable. Interest that is computed daily but recorded on the account only quarterly is excluded, unless the total amount exceeds $60 per month.

See Projecting Future Income for determining the amount of interest to project. If there has been a permanent change in the balance, compute the interest using the current account balance.

Jury Duty Pay
20 CFR 416.1102

Count jury duty pay as unearned income.

Lien Recovery Payments

The Iowa Medicaid Enterprise (IME) will notify you on form 470-4309, *Notice of Lien Settlement Payment to Medicaid Member*, when a member receives a lien recovery payment. The IME Revenue Collections Unit has verified the information reported with the third party insurer.

Treat the lien recovery funds received according to the terms of the settlement as reported on form 470-4309. Obtain any additional information needed from the sources listed on the form.

Loans
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Money that is borrowed is **not considered income**. If a client has loaned another person money and receives repayment, the principal repayment on the loan is **not considered income**. However, any interest received is considered income.

Low-Income Home Energy Assistance Payments (LIHEAP)
20 CFR 416.1124

Exempt as income and as a resource energy assistance benefits paid to eligible households under the Low-Income Home Energy Assistance Act of 1981. This program is administered through the Department of Human Rights, Division of Community Action Agencies, and covers costs such as:

- Insulation.
- Home energy assistance.
- Emergency lodging because utilities have been shut off.
- Winterizing old or substandard dwellings (neither the cost of the materials nor the cost of labor is counted as income).

Lump-Sum Income
20 CFR 416.1121,

Do not count any lump-sum income received before the month Medicaid eligibility is granted. **Exception:** A lump sum that is self-employment income must be annualized.

- **Nonrecurring Lump Sum**

  Lump-sum payments received on a one-time basis include inheritance and retroactive benefits from Social Security, SSI, certain types of Veterans Administration income (see SSI-RELATED VETERANS AFFAIRS PAYMENTS), and Railroad Retirement.

  If the client receives a lump-sum payment, count it as income in the month of receipt, unless the lump sum is a retroactive SSI payment made while the Medicaid application is pending. If the application is pending the SSI decision, then see Retroactive SSI Payments.

  For retroactive lump-sum payments of Social Security or SSI, see 8-D, Retroactive SSI and Social Security Lump-Sum Payments, for treatment as a resource. For all other nonrecurring lump sums, count the lump sum as a resource after the month of receipt.

  Note: If the lump sum is unearned and is less than $60 or is earned and is less than $30, it may be excluded as infrequent or irregular income. See Infrequent or Irregular Income.

  Do not count corrective social security payments as income when the income was previously considered for eligibility and client participation. Count lump sums received in the retroactive period as income.

- **Recurring Lump Sum**

  Count recurring lump-sum payments as income and prorate them over the period of time they cover. The prorated amount may be excluded if the exclusion for infrequent or irregular income applies.

  Lump-sum payments received annually, semiannually, or quarterly on a recurring basis include annual crop-sharing payments and quarterly Medicare reimbursements from a former employer.

Medical Assistance Income Trusts (Miller-Type Trust)
441 IAC 75.24(3)"b"

A medical assistance income trust, or Miller-type trust, is an irrevocable trust established for the benefit of an individual on or after August 10, 1993. It is a trust where:

- Only the beneficiary's income (both earned and unearned) is assigned to and deposited into the trust, and
- The state is the residuary beneficiary of the trust and will receive all amounts remaining in the trust at the beneficiary's death, up to the amount of Medicaid paid for the beneficiary.

If the trust meets these requirements, exempt the gross monthly income paid **into** the trust when determining eligibility and client participation. Count only the income to be paid **from** the trust or otherwise made available to the client.

Do not count the direct payments to the nursing facility or other medical provider as income to the client when determining eligibility. See 8-I, Trust Payments, for payments to be made from medical assistance income trusts.

Military Pay
20 CFR 416.1111

The service branches issue a single pay slip each month on or after the first of the month. That pay slip shows the gross amount due for the full calendar month and the net amount issued on each payday of the month. Military personnel can access pay slips using the Internet.

Only basic pay and Continental United States (CONUS) cost of living allowance (COLA) constitute wages. All special pay and allowances, except hostile fire pay, imminent danger pay, and, in deeming situations, other kinds of additional pay that may be received by military personnel serving in a combat zone are chargeable unearned income to the service member.

Whenever possible, use the Leave and Earnings Statement to verify the gross pay for a month, including both earned and unearned income. The total base pay shown is earned income for that month. The total allowances shown are unearned income for that month (unless otherwise excluded, such as hostile fire pay).

Noncash Items
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

The value of any noncash item (other than food, clothing, or shelter) is **not considered income** if it will be partially or totally excluded as a resource the month after the month of receipt.

> Mr. A receives a car worth $6,000 as a gift from his daughter. He had no car before the gift. Because $4,500 of value of the car is excluded the month after receipt, the car will be an excluded resource in the month following the month of receipt. Therefore, the gift of the car is not income to Mr. A.

Other Excluded Federal Payments
20 CFR 416.1124, P. L. 92-203, P. L. 106-398

- Exclude income from any of the programs established under Public Law 93-103 through the Corporation for National and Community Service (CNCS), unless the director of CNCS determines that the hourly rate is equal to or over the minimum wage.

  (The director has never yet made this determination. Central Office will contact workers if that determination is ever made.)

  Programs under CNCS include University Year of Action (UYA), Volunteers in Service to America (VISTA), Foster Grandparents, Retired Senior Volunteer Program (RSVP), Senior Companion Program, and the Special and Demonstration Volunteer Program.

- Exclude dividend payments on shares of the **Alaska Native Fund**, and other revenue that originated with the fund. This fund was created by the Alaska Native Claims Settlement Act (Public Law 92-203), enacted on December 19, 1971.

- Exclude **Austrian Social Insurance** payments based partly or completely on wage credits granted under paragraphs 500-506 of the Austrian General Social Insurance Act. Use the award letter to determine how to count the payments.

- Exclude **Department of Defense (DOD)** payments to certain persons captured and interned by North Vietnam as a result of participating in DOD operations (known as OPLAN 34A (or its predecessor) or OPLAN35). Interest earned on unspent payments is **not** excluded.

- Exclude **Department of Defense (DOD)** payments made to or on behalf of certain Vietnam veterans' children, regardless of their age or marital status, for any disability resulting from spina bifida suffered by such children. Interest earned on unspent payments is **not** excluded.

- Exclude **Energy Employees Occupational Illness Compensation Program** payments made to former employees or their families. Beneficiaries will receive one or two lump-sum payments, which are excluded as income and as a resource.

  Award letters sent to the recipient from the Department of Labor should verify the amount and source of the payments.

- Exclude **German Reparations** payments made to survivors of the Holocaust under the Federal Republic of Germany's Law for Compensation of National Socialist Persecution, whether they are paid periodically or in a lump sum.

- Exclude **Japanese-American and Aleutian restitution payments** made by the U.S. Government to individual Japanese-Americans (or their survivors) and Aleuts who were interned or relocated during World War II.

- Exclude **Japanese-Canadian restitution payments** from the Canadian Government to individual Japanese-Canadians who were interned or relocated during World War II. Use documents from the client to identify or verify the nature of the payments.

If the client has no documents, ask if the client was imprisoned, relocated, deported, or deprived of other rights in Canada during the period of December 1941 to March 1949 because of Japanese ancestry. If yes, exclude the payment. If no, count the payment as income.

- Exclude assistance except wages or salaries provided under Chapter 35 of Title 42 U.S. Code, **Programs for Older Americans**. Count wages and salaries as earned income. Examples of programs offered include community service employment and the Green Thumb employment services program.

- Exclude as income and as a resource payments made under the **Radiation Exposure Compensation Act Trust Fund payment**. This program compensates people for injuries or death resulting from exposure to radiation from nuclear testing and uranium mining.

  After the affected person's death, payments are made to the surviving spouse, children, or grandchildren. Any interest on these funds is counted as income.

Personal Services
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Personal services performed for a client, such as lawn mowing, house cleaning, and grocery shopping, are **not considered income**.

Property Tax Refunds
20 CFR 416.1124(c)(1)

Exclude any amount a client receives from any public agency as a return or refund of taxes paid on real property. Verify the amount using the tax statement, or contact the state or local taxing authority. File the statement or a copy of the statement in the case record.

Rebates and Refunds
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

If a person gets back money the person has already paid (e.g., a property tax rebate), the returned money is **not considered income**. If a rebate is not returning the person's own money, however, it is income.

Recouped Benefits Paid in Error
20 CFR 416.1102, 416.1103, 416.1123

Do not count the portion of an unearned benefit that is being recouped if:

- The client received Medicaid under Medically Needy, Medicaid for employed people with disabilities (MEPD), HCBS waiver, or nursing facility assistance or received State Supplementary Assistance payments when the overpayment occurred, and
- The income that created the overpayment was included in figuring the amount of the Medicaid or State Supplementary Assistance benefit at the time it was incorrectly paid.

Relocation Assistance
20 CFR 416.1124(b)

Exclude relocation assistance provided to owners, tenants, or occupants who were displaced when real property was acquired by a federal, state, or local government-assisted project. Do not count:

- Moving expenses.
- Losses of tangible property.
- Expenses of looking for replacement business or farm.
- Displacement allowances.
- Amounts required to replace a dwelling.
- Compensation for increased interest costs.
- Closing costs on a replacement dwelling.
- Rental expenses for displaced tenants.
- Amounts for down payments on replacement housing.
- Mortgage insurance through federal programs, waiving requirements such as age, physical condition, or personal characteristics that borrowers must usually meet.

Rent Reimbursement Payments
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Payments received under the Rent Reimbursement Program administered by the Iowa Department of Revenue under Iowa Code Chapter 425 **are not considered income**. These payments are considered a refund of money the client has already paid.

The Iowa Department of Revenue may also make rent reimbursement payments to residents of residential care facilities and nursing facilities. Do not consider the payments for either eligibility or client participation.

Rental Property or Life Estate Income
20 CFR 416.1110(b), 416.1121(d)

Count as unearned income the net income from a life estate, or rental of real property (including a homestead) **unless the client has a business of renting properties**. If the client is in the business of renting property, see SSI-RELATED SELF-EMPLOYMENT INCOME.

If more than one person owns the property, count the income based on the ownership interest.

Use the most recent income tax return to determine net income from real property. Appropriate tax forms are:

- Schedule C, *Profit or Loss Statement*.
- Schedule E, *Supplemental Income and Loss*.
- Form 4562, *Depreciation and Amortization*.
- Form 1065, *Partnership Return on Income*.

Deduct from the gross income any necessary and reasonable expenses needed to produce the income. Examples of deductible expenses are real estate taxes, repairs and maintenance, the cost of advertising for tenants, and interest paid on a mortgage.

Do **not** deduct:

- The cost of capital equipment.
- Depreciation.

- Any portion of a mortgage payment that is attributed to the principal.
- Any purely personal expenses not associated with production of the income. If the expenses are both personal expenses and business expenses, prorate the expense following IRS policies used on the tax return.

  If a tax return is not available, deduct the same expenses that would be used on the tax return, as long as the expenses are reasonable as defined by IRS. The expenses of income are reasonable as long as the expense is ordinary and necessary as defined in the industry. You may need to contact a disinterested real estate agent, banker, farm manager, or other knowledgeable person in the particular industry.

Examples of allowable expenses:	Examples of expenses that are not allowed:
Repair of roof shingles	Replacement of the roof
Replacement of broken light	Replacement of wiring
Replacement of faucet	Replacement of plumbing

Resource Conversion or Sale
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Consider the conversion or sale to be a change in the form of a resource.

The increase in value of a resource is **not considered income**. An example of a resource value increasing when the value of stock increases from $100 to $110 in a six-month period.

Resource Replacement
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Any payment to a client to replace a resource that was lost, damaged, or stolen is **not considered income**. Examples include insurance payments and private or public fund payments.

Retirement Funds
20 CFR 416.1121

Retirement funds are annuities or work-related plans for providing income when employment ends (e.g., pension, disability, or retirement plans administered by an employer or union).

A retirement fund owned by an eligible person is a resource if the person has the option of withdrawing a lump sum, even though the person is not eligible for periodic payments. See 8-D, Retirement Funds.

If the person can't withdraw the funds but is eligible for periodic payments, the payments are considered income.

Retroactive SSI Payments
20 CFR 416.1123

When the application is held pending a Social Security determination for SSI benefits, count the retroactive SSI benefits for the period that the payments are intended to cover.

When calculating client participation, do not count any part of a retroactive SSI payment that covers a period before the month of eligibility for State Supplementary Assistance or medical institution care, or that is withheld for interim assistance.

January 3	Client applies for SSI.
February 3	Client enters RCF.
June 5	Client applies for State Supplementary Assistance.
August 16	Client approved for SSI. Receives SSI payment for the months of January through August.
August 17	Client approved for State Supplementary Assistance effective June 5.

The amount of the SSI lump sum intended for January through May is not considered in computing client participation for June through August. The amounts for June, July, and August are considered income in determining client participation for each of those months.

When a lump sum of retroactive SSI benefits is received on an ongoing Medicaid case, see Lump-Sum Income for treatment of income and see 8-D, Retroactive SSI and Social Security Lump-Sum Payments, for treatment as a resource.

Sheltered Workshop Earnings
20 CFR 416.1110

Count the income a handicapped person earns at a sheltered workshop as earned income.

Sick Pay
20 CFR 416.1110

Sick pay is payment made to an employee by an employer or third party for sickness or accident disability. (Payments to an employee under a workers' compensation law are not sick pay.)

Verify the period of time that sick pay has been paid.

Count sick pay as earned income in the first six months of receipt unless the employer considers the income as unearned income. Contact the employer to determine how to consider sick pay. After six months, count sick pay as unearned income.

- Exclude Department of Defense (DOD) payments to certain persons captured and interned by North Vietnam as a result of participating in DOD operations (known as OPLAN 34A (or its predecessor) or OPLAN35). Do **not** exclude interest earned on unspent payments.

- Exclude Department of Defense (DOD) payments made to or on behalf of certain Vietnam veterans' children, regardless of their age or marital status, for any disability resulting from spina bifida suffered by such children. Do **not** exclude interest earned on unspent payments.

Social Security Payments

Count the gross amount of Social Security as unearned income.

If the person is paying for Medicare Part B, the gross amount of the Social Security payment has been adjusted to allow for an even dollar net amount.

For eligibility, count the gross amount of the Social Security that will be received when Medicare buy-in takes place. Round up to the next dollar amount only when buy-in would affect eligibility for a program.

For client participation, Medically Needy spenddown calculation, and MEPD premium calculations, count the gross amount of the Social Security as verified by the Social Security Administration. (Do not round.)

> Mr. A is an applicant for Medicaid. His gross Social Security benefit is $1,182.00. His Medicare premium is $104.90, so Mr. A's net check is $1,077.10
>
> If Mr. A is approved, the state will "buy in" and pay his Medicare premium. Once buy-in occurs, Mr. A's check will increase to $1,182. ($1,077.10 + $104.90 = $1,182.00).
>
> In determining Medicaid eligibility for Mr. A, the worker considers income of $1,182, so that Mr. A's eligibility is determined based on the amount of income he will receive once buy-in occurs.
>
> In determining client participation, Medically Needy spenddown, or an MEPD premium, the worker uses Mr. A's income of $1,182.00 to calculate his benefits until after buy-in takes place.

Social Services
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

Social services are **not considered income**. They include services to assist handicapped or disadvantaged people to function in society to the level of a person without the handicap, e.g., vocational rehabilitation. The training allowance issued by the Department of the Blind is considered a social service and is not counted as income.

The following items are **not** social services:

- Income from a sheltered workshop (see Sheltered Workshop Earnings).
- Financial aid for education and training (see Educational Assistance).
- FIP, SSI, Veterans assistance, or general assistance payments (see Assistance Payments).

Strike Pay
20 CFR 416.1102

Count strike pay as earned income if a union member is involved in the strike and the duties involve strike activity. Count all other strike pay as unearned income.

Third-Party Payments
20 CFR 416.1102, 416.1103, 416.1123;
P. L. 103-60;
Youngberg vs. Iowa DHS, Polk Co. District Court No. AA3294 (June 12, 2000)

Direct payment of a person's bills by a third party is **not** considered income, unless the bills are for food, clothing, or shelter. (See SSI-RELATED IN-KIND INCOME for how to treat third-party payments for food, clothing, or shelter.)

Third-party payments include medical services payments, such as:

- Medical insurance premiums paid directly to the insurance company by someone other than the client.
- Insurance company payments for medical care if the payments are equal to or less than the actual cost of the care.
- Room and board paid by a third party to a medical institution while a person is institutionalized.
- Accident settlement payments to cover medical expenses.
- Benefits from insurance policies that pay a flat rate to an individual if:
  - The policy was purchased to pay for medical care and with regard to anticipated charges,
  - The benefit is payable only if the policy holder actually receives the type of medical care of which the policy was purchased, and
  - The benefit is actually used to pay for the medical care for which the policy was purchased.

When the reason the third party is making a payment is for a cost that SSA or Medicaid may be meeting (i.e., nursing facility or in-home health related care), deduct the third party payment before the Medicaid or SSA payment.

Vacation Pay
20 CFR 416.1110(a)

Count vacation pay as earned income.

Victims' Compensation Payments
P. L. 101-508

Exclude assistance paid through the Crime Victim Reparation Program. The Iowa Department of Justice administers this program, which compensates victims of crime for expenses incurred or losses suffered as a result of a crime. Expenses paid by the Crime Victim Reparation Program include:

- Medical bills.
- Lost wages.
- Loss of support.
- Clothing held in evidence.
- Counseling.
- Burial.

Wages
20 CFR 416.1110

Count the gross amount of wages prospectively. See Projecting Future Income. See also SSI-RELATED DEDUCTIONS for deductions that are applied to wages. **Note:** Consider vacation pay as wages, even if paid in a lump sum after the client's employment has terminated.

Winnings
SI 0830.525

Count as unearned income any winnings from a contest, lottery, or game of chance. **Note:** Gambling losses are not subtracted from gambling winnings to determine countable income.

Workers' Compensation
20 CFR 416.1121

Count as unearned income any workers' compensation from state or federal employment that is paid to disabled workers.

Exclude any portion of the income that was paid or deducted for legal or related expenses, if the recipient did not have control of the money before distribution. This information is given in the award letter.

> Mr. O is injured at work in March. He begins receiving workers' compensation of $500 per month in August. This income is considered unearned and is counted for the time it is intended to cover.

SSI-RELATED IN-KIND INCOME

Legal reference: 20 CFR 416.1102

In-kind income is not cash, but is food or shelter, or the receipt of something that can be sold or converted to obtain food, clothing, or shelter. If the noncash item is given to the person by that person's spouse, minor child, or parent (if the recipient is a minor child), do not consider it in-kind income to the person.

The three types of in-kind income are:

- In-kind earned income.
- In-kind unearned income other than food or shelter.
- In-kind support and maintenance (unearned income received in the form of food or shelter).

In-Kind Earned Income

Legal reference: 20 CFR 416.1110-416.1111

In-kind earned income is a noncash payment a person receives in place of wages or money from self-employment. In-kind earned income can be food or shelter, or noncash items that could be sold or converted to obtain food or shelter.

An SSI recipient's in-kind earned income is reflected on the SDX in the same way as cash earned income.

Count the full market value of in-kind earned income in the same way as earned income received as cash. If the person is in a coverage group where the $65 or $65 and one-half work expense deductions apply for earned income, apply the deduction to the in-kind earned income as well.

Exception: If an in-kind item that is not in the form of food or shelter will be partially or totally excluded as a resource in the month after the month it is received, do not count it as income.

1. Mr. A receives a monthly wage of $500 to manage an apartment complex and also is provided an apartment to live in at no cost. The apartment that Mr. A lives in would otherwise rent for $300 per month.

   Mr. A receives a noncash item in the form of shelter (free rent) and therefore, receives in-kind income. Because Mr. A receives this in-kind income in place of wages, it is considered earned income. The market value of Mr. A's in-kind earned income ($300) is considered in the same manner as if Mr. A had been paid $300 in the form of cash (i.e., if applicable for the coverage group, $65 plus one-half is deducted). Mr. A's total earned income is $800 ($500 + $300).

2. Mr. B is an employee of an auto dealer. In lieu of wages, Mr. B is given a car worth $4,000. Mr. B has no other car. Because the car he receives is an excluded resource in the month following the month of receipt, the value of the car is not considered as income to Mr. B.

In-Kind Unearned Income

Legal reference: 20 CFR 416.1123

In-kind unearned income is in-kind income that a person receives that is not in place of wages or self-employment monies. In-kind unearned income can be either:

- Food or shelter. See In-Kind Support and Maintenance (ISM).
- Any item that can be sold or converted to buy food or shelter.

Count the full market value of in-kind unearned income that is not in the form of food or shelter in the same way as unearned cash income. Market value is how much money the item can be sold for, not the retail purchase price. Accept the recipient's estimate of the market value of the gift, unless you have reason to doubt the estimate.

Exception: If a client receives a noncash item (not food or shelter) and that item will be a partially or totally excluded resource in the month after the month it was received, do not consider it as income.

Mr. T received a gift of a boat with a value of $1,000. The boat may be sold or converted to cash that may then be used to obtain food or shelter. It will not be an excluded resource in the month following receipt. Therefore, the receipt of the boat is in-kind unearned income. The boat's market value of $1,000 is considered as unearned income to Mr. T.

The income exclusion for infrequent or irregular income may apply to in-kind income. See Infrequent or Irregular Income.

An SSI recipient's in-kind unearned income that is not in the form of food or shelter is reflected on the SDX as unearned income type "S" (other income).

In-Kind Support and Maintenance (ISM)

Legal reference: 20 CFR 416.1130, 416.1132-416.1133

In-kind support and maintenance is in-kind unearned income in the form of food or shelter. Shelter includes:

- Room rent and mortgage payments.
- Real property taxes.
- Heating fuel, gas, electricity, water, and sewage.
- Garbage collection service.

ISM is valued according to either the value of one-third reduction (VTR) or presumed maximum value (PMV) rule. The VTR rule applies only when a client lives in another person's household.

Determining the Client's Living Arrangement

To determine which rule to use, first establish if the client is living in the client's own household or in the household of another. See Living in Another Person's Household. If a client is living in the household of another, then decide if the person is paying a pro rata share. See Paying a Pro Rata Share.

Living in Another Person's Household

Legal reference: 20 CFR 416.1132-416.1133

A client is **not** living in another person's household if:

- The client has an ownership interest or a life estate interest in the home.
- The client (or any person in the household who could have income deemed to the client) is liable to the landlord for paying any part of the rent. In this context, a landlord and tenant cannot be members of the same household.

- The client pays at least a pro rata share of household and operating expenses.
- All members of the household receive public assistance income-maintenance payments, such as FIP or SSI.
- The client lives in an institution (an establishment which provides food, shelter, and some treatment or services to four or more people). An institution is not a household, and a household cannot exist within an institution.
- The client lives in a noninstitutional care situation, such as a family-life home or a foster care home.

A household must be a personal place of residence. A commercial establishment, such as a hotel or boarding house, is not a household. However, a household can exist within a commercial establishment if the client lives in the household as a roomer or boarder within the hotel or boarding house.

1. Mr. A lives in a boarding house and pays $200 per month to the owner for room and board. Several other people also live in the boarding house. Mr. A is not considered to be living in another person's household.

2. Mr. B lives with Mr. A. Mr. B does not have rental liability to the boarding household owner and does not pay a pro rata share of the expenses. Mr. B is considered to be living in the household of another (Mr. A).

Paying a Pro Rata Share

Legal reference: 20 CFR 416.1132-416.1133

If the client pays a pro rata share of household operating expenses, consider the client to be living in his or her own home and not receiving in-kind support and maintenance from anyone else in the household.

The pro rata share of household operating expenses is the average monthly household operating expenses (based on a reasonable estimate, if exact figures are not available) divided by the number of people in the household, regardless of age.

The household operating expenses are the total monthly expenditures for food, rent, mortgage, property taxes, heating fuel, gas, electricity, water, sewage, and garbage collection service.

If the client receives ISM only in the form of food, use only the household's food expenses in calculating the client's pro rata share of household expenses. If the client eats meals separately from the household, use only the household's shelter expenses in calculating the client's pro rata share of household expenses.

When to Apply the Value of One-Third Reduction (VTR) Rule

Legal reference: 20 CFR 416.1131

Apply the "value of one-third reduction" (VTR) rule to in-kind support and maintenance received when a client lives the whole month in another person's household and receives **both** food and shelter from that person. If the client is living in the client's own household, use the "presumed maximum value rule."

Under the VTR rule, the value of in-kind support and maintenance is one-third of the SSI benefit rate (currently $240.33). If a married couple lives in another person's household, use one-third of the SSI benefit rate for a couple ($360.66).

The VTR amount always applies in full. Count this amount in the same way as if it were unearned income received in cash. Do not apply the $20 general income exclusion to in-kind support and maintenance valued according to the VTR rule.

An SSI recipient who receives in-kind support and maintenance valued according to the VTR method will have that income reflected on the SDX as income type "J."

1. Mr. G, a Medicaid member, lives with his friend, Mr. F, in a home owned by Mr. F. Mr. G has Social Security income of $500 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with both food and shelter.

   Because Mr. G is living in the home of another (Mr. F) and receives both food and shelter from Mr. F, he is receiving ISM income that should be valued according to the VTR method. The IM worker determines that Mr. G has countable in-kind support and maintenance income of $240.33 (one-third of the SSI benefit rate).

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. His son also provides Mr. S's meals. Mr. S's pro rata share of the household's operating expenses is $200. However, Mr. S contributes only $100 per month towards the household's operating expenses.

   Although Mr. S is contributing towards the household expenses, he is not paying a pro rata share. Therefore, he is considered to be living in another person's household. His son provides him both food and shelter.

   Mr. S is receiving the in-kind support and maintenance that is valued according to the VTR method. This means that he has countable in-kind support and maintenance income of $240.33.

3. Same as Example 2, except that Mr. S receives food assistance. Because his son is not providing both shelter and food, the VTR method does not apply. Mr. S's in-kind support and maintenance is valued according to the PMV method.

When to Apply the Presumed Maximum Value Rule (PMV)

Legal reference: 20 CFR 416.1140

Whenever a person receives in-kind support and maintenance that must be counted, but the one-third-reduction rule does not apply, use the presumed maximum value (PMV) rule. Under the PMV method, the maximum in-kind support and maintenance amount is presumed to be $260.33 (one-third of the SSI benefit rate plus $20).

Situations in which the PMV method is used include:

- A client living in another person's household, but not receiving both food and shelter.
- A client living in the client's own household and receiving in-kind support and maintenance.

Give clients an opportunity to show that the actual market value of their support and maintenance is less than the presumed maximum value. The actual market value is the client's pro rata share of household expenses minus the client's actual contribution. If the client verifies that the actual market value is less than $260.33, use the actual market value as the monthly income.

In-kind support and maintenance received by an SSI recipient that is valued according to the PMV rule is reflected on the SDX as income type "H."

1. Mr. G, a Medicaid member, lives with his friend, Mr. F. Mr. G has Social Security income of $700 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with shelter, but Mr. G provides his own food. The household's expenses, other than food, total $600.

   Because Mr. G does not receive both food and shelter from Mr. F, the in-kind support and maintenance income received is valued according to the PMV method and not the VTR method. (Mr. G's pro rata share of the household's operating expenses (not including food) is $300.)

   The difference between Mr. G's pro rata share ($300) and his contribution ($0) is greater than the presumed maximum value amount of $260.33. The IM worker uses countable in-kind support and maintenance income of $260.33 (one-third of the SSI benefit rate + $20) to determine Mr. G's Medicaid eligibility.

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. Mr. S purchases and eats his meals separately from his son. Mr. S's pro rata share of the household's $400 operating expenses (not including food) is $200. Mr. S's actual contribution towards the household's operating expenses is $75 per month.

   Although Mr. S is not paying a pro rata share of the household expenses, he is not receiving both food and shelter from his son. Therefore, Mr. S's ISM is valued according to the PMV method. The actual value of Mr. S's ISM is $125 ($200 minus $75). Because this is less than the presumed maximum value, the countable ISM income is $125.

3. Ms. L, a Medicaid member, lives alone in her own home. Her father helps her by paying her gas and electric bill of $80 per month. (Payments are made directly to the utility company.)

   Because Ms. L lives in her own home, the PMV method of determining in-kind income (for the payment of utilities) is used. Because the actual value of the in-kind support and maintenance received is less than the presumed maximum value, the countable in-kind support and maintenance income is $80.

SSI-RELATED SELF-EMPLOYMENT INCOME

This section describes:

- How to determine whether a client's employment is self-employment.
- How to consider income from self-employment.

Determining if a Client is Self-Employed

Legal reference: 20 CFR 416.1110, 416.1220, 416.1222

"Self-employment" is defined as providing income directly from one's own business, trade, or profession.

If it is unclear whether a person's employment is self-employment, ask if the person files an income tax return as a self-employed person on form SE, *Social Security Self-Employment Tax*, or if the person is subject to a self-employment tax.

If the person files form SE or is subject to self-employment tax, consider the person's self-employment verified, unless the situation has changed.

If the person does **not** file form SE, but claims to be self-employed, determine if the person would be subject to the self-employment tax if the person filed an income tax return. Consult the IRS or another knowledgeable source to determine if the person is self-employed. Ask if the person materially participates in the management decisions. If the person does, this may be self-employment.

Renting out one or two properties or leasing farmland to someone is not necessarily self-employment. In such cases, determine whether the person's business is renting those properties by requesting a complete copy of the person's federal tax return. See also Rental Property or Life Estate Income.

1. Mr. X rents out his life estate on the farm that he previously owned. He does not manage a business. Therefore, Mr. X does not engage in self-employment.

2. Mr. J files a Medicaid application for his daughter. He states that he is a self-employed salesman. The IM worker gets a release of information and contacts his distributor, who confirms that Mr. J is self-employed.

3. Ms. E baby-sits in her home. She does not file an income tax return. She is responsible for all expenses and makes her own management decisions. She is self-employed.

Determining Income from Self-Employment

Legal reference: 20 CFR 416.1110, 416.1220, 416.1221

"Self-employment income" is the gross income from a trade or business minus allowable deductions for that trade or business.

Annualize self-employment income on a taxable year basis by totaling all self-employment income received or projected to be received in the calendar year, then dividing the total by 12 to determine the monthly amount.

Divide the entire taxable year's self-employment income equally among the number of months in the taxable year, even if the business:

- Is seasonal.
- Starts during the year.
- Stops operating before the end of the taxable year.
- Stops operating before the application for assistance.

Use the person's federal income tax return from the previous year to project self-employment earnings in the following tax year. The following schedules may be used:

- Schedule SE, *Computation of Social Security Self-Employment*. For net earnings, use Section A, line 4 or Section B, line 4.C. For net loss, use Section A, line 3, or Section B, line 4.C.
- Schedule C, *Profit or Loss from Business or Profession*. Use the line entitled "Net Profit or Loss."
- Schedule F, *Farm Income and Expenses*. Use the line entitled "Net Profit or Loss."

If the client indicates that the last tax return is not an accurate indicator of future income, or if a change occurs, project self-employment income for the taxable year based on the best available information.

If the business has not been in operation long enough to have income tax records, project income based on the client's records. If the client's records are not available and no other evidence can be obtained, ask the client to provide a signed statement of projected self-employment earnings. Make a new determination of net income when a more accurate projection can be made, but no later than six months from the determination of eligibility.

Apply a 13.3% deduction to net profit to determine countable self-employment earnings if:

- The net profit exceeds or is expected to exceed $433.13, and
- The client has filed or expects to file a federal income tax return and therefore will pay the self-employed social security tax.

This deduction recognizes a portion of the additional Social Security taxes that a self-employed person must pay as a business expense. If the Social Security tax will be paid, multiply the net profit by 13.3% then subtract this amount from the net profit to determine countable self-employment income.

If the profit is expected to be less the $433.13, or the client does not anticipate filing a federal income tax return, do not allow the 13.3% deduction.

If you are making a self-employment income projection based on a client's business records, assume that any deductions taken on the business records are allowable by the IRS, absent evidence to the contrary. However, do not allow the following:

- Deduction for purchases of capital equipment. Capital equipment usually has a life span in excess of one year.
- Payment for a mortgage to buy capital resources used in self-employment. The portion of the payment applied toward the principal is not an allowable deduction, but the portion that is interest is an allowable deduction.

When an expense is for both personal and self-employment purposes, such as expenses of a home that is also used for self-employment, divide the expense according to the percentage that the client uses the item for self-employment.

> Mr. O operates a self-employment business from his home. He deducts one-third of the home rent and one-third of the utilities on his income tax return as a business expense. One-third of the rent and utilities is an allowable deduction from gross self-employment income.

Calculate self-employment income as follows:

Gross self-employment earnings
- Allowable business expenses
= Net profit
- 13.3% Social Security deduction (net profit x 0.133) if applicable
= Countable self-employment income

Divide any verified loss from self-employment over the taxable year in the same way as net earnings. Deduct a verified loss from self-employment from income of other self-employment businesses or from earnings of the client or the client's spouse.

Consider changes in self-employment income when they occur. Continue annualized income from self-employment throughout the year, even if the person does not expect to earn any more income from self-employment.

> Mr. A earned $3,000 in self-employment income from January through June. Mr. A does not expect to earn any self-employment income from July through December. Mr. A's countable self-employment income for July through December is $250 per month ($3,000 divided by 12 months).

SSI-RELATED VETERANS AFFAIRS PAYMENTS

Legal reference: 20 CFR 416.1121

The Veterans Administration (VA) makes many types of payments to clients and their families. The chart that follows is a summary of VA benefits and treatment of benefits. After the chart is a more detailed explanation of each type of benefit.

Type of VA Benefits	Treatment of VA Benefit
Compensation	Countable unearned income.
Pension	Countable unearned income.
Aid and Attendance	Third-party medical payment, count for client participation only. Do not divert to community spouse.

Housebound Allowance	Third-party medical payment, count for client participation only. Do not divert to community spouse.
Clothing Allowance	Not considered income.
Dependent Allowance (Augmented Benefit)	Countable income to the dependent unless the exception under Payments for Dependents applies.
Educational Benefit	Countable unearned income. **Exception:** Do not count the portion that is the veteran's contribution or the portion for social services such as vocational rehabilitation. Exclude the cost of tuition and educational expenses and fees.
Adjustments for Unusual Medical Expenses	Not considered income. Do not divert to community spouse.

Compensation Payment

Legal reference: 20 CFR 416.1121

A VA compensation payment is based on a service-connected disability or death and may be based on need. Count as unearned income any portion not attributable to aid and attendance or unusual medical expenses. The portion of a VA compensation payment that is for VA aid and attendance and housebound allowance or is attributable to unusual medical expenses is not considered income. See Aid and Attendance and Housebound Allowance and Payment Adjustment for Unusual Medical Expenses.

The portion of VA compensation that is due to a dependent's needs is called an augmented payment and is usually counted as income to the dependent. See Payments for Dependents.

A VA compensation or pension payment may also contain any of the other VA benefit types. Make sure to verify what is included in the VA compensation or pension payment. Verify what types of benefits are included in the VA payment.

Pension Payments

Legal reference: 20 CFR 416.1121

A Veterans Affairs (VA) pension payment is a combination of service and non-service-connected disability or death payment and is commonly based on need. Count as unearned income any portion of the VA pension payment that is not attributable to aid and attendance or unusual medical expenses.

Exception: A veteran (or the surviving spouse of a veteran) who does not have a spouse or dependent and is entitled to a VA pension may receive a $90 income exclusion after entering a medical institution. Exclude $90 of the VA pension as income when determining eligibility and client participation, beginning the month after the month of entry into the institution. See 8-I, Veterans or Surviving Spouses of Veterans and Residents of Iowa Veterans Home.

Any portion of the pension attributable to aid and attendance or housebound allowance is not considered income. In most cases, the portion of the VA pension attributable to unusual medical expenses is not considered income. See Aid and Attendance and Housebound Allowance and Payment Adjustment for Unusual Medical Expenses.

The portion of a VA pension that is attributable to a dependent's needs is called augmented payment and is usually counted as income to the dependent. See Payments for Dependents.

A VA compensation or pension payment may also contain any of the other VA benefit types. Make sure to verify what is included in the VA compensation or pension payment.

Aid and Attendance and Housebound Allowance

Legal reference: 20 CFR 416.1121

VA pays an allowance to some veterans, spouses of disabled veterans, and surviving spouses who are in regular need of the aid and attendance of another person or who are housebound. This allowance is combined with the person's pension or compensation payment and is paid while the person is at home, in a medical institution, or (in rare circumstance) in a residential care facility.

A payment for aid and attendance or housebound allowance **is not income** but is a third-party medical resource.

When the reason an applicant receives aid and attendance or housebound allowance is for costs which the Medicaid program or State Supplementary Assistance program will be meeting (such as nursing facility or in-home health related care), deduct the aid and attendance or housebound allowance to determine the amount of the Medicaid or State Supplementary Assistance payment.

If a member is in a nursing facility, add the aid and attendance or housebound allowance to the client participation to determine the total client participation owed. If a member receives in-home health-related care to meet the same need for which the member gets aid and attendance or housebound allowance, add the aid and attendance or housebound allowance to the client participation to determine the total client participation owed.

If a member is on two or more programs where aid and attendance is considered, such as waiver and in-home health-related care, allow the member to choose the program to which the VA aid and attendance payment would be applied.

If the client cannot verify the amount for aid and attendance or housebound allowance, request verification from the Department of Veterans Affairs. A client who provides a signed release to the Department of Veterans Affairs has met the requirement for supplying requested information or verification. The general release does not meet this requirement unless the client asks for help. Add the VA file number to a specific release.

Clothing Allowance

Legal reference: 20 CFR 416.1121

A lump-sum allowance is payable in August of each year to a veteran with a service connected disability who has a prosthetic or orthopedic appliance, including a wheelchair. This VA clothing allowance is to defray the increased cost of clothing due to wear and tear caused by these appliances and **is not income**.

Payments for Dependents

Legal reference: 20 CFR 416.1121

In some instances, the VA considers the number of dependents to determine the amount of the veteran's or surviving spouse's benefit. Payments for dependents are augmented payments. The augmented payment may be included in the same payment made to the veteran or widow or may be made in a separate payment to the dependent.

The portion of a VA payment that is augmented because of a dependent is income to the dependent, not the veteran. **Exception:** Count an augmented payment as income of the veteran or surviving spouse if **all** the following criteria are met:

- The dependent lives apart from the veteran or surviving spouse, and
- The dependent applies to have the augmented payment paid to the dependent separately from the veterans payment (apportionment), and
- The VA denies the dependent's request for separate payment, and
- The veteran or surviving spouse does not send the augmented benefit to the dependent.

If the VA denies apportionment and the veteran makes no payment to the dependent, count the augmented benefit as the veteran's income the month following the month of the VA's response.

If the client is a veteran or surviving spouse receiving a VA payment, and the client has a living spouse, dependent parent, child, or disabled adult child, verify whether any of the VA benefit is augmented. If the client indicates that the VA payment is not augmented (or does not know) and alleges no living spouse, dependent parent, child, or disabled adult child, assume that the benefit is not augmented.

If the client is a child or spouse living with a veteran receiving a VA payment, determine whether any of the VA payment is augmented and is income to the client.

If the client is a child or spouse living apart from a veteran who receives VA payments, determine whether any of the VA payment is augmented and is income to the client. Ask if the client receives any payments directly from the VA (i.e., by apportionment) or through the veteran.

If a surviving spouse or a child or spouse living apart from the veteran alleges that the augmentation amount was not given, ask if apportionment has been requested. If the dependent has already requested apportionment, obtain a copy of the VA response.

If the dependent has not applied for apportionment, refer the dependent to the appropriate VA office. Explain that the augmentation amount will continue to be considered the dependent's income unless the VA refuses to make the payment to the dependent by apportionment.

If the VA denies apportionment and the veteran makes no payment to the client, do not consider the augmentation amount as the client's income in the month following the month of the VA's response date.

Educational Benefits

Legal reference: 20 CFR 416.1121

Count a VA educational benefit as unearned income, unless it is for a rehabilitation payment or a withdrawal of the veteran's own contribution. The portion of a VA educational benefit that is a withdrawal of the veteran's contribution is a conversion of a resource and is not income.

Some VA educational benefits are for vocational rehabilitation, which is considered a social service and not counted as income. Training for a specific job skill or trade (vocational training) is not a social service; however if it is part of the vocational rehabilitation, treat it as a social service and do not count as income.

VA educational benefits that are counted as unearned income can be excluded if they are used to pay the cost of tuition, fees, or other necessary educational expenses. See Educational Assistance.

Payment Adjustment for Unusual Medical Expenses

Legal reference: 20 CFR 416.1103(a)(7)

VA defines "unusual medical expense" as unreimbursed medical expenditures that exceed five percent of the person's annual applicable maximum VA payment rate. If the person receives a needs-based VA pension or compensation payment, the unusual medical expenses are deducted from the countable income used to compute the VA benefit amount. This may result in a higher VA payment amount.

The portion of a VA payment that is attributable to unusual medical expenses (UME) is **not considered as income** in determining eligibility or client participation.

Exception: The portion of a VA payment that is attributable to UME **is** considered as income in determining client participation for veterans or surviving spouses of veterans who do not have a spouse or dependents and reside in the Iowa Veteran's Home.

A person with no countable income for VA purposes is already receiving the maximum VA benefit, so none of that person's VA benefit is attributable to unusual medical expenses.

To determine the amount of VA benefits attributable to UME, contact the Department of Veterans Affairs or use the VA award letter. When sending a release to the VA, specify on the release that the information needed is the amount of the VA benefit that is attributable to UME (difference in what the benefit would be with and without UME) and not merely the amount of UME.

To determine the amount of VA benefits attributable to UME from an award letter, calculate the benefit amount with and without consideration of the UME deduction.

1. Mr. A receives a veterans pension of $500 and has social security income of $300. The IM worker sends a release form to the Department of Veterans Affairs. The VA indicates that $100 of the $500 VA benefit is attributable to UME. Only $400 of the VA benefit is considered to determine SSA and Medicaid benefits.

2. Mr. B receives a monthly veterans pension of $698.00. Mr. B provides the IM worker with a copy of his VA benefit award letter. The letter indicates that the computation of Mr. B's VA benefit amount used the annual social security income of $5,497, annual "other" income of $353.00, and annual medical expenses of $9,700.00.

   The IM worker determines that $488.00 of the $698.00 VA pension is attributable to UME. Only $210.00 of the VA pension is considered to determine SSA and Medicaid benefits.

$ 8,376.00	Maximum annual VA payment rate for Mr. B's pension type
- 5,497.00	Annual Social Security income used to compute VA benefit
- 353.00	Annual "other" income used to compute VA benefit
$ 2,526.00	Annual VA benefit without UME deduction

   $2,526 divided by 12 months = $210.00 monthly benefit (rounded down to the nearest dollar) without UME deduction. This is the countable VA benefit amount for Medicaid and SSA purposes.

$ 698.00	Monthly VA benefit with UME income deduction (actual benefit amount)
- 210.00	Monthly VA benefit without UME income deduction
$ 488.00	Monthly VA benefit attributable to UME

SSI-RELATED DEDUCTIONS

Legal reference: 20 CFR 416.1167

After determining countable nonexcludable income, apply the following deductions (except as noted) in the order listed. Some deductions do not apply for all coverage groups and all income types. See the corresponding subsection for a complete explanation of when to apply the deduction.

1. From unearned income, subtract a general income deduction of up to $20. See $20 General Income Deduction.

2. From earned income, subtract any remaining balance of the $20 general income deduction that was not used for unearned income. See $20 General Income Deduction.

3. From earned income, subtract a work expense deduction of $65. See $65 Plus One-Half Deduction.

4. From earned income, subtract any impairment-related work expenses. See Deduction for Impairment-Related Work Expenses.

5. From remaining earned income (after the $65 deduction), subtract one-half. See $65 Plus One-Half Deduction.

6. From earned income, subtract any work expenses of the blind. See Deduction for Work Expenses for the Blind.

7. From earned or unearned income, subtract any income that is to be used for the Plan for Achieving Self Support. See Deduction for Plan for Achieving Self-Support.

$20 General Income Deduction

Legal reference: 220 CFR 416.1124(c)(12) and 416.1112(c)(3)

When determining eligibility for SSI-related programs, allow a $20 general income deduction per eligible unit, except as listed below. Apply the deduction first to unearned income, then to earned income if unearned income is less than $20.

> Mr. and Mrs. W live at home with total unearned income of $800. Countable income is:
> $800 - $20 deduction = $780 countable income

Do **not** apply the $20 general income deduction for the following coverage groups:

- 300% group.
- State Supplementary Assistance recipients applying for or receiving in-home health-related care, or residential care facility services.
- Home- and community-based services waiver recipients.

Do **not** apply the $20 deduction to:

- Income based on need, such as unearned income for support and maintenance (veteran's compensation, for example).
- Income of an applicant in a medical institution. **Exception:** Allow the $20 deduction when determining eligibility for QMB, SLMB, or Medically Needy.
- In-kind support and maintenance valued according to the value of one-third reduction rule.

$65 Plus One-Half Deduction

Legal reference: 20 CFR 416.1167

Deduct $65 plus one-half of the balance from a person's earned income, except as listed below. Apply the deduction of impairment-related work expenses **before** deducting the one-half of the balance.

When both spouses are employed, add together their total earned income then subtract the earned income deduction of $65 plus one-half from the total. If the recipient is a child who has earned income, give the $65 plus one-half deduction to the child's earnings also.

Do **not** apply the $65 plus one-half deduction for the following coverage groups:

- 300% group in a facility or home- and community-based waivers.
- Dependent person. Deduct only $65 for the dependent. The aged, blind, or disabled client gets $65 plus one-half.

Deduction for Impairment-Related Work Expenses

Legal reference: Public Law 100-508, 20 CFR 416.976, 416.112

Deduct impairment-related work expenses from the earned income of clients who are disabled (but not blind) and under age 65, or were determined to be disabled before age 65. If the client is blind, see Deduction for Work Expenses for the Blind.

Deduct expenses for items or services that enable the impaired person to work, and that are incurred by the person because of a physical or mental impairment. Examples include a one-handed typewriter, typing aids such as page-turning devices, and telecommunications devices for the deaf.

Deduct payments for residential modifications for a person employed outside the home that permit the person to get to work. This deduction also applies to residential modifications for a person who works at home to create a work space that accommodates the person's impairment and to provide access to that work space. Other changes in the home are not deductible as impairment-related work expenses.

Expenses may involve payment for the purchase, installation, maintenance, and repair of an impairment-related item or payment for an impairment-related service. In order for an impairment-related expense to be deducted, the following criteria must be met:

- The type of expense and the charge must be verified.
- The client must pay for the item. Payment can be cash, check or credit card, installment payments, or rentals or leases.
- The item cannot be reimbursable or payable through another source.
- The cost of the expense must be the reasonable cost based on going rates in the community.
- The cost cannot be a deductible self-employment expense.
- The expense would not be incurred by someone without the impairment. For example, everyone must have clothing but the client may need a certain type of shoes solely because of employment and the client's disability.

Impairment-related work expenses are not deductible in determining client participation for people in medical facilities.

Deduct impairment-related payments according to one of the following methods:

- *Down payment*. A person may make a down payment on an impairment-related item or service, then make regular monthly payments. Either deduct the down payment entirely in one month, or allocate it over a 12-consecutive-month period beginning with the month of purchase. The client chooses the method.

- *Annualized payment*. The down payment and the monthly payment must be divided into uniform monthly payments if:
  - The monthly payments do not begin immediately after the month in which the down payment is made, or
  - The regular monthly payments extend for less than 12 months.

  To calculate uniform monthly payments:

  1. Establish the 12-month proration period beginning with the month of purchase.
  2. Add together the down payment and all the monthly payments that will be paid in the 12-month proration period.
  3. Divide the sum by 12.

Mr. G purchases a deductible item in July 1994, paying $1,450 down. However, the first monthly payment of $125 is not due until September. The worker calculates a uniform monthly deduction as follows:

Step 1. Establish the 12-month proration period as July 1994 through June 1995 (12-months beginning with month of purchase)

Step 2. Add the down payment and monthly payments

$ 1,450	Down payment in 7/94
+ 1,250	($125 x 10)
$ 2,700	Sum of monthly payments during proration period (July 1994 - July 1995)

Step 3. Divides $2,700 by 12 = $225

In this situation, a $225 monthly deduction, the down payment prorated amount plus the regular monthly payment, is allowed beginning in July 1994, and ending in June 1995. After June 1995, the deduction amount would be the regular monthly payment of $125.

- *Nonrecurring payment*. If the impaired person pays the full amount all at once, either deduct it entirely in one month, or prorate it over a 12-consecutive-month period, beginning with the month of purchase. The client chooses the method.

- *Recurring payments*. Some impairment-related work expenses are paid on a recurring basis. When durable equipment is purchased by installment over a period of time, the cost of the item, interest, and sales tax are deductible. Prorate the payments over the time period between payments.

- *Rentals or leases*. Deduct the actual monthly rental or lease charge.

When a person has impairment-related work expenses, and the IABC system is determining the eligibility and client participation, subtract the impairment-related expenses before entering the earned income onto the system.

Attendant Care Services

Legal reference: 20 CFR 416.976(c)(1)

Deduct payments made for attendant care services if those services are needed in the work setting or to help the impaired person travel to and from work. "Attendant care services" are types of physical assistance that help an impaired person meet essential personal needs at home or at work.

Deduct the payments made for attendant care services in the home only when the services relate to preparations for going to or returning from work. Examples include services relating to bathing, dressing, cooking, eating, administering medications, or arranging medical devices right before or after the impaired person's work day. The services generally require no more than one or two hours each morning or evening.

Do **not** deduct payments made to family members for attendant care services unless:

- The client can show that the family member has suffered economic loss by reducing or terminating employment to provide the care, and
- The payment to the family member is made in cash.

A family member is anyone related by blood, marriage, or adoption, whether or not the person lives with the impaired person.

An attendant assists a client in getting ready and traveling to work for approximately one hour per day and assists the client with laundry, housecleaning, and other non-work-related services for approximately three hours per day. The worker deducts only one-fourth of the total payment to the attendant as an impairment-related work expense.

Routine Drugs and Medical Supplies and Services

Legal reference: 20 CFR 416.976(c)(5)

Deduct payments for routine drugs, medical supplies, and services if they are necessary for controlling the disabling condition and are not payable by Medicaid or another source. Examples include payments for physical therapy and medical supplies such as incontinence pads, catheter, bandages, elastic stockings, face masks, irrigating kits, and disposable sheets and bags.

Durable Medical Equipment and Prostheses

Legal reference: 20 CFR 416.976(c)(3)

Deduct the costs of durable medical equipment and prostheses that are not payable by Medicaid or another source. The prostheses must be used primarily for functional, rather than cosmetic purposes in order to be a deduction.

"Durable" medical equipment is medical equipment that:

- Can withstand repeated use.
- Is primarily used to serve a medical purpose.
- Is generally not useful to a person who does not have the illness or injury.

The following types of equipment are **not** deductible unless a physician verifies that the equipment is necessary to control the disabling condition:

- Portable room heater.
- Air conditioner.
- Humidifier or dehumidifier.
- Electric air cleaner.
- Posture chair.
- Physical fitness equipment, such as an exercise bicycle.

If the expense was incurred within 11 months before receiving the earned income (i.e., because of a different job) and has not already been deducted as an impairment-related work expense, the client can choose either to:

- Prorate the expense over 12 months after receiving earned income, or
- Use the deduction in the first month of earned income.

Modified Vehicles

Legal reference: 20 CFR 416.976(c)(6)

Deduct the cost of modifying an impaired person's vehicle. A physician must verify that the person is unable to use public transportation and requires the special modifications in order to get to and from work. Also, the person must pay the cost of the modification before it can be deducted.

Deduct the actual cost paid to make structural or operational modifications to a vehicle in order to drive it, or be driven in it, to work. Do not deduct the cost of the vehicle.

Deduct mileage allowance for operating costs based on the weight of the empty vehicle according to the chart below. Operating cost includes gas and oil, maintenance, parts, tires, tolls, parking, insurance, and state and federal taxes.

Classification	Rate
Subcompact car	28.9¢
Compact car	29.5¢
Intermediate car	33.4¢
Full size car	37.9¢
Compact pickup	30.6¢
Full-size pickup	35.1¢
Minivan	35.3¢
Full-size van	44.8¢
Unknown	31.5¢

Multiply the number of round trip miles to work by the rate per mile. Multiply that times the number of trips per month to determine the monthly deduction.

A person who uses a modified vehicle to get to work may be entitled to a mileage allowance and modification cost allowance even if the person is able to use public transportation to get to work.

Driver Assistance, Taxicab or Other Hired Vehicles

Legal reference: 20 CFR 416.976(c)(6)

If a person's impairment requires the person to use driver assistance, taxicabs, or other hired vehicles in order to get to and from work, deduct the fee paid to the driver. If the impaired person's own vehicle is used, allow a deduction for both the driver cost and the vehicle operating costs. Use the same mileage allowance rates for vehicles operating costs that are used for Modified Vehicles.

A deduction for driver assistance, taxicabs, or other hired vehicles is allowable only if:

- Public transportation is not available in the person's community or if
- Public transportation is available but the person is unable to use it because of the person's impairment.

> Ms. S is employed as a computer technician. She cannot take public transportation. The cost of a driver of $70 per month and the rate allowed for her type of vehicle are deducted. The rate is $.295 per mile because her car is a 1989 compact.
>
> The worker allows the charge for the driver and the mileage to and from Ms. S's home. The round-trip mileage is 5 miles per day. In a month with 20 working days, Ms. S is allowed $99.50 in transportation expenses [$70 for the driver and $29.50 for mileage ($.295 x 5 x 20)].

Own Unmodified Vehicles

Legal reference: 20 CFR 416.976(6)

Allow a deduction for vehicle operating costs if:

- The impaired person drives the person's own unmodified vehicles to and from work and
- Public transportation is unavailable in the person's community or the impaired person is unable to use public transportation because of the person's impairment.

Use the same mileage allowance rates for vehicle operating costs that are used for Modified Vehicles.

Deduction for Work Expenses for the Blind

Legal reference: 20 CFR 415.1112(c)(7)

A person who qualifies for SSI because of blindness is **not eligible** for the deduction for impairment-related expenses but may deduct the ordinary and necessary expenses of earning income. If the blind person's spouse is also eligible because of blindness, each spouse is eligible for this deduction.

Blind people who are 65 or over are **not** eligible for this exclusion unless they were either:

- Receiving SSI payments because of blindness in the month before they turned 65, or
- Converted to SSI from the Aid to the Blind program in effect in 1974.

Examples of ordinary and necessary work expenses include those related to:

- Transportation to and from work such as the actual cost of bus or cab fare, cane travel instructions, a seeing eye dog and the dog's expenses, or private automobile (15¢ per mile).
- Actual cost of job improvement training such as computer programming training.
- Job performance items such as:
  - Braille instruction and translation of material into Braille, readers.
  - Child care costs (if not otherwise provided).

- Equipment needed on the job or tools used in the trade (e.g., for homebound work) due to blindness.
- Instructions in grammar.
- Meals.
- Professional association dues that are work-related, licenses, union dues.
- Prostheses needed for work even though not related to blindness.
- Optical aids.
- Safety shoes and uniforms and the care of them.
- Income taxes (federal, state, local) and FICA self-employment taxes.
- A wheelchair if necessary due to other disabilities.

The amount deducted cannot be more than the amount of earned income for the period. Do not carry unused deductions over to another quarter.

The client must keep records of work expenses and verify the expenses. If transportation and meal expenses appear reasonable, accept them without verification.

Deduction for Plan for Achieving Self-Support

Legal reference: 20 CFR 416.1180, 416.1181, 416.1226

Deduct the income of a blind or disabled client under the age of 65 if that income is needed to fulfill a Plan for Achieving Self-Support (PASS). People 65 or over get this deduction only if they were receiving SSI-related eligibility because of blindness or disability in the month before they turned 65.

Check the SDX when a client states that a plan for achieving self-support exists. When other clients have a plan, it is verified by the social worker.

Subtract the income deduction for a PASS from a client's countable income after all other applicable deductions, such as the $20 general income deduction and the $65 and 1/2 deduction.

INCOME POLICIES FOR FMAP-RELATED COVERAGE GROUPS

Legal reference: 441 IAC 75.1(14), 75.57(249A), 75.58(249A)

Income must be within FMAP-related program limits, unless otherwise specified by the coverage group under which the person is applying or eligible. Treat the income for people whose Medicaid eligibility is FMAP-related according to the policies in this chapter, except where noted.

The following sections explain:

- Income considered.
- Treatment of minor parents and minor pregnant women.
- Budgeting for FMAP-related households.
- The work transition period.

Income Considered

Legal reference: 441 IAC 75.57(249A)

Consider all unearned and earned income when determining initial and continuing FMAP-related Medicaid eligibility except when the income is specifically:

- Exempted
- Disregarded
- Deducted
- Diverted

See Taxes under the section, "TYPES OF FMAP-RELATED INCOME."

Unearned income is any income in cash that is not gained by labor or service. Examples of unearned income are:

- Investment income, such as dividends from stocks or bonds.
- Alimony or child support.
- Nonrecurring lump-sum payments.
- Rent from property handled by an agent.
- Interest income.

- Worker's compensation.
- Extended disability payments paid by an insurance company. See Disability Benefits for more information.
- Benefits or rewards for service, or compensation for lack of employment, such as Social Security benefits, Railroad Retirement, VA pensions, unemployment insurance, and strike pay.

Earned income is income earned by the person's own efforts. Examples of earned income are:

- The total gross amount of salary, wages, tips, bonuses, or commissions earned as an employee, including vacation and sick-leave pay, regardless of any employment-related expenses.
- Net profit from self-employment. See FMAP-RELATED SELF-EMPLOYMENT INCOME.
- Income from Job Corps.

Earned income includes income from managerial responsibilities, such as the management of capital investments in real estate. However, in a capital investment where the owner carries no responsibility (such as where rental properties are in the hands of rental agencies and the check is forwarded to the owner), the income is classified as unearned income.

Whose Income Is Not Counted

Legal reference: 441 IAC 75.57(6)"m," "n," "x," 75.57(7)"d", "q"

Do not count the income of the following people:

- SSI recipients.
- Ineligible or voluntarily excluded children. (Also exempt their resources.)
- Minor parents in foster care when determining FMAP-related eligibility of the minor's dependent child.
- Nonparental relatives who are not in the eligible group. (When the relative is needy and is included in the eligible group, treat the relative's income the same as the income of a parent.)

Income Under a Shared Living Arrangement

Legal reference: 441 IAC 75.57(3)

When an FMAP-related parent shares the responsibility for paying household expenses with another family or person, consider as income only the funds made available to the FMAP-related eligible group exclusively for their needs. Do not consider as income funds that are combined to meet mutual obligations for shelter and other basic needs.

Obtain a statement from the client that specifies the living arrangement, signed by both the person making the contribution (if possible) and by the client.

Minor Parents and Minor Pregnant Women

Legal reference: 441 IAC 75.57(5)"a"

Treat a pregnant minor (under age 18, never married or marriage was annulled) in the same way as a minor parent. When a minor parent is living independently or with a nonparental relative, treat the minor parent's income as if that person has turned 18 years old.

When a parent under the age of 19 who is in high school and is expected to finish by age 19 lives with that person's adult parent, treatment of the household's income depends on whether the adult parent receives Medicaid under FMAP or is self-supporting. See 8-C, Minor Parents, for more information.

The following sections give more information on:

- Living with a parent who receives FMAP.
- Living with a self-supporting parent.
- Treatment of income of the self-supporting parent.
- Treatment of income of the spouse of the self-supporting parent.

See 8-F, Child Medical Assistance Program (CMAP), for more information.

Living with a Parent Who Receives FMAP

Legal reference: 441 IAC 75.57(5)"a"

Treat the income of a parent under age 19 who is also receiving Medicaid under FMAP with their adult parent in the same way as the income of any other eligible child in the adult parent's eligible group. See 8-C, Age of Children: Family Medical Assistance Program (FMAP).

The same policy applies when the minor parent lives with a nonparental relative who assumes a parental role over the minor parent. If needy, the nonparental relative may be included in the eligible group. See 8-C, Specified Relatives.

> Sue is 17 years old. She and her baby live with her mother, Mrs. Y, who receives Medicaid under FMAP. The needs of Sue and her baby are included in Mrs. Y's eligible group. The income of both Sue and the baby is given the same consideration as that of any other eligible child.
>
> This would also be true if Sue were 18, full time in secondary school or its equivalent, and expected to complete the program before turning 19.

Treat an ineligible minor parent in the same manner as any other ineligible parent:

- Treat the income of the minor parent the same as any other ineligible parent's income when you are determining eligibility for the baby.
- A sanctioned minor parent remains ineligible for Medicaid until the condition that caused the sanction is fixed.
- An ineligible minor parent continues to be counted in the household size as a "considered" person.

If there are no other eligible children in the home, the adult parent may remain eligible as the specified relative of a dependent child.

> Ann is 16 years old. She has a baby and lives with her mother, Mrs. Z, who receives Medicaid under FMAP for herself, Ann, and the baby. In December, Ann fails to cooperate with CSRU. Ann is sanctioned and becomes ineligible for Medicaid.
>
> Mrs. Z can continue to receive Medicaid under FMAP because she is the specified relative of a dependent child (Ann). Ann's income continues to be used in determining eligibility for Mrs. Z and Ann's baby. Ann is a "considered" person on the case and the household size remains three.

Living with a Self-Supporting Parent

Legal reference: 441 IAC 75.57(5)"b"

When a minor parent lives with one or both self-supporting parents not receiving Medicaid under FMAP, consider the income of each self-supporting parent in the household to be available when determining eligibility for the minor parent and the minor's child. See Self-Supporting Parent's Income.

Treat the income of the minor parent in the same way as any other parent. Treat the income of the minor parent's child in the same way as the income of any other child receiving Medicaid under FMAP.

Exempt the self-supporting parent's income when the minor parent turns 18, marries, or a court determines the minor to be emancipated, regardless of the minor parent's school attendance. See 8-G, Minor Parent Turns 18 or Marries.

> Ms. B is 17 years old and a full-time student. She lives with her self-supporting parents. Ms. B has a baby, aged 2. She is also employed and earns $400 a month.
>
> Because Ms. B is the parent of the dependent child, she is included in the eligible group with the baby. Ms. B's income is exempt because she is a full-time student. However, the income of her self-supporting parents is considered in determining eligibility for Ms. B and the baby.
>
> Ms. B turns 18 on September 8. Beginning with the month of October, the income of Ms. B's self-supporting parents is no longer considered.

Remember that restricted income (Social Security, Veteran benefits, etc.) paid to a self-supporting parent on behalf of the minor parent is considered unearned income to the minor parent, unless the representative payee is living outside the home. See Representative Payee Income.

1. Ms. X is a minor parent who lives with her self-supporting parents. Her parents receive Social Security retirement benefits that include $150 a month for Ms. X. The $150 paid to Ms. X's parents on her behalf is considered as income when determining eligibility for the eligible group, regardless of the amount actually made available to the eligible group.

2. Ms. Q is a minor parent who lives with her self-supporting father. Her mother, who is not in the home, receives Social Security benefits of $126 for Ms. Q. Ms. Q's mother gives $100 to Ms. Q each month. She puts the rest of the money in a bank account for Ms. Q's education. Ms. Q does not have access to the bank account.

   Because Ms. Q's mother is the representative payee and is living outside the home, only the amount of Social Security that she actually makes available ($100) is considered as income when determining eligibility for the eligible group.

Consider child support payments received by a self-supporting parent on behalf of the minor parent as unearned income of the minor parent, and subject to the $50 support exemption.

Ms. A is a 17-year-old parent who lives with her self-supporting mother. Ms. A's mother is the payee for child support for Ms. A. She receives $200 a month. Only $150 ($200 - $50) is counted as income to Ms. A.

The same would be true if Ms. A were 18 years old, because child support is income to the person for whom the support is paid, regardless of that person's age.

Self-Supporting Parent's Income

Legal reference: 441 IAC 75.57(8)"c"

When a minor parent under age 18 lives with one or both self-supporting parents, treat the income of each self-supporting parent according to stepparent policies. See Treatment of Stepparent Income.

Apply the same deductions to the gross income that apply to stepparents' income, except as otherwise specified. Treat nonrecurring lump-sum income the same way as if received by a stepparent.

1. Zoe applies for FMAP. She is 17 years old and has a one-year-old baby. She lives with her self-supporting parents, Mr. and Mrs. Z, and her two younger brothers. Zoe and her brothers have no income. Mr. Z has projected gross earnings of $1,500 and Mrs. Z has projected gross earnings of $500. Mr. Z pays $250 in child support for a child not in the home.

$1,500.00	Mr. Z's projected gross earnings	$500.00	Mrs. Z's projected gross earnings
- 300.00	20% earned income deduct.	-100.00	20% deduction
$1,200.00		$400.00	Mrs. Z's projected net income

- 250.00	Child support deduction
$ 950.00	Mr. Z's projected net income
400.00	Mrs. Z's projected net income
$1,350.00	
- 986.00	Diversion for Mr. and Mrs. Z and their other two children
$ 364.00	
- 211.12	58% deduction
$ 152.88	Attribute as unearned income to the FMAP eligible group

Note: Mr. and Mrs. Z and their two sons constitute one unit. It is not appropriate to split the diversion for their needs. Thus, their respective income that remains before the diversion is combined, and the 58% deduction applied to the remainder.

2. The household consists of:

Mrs. G, age 43, self-supporting
Fanny, age 19, Mrs. G's daughter
Hannah, age 16, Mrs. G's daughter
Ben, age 1, Hannah's son

Mrs. G is employed and has gross earnings of $1,300 per month. The following shows the calculation if everyone wants Medicaid.

FMAP

$1,300.00	Gross earnings
- 260.00	20% earned income deduction
$1,040.00	
- 365.00	Diversion for Mrs. G
$ 675.00	
- 391.50	58% deduction
$ 283.50	Countable income <$361.00

Hannah and Ben are FMAP-eligible.

CMAP

$1,300.00	Gross earnings
- 260.00	20% earned income deduction
$1,040.00	
- 283.50	Diversion for the FMAP group
$ 756.50	
- 438.77	58% deduction
$ 317.73	Countable income <$361.00

Fanny is eligible for CMAP.

Medically Needy

$1,300.00	Gross earnings
- 260.00	20% earned income deduction
$1,040.00	
- 283.50	Diversion for the FMAP group
$ 756.50	
- 483.00	MNIL for one person
$ 273.50	
x 2	months
$ 547.00	Spenddown for Mrs. G

Spouse of the Self-Supporting Parent

Legal reference: 441 IAC 75.57(8)"c"

A self-supporting parent's self-supporting spouse is the stepparent of the minor parent. When the self-supporting spouse is also living in the home, treat the spouse's income in the same way as a stepparent's income for the eligible group.

Consider the self-supporting parent and any dependent of that parent as **one** unit. Consider the self-supporting spouse and any dependent of the spouse (other than the self-supporting parent) as **one** unit.

Attribute the spouse's income to the self-supporting parent in the same way that the income of a stepparent is determined for the eligible group. Allow the same deductions as for a stepparent.

Treat nonrecurring lump-sum income of the spouse in the same way as nonrecurring lump-sum income received by a stepparent.

Determine the unmet needs of the self-supporting spouse's ineligible dependents the same as you treat the dependents of a stepparent. Although the income of an ineligible dependent of the spouse is not attributable to the self-supporting parent, consider the income of the dependent in determining if the dependent has unmet needs.

Do not divert income of the spouse to meet the needs of the self-supporting parent. However, you may divert income of the self-supporting parent to the spouse, if the parent claims or could claim the spouse for federal income tax purposes.

Perform a double stepparent calculation to determine the income that is attributable to the eligible group.

> Ms. B is 17 years old and applies for Medicaid for herself and one child. She lives with Mrs. Y, her self-supporting mother, Mr. Y, her stepfather and her two younger sisters and her stepbrother. Mr. Y has $1,150 projected gross monthly earnings. He pays $100 per month child support for a child not in the home. Mrs. Y has projected gross earnings of $1,080 per month.

Step 1. Determine the income of Mr. Y that is attributable to Mrs. Y.

$ 1,150.00	Mr. Y's projected gross income
- 230.00	20% deduction
$ 920.00	
- 100.00	Child support
$ 820.00	
- 719.00	Diversion for Mr. Y and his child
$ 101.00	
- 58.58	58% deduction
$ 42.42	Attribute as unearned income to Mrs. Y for the eligible group

Step 2. Determine income of Mrs. Y to be attributed to the FMAP group.

$ 1,080.00	Mrs. Y's projected gross income
- 216.00	20% deduction
$ 864.00	
- 849.00	Diversion for Mrs. Y and her two children
$ 15.00	
- 8.70	58% deduction
$ 6.30	Mrs. Y's countable projected income
+ 42.42	Income attributed from Mr. Y
$ 48.72	Total unearned income attributed to the FMAP group

Budgeting for FMAP-Related Households

Legal reference: 441 IAC 75.13(1), 75.57(249A), 75.58(249A)

Determine FMAP-related Medicaid eligibility for each month of the application period separately. Determine eligibility for the people who are in the home during each month of the application period. Determine eligibility for any retroactive months separately unless eligibility is being established under Medically Needy. See 8-J.

Base initial and ongoing FMAP-related eligibility on projected income. If the projected future income is not valid for the month of application, month of decision, or any months in between, use the actual income received in the month to determine eligibility for that month. See 8-B, Effective Date of Eligibility.

Projecting Income

Legal reference: 441 IAC 75.57(9)

For all FMAP-related coverage groups, always count income prospectively.

Use and project as future income all nonexempt earned and unearned income received by the eligible group. Any of the following may be used as a guideline:

- Income received in the 30 days before receipt of an application or review form.
- Income received in a different 30-day period that is indicative of future income.
- Income received in a longer period of time that is indicative of future income.
- One pay stub that is indicative of future income.
- Self-employment tax returns or books if indicative of future income. (This may include the past three years' average.)
- Income verification obtained from the income source.

1. Mr. and Mrs. B apply for Medicaid for their children on August 21. In order to project income, the worker requests verification of all income received by the eligible group in the 30 days before August 21, the date of application if it is indicative of future income.

2. Mr. C files an application for Medicaid on July 27. Most of the application is blank but it does list Mr. C and his children. Several unsuccessful attempts are made to contact Mr. C to gather information and determine if the application is for only the children or for all household members.

   Although an interview is not required, the worker decides to schedule an interview for August 9. In order to project income, the worker requests verification of all income received by the eligible group in the 30 days prior to the application date.

   At the interview, the worker and Mr. C decide that this 30-day time frame is not a good indicator of future income. They explore whether a different or longer time frame would be indicative of future income, or whether verification from Mr. C's employer would be the best information.

3. Ms. E applies for Medicaid for herself and her children on September 25. The worker requests information in order to process the application. When the information is received, the worker contacts Ms. E again to clarify some information.

   During this conversation, it is determined that the 30-day period before the application is not a good indication of future income. The worker sends another request to Ms. E to verify income based on their conversation and the time frame that Ms. E felt would be a good indication of future income.

Accept the statement of the client as to what time frame is representative of future income.

The decision on whether to use a longer period of time or to request verification of future income from the income source should primarily be the client's. However, when the client is unsure of which would be the best indicator of future income, request verification from the income source.

Also, if the client does not have proof of income, request verification from the income source.

1. Ms. E applies for Medicaid for only her children. The application date is September 21. The only income received by the eligible group is earned income from Ms. E's job. She states that the income she received in the 30 days before September 21 is indicative of future income. The worker requests Ms. E to provide verification for that period of time.

2. Mr. and Mrs. F and their children apply for Medicaid on July 16. The only income received by the eligible group is from Mrs. F's part time job.

   Mrs. F is unsure if her past income is indicative of future income, since her employer just informed her that she will likely be working fewer hours than she has in the past. The worker requests verification of future income from Mrs. F's employer.

When a third or fifth check occurs during the period being used to project income, do not ignore it. Instead, add all check amounts together, divide the total by the number of checks, and multiply that result by four, if the income occurs weekly, or by two, if the income occurs biweekly.

Ms. G applies for Medicaid for her children on September 1. Ms. G is employed and is paid biweekly. She says her income in the 30-day period before the application date is indicative of future income. During the 30 days before the application date, she received three paychecks. Her projected income is calculated as follows:

$ 653.45	August 3 pay
628.89	August 17 pay
+ 637.44	August 31 pay
$ 1,919.78	Total income for the 30-day period
÷ 3	
$ 639.92	Average biweekly pay
x 2	
$ 1,279.84	Projected monthly income

The projection of $1,279.84 is used in determining the Medicaid eligibility for Ms. G's children beginning with the month of September.

Rounding Down

Legal reference: 441 IAC 75.57(249A)

When the need standard or benefit amount is not a whole dollar, round down to the next whole dollar. Round down the Standard of Need in:

- The 185 percent test.
- The standard of need test.
- The allowance for the needs of a stepparent and dependents.
- The allowance for the needs of self-supporting parents and dependents when deeming income to unmarried parents under age 18.
- The allowance for the needs of an alien's sponsor and dependents when deeming income to the alien.
- Determining the period proration resulting from receipt of a nonrecurring lump sum.

Do not round down the Schedule of Basic Needs.

Dropping the Third Digit

Legal reference: 441 IAC 75.57(9)"d"

Drop the third digit to the right of the decimal point in any computation of income, hours of employment, or work expenses for care costs. **Exception:** When an employer's rate of pay contains a third digit to the right of the decimal (e.g., hourly rate of $3.567), do not drop the third digit until a computation is performed (e.g., $3.567 x 36 hours = $128.412, which becomes $128.41).

Applying Income Tests for FMAP and CMAP

Legal reference: 441 IAC 75.57(9)

When processing Medicaid applications under FMAP or CMAP, it is critical to identify the proper relationship of the household members to each other, so that the system can apply the proper deductions, disregards, and diversion on the three income tests. This is true whether or not the people are included in the eligible group.

Determine the FMAP and CMAP eligibility by subtracting the countable net income in the month of decision from the Benefit Standard for the eligible group.

Remember, the income tests apply to **each person** in a FMAP or CMAP household whose income must be considered in order to determine total countable income for the entire household.

Use the schedule of basic needs to determine the basic needs of people whose needs are included in the eligible group. Also use the schedule of basic needs to determine the needs of certain people not included in the eligible group, such as an ineligible child of the FMAP parent (e.g., one who does not have a social security number).

The following sections explain:

- The 185% eligibility test.
- The standard of need eligibility test.
- The benefit standard eligibility test.

Step 1: 185% Eligibility Test

Legal reference: 441 IAC 75.58(2)

Apply the 185% test on case applications and also when a new person whose income must be considered enters an existing FMAP or CMAP household.

Determine the nonexempt gross earned and unearned income the eligible group has received and expects to receive in the month of decision.

Use **gross** nonexempt income of:

- People included in the eligible group.
- Parents who are not eligible for Medicaid due to sanction.
- Parents who are **not** sanctioned but who are ineligible for Medicaid, such as ineligible adult aliens and adults with no social security number.

For self-employed people, use the net profit figure.

For ineligible stepparents and self-supporting parents in minor parent cases, use income that remains after deducting the following, **if applicable**:

- 20 percent earned income deduction.
- Adult/child care expense.
- Diversion for people not in the home.
- Diversion for ineligible or voluntarily excluded people in the home.

Compare the countable gross income to the 185% of the standard of need **for the size of the eligible group**.

185% of Schedule of Living Costs	
Number of People in Eligible Group	Income Limit
1	$675.25
2	$1,330.15
3	$1,570.65
4	$1,824.10
5	$2,020.20
6	$2,249.60
7	$2,469.75
8	$2,695.45
9	$2,915.60
10	$3,189.40
Each Additional Person	$320.05

See Rounding Down for instructions on when rounding applies in this test.

When the countable gross income **exceeds** the 185% test, deny the application for that month. If the application is denied, there may be eligibility for Medicaid for a retroactive month.

When the applicant household's gross nonexempt earned and unearned income is **below or equal to** the 185% eligibility test, determine the household's eligibility under the standard of need test.

Step 2: Standard of Need Eligibility Test

Legal reference: 441 IAC 75.58(2)

The standard of need test determines eligibility for the 58 percent work incentive deduction.

Apply the standard of need test (test 2) only to case applications and reapplications. On reapplications, apply the standard of need test regardless of how much time has passed since the previous period of eligibility.

> Ms. B receives Medicaid under FMAP. She is employed and receives the 20 percent earned income deduction and the 58 percent work incentive deduction when the system calculates her Medicaid eligibility.
>
> Ms. B's Medicaid is canceled effective March 1 for failure to return the January RRED. She reapplies March 3. Ms. B is subject to the standard of need test (test 2) without the 58 percent work incentive deduction in processing her reapplication.

Discontinue application of the standard of need test beginning with the month after the month of decision.

> March 1 Date of application
> March 1 Effective date of assistance
> May 2 Date of decision
>
> Apply the standard of need to the months of March, April, and May. Stop applying the test effective with the month of June.

Do not apply the test when determining initial eligibility for a new person who enters an existing Medicaid household.

Do not apply the standard of need test when **reopening** a case or when the time frames for reinstatement have lapsed when an application is not involved.

To apply the standard of need test:

1. Calculate the countable gross nonexempt earned and unearned income received or expected to be received in the month of decision by any person whose income must be considered.

2. Apply the following deductions, disregards, and diversions, **if applicable**:

   - 20% earned income deduction.
   - Adult/child care expense.
   - Diversions for people not in the home.
   - Diversions for ineligible or voluntarily excluded people in the home.

   Apply these first to the **earned** income of:

   - People included in the eligible group.
   - Parents who are not eligible for Medicaid due to sanction.
   - Parents who are not sanctioned but who are ineligible for Medicaid, such as ineligible adult aliens and adults with no social security number.
   - Ineligible stepparents and self-supporting parents in minor parent cases.

3. Determine the total countable income for each person whose income must be considered:

   - When a person has both earned and unearned income, and earnings are less than the allowable deductions and diversions, subtract any unused portion of the diversions for people in and outside the home from the unearned income. Consider the balance as countable income.
   - When a person has both earned and unearned income, and earnings remain after applying the allowable deductions and diversions, add the unearned income to the remaining earned income. Consider the total as countable income.

4. Compare the total countable income of the eligible group to the Standard of Need for an eligible group of that size, which is the total need of the eligible group as determined by the Schedule of Living Costs.

Schedule of Living Costs (Standard of Need)	
Number of People in Eligible Group	Income Limit
1	$365.00
2	$719.00
3	$849.00
4	$986.00
5	$1,092.00
6	$1,216.00
7	$1,335.00
8	$1,457.00
9	$1,576.00
10	$1,724.00
Each Additional Person	$173.00

See Rounding Down for instructions on when rounding applies in this test.

When the remaining income in the month of decision is **below** the standard of need **for the eligible group**, the applicant is eligible for the 58 percent work incentive deduction. Go on to determine the household's eligibility under the benefit standard test.

When the remaining income in the month of decision **equals or exceeds** the standard of need for the eligible group, deny the application for that month. There may be eligibility for a retroactive month.

Step 3: Benefit Standard Eligibility Test

Legal reference: 441 IAC 75.58(2)

When the applicant household is eligible under both the 185% test and the standard of need test, determine the household's eligibility under the benefit standard test. To determine eligibility under the benefit standard test:

1. Calculate the countable gross nonexempt earned and unearned income received or expected to be received in the month of decision by any person whose income must be considered.

2. Apply the following deductions, disregards, and diversions, **if applicable**:

   - 20% earned income deduction.
   - Adult/child care expense.
   - Diversion for people not in the home.
   - Diversion for ineligible or voluntarily excluded people in the home.
   - 58% work incentive deduction.

   Apply these first to the **earned** income of:

   - People included in the eligible group.
   - Parents who are not eligible for Medicaid due to sanction.
   - Ineligible stepparents.
   - Self-supporting parents in minor parent cases.
   - Parents who are not sanctioned but who are ineligible for Medicaid, such as ineligible adult aliens and adults with no social security number.

3. Determine the total countable income of each person whose income must be considered:

   - When a person has both nonexempt earned and unearned income, and the earnings are less than the allowable deductions and diversions, subtract any unused portion of the diversions (for people in or outside the home) from the unearned income. Consider the balance as countable income.

- When a person has both nonexempt earned and unearned income, and earnings remain after applying the allowable deductions and diversions, add the unearned income to the remaining earned income. Consider the total as countable income.

4. Compare the total countable income of the eligible group to the Benefit Standard for a group of that size, which is the total need of the eligible group as determined by the Schedule of Basic Needs.

Schedule of Basic Needs (Benefit Standard)	
Number of People in Eligible Group	Income Limit
1	$183
2	$361
3	$426
4	$495
5	$548
6	$610
7	$670
8	$731
9	$791
10	$865
Each Additional Person	$87

Do not round down the Schedule of Basic Needs.

Approve the application if the countable net earned and unearned income in the month of decision is less than the benefit standard for the eligible group. Approve the application even in situations where information indicates the applicant may be ineligible the month following the month of decision.

Deny the application for the month if the countable net earned and unearned income in the month of decision is equal to or exceeds the benefit standard for the eligible group. There may be eligibility for a retroactive month.

Work Transition Period (WTP)

Legal reference: 441 IAC 75.57(7)"af"

Exempt the earnings from new employment of any person whose income is considered when determining eligibility for the first four months of the new employment if all of the following criteria are met:

- The new job starts after the date of application.
- The new job is timely reported.
- The person with the new job has not already received the WTP in the past 12 months.
- The person with the new job had less than $1,200 in earnings in the 12 calendar months before the month in which the new job begins. The $1,200 limit applies to gross income, without any exemptions, disregards, work deductions, diversions, or allowances for the cost of doing business used in determining net profit from self-employment.

Do not allow the work transition period during the retroactive period.

1. Ms. R and her two children receive FMAP. In October, Ms. R begins a part-time job and is approved for the work transition period for FMAP for October through January.

2. Ms. J, age 18 and pregnant, applies for CMAP on January 11. She also requests retroactive Medicaid eligibility for October, November, and December. On October 22, Ms. J began a part-time job baby-sitting. She is not eligible for the work transition period because the job started during the retroactive period.

People eligible for the WTP may include members in the eligible group, as well as ineligible people whose income must be considered (ineligible stepparents, parents who are not eligible for Medicaid due to a sanction, ineligible aliens, etc.). The exemption continues when the person on a WTP is added to another Medicaid case.

If a person whose income is considered enters the household, the new job must start after the date the person enters the home or after the person is reported in the home, whichever is later, in order for that person to qualify for the exemption.

When a change results in considering the income of a person living in the home whose income was not considered previously, that person may qualify for the WTP. The person's new job must start after the date of the change that caused the person's income to be considered in order for that person to qualify for the exemption.

The following sections explain:

- Qualifying employment.
- Verification of eligibility for WTP.
- Exemption period.

Qualifying Employment

Apply the WTP regardless if the new earnings are from an exempt source (e.g., exempt work study, exempt earnings of a student, etc.).

Promoting or switching to a different position with the same employer does not constitute a new job. This includes when a client changes jobs from one state agency to another. However, being laid off from a job and subsequently recalled by the same employer may be considered a new job, depending on the length of the layoff.

A leave of absence without pay (e.g., maternity leave, unpaid vacation or sick leave), with a subsequent return to the job may also be considered a new job, depending on the length of the absence. Consider a job to be "terminated" when income that was received on a monthly or more frequent basis will not be received again for the remainder of the month in which the job terminated or the following month.

Allow the WTP if the new employment or self-employment enterprise is considered intermittent in nature. "Intermittent" includes, but is not limited to, working for a temporary agency that places the person in different job assignments on an as-needed or on-call basis, or self-employment from providing child care for one or more families.

However, a person is not considered as starting new employment or self-employment each time intermittent employment re-starts or changes, such as when the same temporary agency places the person in a new assignment, or a child care provider acquires another child care client.

Verification

If the information in the case record indicates that the client is not eligible for the WTP, there is no need to pursue eligibility for the WTP any further. Consider the new earnings in the usual manner. No additional notification to the client is required.

When it is not clear from the case record whether the person had earnings of less than $1,200 in the 12 months before the month the earnings from the new employment were received, the client must provide that information. Accept the client's statement with respect to the $1,200 earnings in the past 12 months unless there is other evidence to the contrary. If so, pursue verification in the usual manner.

Failure to provide information needed to determine eligibility for the WTP (i.e., not providing information on the amount of earnings in the previous 12 months when requested) results in ineligibility for the WTP only. However, failure to provide verification of the beginning date of employment or failure to provide the date self-employment began, results in ineligibility for Medicaid.

If information needed to determine eligibility for WTP is returned after the due date, grant WTP for the months remaining in the WTP period if there is eligibility.

Exemption Period

The exemption period begins on the first day of the month in which the client receives the first pay from the new employment. It continues through the next three benefit months, regardless if the job ends during the four-month period. Earnings from the new employment are exempt for the entire four-month period and are not considered in any income tests.

If another new job or self-employment enterprise starts while the WTP is in progress, the exemption also applies to earnings from the new source that are received during the original four-month period, provided that:

- The new job is timely reported, and
- The earnings were less than $1,200 in the 12-month period before the month the other new job or self-employment enterprise begins.

A person is allowed the four-month exemption period only once in a 12-month period. An additional four-month period shall not be granted until the month after the previous 12-month period has expired.

Ms. M receives FIP and FMAP for herself and three children. She timely reports her new job. The worker determines that Ms. M is prospectively ineligible for FIP and that she is eligible to receive the WTP for Medicaid. The family remains eligible for FMAP because income from the new employment is not considered for four months.

When the WTP ends, the family is over income for FMAP. Since FMAP eligibility ended due to earned income and they had received FMAP three out of the past six months, the family is eligible for Transitional Medicaid.

July	August	September	October	November
Ms. M reports new job began 7/8. First pay received 7/24.	FIP canceled effective 8/1 prospectively			Anticipated November income creates November ineligibility.
1st month WTP	2nd month WTP	3rd month WTP	4th month WTP	Transitional Medicaid begins

TYPES OF FMAP-RELATED INCOME

Adolescent Pregnancy Prevention Payments
441 IAC 75.57(7)"w"

Exempt as income payment from state funded-adolescent pregnancy prevention programs, such as the "Dollar-A-Day" program. These programs focus on preventing subsequent pregnancies for mothers who are 18 or younger by providing a monetary incentive.

The recipients are required to attend weekly support meetings that concentrate on preventing another pregnancy during the adolescent years, as well as meeting the social and economic needs of the recipient. As long as the mother attends the weekly sessions and does not become pregnant, she receives an incentive payment.

Adoption Subsidy
441 IAC 75.57(6)"x"

Do not count the income and resources of a child who is not included in the FMAP-related eligible group because the child receives subsidized adoption assistance.

Count subsidized adoption assistance as unearned income if the child is included in the eligible group.

A subsidized adoption payment for one person may be greater than the income limit for FMAP for one person. Consequently, in most cases, a child receiving subsidized adoption payments will not be included in the eligible group.

However, if this is the only eligible child in the home and the parents are requesting Medicaid for themselves, the parents and the child may be one eligible group or they may choose to be separate eligible groups.

If the parents choose to be a separate eligible group, establish eligibility for the parents in the same way as you would for parents who chose to voluntarily exclude their only child.

1. Mr. and Mrs. A receive an adoption subsidy payment of $198 for their only child, Mary. They have no income and apply for Medicaid. Mary is included in the eligible group. The parents are eligible for Medicaid under FMAP.

   Several months after the FMAP approval, Mr. A begins receiving unemployment of $125 a week. The $500 projected monthly income exceeds the FMAP income limit for a three-person eligible group. Mr. and Mrs. A's FMAP benefits are canceled, and Mary reverts to an eligible group of one.

   An automatic redetermination is completed for Mr. and Mrs. A. Eligibility for Medically Needy as a two-person eligible group is explored.

2. Mrs. C receives subsidy payments of $198 for her son Sam and $300 for her son Steven. Mrs. C is eligible for FMAP as a one-person eligible group because she has dependent children in her care. Neither Sam nor Steven must be included in Mrs. C's eligible group in order for her to be eligible under FMAP.

Alimony
441 IAC 75.14(249A), 75.57(249A)

Although alimony is assigned to the Department, CSRU does not pursue enforcement of alimony. Do not allow the $50 exemption on alimony payments received directly by an FMAP-related applicant or recipient. However, exempt the first $50 when the direct support payment includes both child support and alimony.

AmeriCorps
Public Law 103-82, 441 IAC 75.57(249A)

The National and Community Service Trust Act of 1993 amends the National and Community Service Act of 1990 and establishes a Corporation for National Community Service. The Corporation administers national service programs including AmeriCorps.

AmeriCorps is designed to engage Americans in a year or two of national service in exchange for an educational award for each year of completed service. It includes three programs:

- AmeriCorps*USA for participants 17 years and older
- AmeriCorps*VISTA for participants 18 years and older
- AmeriCorps*NCCC for participants 16 to 24 years of age

In addition to the educational award, payments to AmeriCorps participants may include a living allowance and a child care allowance, if child care is needed to participate in the program.

Participants may be provided health insurance if not otherwise covered by health insurance. People with disabilities are provided reasonable accommodations, supplies and services they may need to participate in AmeriCorps.

Exempt as income and as a resource the living allowance payments made to participants in the AmeriCorps VISTA program, as long as the Director of ACTION determines they do not exceed the minimum wage. See VISTA Payments.

Count payments made to participants in other AmeriCorps programs as follows:

- Treat the living allowance (stipend) as earned income. Apply all the usual income deductions and disregards. If the AmeriCorps participant is a child by FMAP-related Medicaid definition, treat the earnings as described in Child's Earnings.
- Do not consider the child care allowance as income, but also do not allow a deduction for child care, unless the allowance is less than the actual child care expense. Then allow the excess expense as a deduction, subject to the child care maximum.
- Exempt the educational award as income and as a resource.
- Exempt as income and as a resource the health insurance, reasonable accommodations, supplies and services made available for AmeriCorps participants who have disabilities. These are treated as unearned in-kind benefits, and therefore, exempt.

Blind Training Allowance
441 IAC 75.57(7)"l"

Exempt as income a training allowance issued by the Department for the Blind to cover the cost of training, such as tuition, books, transportation, lodging away from home, and other related items.

Blood Plasma
441 IAC 75.57(2)

Count the sale of blood plasma as earned income. The plasma center is considered the employer.

Cafeteria or Flexible Benefit Plans
441 IAC 75.57(2)

Cafeteria or flexible benefit plans use either the employee's or employer's money to pay certain expenses, such as child care, medical expenses, health insurance, annual leave, or sick leave. (These benefits are not displayed in the same way on all pay stubs. The best source of information regarding them is the employer.)

Count as earned income the employee's gross wages, including any amount withheld for these plans, even if the employee loses any money left over at the end of the year.

Count as earned income any cash an employee receives of the employer's money because the employee did not use all of the money for benefits covered by the plan.

Car Pool Payments
441 IAC 75.57(7)"m"

Exempt as income payments to FMAP-related Medicaid applicants or recipients from a passenger in a car pool.

Census Earnings
441 IAC 75.57(7)"ah"

Exempt as income for eligibility all census earnings received by temporary workers from the Bureau of Census.

Exempt as income reimbursements for travel expenses. See Reimbursements for more information.

Child's Earnings
441 IAC 75.57(7)"u"

Earnings of a child who is not a full-time student are countable income, subject to applicable earned income exemptions, deductions, or diversions. Count the earnings when determining eligibility under all three tests. See Student Earnings for more information.

Corporation Income
441 IAC 75.57(2)

All corporations are separate legal entities. A closely-held corporation is one that has only a few shareholders. An owner or employee of a corporation is not a self-employed person. A person who receives a salary from a corporation is an employee of the corporation.

The corporation is responsible for its debts and obligations. The income and resources of a corporation belong to the corporation.

Crime Victim Compensation
Public Law 103-322

Exclude as income and as a resource payments received from a crime victim compensation program that is funded by the Crime Victim's fund under Public Law 103-322.

Department of Labor Payments
441 IAC 75.57(7)"s," "t," "u"

Earnings or compensation paid instead of wages under a U.S. Department of Labor program is counted as earned income. Apply the policies under Student Earnings when a full-time student under age 20 receives this payment.

Exempt as income any training expenses issued through a U.S. Department of Labor program. They may help pay for child care, meals, and transportation.

Disability Benefits
441 IAC 75.57(1), and (2)

Count the amount of an employee's disability benefits as **unearned** income when the payment comes from an insurance company.

Count an employee's disability payments as **earned** income when the payment is paid out of the employer's funds.

Disaster and Emergency Assistance
441 IAC 75.57(6)"y"

Exempt as income and as a resource disaster and emergency assistance payments as provided under the Disaster Relief Act of 1974, as amended by Public Law 100-707, the Disaster Relief and Emergency Assistance Amendments of 1988. This exemption includes:

- Payments provided by the Federal Emergency Management Agency (FEMA), including payments from the Individual and Family Grant Program.
- Disaster and emergency assistance under the 1988 Amendments to the Disaster Relief and Emergency Assistance Act of 1974, and comparable assistance provided by states, local governments, and disaster assistance organizations.

Exempt as income and as a resource vendor payments made under Iowa's Emergency Assistance program. Verify the source of the payments before exempting them.

Diversion Programs
441 IAC 75.57(7)"ae"

Exempt as income financial assistance from the diversion programs operated in certain areas of the state, including cash payments to the family.

The diversion programs provide immediate, short-term financial assistance or services to enable families to become or remain self-sufficient by removing barriers to obtaining or retaining employment. The programs are intended to:

- Help families to avoid the need for ongoing FIP assistance.
- Allow FIP participants to leave the program sooner.
- Help families who are leaving FIP stabilize their employment status and reduce the likelihood of returning to FIP.

Participation in the diversion programs is voluntary. They are designed to divert families only from cash assistance under FIP. They are not designed to divert families from other types of benefits, such as Medicaid and Food Assistance.

However, **cash** assistance provided to a family from the program results in a period of ineligibility for FIP for the family. The local DHS office that provided the diversion cash assistance determines the period of ineligibility. But there is no period of ineligibility for Medicaid.

Dividend Income
441 IAC 75.57(7)"z"

See Interest Income.

Domestic Volunteer Services Act
441 IAC 75.57(6)"j"

Exempt as income and as a resource payment from programs under Titles II and III of the Domestic Volunteer Services Act made to volunteers for support services or reimbursement of out-of-pocket expenses. Programs under this act include:

- University Year for Action (UYA)
- Service Corps of Retired Executives (SCORE)
- Active Corps of Retired Executives (ACE)
- Foster Grandparents

Earned Income Credit
441 IAC 75.57(7)"f"

Exempt as income an Earned Income Credit, whether received with regular paychecks or as a lump sum included with the federal income tax refund.

Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P. L. 111-312)

Note: Exclude for 12 months from the date of receipt all EITC payments received as part of a federal tax refund between January 1, 2010 and December 31, 2012.

Energy Assistance Support and Maintenance
441 IAC 75.57(6)"f"

Exempt as income and as a resource energy assistance support and maintenance when the assistance is based on need and is furnished by a:

- Supplier of home heating gas or oil, whether in cash or in kind.
- Municipal utility providing home energy, whether in cash or in kind.
- Rate-of-return entity providing home energy, whether in cash or in kind. "Rate-of-return" means that revenues are primarily received from charges to the public for goods or services, and the charges are based on rates regulated by a state or federal governmental agency.
- Private nonprofit organization, but only if the assistance is in kind.

"Support and maintenance" assistance is any assistance designed to meet day-to-day living expenses. This includes home energy assistance to pay for heating or cooling a home.

"Based on need" means that assistance is issued to or on behalf of a person according to income limits at or below 150% of the federal poverty level.

There may be other assistance for home energy costs provided to FMAP-related Medicaid households. When other assistance meets the criteria above, that assistance is also exempt.

Family Investment Program Assistance
441 IAC 75.57(7)"ad"

Exempt as income any FIP cash assistance received by the FMAP-related Medicaid eligible group.

Family Self-Sufficiency Grants
441 IAC 75.57(7)"ae"

Exempt as income PROMISE JOBS payments through Family Self-Sufficiency Grants. These are intended to help PROMISE JOBS participants with employment-related expenses. Assistance is intended to enable recipients to overcome barriers to employment and become self-sufficient.

While the payments are not PROMISE JOBS expense allowance payments, they are considered in the same way. They are exempt as income, including when in the form of cash payments made directly to the family.

Family Support Subsidy
441 IAC 75.57(6)"p"

Exempt as income and as a resource payments made through the Iowa Family Support Subsidy Program to families with children who have special educational needs due to physical or mental disabilities. The purpose of the program is to reduce the need for out-of-home placements or to facilitate the return of the child from an out-of-home placement.

Federal Payments

Various specialized types of federal payments are excluded. Exempt as income and as a resource:

441 IAC 75.57(6)"k"

- Distributions by a Native Corporation established under the **Alaska Native Claims Settlement Act**, Public Law 92-203 when distributed to an Alaskan Native or a descendent of an Alaskan Native. The exemption applies to the following:
  - Cash payments up to $2,000 per year. Count any excess.
  - Stock (including stock issued or distributed by a Native Corporation as a dividend or distribution on stock).
  - A partnership interest.
  - Land or any interest in land (including land received by a Native Corporation as a dividend or distribution of stock).
  - An interest in a settlement trust.

Public Law 106-398 *

- **Energy Employees Occupational Illness Compensation Program** payments. These payments are made to former employees or their families. Recipients may receive one or two lump sum payments. Award letters are sent to the recipient from the Department of Labor.

441 IAC 75.57(6)"i"

- **Experimental Housing Allowance Program** payments under annual contribution contracts entered into before January 1, 1975, under Section 23 of the U.S. Housing Act of 1936, as amended.

441 IAC 75.57(6)"z"

- **Wartime Relocation of Civilians** payments made under Public Law 100-383 to:
  - Certain United States citizens of Japanese ancestry (Section 105)
  - Certain eligible Aleuts (Section 206)

441 IAC 75.57(6)"aa"

- **Radiation Exposure Compensation Act** payments made under Public Law 101-426. The program compensates people for injuries or deaths resulting from exposure to radiation from nuclear testing and uranium mining. After the affected person's death, payments are made to the surviving spouse, children, or grandchildren.

441 IAC 75.57(6)"g"

- **Relocation Assistance** payments received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the Federal-Aid Highway Act of 1968.

Public Law 105-78
(H.R. 2264) Section 606

- **Vietnamese Commando Compensation** payments. The Secretary of Defense under the National Defense Authorization Act makes these payments for Fiscal Year 1997 (Public Law 104-201).

Federal Tax Refunds
Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P. L. 111-312)

Federal tax refunds received between January 1, 2010, and December 31, 2012, are excluded for 12 months from the date of receipt.

Financial Assistance for Education or Training
441 IAC 75.57(6)"r"

Exempt as income and as a resource all earned and unearned financial assistance received for education or training including work-study income. Apply the exemption to educational assistance of an undergraduate, graduate student, or person in training.

Any extended social security or veterans benefits received by a parent or nonparental relative, conditional to school attendance, shall be exempt. However, any additional amount received for the person's dependents who are in the eligible group shall be counted as nonexempt income.

Focus Group, Survey or Study Income
441 IAC 75.57(6)"o," 75.57(7)"a"

- Count as income payments received for participating in a focus group, survey, or study unless the payment is a reimbursement or a gift certificate. Whether it is considered earned or unearned income depends on how the payment is described by the entity providing it. Also see Welfare Reform Evaluation Payments.

Food Programs
441 IAC 75.57(6)"b-e"

Exempt as income and as a resource the value of:

- Food Assistance.
- Commodities donated by the U.S. Department of Agriculture.
- Supplemental food assistance received under the Child Nutrition Act of 1966, as amended, and the special food service program for children under the National School Lunch Act, as amended (Public Laws 92-433 and 93-150).
- Benefits received under Title III-C, Nutrition Program for the Elderly, of the Older Americans Act of 1965, such as the Congregate Meals Program administered through the Iowa Department of Elder Affairs.

Food Stamp Employment and Training Allowance
441 IAC 75.57(6)"r"

Exempt as income the Food Stamp Employment and Training (FSET) component allowances.

Foster Care Payments
441 IAC 75.57(7)"d"

Exempt as income foster care payments, including therapeutic foster care payments, made to an FMAP-related family operating a licensed foster family home. "Therapeutic foster care" payments are higher payments made on behalf of special needs foster children.

Gambling Winnings
441 IAC 75.57(1)

Count recurring winnings from gambling (such as winnings from casino gambling) as unearned income in the budget month received. Do not offset the winnings with any amount lost. (See Nonrecurring Lump Sum for treatment of one-time winnings, such as lottery winnings.)

General Assistance
441 IAC 75.57(7)"g"

Exempt as income general assistance from county funds if it:

- Does not duplicate any basic need under FMAP-related, or
- Is a duplication of an FMAP-related basic need but is made on an emergency basis, not as ongoing supplementation.

Gifts
441 IAC 75.57(7)"e"

Exempt as income a nonrecurring monetary gift (for Christmas, birthdays, etc.) not to exceed $30 per person per calendar quarter. A calendar quarter is a period of three consecutive months, ending on March 31, June 30, September 30, or December 31.

When a gift from a single source exceeds $30, count the entire amount as unearned income. When monetary gifts from several sources are each $30 or less, but the total of all gifts exceeds $30, count only the amount in excess of $30 as unearned income.

When a gift is given to the entire eligible group, it may be divided among the members of the group in the most advantageous way to the client. When a gift is given to one member of the group, the gift may be divided among the members of the group if the participant claims the gift is intended for the entire group.

Verify gifts over $30 per person per calendar quarter. Allow the $30 exemption for any person whose income must be counted, even if that person is not actually receiving medical assistance (e.g., ineligible parents, and ineligible stepparents).

1. Ms. A receives $50 from her mother in December as a Christmas gift. Since this exceeds $30 from a single source, the entire $50 is considered unearned income to Ms. A.

2. Bobby, an FMAP child, receives $25 in October for his birthday and $25 in December as a Christmas gift. The $25 that Bobby received in October is exempt. Since $25 had already been exempted for Bobby for the quarter ending December 31, only $5 of the gift he received in December is exempt. $20 is considered unearned income to Bobby in December.

3. Ms. C and her three children received a Christmas gift of $100. As the gift was intended for the entire family of four, $25 is considered to be a gift to each person. If no other gifts were received during the quarter, the entire gift is exempt.

Grants Precluded From Use for Current Living Costs
441 IAC 75.57(6)"q"

Exempt as income and as a resource grants obtained and used under conditions that preclude their use for current living costs.

Home Produce for Personal Consumption
441 IAC 75.57(6)"a"

Exempt as income and as a resource the value of home-produced garden products, orchards, domestic animals, etc., which are eaten by the household. When home produce is raised for sale or exchange, consider it a business operation and treat it as self-employment income.

Housing Supplements
441 IAC 75.57(7)"h"

Exempt as income housing supplements received as a result of an urban renewal or low-cost housing project from any governmental agency (federal, state or local).

Housing supplement payments or subsidies may be issued to help meet the costs of both shelter and utilities. Those payments are exempt as income regardless of whether they are paid to a vendor or directly to the client. The most common housing supplement payments are issued by Low Rent Housing or HUD.

Income Tax Refunds
441 IAC 75.57(7)"a"(1)

Income tax refunds are considered a nonrecurring lump sum, and are exempt as income.

Indian Tribe Judgment Funds
441 IAC 75.57(6)"h"
CFR 233.20(a)(4)(ii)(n) and (o)

Exempt as income and as a resource Indian Tribe Judgment funds that have been or will be distributed to each member or held in trust for members of any Indian tribe.

Individual Development Accounts
441 IAC 75.57(6)"ab"

Exempt as income and as a resource regular monthly deposits to an Individual Development Account (IDA) when determining FMAP-related Medicaid eligibility.

An IDA is an optional, interest-bearing account much like an IRA (but it is not a pension plan). FIP encourages clients to start IDAs to save for long term goals without the savings affecting eligibility or benefit amount. The client may keep the IDA and continue to contribute to it after FIP eligibility ends.

IDAs are established and managed by DHS-approved organizations. IDAs are opened in financial institutions and are set up in an individual's name. Any Iowan whose family income is below 200% of the federal poverty level and who lives in an area where there is an IDA project can open an IDA.

Withdrawals are allowed for approved purposes only and must be authorized by the operating organization. "Approved purposes" are post secondary education or job training, starting a small business, buying a home or home improvement, or medical emergencies.

Withdrawals may be in the form of a two-party check (in the name of the vendor and the client) or solely in the vendor's name. Either way, consider the withdrawals as an unavailable resource (not income).

The account holder, another household member (regardless of the person's FIP or Medicaid status), or a source outside the household can make deposits. Deposits can be from earned or unearned income.

Allow a deduction to income only when the deposit is made from income of the particular household member who is the account holder and whose income must be counted. **Exceptions:** Do not deduct the deposit from:

- Income that is exempt.
- FIP grant.
- The client's *assigned* child support.

However, allow a deduction from child support received while the application is pending, when an assignment is not yet in effect.

Ask the client to provide verification of the amount and date of the first deposit. Do not require verification of each regular monthly deposit. Accept the client's word that the deposits will be made monthly, unless questionable.

To allow the deduction, the county office must receive verification of the deposit by the end of the month after the month in which the first deposit was made or by the extended filing date, whichever is later. See 8-G, Supplying Information and Verification.

Accept the client's word with respect to whose income was deposited. If the client's statement appears questionable, obtain further information or verification. If the client fails to provide needed information or verification, do not allow a deduction.

Deduct the deposit from nonexempt earned or unearned income or the net profit from self-employment when projecting income for the months in which the deposit is anticipated to be made. If the client has both nonexempt earned and unearned income, subtract the deposit from the nonexempt unearned income first.

IABC cannot make this deduction. You must manually subtract the deposit **before** you enter the remaining income on BCW2.

> Mrs. A, an FMAP recipient, begins depositing $200 per month into her IDA in March. She has $850 projected gross earnings, $50 of projected in-kind income, and $100 projected unearned income in March.
>
> The worker first subtracts $100 of the IDA deposit from the unearned income and then subtracts the remaining $100 from the earnings. Income entered on BCW2 is $750 earnings. (The IDA deposit is not subtracted from the in-kind income, because it is exempt income.)

Allow applicable earned income deductions to the client's nonexempt earnings from employment or net profit from self-employment that remains after subtracting the amount of the deposit.

Apply allowable deductions to any nonexempt unearned income that remains after subtracting the amount of the deposit. See FMAP-RELATED DEDUCTIONS AND DIVERSIONS.

If the client receives a deduction for a deposit in error, redetermine Medicaid eligibility and recoup if ineligible.

1. Mr. and Mrs. A and their children receive Medicaid under FMAP. Mrs. A has an IDA. Mr. A is employed, and Mrs. A has no income. In March, Mr. A begins depositing $200 per month into his wife's IDA. Mrs. A states she also will begin making monthly deposits of $50.

   Mr. A is not allowed a deduction from his earnings, because he is not the account holder. Mrs. A is not allowed a deduction, as she has no income.

2. Ms. B and her son receive Medicaid under FMAP. Ms. B is employed. Her son has an IDA, and he receives social security benefits from a deceased parent. In April, Ms. B begins depositing $100 per month from her earnings plus $20 from her son's social security benefits into her son's IDA.

   The $20 deposits are allowed as a deduction, because they come from income of the account holder. The $100 deposits are not allowed as a deduction, because they come from Ms. B's income and she is not the account holder.

3. Mr. and Mrs. G receive Medicaid under FMAP. Mr. G receives social security disability income and has an IDA. In March, he receives a $5,000 nonrecurring social security lump sum and deposits all of it into his IDA. The entire $5,000 is exempt.

4. Mrs. E and her children receive FIP and FMAP. Mrs. E has an IDA. In March, she receives $110 direct child support from the absent parent. Rather than refunding the support, she deposits the $110 into her IDA.

A deduction is not allowed for FMAP, since the child support is assigned to DHS while Mrs. E is on FIP. (The same would be true if the absent parent had properly sent the support payment to CSRU but CSRU released the payment to Mrs. E in error.)

If Mrs. E was receiving only FMAP and not FIP, the child support would not be assigned. She would be allowed a $60 deduction. (The first $50 of child support is exempt.)

5. Mrs. T and her child receive FMAP. Also in the home is Mr. T, a stepparent. He is employed and has an IDA. In April, he begins depositing $300 into his IDA. He is allowed a $300 deduction from his earnings. If Mrs. T were the account holder, Mr. T would not be allowed a deduction.

6. Mr. D, an FMAP recipient, is employed and has an IDA. In April, the children's grandmother begins depositing $100 into Mr. D's IDA. The deposit is exempt as income. Mr. D does not get a deduction for the deposits, because they were not made from his income.

In-Kind Earned Income
441 IAC 75.57(6)"o"

Exempt earnings in kind as income and as a resource. "In-kind" earnings means:

- The client performs a service and, in exchange, receives something the client would normally have to pay for, and
- The person for whom the service is provided would normally have to pay for the service.

1. Mrs. T works in a restaurant and receives meals as part of her salary. Her paycheck stub lists the value of the meals as $10 per week. Exempt the $10 as earned income in kind.

2. Mr. K receives reduced rent in exchange for managing an apartment building. His apartment would normally rent for $350, but Mr. K pays only $200. Exempt the difference of $150 as earned income in kind.

In-Kind Unearned Income
441 IAC 75.57(6)"o"

Exempt unearned income in kind as income and as a resource. Consider monies paid to a third party on the client's behalf as unearned income in kind.

1. Ms. A's mother pays Ms. A's rent directly to Ms. A's landlord. This is unearned income in-kind and is not considered in determining eligibility for Ms. A.

2. Ms. B's mother, who does not live with Ms. B, gives Ms. B $200 to use to pay her rent. Ms. B pays this money to her landlord. However, since this money passed through Ms. B's hands, count it as a gift when determining her eligibility.

Interest Income
441 IAC 75.57(7)"z"

Exempt as income interest and dividend income such as:

- Interest from savings.
- Interest on payments from property sold on contract.
- Interest payments from conservatorships and trusts.

1. Ms. A has a savings account that pays $5 interest per month. This interest is exempt as income.

2. Ms. B receives $400 each month from property sold on contract. Of the payment, $250 is interest income. The remaining $150 is payment on the principal. Both the principal and the interest part of the payment are exempt as income (but not as a resource).

   Note: The contract itself must still be evaluated for its resource value. See 8-D, FMAP-Related Resource Policies: Determining Net Market Value of a Countable Resource, for more information.

Exempt any amount that is **identifiable** as interest or dividend income. If the interest portion is not identified separately, but the client indicates that the payment includes interest, ask the client to provide necessary verification to exempt the interest portion. Unless the interest portion is identified, count the entire payment as income.

Job Corps
441 IAC 75.57(2), 75.57(9)"c"(1)

Job Corps participants may work toward a GED or high school diploma or be involved in postsecondary education or vocational pursuits.

Participants receive room and board, and a monthly salary. Part of the salary is received when it is earned, and part of it withheld until the participant completes or otherwise leaves the program after at least a six-month stay. In addition, participants may receive a bonus based on their performance in the program.

Exempt the value of the room and board. Count the ongoing part of the salary as earned income and project forward if it is indicative of future income.

Count both the lump-sum salary payout and the performance bonus as earned income in the month in which the payments are received. (See Recurring Lump Sum for details.)

Job Corps participants also receive a clothing allowance. However, Job Corps makes payment directly to the stores. Thus, exempt the clothing allowance as a vendor payment.

Note: Job Corps participants are considered full-time students. However, participants may be in high school or post-secondary education. Accept the client's word as to which it is.

If the client's statement is questionable, require the client to obtain verification from Job Corps. Exempt only the earnings of participants 19 or younger who are in high school education. See Student Earnings for more details.

Jury Duty Pay
441 IAC 75.57(2)

Count compensation for jury duty as earned income.

Lien Recovery Payments
441 IAC 75.79(9)"c"(2)

The Iowa Medicaid Enterprise (IME) will notify you on form 470-4309, *Notice of Lien Settlement Payment to Medicaid Member*, when a member receives a lien recovery payment. The IME Revenue Collections Unit has verified the information reported with the third party insurer.

Treat the lien recovery funds received according to the terms of the settlement as reported on form 470-4309. Obtain any additional information needed from the sources listed on the form.

Loans
441 IAC 75.57(6)"v"

Exempt as income bona fide loans from any source, including undergraduate and graduate student loans. Check that the loan is from an institution or person engaged in the business of making loans and that there is a written agreement to repay the money within a specified time.

When the loan is from a person not normally engaged in the business of making loans, use at least one of the following criteria to establish that the loan is legitimate or bona fide:

- There is a borrower's acknowledgment of obligation to repay (with or without interest).
- The borrower expresses intent to repay the loan when funds become available.
- There is a timetable and a plan for repaying the loan.

For money received to be considered a bona fide loan, there must be an agreement between the person making the loan and the borrower that the money is a loan. This agreement may be oral or in writing, but there must be an intent to repay the money.

Low Income Home Energy Assistance Payments (LIHEAP)
441 IAC 75.57(6)"f"

Exempt as income and as a resource energy assistance benefits paid to eligible households under the Low-Income Home Energy Assistance Act of 1981. This program is administered through the Department of Human Rights, Division of Community Action Agencies. It covers costs such as:

- Insulation
- Home energy assistance
- Emergency lodging because utilities have been shut off
- Winterizing old or substandard dwellings (neither the cost of the materials nor the cost of labor is counted as income)

Medical Expense Settlement
441 IAC 75.57(7)"c"(3)

Exempt as income and as a resource settlements for payment of medical expenses. Some insurance settlements may also include amounts for the repair or replacement of a resource or for pain and suffering.

When a specific amount for a pain and suffering settlement is not designated, only the amount of the settlement actually spent for medical expenses or repair or replacement of a resource is exempt as income. See also Nonrecurring Lump Sum.

When a specific amount is identified for the replacement of a resource, also exempt that portion of the settlement, whether or not it is actually used to replace the resource.

Mortgages
441 IAC 75.57(1)"d," 75.56(4)

Exempt as income mortgage or contract payments. The part of any payment received that represents principal is a resource upon receipt. The interest portion of the payment is a resource the month following the month of receipt. For more information, see 8-D:

- Property Producing Income Consistent with Fair Market Value
- Property Sold Under Installment Contract, and
- Determining Net Market Value of a Countable Resource

Preparation for Adult Living (PAL) Stipend
441 IAC 75.57(7)

Exempt as income payments from the preparation for adult living (PAL) program. PAL provides additional financial support to youth who:

- Are no longer eligible for voluntary foster care placement;
- Have left state-paid foster care on or after their eighteenth birthday and have been in foster care for at least 6 of the previous 12 months;
- Attend school, job training, or work full-time at least 30 hours per week;
- Live in an approved living arrangement, other than the parental home; and
- Participate in aftercare services.

PROMISE JOBS Payments
441 IAC 75.57(7)"k"

Exempt as income payments from the PROMISE JOBS program for child care or transportation expenses that are incurred as a result of participating in PROMISE JOBS.

However, PROMISE JOBS payments paid to a Medicaid recipient who provides child-care services for a PROMISE JOBS participant are considered self-employment earned income to the child care provider. See the *PROMISE JOBS Provider Manual* for a description of the payments made by this program.

Property Sold on Contract
441 IAC 75.57(1)"d," 75.56(4)

See Mortgages.

Refunds from Rent or Utility Deposits
441 IAC 75.57(7)"c"(4)

Exempt as income refunds of security deposits on rental property or utilities.

Reimbursements
441 IAC 75.57(7)"b"

- **Job-Related:** Exempt as income reimbursements from the employer for job-related expenses, including travel expenses, food, and uniform allowances.

441 IAC 75.57(7)"a"

- **Third Party:** Exempt as income third-party reimbursements when the payment is to pay or repay the client for an expense that was billed to the client, but owed by the third party.

The payments are exempt whether the third party is living in the home or out of the home. Examples include reimbursement for long distance calls made by a friend using the client's phone, and payments on utilities by a person in a shared living arrangement.

Exempt as income payments received from other public and private assistance programs when the payments represent reimbursement for expenses incurred for participating in these programs. Reimbursable expenses may include rent reimbursement, travel, child care, meals, and lodging.

Verify the purpose of the program with the source of the payments before applying the exemption. Document your action in the case record.

Representative Payee Income
441 IAC 75.57(6)"t"

Exempt any income restricted by law or regulation that is paid to a representative payee living outside the home (other than a parent who is the applicant or recipient), unless the representative payee actually makes the income available to the client.

Social Security and other federal benefits are sometimes required by law or regulation to be paid to a representative payee (for example, when the beneficiary is a minor).

The representative payee is to use the funds in the best interest of the beneficiary. The payee may decide to save the money for future use or may make only a part of the funds available for the current needs of the eligible group.

When such income is paid to a representative payee who lives outside the home, consider only the amount actually made available to the applicant or recipient. Obtain a signed statement from both parties to verify the amount of income the payee makes available.

When the representative payee is a parent, count the total income, even if the parent is temporarily absent from the home. If the representative payee is living with the FMAP-related Medicaid household, count the total income when determining eligibility.

If the source of the income is child support, apply the $50 support exemption.

1. Ms. A, who is 15 and lives with her aunt, applies for FMAP for herself and a baby. The aunt receives a $250 monthly Social Security payment for Ms. A. She keeps $150 each month in an emergency account in the aunt's name and gives Ms. A $100.

   Because Ms. A is living with her representative payee, consider the total $250 Social Security per month as available to Ms. A.

2. Ms. B, who is 17 and lives alone, applies for FMAP for herself and a baby. Ms. B's grandmother receives $200 a month Social Security for Ms. B. The grandmother keeps $100 each month in an account for Ms. B's college education and gives Ms. B $100. This $100 is countable income to Ms. B.

3. Ms. C is 18 years old. She and her child live with her self-supporting mother, who is the payee for child support for Ms. C. Ms. C's mother receives $200 child support for Ms. C. Only $150 ($200 - $50) is counted as income to Ms. C. (The same would hold true if Ms. C were under age 18.)

Retirement Benefits
441 IAC 75.57(1)

Treat retirement payments received on a monthly or more frequent basis as unearned income to determine eligibility. See 8-C, Benefits From Other Sources, for information on client responsibility to apply for and accept benefits.

Medicare premiums are withheld from Black Lung and Railroad Retirement benefits. However, Medicare premiums are not taken out of civil service pensions. These benefits may be further reduced due to recovery of an overpayment. Count only the actual income received (plus the Medicare premium, if applicable).

When the client receives an early lump-sum payment from a retirement fund, determine which portion of the payment represents the client's contribution plus accumulated interest, and which portion represents the employer's contribution.

Consider the employer's portion as nonexempt nonrecurring lump-sum income. See Nonrecurring Lump Sum.

When a client who is under age 55 leaves public employment covered by IPERS, the *employer's* contribution to the IPERS fund reverts to the employer when the employee requests an early withdrawal of the benefits.

When a client who is age 55 or over leaves public employment covered by IPERS and has 4 years or more of service, the person **must** apply for early retirement to be eligible for FMAP (unless the funds have been withdrawn).

Retroactive Corrective Payments
441 IAC 75.57(7)"i"

Exempt as income retroactive corrective FIP payments.

Retroactive SSI Payments
441 IAC 75.57(6)"m" and 75.57(7)"c"(2)

A retroactive SSI payment is considered a nonrecurring lump sum. It is exempt as income and as a resource, whether or not the client is an SSI recipient when the lump sum is received.

Severance Pay
441 IAC 75.57(9)"c"

Count severance pay as a non-exempt unearned lump sum payment. Depending on how it is paid out, it could be a recurring or non-recurring lump sum payment.

Sick Pay
441 IAC 75.57(2), and 75.57(9)"c"

Count sick pay as earned income if the person gets it while employed. See Recurring Lump Sum for treatment of unused sick leave payout after employment has ended.

When coworkers donate their sick leave time, count the payment the same as if it was the person's own sick pay when determining eligibility of the person to whom the sick pay was donated.

Social Security Income
441 IAC 75.57(1)"a"

Count social security benefits as unearned income when determining eligibility.

Consider social security benefit amounts reported on the Bendex as verified. (You must enter the correct social security claim number into the system to get a Bendex report.)

When a social security recipient is enrolled in Medicare Part B, the premium is deducted from the person's entitlement. Use the gross amount of the entitlement before a Medicare premium is withheld.

If the Department pays the Medicare premium ("buys in"), the recipient receives the full social security entitlement and a refund for the months the participant paid the premium while included in the FMAP eligible group. Do not count the refund as income.

> Mr. Z's Social Security payment decreased when he enrolled in Medicare, Part B. However, the amount before the decrease is used to determine Medicaid eligibility while the buy-in procedure is in process.
>
> When the buy-in takes place, Mr. Z's Social Security check increases, and he receives a refund for the number of months he was in the eligible group and paid his own premium. The refund is not considered as income, since the amount before the decrease was used to determine Medicaid eligibility during the buy-in process.

If the Social Security Administration is recouping for a prior overpayment, count only the amount the client actually receives (plus the Medicare premium, if applicable).

Amounts may be deducted from social security payments for a child support arrearage. The gross and net social security payment amounts on IEVS reports may not reflect the correct social security payments in these cases. Count the gross social security income and allow a deduction, if appropriate.

See Diversion for People Not in the Home and 14-G, BENDEX, for more information.

Social Security Benefits Extended for Education
441 IAC 75.57(6)"r"

A person aged 18 can receive extended Social Security benefits based on disability or death of a parent if attending high school full time.

The benefits stop at the end of the fourth month after the month the person turns 19 or completes high school, whichever occurs first. If the person's birthday falls on the first day of the month, the person is considered to have reached age 19 in the previous month.

When a child in the eligible group receives extended Social Security benefits, consider the entire amount of the benefits as unearned income available to meet the needs of the eligible group.

When the person aged 19 or younger receiving the extended Social Security benefits is also a parent, the extended Social Security amount is exempt as income.

1. Bob is an 18-year-old child receiving FMAP. He receives $95 a month in extended social security benefits while in high school. Because he is a child, the $95 is counted against the needs of the entire eligible group.

2. Susan, an 18-year-old, has a child and is receiving FMAP as a parent. She is receiving $150 a month in extended Social Security benefits while she attends high school. The entire $150 is exempt.

3. Mary, an FMAP parent with two children, receives $200 per month in extended social security benefits while attending college. The entire $200 is exempt.

Strike Benefits or Picket Pay
441 IAC 75.57(1) and (2)

Count strike benefits as unearned income.

If a union on strike considers picket pay to be payment for work performed (such as walking the picket line), count the income as earned. If the union does not consider the picket pay to be payment for work performed, it is a strike benefit and is unearned.

Student Earnings
441 IAC 75.57(7)"u"

Exempt earnings of a person aged 19 or younger who is a full-time student in high school or in an equivalent program. **Note:** A person who has completed high school and is a student in postsecondary education is not eligible for this exemption.

Exempt the earnings when determining eligibility under all three income tests. Exempt the earnings when the student is a child or a parent, regardless of the student's living arrangement. See Minor Parents and Minor Pregnant Women for more information.

Employment does not alter a student's status. The person may be employed during school vacation periods. If the person qualified as a full-time student in the term preceding the vacation period, exempt the earnings. This exemption does not apply if the student has completed the program and will not return to school.

When a full-time student completes high school or an equivalent curriculum, drops out of school, or begins attending less than full time, consider the person a student for that entire month. Exempt the earnings through the month in which the person completes high school, drops out, or decreases attendance.

Likewise, when a person under age 20 who has earnings **becomes** a full-time student, exempt the earnings beginning with the first month after the person becomes a full-time student.

Apply the student exemption for the entire month of the person's twentieth birthday unless it falls on the first day of the month.

The particular school defines "full-time" student status. See 8-C, School Attendance, for more information.

Subsidized Guardianship Payments
441 IAC 75.57(6)"s"

Exempt payments made under a subsidized guardianship program of Iowa or another state.

Taxes
441 IAC 75.57(1)

Do not count taxes (FICA, state, and federal income taxes) that are actually withheld from unearned income. Count the net amount of income after the taxes were withheld. Do not count taxes when determining eligibility.

Some types of unearned income may be taxable but do not have taxes withheld. Do not allow a deduction for this type of tax.

Tip Income
441 IAC 75.57(2)

Count the amount of tips an applicant or recipient anticipates receiving.

Any reasonable form of verification is acceptable. Examples of documents verifying tip income include:

- Pay stubs
- Employee's statement
- Employer's statement

Verify tip income at the time of the annual review, even if the anticipated amount has not changed.

Trust Payments
441 IAC 75.57(1)

Count payments from trusts or conservatorships that are available for basic or special needs as unearned income in the month received.

Unemployment Insurance Benefits
441 IAC 75.57(1)

Count unemployment insurance benefits as unearned income as noted below. If unemployment benefits are reduced due to recoupment, count the actual amount the person receives.

- Unemployment Insurance Benefits (UIB) or UIB extension: count for eligibility.
- Trade Readjustment Act (TRA): count for eligibility.
- Training Extension Benefit (TEB): exempt as financial aid.
- $25 stimulus: exempt as income.

Vacation Pay
441 IAC 75.57(2) and 75.57(9)"c"

Count pay for vacation taken while the person is employed as earned income in the month received. See Recurring Lump Sum for information on vacation payout in lieu of taking vacation or payout of unused vacation after employment has ended.

Vendor Payments
441 IAC 75.57(6)"o"

Exempt as income and as a resource vendor payments made to a third party on the client's behalf.

Veterans' Benefits
441 IAC 75.57(1)

Count veteran's benefits as unearned income. If a VA benefit is reduced due to recoupment, count only the actual amount the client receives.

However, exempt as income payments made under the Aid and Attendance program or the housebound allowance, or the amount attributable to unusual medical expenses.

Veterans' Benefits for Education or Training
441 IAC 75.57(6)"r"

A person eligible for financial assistance under the GI Bill may also receive additional assistance for each dependent. Exempt the amount designated for the veteran's education.

Count the amount for the dependents who are included in the FMAP-related Medicaid eligible group as nonexempt, unearned income to determine eligibility.

VISTA Payments
441 IAC 75.57(6)"i"

Exempt Title I VISTA volunteer payments, as income and as a resource as long as the Director of ACTION determines the value of all such payments is less than the federal or state minimum wage when dividing payment by the hours of service.

To date, the Director of ACTION has determined no VISTA payments to equal or exceed the minimum wage. Central office will notify county offices when these payments are no longer exempt.

VISTA payments are considered as unearned income. This is because recipients are considered volunteers rather than employees. When VISTA payments exceed the minimum wage limit, count the entire amount.

Vocational Rehabilitation Training Allowance
441 IAC 75.57(7)"j"

Exempt as income a training allowance issued by the Division of Vocational Rehabilitation Services of the Department of Education. The vocational rehabilitation counselor establishes an allowance amount that meets the client's needs for items relating to the rehabilitation program, such as tuition, books, transportation, lodging away from home, and similar items.

Wages
441 IAC 75.57(2) and 75.57(9)"b"

Count all wages and salaries as earned income. Consider earnings received on the date the employer distributes payroll.

When the employer distributes payroll to the employees on a date other than the regular payday, consider the date distributed as the date of receipt. For example, regular payday is on January 1. The employer distributes payroll on December 31 because January 1 is a holiday. Consider December 31 as receipt date.

If the employer merely grants an exception for a particular employee to pick up the paycheck early, consider the regular payday as the date of receipt.

When an employer **holds** wages at the employee's request, count the wages as income in the month the wages would normally be paid by the employer. However, when the employer holds wages as a general practice, count the wages as income in the month the household actually receives them.

Count wage **advances** as income only if the wage advance is anticipated to continue and is representative of future income.

Welfare Reform Evaluation Payments
441 IAC 75.57(7)"ab"

Exempt as income any payments made to FMAP-related Medicaid households for participating in the Iowa welfare reform evaluation conducted by Mathematica Policy Research, Inc. Randomly selected people who agree to participate may be interviewed, participate in focus groups and complete surveys.

Welfare to Work Payments
441 IAC 75.57(249A)

Welfare-to-Work are federally funded grants made available to states and local communities by the U.S. Department of Labor.

The purpose of the grants is to create additional job opportunities for the hardest-to-employ welfare recipients, such as long-term welfare recipients, school drop-outs, teen parents, people with a poor work history, or those who are within 12 months of reaching the state's time limit for assistance. (In Iowa, this is the 60-month limit of FIP assistance.)

The grants can be used for a number of activities, such as community service and work experience programs, job creation through wage subsidies, on-the-job training, contracts, and vouchers for services for job readiness, placement, job retention, and other services.

As in any other situation, to determine treatment of Welfare-to-Work payments that FMAP recipients who are also FIP participants may receive, first find out the source of the payment and what the payment represents.

For example, exempt the payment if it:

- Represents a reimbursement (for child care, transportation, meals and other miscellaneous expenses the client has).
- Is provided in the form of a gift certificate or gift card.

If the payment does not represent a reimbursement or is not in the form of a gift certificate, count the payment as income unless the payment is exempt under another program policy. (For example, earnings of a person under age 20 and in high school or equivalent program full-time are exempt.)

Whether to consider the payment as earned or unearned income depends on program policy and how the payment is described by the entity issuing it.

FMAP-related Medicaid recipients who are also FIP participants may be in the Welfare-to-Work experience program and be paid or reimbursed through the U.S. Department of Labor. In that case, consider the payments as earned income (unless the student exemption above applies).

Whether or not the payments are exempt, FMAP-related Medicaid recipients are required to report the payments.

Work Force Investment Project Incentive Allowance Payments
441 IAC 75.57(7)"y"

Exempt as income incentive allowance payments received from the Work Force Investment Project, a state-funded program administered by the Department of Economic Development.

The purpose of the program is to provide support services to pregnant teens and teen parents. It serves people who are traditionally underrepresented in the labor force, and people who usually have great difficulty entering the labor force. Recipients attend high school, GED classes, workshops, and training at program work experience sites.

When recipients successfully achieve the objectives of their training program, they receive an incentive allowance. For example, a recipient can receive an incentive allowance for perfect attendance at school and program workshops during a 15-day period.

Worker's Compensation
441 IAC 75.57(9)"c" (2), 75.57(249A), 75.57(1)

Count workers compensation payments as unearned income.

See Nonexempt Lump Sums for information on retroactive payments.

CHILD SUPPORT FOR COMPOSITE FIP AND FMAP HOUSEHOLDS

Legal reference: 441 IAC 41.27(1)"h," 41.27(6)"o" & 75.57(1)

"Child support" means money that a legally responsible person pays for the support of a child. "Legally responsible person" means either:

- A legal parent of the child whether or not ordered to pay support, or
- Any other person who is ordered to pay support for the child.

A person may pay child support voluntarily or may be obligated to pay support under an order established through a judicial process or through an administrative process by the Child Support Recovery Unit. The monthly amount payable according to the terms of either an administrative order or a court order is usually referred to as the "monthly obligation."

When an absent parent makes payments to a third party for a family's current basic or special needs, the payments are exempt as unearned income in kind. The payments are exempt even when made in compliance with a court order for support. See In-Kind Earned Income. Treat payments made to the eligible group by friends or other relatives as a gift and not as child support. See TYPES OF FMAP-RELATED INCOME: Gifts in this chapter.

FMAP-related Medicaid recipients who also are FIP participants have assigned to the Department their rights to support payments made for members of the eligible group. The assignment remains effective for the entire period for which FIP assistance is paid. See 8-C, Assignment of Medical Support.

Support that is assigned to the Department is collected by the Collection Services Center (CSC). Contact the Child Support Recovery Unit if you have questions about the amount of support ordered.

Consider support assigned as of the date the local office successfully enters the FIP eligibility into the ABC system.

The following sections give more information on:

- The $50 exemption for cash support income.
- Treatment of support for applicants.
- Treatment of support for recipients.
- Support for the first month of ineligibility.
- Support for an ineligible or excluded child.

$50 Exemption

Legal reference: 441 IAC 75.57(1)"e" & (6)"u"

Exempt as income and as a resource the first $50 of a current monthly support obligation or a voluntary support payment paid by a legally responsible person for a child in the eligible group. Apply the exemption only when an applicant or recipient anticipates receiving and keeping cash support.

The maximum exempt amount is either $50 or the amount paid or the monthly obligation, whichever is less, regardless of how many absent parents pay support.

> Ms. Z and her three children are FMAP recipients. Each child has a different father, and each father has been paying $100 per month court-ordered support for his child. Ms. Z anticipates the support to continue. Ms. Z is allowed only one $50 exemption.

If the anticipated direct support payments represent a delinquent support obligation, the $50 exemption does not apply. When a responsible person is anticipated to pay for the current month plus past months all in the same month, allow an exemption up to $50 only from the support applied to the current month.

> 1. $200 is the monthly obligation
> $100 is anticipated to be paid to the client for the current month
> $50 is exempt
>
> 2. $40 is the monthly obligation
> $50 is anticipated to be paid to the client, including $10 for delinquent support
> $40 is exempt
>
> 3. $200 is the monthly obligation
> $45 is anticipated to be paid to the client for the current month
> $45 is exempt

When a legally responsible person is anticipated to be pay support for dependents who are in different FMAP-related Medicaid eligible groups, each eligible group is entitled to an exemption up to $50 of the monthly support payments the group receives and keeps.

1. The monthly obligation for two children is $200. One child lives with the mother and the other child lives with the grandmother. Both the mother and the grandmother apply for Medicaid for the children on separate cases. The father is anticipated to pay $100 support each to the mother and the grandmother. Each eligible group is entitled to a $50 exemption.

2. Same as Example 1, except the father is ordered to pay $50 per month support for both children. It is anticipated that he will pay $25 support each to the mother and the grandmother. Each eligible group is entitled to a $25 exemption.

Treatment of Support for Applicants

Legal reference: 441 IAC 75.57(1) & (9)"a"

When determining Medicaid eligibility for applicants, count as unearned income any nonexempt cash support payment for a member of the eligible group that is made or anticipated to be made while the application is pending.

Count the entire nonexempt support payment received or anticipated to be received up through the date of the eligibility decision, regardless whether the support payment:

- Is for current or past support or a combination of the two, or
- Exceeds the monthly obligation.

Apply the $50 exemption to the month in which the applicant receives or is anticipated to receive the support. (See Establishing the Date of Receipt for details.) Manually deduct the exempt amount before entering the countable support on the system.

Mr. G files an FMAP-related Medicaid application on September 1. On August 28, CSC received a $100 child support payment, which was mailed to Mr. G. He receives the payment on September 3.

Although the $100 represents an August payment, $50 is exempted for September because this is the month in which Mr. G received the payment. The remaining $50 is counted as income in determining September FMAP-related eligibility.

Do not count as income, nor enter onto the system, support expected to be received after the date of decision for a composite FMAP/FIP household. This is because support is assigned to the Department when the person is approved. Any cash support payment the recipient receives after the date of decision must be refunded to CSC.

> Mrs. D applies for FIP and FMAP-related Medicaid on February 2. Mr. D is ordered to pay $50 support per week, which Mrs. D receives every Friday. It is anticipated that Mr. D will pay the total $200 in February.
>
> On February 23, the IM worker approves the application with an effective date of February 1 for FMAP-related Medicaid and February 9 for FIP. Up to the date of decision, Mrs. D had received $50 support payments on February 6, 13, and 20. Therefore, the worker enters $100 income ($150 received - $50 exemption) for eligibility for February.
>
> Ms. D is required to refund the entire amount of any support she receives after February 23. Any support received after February 23 will not be entered onto the system for eligibility, because support is assigned as of February 23.

If the amount received up through the date of decision includes ordered support for **prior** months, treat the retroactive amount as a nonrecurring lump sum. To determine the retroactive portion, deduct the amount of the current support obligation from the total support payment the applicant received.

The $50 exemption applies only to current support. If there is no court order, consider the entire support payment the applicant receives as current support, subject to the $50 exemption.

If there is a court order, consider only up to the amount of the obligation as current support, subject to the $50 exemption. Consider any amount that exceeds the ordered amount as past support and treat it as a nonrecurring lump sum. Do **not** apply the $50 exemption to that portion.

> 1. An FMAP-related Medicaid applicant gets a $350 support payment. There is no court order. Thus, the entire payment is considered as voluntary support. The first $50 is exempt. The remaining $300 is counted as unearned income in the month the applicant receives the payment.

2. An FMAP-related Medicaid applicant gets a $650 support payment. There is a court order for $200 monthly support. Therefore, $200 of the $650 payment is considered as **current** support, and the $50 exemption is applied to that portion. The remaining $450 is considered as past support and treated as a nonrecurring lump sum.

If support the applicant **receives or is anticipated to receive** represents future court-ordered support, prorate the payment over those future months the payment is intended to cover. Use the nonexempt portion to determine FMAP-related Medicaid eligibility for each month. Apply the $50 exemption to each future month when the future month arrives.

Establishing the Date of Receipt

When support payments are made to CSC, which, in turn, forwards the payments to the applicant, check the dates recorded under the DISTR DATE column on the ICAR PAYHIST screen.

Consider the payment as income in the month in which the **applicant** receives the payment. The date under DISTR DATE reflects the date CSC received and processed the payment (and is **not** the date the applicant received it).

The payment is mailed two working days after the DISTR DATE on ICAR. Allow two additional days for mailing, excluding days when there is no mail delivery, such as holidays or Sundays. In other words, add a minimum of four days to the DISTR DATE on ICAR to determine when the applicant may have received the payment.

If the applicant disputes your calculated date, accept the applicant's statement as to the date of receipt, if that date appears plausible.

1. A $400 payment shows on PAYHIST with a 5/28 DISTR DATE. Unless the applicant states otherwise, the payment is considered to have been received in June. The payment is considered as June income to the applicant regardless of what month CSC applies the payment.

2. Same as Example 1, except that the DISTR DATE shows 5/20. The payment is considered to have been received in May, unless the applicant states otherwise. The payment is considered as May income to the applicant, regardless of what month CSC applies the payment.

When the applicant receives support payments from another source, e.g., directly from the absent parent or from a clerk of court, ask the applicant for verification of receipt dates and amounts.

If payments were mailed to the applicant, allow at least two mailing days to arrive at a possible receipt date. If the applicant disputes your calculated receipt date, accept the applicant's statement, if plausible.

Treatment of Support for Recipients

Legal reference: 441 IAC 75.57(1)"e"

Exempt as income assigned support that is collected and retained by the Department. Do not use any part of the support amount collected and kept by the Department when determining FMAP-related Medicaid eligibility for recipients.

1. Mrs. K. is employed and has $400 projected monthly countable earnings. She receives FIP and FMAP-related Medicaid for herself and her two children. In March, the children's father starts to pay $150 per month child support to CSC. The entire $150 retained by CSC is exempt and is not used to determine Mrs. K's FMAP-related Medicaid eligibility.

2. Mr. T receives FIP and FMAP-related Medicaid for himself and one child. The child's mother pays $200 child support per month to CSC. Mr. T gets a new job, and his projected monthly countable income is $350. The $200 support amount retained by CSC is exempt and is not used to determine Mr. T's FMAP-related Medicaid eligibility.

See Direct Support Not Refunded by the Client for instructions when a recipient receives direct support and fails to refund it.

At the point that the collected support exceeds the entire amount of FIP assistance paid out to the family, CSC will release the overage to the family the following month. If the absent parent has been paying support to CSC regularly, it can be expected that support collections will continue to exceed the total FIP paid out. Since overage payments to the recipient are expected to continue, use the overage as projected income.

However, if the absent parent has a history of paying support only sporadically, and overage payments are not likely to continue, do not use the overage as income in the month received. Do not use the overage as projected income.

> Ms. B has received $1,500 FIP benefits over the past several months. The absent parent does not pay support regularly. When CSC receives the February child support payment from the absent parent, the total support collected comes to $1,600. In March, CSC sends the $100 overage to Ms. B. The $100 is not used to complete a new projection of income, since it represents a one-time payment.

Consider any **countable** support payment as income in the month in which the recipient receives or anticipates receiving the payment. See Establishing the Date of Receipt for information on how to determine when the recipient may have received a support payment from CSC (or from another source).

Other circumstances that can result in CSC releasing child support to a FMAP/FIP recipient, include:

- Support is collected for a child who is not in the eligible group.
- Release of the payment could not be prevented due to the timing of the FMAP/FIP approval or reinstatement.

To determine how to treat the payment, it is important to know the reason CSC released the payment. If the payment represents support for an ineligible child, consider the policies under Support for an Ineligible or Voluntarily Excluded Child. Confer with the child support recovery officer if you have questions on the reason CSC released the support to the recipient.

Direct Support Not Refunded by the Client

Legal reference: 441 IAC 75.57(1)"e"

FMAP/FIP recipients must report and refund to the Department **the entire amount of** direct support payments received from the absent parent or any other source. If the client returns the support payment to you, forward the payment to CSC.

Use actual countable support payments received in a past month for which eligibility is being determined. Use support payments anticipated to be received in future months to determine eligibility for future months.

When support payments stop before the eligibility decision on an application, use the support payments received (or anticipated to be received) in each month to determine FMAP-related Medicaid eligibility for the month of decision and any prior months.

Manually deduct the exempt amount and count as unearned income any remaining direct support that the client refuses or fails to refund.

If the direct support can be anticipated to continue, use the nonexempt portion of the direct support payment as unearned income in the month received to determine eligibility.

When determining whether direct support can be anticipated to continue, consider the past payment history, the statement of the recipient, and when available, the statement of the absent parent. However, do not **require** a statement from the absent parent.

> An FMAP/FIP recipient receives $100 direct support that is released by CSC in error. The recipient fails to refund the support. The IM worker does not use the direct support for FMAP-related Medicaid, since it cannot be anticipated to continue.

Support for the First Month of Ineligibility

Legal reference: 441 IAC 75.57(7)"n"

When the support assignment is not terminated at the same time as the family's FIP eligibility is canceled, support payments may be made to CSC in error. CSC must refund these payments to the client.

Exempt as income for FMAP-related Medicaid eligibility support refunded for the first month of FIP ineligibility, if the family remains off FIP for the entire month. The refunds are exempt as income regardless of when the family receives the support, as long as the family remains off FIP assistance for the month.

1. Ms. A's FIP assistance is canceled effective July 1. CSC receives support payments of $15 on July 10 and $25 on July 25. Ms. A reapplies for FIP on August 5. She receives the $40 July support refund on August 10. This $40 is exempt as income.

2. Ms. B is canceled from FMAP and FIP effective July 1. CSC continues to receive support payments in July ($60) and August ($120). Ms. B reapplies for FMAP and FIP September 7. She receives an abstract from CSC for $180 on September 12. The $60 portion for July is exempt as income, but the $120 portion for August is countable income.

This exemption applies only to cases that are canceled from FIP. It does not apply to families still considered FIP participants who do not get a grant due to rounding down or due to the restriction on payments of less than $10.

This exemption does not apply when the family reapplies and is found eligible for the first month following the termination.

Support for an Ineligible or Voluntarily Excluded Child

Legal reference: 441 IAC 75.57(1)"e" & 75.59(1)(2) & 75.57(6)

For FMAP-related Medicaid purposes, child support is considered income of the child. The income and resources of an ineligible or voluntarily excluded child are exempt for FMAP-related Medicaid.

When an FMAP-related parent receives child support for a child who is not in the FMAP-related eligible group, consider the support payment as follows:

- If the ineligible or voluntarily excluded child **lives in the home** with the eligible group, do not count the support payment as income or as a resource toward the eligible group, even if the FMAP-related parent has access to the payment. As long as the FMAP-related parent provides care and support for the ineligible or voluntarily excluded child, it is reasonable for the parent to use the support payment to do so.
- If the child is **not living in the home** with the eligible group and the FMAP-related parent uses the support for the needs of the eligible group, then count the support as unearned income to the eligible group. Do not allow the $50 support exemption, because the exemption applies only to current support paid **for a member of the eligible group**.

If the FMAP-related parent claims to make the support payment available to the intended person, obtain written verification from both the FMAP-related parent and the intended person, or a responsible person with whom the intended person lives.

FMAP-RELATED LUMP-SUM INCOME

Discussion of lump sums is divided into:

- Recurring lump sums, which may be earned or unearned income.
- Nonrecurring (one-time) lump sums, which are always unearned income, in the nature of a windfall or a retroactive payment of benefits.

Recurring Lump Sum

Legal reference: 441 IAC 75.57(9)"c"(1)

Examples of **recurring** lump-sum income are:

- Vacation pay instead of taking vacation, or payout for unused vacation when employment ends.
- Sales commission.
- A bonus.
- Profit sharing based on the employer's profits, when received while the client is employed with the company. **Note:** Profit sharing received after termination of employment is considered a nonexempt, nonrecurring lump sum.
- Past due wages (if the wages cover more than one month).

Consider recurring lump-sum income if it is received or is anticipated to be received at any of the following times:

- Any time during the receipt of assistance.
- In the month of application or any subsequent month, before the date of decision.
- Before the month of application when the income is anticipated to recur. (If it is not anticipated to recur, do not consider any lump sum received before the month of application.)

Except for self-employment income, prorate recurring lump sum earned and unearned income over the number of months for which the income is received. If the lump sum is earned income, apply applicable disregards, deductions, and diversions.

Consider the prorated amount when projecting future income for both applicants and recipients. Use the prorated amount to determine eligibility for the same number of months as the recurring lump sum covers.

For applicants, the month in which the lump sum was received is the first month for which a prorated amount will count.

For ongoing cases, if the lump sum is reported timely, the first month in which a prorated amount will be used is the first month following a ten-day notice. If the lump sum is not reported timely, redetermine eligibility using the prorated amount beginning with the month following the month of receipt.

1. Mr. and Mrs. G apply for Medicaid for their children on January 30. The worker is processing the application March 3. Mr. G reports and verifies he received a quarterly bonus of $300 on January 28. Since it is expected to continue, the recurring lump sum is prorated over the months it is intended to cover. $100 is counted when projecting future income, beginning in January.

2. Same as Example 1, except that Mr. G's employer has discontinued the bonuses and the one received in January is the last one. The bonus is prorated and counted when projecting income for the months of January, February, and March. No recurring lump-sum income is counted any month following March.

3. An active case consists of Mrs. B and her five children. Mrs. B receives sales commission income in the amount of $300 every quarter. The worker applies $100 to the needs of the family on a monthly basis.

4. Same as Example 3, except Mrs. B applies for FMAP on October 3. The worker is determining eligibility October 28. Mrs. B received her $300 quarterly sales commissions in September, the month before the month of application. If commissions are anticipated to continue, the worker counts $100 in October and subsequent months.

5. Ms. A is a current recipient. At her annual review in December, Ms. A reports that she will begin receiving sales commissions in a lump sum every four months, in addition to her base pay. Ms. A's employer estimates the lump-sum amounts to be approximately $240. She will receive the first commission check in January.

   In projecting Ms. A's future income, $60 per month ($240 ÷ 4 months) is counted as earned income in addition to her base pay, beginning with the month of January.

6. Mr. Z reports on June 18 that he received two paychecks June 10. One paycheck was his regular weekly earnings and the other was two weeks of vacation pay in lieu of taking annual vacation. The vacation pay is lump-sum income.

   The total lump sum is not added with other June earnings, but is prorated over the 12 months it represents and is added to the projected income used to determine eligibility. If timely notice can be given, the prorated amount will be used beginning in July.

7. Mrs. T, an applicant, receives her annual profit-sharing bonus on October 1. She applies for Medicaid on October 12. The date of decision is November 2, with an October 1 effective date. The bonus is prorated over 12 months and included in the income projection.

8. Ms. Q receives Medicaid. On July 16, she begins receiving quarterly bonuses of $60 in addition to her regular earnings. Ms. Q reports the quarterly bonus on July 18. The worker requests verification, which Ms. Q provides on July 23.

   The worker completes a new projection of monthly income using $20 monthly bonus income ($60 ÷ 3 months). The first month for which the new projected monthly income is considered is September, the first month following the ten-day notice.

9. Same as Example 8, except that Ms. Q does not report receipt of the quarterly bonuses until at her annual review in November. Ms. Q also reports she received a 50-cent-per-hour raise in August. The worker requests verification of both the quarterly bonuses and the rate of pay increase, which Ms. Q provides on November 22.

   The worker recalculates the projected income for August (the month after the month of receipt) through November by adding $20 ($60 ÷ 3 months) to the projected income used for those months. Recoupment is established, if appropriate, since starting to receive recurring lump-sum income is considered to be beginning income.

   The worker also completes a new projection of income for the months of December through November, using the prorated amount of the bonus along with the new rate of pay. No recoupment is established for failure to report the rate of pay increase at the time it occurred. Since the rate-of-pay increase is not considered beginning income, it is only required to be reported at the annual review.

When the recurring lump-sum income is **expected to continue at the same rate**, the prorated amount will continue to be part of the projection of future income until the client reports a change.

When the recurring lump-sum income is **expected to continue but at an unknown rate**, the client will be required to timely report the receipt of each lump sum payment.

When the recurring lump-sum income is **ending and not expected to continue**, the lump sum will be prorated and used in the projection of future income for only the same number of months that the final lump sum covers.

Income from Contract Employment

Legal reference: 441 IAC 75.57(9)"b"(1)

If income from contract employment is received on a recurring lump-sum basis, determine the period covered by the contract. Calculate the total amount payable under the contract and prorate it over the number of months the contract covers.

Count the prorated monthly amount as part of the income projection. If the contract income is timely reported, begin using the prorated amount in the month following a ten-day notice. If the income is not reported timely, begin using the prorated amount in the month after the month in which the lump sum is received.

1. Ms. A, is a Medicaid recipient. In April, Ms. A timely reports that she began contract employment in March and that she received $300 in April that covers the months of March, April, and May. $100 prorated income ($300 ÷ 3 months) is counted for the months of May, June, and July.

2. Mr. B is employed under contract and receives $600 in January. The contract period is January through June. On April 5, Mr. B applies for Medicaid. On April 26, the Medicaid application is approved. $100 prorated income ($600 ÷ 6) is counted in the income projection for the months of April, May, and June.

Treat income from contractual employment received on a regular basis (weekly, biweekly, etc.) in the same manner as the earnings of a noncontractual employee.

Periodic or Intermittent Income

Legal reference: 441 IAC 75.57(9)"c"(1)

Prorate income received at periodic intervals or intermittently over the period covered by the income, and apply the prorated amount to the eligibility determination for the same number of months. (Do not apply this policy to income from self-employment.)

> Ms. A applies for Medicaid. She works part-time for a small company. She keeps her own time sheet and is paid when she turns it in. On May 15, Ms. A turns in a time sheet covering the preceding four months. She timely reports income of $240 received in May. The worker divides this income by four and includes $60 monthly income in the projection for four months, beginning with May.

Nonrecurring Lump Sum

Legal reference: 441 IAC 75.57(9)"c"(2)

Give pamphlet Comm. 24 or Comm. 24(S), *One-Time Payments*, to each applicant. Also issue the pamphlet to each member who reports receipt or possible receipt of a nonrecurring lump sum, or when you believe the member may receive such sums.

When a client reports receipt of a lump sum, document in the case record:

- The date you issued the pamphlet.
- The date the lump sum was received.
- How it was reported.
- The amount of the sum.
- The source of verification.
- How it was determined that it is a lump sum.
- That the client was informed of the effect of receiving the lump sum.

Count the nonrecurring lump-sum income if received by:

- Any person in the eligible group.
- A parent who is in the home but is not eligible for Medicaid due to sanction.
- A parent in the home who is otherwise ineligible for Medicaid (e.g., ineligible alien).

Do **not** count the lump-sum income of a person who is receiving SSI or is voluntarily excluded.

Note: When an SSI recipient or voluntarily excluded person acts as a representative payee for another person in the home, the income received for the other person is considered to be income of that person, not income of the representative payee. If the other person is a member of the Medicaid eligible group, count the income as appropriate.

1. Ms. A receives SSI for herself and FMAP for her child. Ms. A is in an accident and receives a lump sum insurance settlement as a result. The lump sum is exempt in determining the child's Medicaid eligibility because Ms. A is an SSI recipient.

2. The same situation as Example 1, except it is Ms. A's child who is in an accident, and Ms. A receives a lump sum insurance settlement for the child. The lump sum is countable in determining the child's Medicaid eligibility. Although Ms. A receives the lump sum as representative payee for her child, the lump sum is intended for the child's needs.

Consider nonrecurring lump sums received by the following people as income in the month of receipt only.

- An ineligible stepparent.
- A self-supporting parent.
- A spouse of a self-supporting parent.

Refer to Treatment of Stepparent Income and Minor Parents and Minor Pregnant Women for more information.

The following sections give more information on:

- Exempt lump sums
- Nonexempt lump sums
- When to count the lump sum
- Budgeting a lump sum
- Receipt of another lump sum during the period of proration
- Effect of members entering the household during a period of proration
- Conditions for shortening the period of proration

Exempt Lump Sums

Legal reference: 441 IAC 75.57(7)"c," 75.57(1)

Exempt as income the following types of nonrecurring lump sums:

- State or federal income tax refunds (including earned income credit).
- Retroactive SSI benefits.
- Settlements for payment of medical expenses (also exempt as a resource).
- Refunds of security deposits on rental property or utilities.
- The part of the lump-sum payment that is both received and spent on funeral and burial expenses.
- The part of the lump-sum payment that is considered a reasonable income producing cost (such as attorney fees that have been paid).
- That part of the lump-sum payment that is both received and expended for a replacement of a resource. When a part of a lump sum is designated for the repair or replacement of a resource, that part of the payment is exempt as income whether or not the client actually uses it to repair or replace the resource.

  When the amount of the damage and pain and suffering settlements are not designated, only the amount actually expended for repair or replacement of the resource is exempt as income. See 8-D, Insurance Settlements and Damage Judgments.
- Sums received by people whose income is not considered (such as nonparental specified relatives not in the eligible group and SSI recipients).
- The employee's share of a lump-sum retirement payout. (If the sum was produced by payroll deduction, consider it a resource upon receipt.)
- Cash payments from the DHS diversion programs.

See 8-D, Lump Sum (Nonrecurring), for treatment of these nonrecurring lump sums as a resource. Also see 8-D, Property Settlements, for treatment of property settlements as a resource rather than income.

Nonexempt Lump Sums

Legal reference: 441 IAC 75.57(9)"c"(2), 75.50 (249A)

Nonrecurring lump sums that are **not** exempt include:

- Inheritances.
- Insurance settlements for pain and suffering.
- Insurance death benefits.
- Lawsuit settlements.
- Countable gifts.
- One-time winnings (such as lottery winnings). Deduct the cost of the ticket, bingo card, etc., but do not deduct prior losses.
- Retroactive payments of benefits such as Social Security, veterans' benefits, workers' compensation, job insurance, and child support.
- Severance pay (unearned income is amount received).
- The employer's share of a lump-sum retirement fund which is paid to the employee.

When to Count the Lump Sum

Legal reference: 441 IAC 75.57(9)"c"(2)

Policy:
The date a nonrecurring lump sum is received determines whether the lump sum is considered. The lump sum does not affect eligibility if:

- It was received while the person receiving it was living in another state. (Check on resources due to receipt of the lump sum.)
- It is received **before** the month of application and the applicant does not request retroactive Medicaid eligibility.

- The assistance issued for the month the lump sum is received is subject to recoupment because the person receiving the lump sum is ineligible for other reasons. Consider the lump sum if at least one person was eligible in the month of receipt and the ineligible person is a parent remaining in the home.
- The recipient requests cancellation before the first day of the month that the lump sum will be received. However, once the lump sum is received, the household cannot later voluntarily exclude the member of the eligibility group who received the lump sum to refigure and reduce the lump-sum proration.

Procedure:
When the amount of the lump sum was reported before the month of receipt and the cancellation of the coverage was completed before timely notice, no recoupment will be needed.

When receipt of the lump sum was not reported timely or the cancellation of the coverage was not completed before timely notice, begin recoupment of Medicaid claims with the month of receipt of the nonrecurring lump sum.

Budgeting the Lump Sum

Legal reference: 441 IAC 75.57(9)"c"(2) and (3)

Consider a nonrecurring lump sum as unearned income in the month received and count it in determining eligibility during the period of proration. (See Exempt Lump Sums and Gifts for more information.)

Reduce the lump sum by the cost of producing the income, such as attorney fees, taxes, etc.

> Mr. W receives a $5,000 nonrecurring lump sum directly. He provides verification that his attorney fees were $1,000. Mr. W paid his attorney $700 and still owes him $300. Only the $700 actually paid is allowed as a deduction. When Mr. W provides proof that he has paid the other $300, the period of proration is recalculated.

1. Ms. A is receiving FMAP. On June 14, she timely reports that she received a nonexempt, nonrecurring, lump-sum payment on June 8. The first month of the period of proration is June. Eligibility is determined using a prorated portion of the lump sum beginning with the month following a notice of adverse action.

2. Ms. B applies for Medicaid on June 8. On June 17, she receives a nonrecurring lump-sum payment of $5,000. On July 1, the worker determines Ms. B eligible for FMAP effective June 1. On July 6, Ms. B reports the lump-sum payment. The worker must determine the period of proration, refigure the projection of income, and redetermine Medicaid eligibility beginning with June.

3. Ms. C applies for Medicaid on November 20 for herself and her son. Ms. C receives a $2,500 nonrecurring lump sum on November 27, and timely reports it on December 2. The worker processes the application on December 10. The worker determines the period of proration to be four months ($2,500 ÷ 719).

   Eligibility for both Ms. C, under Medically Needy and Ms. C's son, under MAC, will be determined using the prorated amount beginning with November. In February, the remainder of $343 will be used.

For purposes of the lump-sum policy, the "eligible group" is defined as all eligible people and any other person whose income is considered in determining Medicaid eligibility. If the unborn child is being counted in the household size at the time of receipt of the lump sum, the unborn child is also counted in determining the appropriate standard of need to prorate the lump sum.

If an ineligible parent receives the nonrecurring lump sum, count the lump sum, since the parent is included in the eligible group as a "considered" person.

1. Ms. A has two children for whom she receives CMAP. Ms. A is not receiving Medicaid because she failed to cooperate with CSRU. Ms. A receives a $5,000 nonrecurring lump sum. The worker divides $5,000 by the three-person FMAP Standard of Need amount to prorate the lump sum.

2. Same as Example 1, except the lump sum is received by one of Ms. A's children. Prorate the lump sum using a three-person Standard of Need amount.

3. Mr. and Mrs. T receive CMAP for their three children. Mr. and Mrs. T are not eligible for Medicaid because they are ineligible aliens. Mr. T receives a nonrecurring lump sum. Because Mr. and Mrs. T are considered persons on the CMAP case, the worker uses the five-member FMAP Standard of Need in prorating the lump sum.

If a person who is voluntarily excluded receives the lump sum, the lump sum is not counted toward the eligible group.

> Ms. M has three children. She voluntarily chooses to exclude Child C because Child C receives child support and is covered under the father's health insurance. Ms. M is approved for Medicaid effective October 1 for FMAP for herself, Child A, and Child B.
>
> Child C receives a nonrecurring lump sum on November 20. The lump sum is not used in determining eligibility for the FMAP household.

When, due to the untimely report of a nonrecurring lump sum, Medicaid eligibility is being redetermined for the first month of the period of proration, only use the prorated amount of the lump sum. This is because all countable monthly income was added to the nonrecurring lump sum before the proration calculation.

When Medicaid eligibility is being redetermined for any month of the period of proration other than the first month, use the prorated amount of the lump sum plus any projected monthly income.

Period of Proration

Legal reference: 441 IAC 75.57(9)"c"(2)

The months in which any prorated portion of the lump sum will be counted are called the period of proration.

To determine the months in which the lump-sum income will be counted, divide the total countable income in the month of receipt including the countable lump-sum income, by the FMAP Standard of Need (Test 2) for the eligible group.

> Ms. X receives Medicaid under FMAP for herself and her two children. She receives a $1,704 nonrecurring lump sum in February, which she timely reports. The worker is currently using a monthly projection of $200 in other unearned income.
>
> $1,704 + $200 = $1,904 divided by $849 (the three-person FMAP Standard of Need) = 3 months of proration

If the applicant withdraws an application (or is denied assistance for a reason other than the lump sum), establish a period of proration if the lump sum is received in the **same** month as the withdrawal or denial, even if that month is the application month.

To determine the number of months in which lump-sum income will be counted:

- For applications, divide the total of the countable lump-sum income and other countable income received for the same month by the Standard of Need (Test 2). Do not consider assigned support collected and retained by the Department for the month the lump sum is received.
- For ongoing cases, divide the total of the countable lump-sum income and other countable income projected for the same month by the Standard of Need (Test 2).

1. Ms. A applies for Medicaid on April 3 for herself and her three children. On April 10, Ms. A reports receiving a $3,000 nonrecurring lump sum on April 8. The only other income Ms. A or her children have is Ms. A's earned income.

   Ms. A states that the 30-day period before the date of application is indicative of her future income. In that 30-day period, Ms. A received four weekly paychecks for a gross monthly income of $801.54. So, $801.54 will be the projected gross earned income.

   First, determine the countable projected earned income.

$ 801.54	Gross earned income received in the 30 days before April 10
- 160.30	(20% earned income deduction)
$ 641.24	
- 250.00	Child care
$ 391.24	Countable projected earned income

   Prorate the lump sum as follows:

$ 3,000.00	Nonrecurring lump sum
+ 391.24	Countable April income
$ 3,391.24	
÷ 986.00	FMAP Test 2 for four people
$ 3.44	Months of proration

The following income is used to determine eligibility:

April	May	June	July	August and on
$986.00	$1,377.24 ($986.00 + $391.24)	$1,377.24 ($986.00 + $391.24)	$824.48 ($433.24 lump sum remainder + $391.24)	$391.24

2. Mrs. B applies for Medicaid on May 21 for her two children. She does not request Medicaid for herself. On June 2, Mrs. B receives a $1,800 nonrecurring lump sum, which she reports on June 3. The application is processed June 6. The only other income Mrs. B and her children have is Mrs. B's earned income.

   Mrs. B states that the 30-day period before May 21 is indicative of her future income. In that 30-day period, Mrs. B received two biweekly paychecks, for a total of $1,126.74 gross monthly income.

   First, determine the countable projected earned income.

$ 1,126.74	Gross earned income received in the 30 days before May 21
- 225.34	20% earned income deduction
901.40	
- 300.00	Child care
601.40	Countable projected earned income

   Prorate the lump sum as follows:

$ 1,800.00	Nonrecurring lump sum
+ 601.40	Countable June income
2,401.40	
÷ 849.00	FMAP Test 2 for three people
2.82	Months of proration

   The following income is used to determine eligibility:

May	June	July	August	September on
$601.40	$849.00	$1,450.40 ($849.00 + $601.40)	$1,304.80 ($703.40 lump sum remainder + $601.40)	$601.40

3. Mr. C receives Medicaid for himself and his son. On May 16, Mr. C receives a $1,500 nonrecurring lump sum, which he reports May 23. Current Medicaid eligibility is being determined using $306 in countable projected earned income. The first month of the period of proration will be May.

   Prorate the lump sum as follows:

$ 1,500.00	Nonrecurring lump sum
+ 306.00	Countable projected May earned income
1,806.00	
÷ 719.00	FMAP Test 2 for two people
2.51	Months of proration

   Timely notice is sent May 25 effective July 1. May and June are included in the period of proration. However, because the lump sum was timely reported, no recoupment is established for either month. This leaves a $368 remainder to be counted in determining eligibility for July in addition to the monthly projected earned income.

   Note: The change in income for July is **not** treated as a one-time change in income because it is part of a period of proration.

If countable income, including the countable lump-sum income, is **less** than the Test 2 income limit of the eligible group, consider the lump sum as a one-time change in income. Remember that a one-time change in income is not used in the projection of income since it is not representative of future income.

> A $100 lump-sum payment is received in August and is timely reported. The $100 lump sum, combined with other countable income received in August, does not exceed the income limit of the eligible group. Since the $100 nonrecurring lump sum is a one-time change in income and is not indicative of future income, it does not affect the projected amount of monthly income.

If countable income is **equal** to or **more** than the Test 2 income limit of the eligible group, determine the number of months the lump-sum income will be prorated.

> Ms. C receives Medicaid for her two children under MAC. Ms. C is a considered person on the MAC case. She does not receive Medicaid for herself. Ms. C receives a $300 nonrecurring lump sum in September and timely reports it. Countable projected September income is $549.
>
> In order to determine if there will be a period of proration, the nonrecurring lump sum and other countable income are added together. $300 + $549 = $849. The Test 2 limit for a three-member eligible group is $849. Since the countable income, including the nonrecurring lump sum is equal to the Test 2 limit, the period of proration will be one month.

The first month of the period of proration is always the month in which the lump sum is received.

If the nonrecurring lump sum was reported timely, do not establish recoupment for the months of the period of proration in which a portion of the lump sum could not be used due to timely notice requirements.

Ms. T receives Medicaid for her three children. Ms. T does not receive Medicaid for herself. Ms. T receives a $3,000 nonrecurring lump sum October 9. Ms. T timely reports receipt of the lump sum October 14. The worker requests additional information and Ms. T supplies it by the due date of October 24.

The first month of the period of proration is October. Timely notice is issued October 26 effective December 1. Because the lump sum was timely reported, no recoupment will be established for October or November. The first month in which a prorated portion of the lump sum will be used to determine eligibility will be December, the third month of the period of proration.

If the nonrecurring lump sum was reported **untimely**, establish recoupment for the months of the period of proration in which the portion of the lump sum could not be used due to timely notice requirements.

Ms. T receives Medicaid for her three children. Ms. T does not receive Medicaid for herself. Ms. T receives a $3,000 nonrecurring lump sum May 9. Ms. T reports receipt of the lump sum May 21. The worker requests additional information and Ms. T supplies it by the due date of May 31.

The first month of the period of proration is May. Timely notice is issued June 2 effective July 1. Because the lump sum was **not** timely reported, Medicaid eligibility will be redetermined for the months of May and June. If any of the children were only conditionally eligible for Medically Needy with a spenddown, recoupment will be established for May or June.

Note: Any of Ms. T's children who are only conditionally eligible for Medically Needy with a spenddown should be referred to ***hawk-i***. See 8-G, Referrals to the *hawk-i* Program, for more information.

Do not establish a period of proration if the application is withdrawn (or denied for another reason) before the first of the month in which the lump sum is (to be) received.

1. Mrs. A applies for Medicaid on April 14. She expects to receive a nonrecurring lump sum on April 27 and requests withdrawal of her application on April 20. A period of proration is still established, because the request did not occur before the first day of the month in which Mrs. A expects to receive the lump sum.

2. Ms. B applies for Medicaid on April 14. She expects to receive a nonrecurring lump sum on May 8. On May 2, she requests withdrawal of her application. A period of proration is still established, because the request did not occur before the first day of the month in which Ms. B expects to receive the lump sum.

3. Mr. H applies for Medicaid on April 14. He expects to receive a nonrecurring lump sum on May 2. On April 28, he withdraws his application. A period of proration is **not** established, because the request occurred before the first day of the month in which Mr. H expects to receive the lump sum.

   If the worker has all needed information to approve the application on April 28, the worker should inform Mr. H that Medicaid can be approved for April only and canceled for May. In either case, a period of proration is not established.

Assistance may be denied or canceled for another reason, delaying the lump sum period of proration. When enough information is available, send a letter specifying the period of proration. If there is insufficient information available because the lump-sum income was not verified, send a letter to inform the client about the period of proration due to receipt of lump-sum income.

When either letter is sent, enclose Comm. 24 or Comm. 24(S), *One-Time Payments*. Document in the case record that you sent the letter and the pamphlet. In addition, make an entry in the ABC system (the TD01 screen's, Info line) to flag the prior receipt of lump-sum income if the client reapplies.

Receipt of Another Lump Sum During a Period of a Proration

Legal reference: 441 IAC 75.57(9)"c"(2)

When a household receives another nonrecurring lump sum during a period of proration, establish a separate period of proration.

Count the new lump sum in the month it is received and add it to that month's income, including the initial lump sum prorated amount. Divide the total by the FMAP Standard of Need for the household size. The period of proration for the second lump sum runs concurrently with the period of proration for the first lump sum.

Ms. R receives FMAP for herself and her two children. She is employed and has projected countable earned income of $400 per month. Ms. R receives a $7,500 nonrecurring lump sum in March, which she timely reports and verifies March 8.

To determine the period of proration, the $7,500 is added to her countable earned income of $400 and divided by the FMAP Standard of Need for a three-person eligible group. ($7,500 + $400 = $7,900 ÷ $849 = 10 months) The period of proration will be March through December, with $259 being considered for December. Timely notice is issued March 15. The first month in which a prorated amount of the lump sum will be used is April, the second month of the period of proration.

In August, Ms. R receives a $10,000 inheritance from her grandmother's estate which she timely reports and verifies August 10.

The $10,000 is added to the $400 countable monthly income and the $849 prorated lump sum and divided by the FMAP Standard of Need. ($10,000 + $400 + $849 = $11,249 ÷ $849 = 14 months) The period of proration for this second lump sum will be August through September of the following year, with $212 remaining for September. Timely notice is issued August 17. The first month in which a prorated amount of the second lump sum will be used is September, the second month of the period of proration.

In September through November, $849 from the first lump sum and $849 from the second lump sum are used in addition to any other monthly income. In December, the remaining $259 from the first lump sum and $849 from the second lump sum will be used. Beginning in January, only the $849 from the second lump sum will be used.

Members Entering the Household During a Period of Proration

Legal reference: 441 IAC 75.57(9)"c"(2)

When new members who were not in the eligible group when the lump-sum income was received enter the household during the period of proration, they may be eligible for Medicaid as a separate eligible group. The new members must meet all program requirements.

Count the nonexempt income of the new members. Allow all applicable deductions, disregards, and diversions. People who were in the eligible group when the lump sum was received, including any unborn children, remain subject to the period of proration.

1. Ms. B is receiving FMAP for her daughter, Sue, and herself. Ms. B is employed. She receives a nonrecurring lump sum in September, which she timely reports. It creates a period of proration for ten months beginning in September. In November, she applies for Medicaid for her son, Johnny, who has come to live with her.

   Ms. B's earnings (but not the prorated amount of the lump sum) are considered available to Johnny and used in determining Johnny's Medicaid eligibility as a household size of one. There is no diversion of income to meet Ms. B's needs, because the lump sum is for this purpose.

2. Ms. C is pregnant and receives FMAP for herself and her child, Jill. The unborn child is included in the household size because Ms. C reported her pregnancy.

   Ms. C receives a nonrecurring lump sum in April which she timely reports and verifies April 25. The lump sum is divided by the FMAP Standard of Need for a household of three and is prorated for 12 months beginning in April. Ms. C is granted continuous eligibility under MAC. Eligibility under MAC or Medically Needy is explored for Jill with a household size of three.

   In September the baby is born. The baby can be granted Medicaid as either a newborn child of a Medicaid-eligible mother or as part of the existing eligible group.

   In granting newborn status, Ms. C's household size is reduced to two. However, the prorated income remains the same. This could cause Jill to lose MAC eligibility or increase the amount of spenddown. It may be to the household's advantage to continue to include the newborn in the household size and explore eligibility under MAC.

Regardless of the household's decision, the newborn cannot be granted Medicaid eligibility as a new member entering the household during the period of proration, because the newborn was included in the original Medicaid eligible group when the lump sum was received.

3. Ms. D is pregnant and receives FMAP for herself and her child, Ann. The unborn child is not included in the household size, because Ms. D did not report her pregnancy to her worker.

   Ms. D receives a lump sum in April, which she timely reports and verifies April 10. The lump sum is divided by the FMAP Standard of Need for a household size of two and is prorated for 15 months beginning in April. Ms. D's eligibility is explored under Medically Needy and Ann's eligibility is explored under MAC or Medically Needy, both as households of two.

   In July the baby is born. If Ms. D is receiving Medicaid when the baby is born, the baby may receive Medicaid as a newborn child of a Medicaid-eligible mother.

   However, if Ms. D is not receiving Medicaid, the baby is a new member entering the home and may receive CMAP or MAC as a household of one. Ms. D's income (not counting the lump sum) is used to determine the baby's eligibility. There is no diversion of income to meet Ms. D's needs. The lump sum is for this purpose.

4. Mrs. E is receiving Medicaid under FMAP for herself and one child. She receives a nonrecurring lump sum that creates a period of proration of 12 months beginning in October. Mr. E, the child's father, enters the home in December and applies for Medicaid.

   The worker determines that Mr. E meets all eligibility requirements of the FMAP coverage group. Even though there is no child in Mr. E's eligible group, he can receive FMAP as a separate one-person eligible group because he has a dependent child in his care.

   When determining Mr. E's eligibility, the worker considers his income and any income Mrs. E has other than the lump sum. There is no diversion for Mrs. E's needs, because the lump sum is for this purpose.

Conditions for Shortening the Period of Proration

Legal reference: 441 IAC 75.57(9)"c"(2)

The period of proration can be shortened when:

- The FMAP Standard of Need increases. Recalculate based on the new amounts.
- All or a part of the lump sum is lost or stolen. The client must provide documentation of the loss or theft. Filing a report with law enforcement officials is acceptable documentation.

> Ms. B and her child were receiving FMAP when Ms. B received a $3,595 lump sum. The lump sum was prorated and will be used for six months. An automatic redetermination is completed. Ms. B's child is eligible under MAC. Ms. B declines Medically Needy.
>
> Ms. B reports and documents that $1,200 of the lump sum was stolen. The period of proration is recalculated as follows ($3,595 - $1,200 = $2,395; $2,395 divided by $719 = 4 months).

- The person controlling the lump sum no longer lives with the eligible group, and the lump sum is no longer available to the group. Recalculate the period of proration and disregard any amount taken by the person who left the home. However, use the same standard of need figure for the recalculation that was used to calculate the original period of proration.

> 1. Mr. and Mrs. C and their two children were FMAP recipients in May when they received a lump-sum payment of $4,032. The lump sum was timely reported and verified May 15. The lump sum was prorated for five months, May through September ($4,032 divided by 986 = 4 with a remainder of $88).
>
> In July, Mrs. C left the home and took $800 of the lump sum with her. The period of proration is shortened by subtracting $800 from $4,032.
>
> The remaining $3,232 is divided by $986 to determine the new period of proration ($3,232 divided by 986 = 3 months with a remainder of $274). The new period of proration is May through August. $274 will be applied against the August eligibility.

2. Same as Example 1, except that Mrs. C did not take any of the lump sum with her when she left because it was all spent before she left home. The period of proration remains unchanged.

- The client uses the lump sum for one of the following expenditures (unless there is insurance to cover the expense):
  - To pay for medical services for the eligible group or their dependents that are allowable under Medicaid at the time the expense is reported. ("Dependents" are people who could be claimed as such for federal income tax purposes.)
  - To pay the cost of repairs to the homestead exceeding $25 per incident which are necessary to keep the house habitable.
  - To replace exempt resources due to fire, tornado or other natural disasters.
  - To pay funeral or burial expenses. (Allow the expenditure whether or not the expenditure is for a person who could be claimed as a dependent.)

Verify these expenditures. "Expenditures" means the amount actually spent on the items, rather than the amount owed.

Document in the case record the calculation of the new period of proration. Obtain and record your supervisor's approval of the expenditures and the new period of proration. Determine availability of insurance. Insurance must be used before applying the prorated funds.

1. A two-member eligible group (with no other income) receives a $4,050 lump sum. ($4,050 divided by 719 = 5 months with $455 to apply to the sixth month) Allowing a medical expense of $850 results in the proration period being reduced to four months with $324 left over to apply to the fifth month. ($4,050 - $850 = $3,200 divided by $719 = 4 months with a remainder of $324).

2. Same as Example 1, except there is insurance available to pay $200 of the expense. The insurance is used to reduce the cost of the medical expense to $650. ($4,050 - $650 = $3,400; $3,400 divided by $719 = 4 months with a remainder of $524 to apply to the fifth month).

Note: Pages 149 through 154 are reserved for future use.

FMAP-RELATED SELF-EMPLOYMENT INCOME

Legal reference: 441 IAC 75.57(2)

Treat countable income (net profit) from self-employment the same way as earnings of an employee. After establishing that the client is self-employed (see Determination of Self-Employment), calculate net profit based on the type of self-employment enterprise (see Determination of Net Profit).

How you apply the net profit depends upon when the income is received and when allowable expenses are incurred. (See How to Treat Self-Employment Income.) Do not offset the loss from one self-employment enterprise against the profit of another one.

FMAP-related Medicaid policy differentiates between home-based and non-home-based self-employment enterprises. A client who provides a service in the client's home or whose business office is in the home is involved in a home-based enterprise.

The office does not need to be a separate room to meet this qualification. Also, a client can be allowed the appropriate deduction for a home-based business regardless of whether or not the client is actually required to pay shelter costs.

Determination of Self-Employment

Legal reference: 441 IAC 75.57(2)

The federal and state revenue departments use the following guidelines. Consider a person to be self-employed when that person:

- Is not required to report to the office regularly except for specific purposes, such as sales training meetings, administrative meetings, or evaluation sessions.
- Establishes the person's own working hours, territory, and methods of work.
- Files quarterly reports of earnings, withholding payments, and FICA payments to the Internal Revenue Service.

If it is difficult to identify whether a person is an employee or self-employed, ask the client to provide a written statement from the person or agency for whom the client works. If the person or agency considers the client to be self-employed, compute the income as self-employment income. You can also contact the IRS to determine if the IRS would consider the individual to be self-employed or an employee.

If a person has income from self-employment other than farming, complete form 470-0313, *Worksheet Determining Income of Self-Employed Business*. When a person is self-employed as a farmer, complete form 470-0312, *Worksheet Determining Income of Farm Operators*. Also evaluate all self-employment enterprises in terms of resource limits.

Frequently a new employee is considered to be in an employee-employer relationship until that employee gains sufficient experience and knowledge of the company's mode of operation. The employee may then move to the status of a self-employed person.

A self-employed person may not file quarterly reports or an income tax return, but that does not change the person's self-employed status. For example, people who baby-sit in their own home are considered self-employed, even though they may not file any reports.

Determination of Net Profit

"Net profit" means gross earnings minus allowable business expenses. Determine the net profit of self-employment income through a review of past books or through records of the previous year's federal income tax report. If neither books nor tax records are available, do not allow expenses related to the production of self-employment income. Document the method used to determine the net profit in the case record.

Note: The FMAP-related Medicaid program does not follow all IRS regulations in determining whether a given expense is deducted as an expense in the production of self-employment income.

After you have determined the net profit, enter the figure into the system as appropriate, showing the applicable disregards and work expenses. Apply allowable earned income deductions to the net profit figure. Do not deduct a loss from self-employment from other income or a separate self-employment business.

Net profit is determined differently for home-based and non-home-based operations. Discussion of home-based operations is further divided into the following sections:

- Renting apartments in the client's home.
- Providing room and board, family-life home care, or nursing care.
- Providing child care in the client's home.
- Other types of businesses operated from the home.

Renting Apartments in the Client's Home

Legal reference: 441 IAC 75.57(2)"g"

When the client is renting out apartments in the client's own home, determine the net profit by deducting the following from the gross rentals received:

- The shelter expense over the amount listed on the *SCHEDULE OF NEEDS*, *Chart of Basic Needs Components*, RC-0002, (in 6-Appendix) for the eligible group.

  The part of the expense for utilities furnished to tenants that is over the amount listed on the *Chart of Basic Needs Components* for the eligible group. The utility expense in excess of the amount of utilities is an allowable deduction, even when the client pays only a portion of the utility costs for the tenant.

- 10% of gross rentals to cover the costs of upkeep.

The eligible group consists of a mother and two children. The client rents out two apartments in her home. The monthly gross rentals for the apartments (including utilities) total $400.

Mortgage payment	$ 175.00
Shelter expense for 3 (3 x $47.10)	- 141.30
	$ 33.70
Actual utility cost	$ 110.00
Utilities for 3 (3 x $11.77)	- 35.31
	$ 74.69
10% of gross rentals ($400 x .10)	$ 40.00
Gross rentals	$ 400.00
Total deductions ($33.70 + $74.69 + $40)	- 148.39
Profit	$ 251.61

The $251.61 is subject to the appropriate earned income expenses and deductions.

Providing Room and Board, Family-Life, or Nursing Care

Legal reference: 441 IAC 75.57(2)"h"

When a client furnishes room and board for compensation, operates a family-life home, or provides nursing care, deduct the following amounts from the payments received:

- $41 plus the amount equal to the maximum monthly Food Assistance allotment for a one-member household for each boarder and roomer (a person to whom the client provides **both** meals and lodging) **or** each person in the home to receive nursing care.
- $41 for a roomer (a person to whom the client furnishes only lodging, but not meals). The person lives in a room of the home and usually has privileges in the rest of the home.
- An amount equal to the maximum monthly Food Assistance allotment for a one-member household for a boarder (a person to whom the client furnishes only meals, not lodging).
- 10% of the total payment to cover the costs of upkeep for people receiving a room or nursing care. (Do not allow the 10% deduction for upkeep for boarders.)

Providing Child Care in Own Home

Legal reference: 441 IAC 75.57(2)"i"

When the client provides child care services in the client's own home, determine net profit by deducting 40% of the total gross income received to cover the cost of upkeep of the home and producing the income.

Gross income from providing child care in the client's own home includes the total payment received for the service, plus any payment received under the Child Nutrition Amendments of 1978 for the cost of providing meals to children. However, exempt as income and as a resource any portion of the payment for the client's cost of providing meals to the client's own children in the home.

When the client claims to have expenses in excess of the 40% and asks to have actual expenses considered, determine net profit in the same manner as outlined in Other Home-Based Operations.

Note: Use actual expenses **only** at the client's request and only when they exceed 40% of the gross income. This may require a computation of net income using both methods to determine which is to the client's advantage. When you use the 40% deduction, do not allow 10% deduction for upkeep.

Income received from the Child Nutrition Amendments of 1978 must be reported and verified. Tell the client about this responsibility.

Other Home-Based Operations

Legal reference: 441 IAC 75.57(2)"j"

Other home-based self-employment operations may include party sales, mechanic, painter, craftsperson, and beauty operator.

When the client operates a self-employment enterprise in the home (other than providing room and board, renting apartments, or providing child care services in the home), deduct the following expenses from the income received:

- The cost of inventories and supplies purchased that are required for the business, such as items for sale or consumption and raw materials.
- Wages, commissions, and costs (including cost for health insurance) relating to the wages for employees of the self-employed person. When the employee is a member of the eligible group, allow the person's wages as a deduction for the self-employed person but also count the employed person's wages as income.
- The cost of machinery and equipment in the form of rent, interest on a mortgage or contract payment, and any insurance on such machinery and equipment.
- 10% of the total gross income to cover the costs of upkeep when the work is performed in the home.
- Any other direct cost involved in the production of the income.

Do not allow a deduction for the purchase of capital equipment and payment on the principal of loans for capital assets and durable goods, or any cost of depreciation.

Non-Home-Based Operations

Legal reference: 441 IAC 75.57(2)"f"

Determine the net profit from self-employment income in a business that is not based in the client's home by deducting only the following expenses that directly relate to the production of such income:

- The cost of inventories and supplies purchased that are required for the business, such as items for sale or consumption, and raw materials.
- Wages, commissions, and costs (including cost for health insurance) relating to the wages for employees of the self-employed person. When the employee is a member of the eligible group, allow the person's wages paid as a deduction for the self-employed person, but also count the employed person's wages as income.
- The cost of shelter in the form of rent, the interest on mortgage or contract payments, taxes, and utilities.
- The cost of machinery and equipment in the form of rent, or the interest on mortgage or contract payments.
- Insurance on the real or personal property involved.
- The cost of any needed repairs.
- The cost of any required travel (other than the cost of travel from the home to the business).
- Any other expense that is directly related to producing income for the client.

Do not allow a deduction for:

- The purchase of capital equipment.
- Payment on the principal of loans for capital assets and durable goods.
- Any cost of depreciation on equipment, vehicles, or property.

How to Treat Self-Employment Income

The treatment of self-employment income differs depending of whether the income and expenses are received regularly or irregularly, and whether irregular income has been received for less than a year.

Income and Expenses Received Regularly

Legal reference: 441 IAC 75.57(9)"h"

Treat countable income (net profit) received on a regular basis from self-employment in the same way as the earnings of an employee.

Expenses must be incurred on the same regular basis as the income; that is, if the income is received monthly, the expenses must also be incurred monthly. If expenses are incurred less often than the income (for example, insurance, license fees, etc.), annualize the self-employment income.

Self-employment received on a regular basis is any income that is anticipated to be received on a daily, weekly, biweekly, semimonthly, or monthly basis. Some types of self-employment income that may be received on a regular basis are income from:

- Baby-sitting in the client's home
- Renting apartments in the client's home
- Providing room and board
- Collecting bottles and cans for deposit refunds
- Sporadic spot labor (such as mowing lawns, shoveling snow, etc.)

Annualizing Income Received Irregularly

Legal reference: 45 CFR 233.20(a)(3)(iii), 441 IAC 75.57(9)"i"

Average annual self-employment income that is received on an irregular basis over a 12-month period of time, even if the income is received only within a short period in that 12 months. Apply this policy when the income is received:

- Before the month of decision and expected to continue. (If it is not expected to continue, do **not** consider any self-employment income received before the month of application.)
- In the month of decision.
- After assistance is approved.

Annualize self-employment income over 12 months, even if income is received from other sources in addition to self-employment. The annualized self-employment income is used for a specific 12-month period of time that is called the annualized period. To determine the annualized income:

- Average the past 12 months of income, ending with the month before the month of decision or the month of annual review, **or**
- Use the client's income tax return, if the return covers a full year of self-employment and covers the calendar year before the year in which the computation is being done.

If you use the income tax form, establish the annualized period to coincide with the filing of the tax return. Filing of a tax return is not a change as defined in earned income. It is your responsibility to follow up and request a copy of the new tax return when the previously determined annualized period is about to expire.

For an applicant, an annualized period can be established to begin before the application. When a recipient becomes subject to annualizing, you can make the initial "annualized period" for less than a full tax year, so that, from then on, the end of the annualized period coincides with the filing of the tax return.

If the household experiences a significant increase or decrease in the self-employment business income that is subject to annualization, the tax return will not provide a good projection. In these cases, work with the household to arrive at the best estimate of future income.

1. Mr. X has been a farmer for the last two years. He applies for Medicaid in July. The eligible group is within resource limits. The worker uses the income tax return covering the previous year to determine the income to be considered for the month of decision and prior months of eligibility (if applicable) and to establish ongoing eligibility for Mr. X and his children.

   Mr. X's income tax form was filed in February, and this is the month he anticipates filing each year. There are several options for establishing the annualized period, such as February through January of the next year, March through February of the next year, or beginning with a later month. If Mr. X is eligible, the monthly amount established is considered accurate until the annualized period ends.

2. Mr. Y ends his self-employment on October 15 due to a lack of business and applies for Medicaid on October 28. The worker processes the application on November 4. No income from self-employment is counted in determining Mr. Y's Medicaid for November.

   If Mr. Y requests Medicaid for October, and if Mr. Y's self-employment experienced a significant decrease in business income preceding the termination, use the best information available to arrive at the net profit for October.

Income Received Irregularly for Less Than a Year

Legal reference: 441 IAC 75.57(9)"i"(1)

If a client is self-employed in a business that does not produce a regular income, and the business has been in existence for less than a year, average the income over the period the business has been in existence. Project the monthly amount for the same period of time that the business has been in existence.

If the business has been in existence for only a short time and there is little income information, establish a reasonable estimate of income and expenses with the client's help. Use this estimate for the first three months.

Average the actual income from the first three months, and use that amount for the second three months. Use this method regardless of the day of the month the enterprise started, or when the first income was received.

Average the actual income from the first six months, and use that amount for the next six months. Then start annualizing for the next year. Use the projected monthly income to determine initial and ongoing eligibility.

Self-employment begins in November for an active Medicaid case. The projected income is used to determine eligibility for November, December, and January.

Change in the Cost or Nature of Self-Employment

Legal reference: 441 IAC 75.57(9)"i" (3), (4) and (5)

Recalculate expenses when there is an established, permanent, ongoing change in operating expenses, such as an increase or decrease in rent payments, or in the cost of supplies.

When the cost for supplies increases, recalculate only if the client does not increase the cost of the service or product, thereby experiencing a loss in profit. There is no need to recalculate if the client increases the cost of the product or service because of the increased costs of supplies.

Recalculate income and expenses when there is a change in the nature of the business, such as a salesman switching from selling one company's product to selling another company's product, or an insurance salesman decreasing or increasing the types of policies offered.

FMAP-RELATED DEDUCTIONS AND DIVERSIONS

Legal reference: 441 IAC 75.57(1), (2), and (4)

Allowable deductions under FMAP-related coverage groups include:

- The cost of producing unearned income.
- 20% deduction from earned income.
- Adult or child care expenses.
- Applicable diversions for people not in the home.
- Diversions for an ineligible or voluntarily excluded person's needs, if appropriate.
- 58% work incentive deduction (except for MAC or Medically Needy cases).

Project deductions as you project income. Subtract these deductions in the order listed from earned income first.

1. 20% earned income deduction.

2. Adult or child care expenses. (Allow the deduction from earnings of ineligible stepparents or self supporting parents in minor parent cases.)

3. Applicable diversions for people not in the home (for example, child support and alimony payments).

4. Diversions for an ineligible or voluntarily excluded person's needs, if appropriate.

5. 58% work incentive deduction. **Note:** Do not allow the 58% deduction when determining initial eligibility under the Standard of Need test (test 2).

When the person whose income must be considered has both nonexempt earned and unearned income, and earnings remain after applying the allowable deductions, add the unearned income to the remaining earned income. Consider the total as countable income.

Note: Diversions for people not in the home (such as child support and alimony payments) and diversions for an ineligible or excluded person's needs are allowable for either earned or unearned income. When a person has both nonexempt earned and unearned income, and the earnings are less than the allowable deduction, subtract any unused portion of either diversion from unearned income. Consider the balance to be countable income.

Income Subject to Comparison to the Three Income Tests

Test 1 (applicants and members):

Gross income (Include nonexempt earnings of a child who is less than a full-time student. If the person is self-employed, use the net profit figure. For income of stepparents, see Treatment of Stepparent Income. For income of self-supporting parents, see Self-Supporting Parent's Income.)

Test 2 (applicant cases):

Gross earnings (Include earnings of a child who is less than a full-time student.)
Minus the 20% earned income deduction
Minus the child/adult care deduction
Minus applicable diversions for people **not** in the home
Minus applicable diversions for people **in** the home
Plus any unearned income
Do not allow the 58% work incentive deduction

Test 3 (applicants and members):

Gross earnings (Include earnings of a child who is less than a full-time student.)
Minus the 20% earned income deduction
Minus the child/adult care deduction
Minus applicable diversions for people **not** in the home
Minus applicable diversions for people **in** the home
Minus the 58% work incentive deduction
Plus any unearned income

If eligible for these deductions, people in FMAP-related coverage groups may have these deductions applied when their retroactive eligibility is examined.

1. Household consists of: Mrs. Z, 32
   Child A, Mrs. Z's child
   Mr. Z, 39
   Child C, common child

   The family applies for Medicaid for Mrs. Z and Child A. Mrs. Z has no income. Mr. Z has earnings of $1,230 per month. The worker explains who must be in the eligible group and who may be voluntarily excluded. Eligibility is determined as a household of four. The worker determines eligibility as follows:

$ 1,230.00	Mr. Z's earnings
- 246.00	20% earned income deduction
$ 984.00	
- 570.72	58% work incentive deduction
$ 413.28	Net countable income.

   If all other eligibility factors are met, the family is eligible for FMAP.

2. The household consists of Mr. W and his two children who receive Medicaid under FMAP. Mr. W has $300 per month in earned income. Each child has unearned income of $100, for a total of $200. Mr. W fails to cooperate with the Third-Party Liability Unit, and he is sanctioned and not eligible for Medicaid effective first of the next month allowing a ten day notice. Mr. W will be a "considered" person.

   The worker determines CMAP eligibility for the children as follows:

$ 300.00	Mr. W's gross earnings
- 60.00	20% earned income deduction
$ 240.00	
- 139.20	58% work incentive deduction
$ 100.80	Mr. W's income used towards the CMAP eligible group
+ 200.00	Unearned income of children
$ 300.80	Net countable income

   If all other eligibility factors are met, the children are eligible for CMAP.

3. The household consists of Mrs. P, her two children from a previous marriage, Mr. P, and their common 12-year-old child. Mr. P has projected earnings of $800 per month and pays $50 per month in child support outside the home. Mrs. P and her children have no income. The household wants Medicaid for the family.

   The worker determines FMAP eligibility as follows:

$	800.00	Mr. P's projected gross monthly earnings
-	160.00	20% earned income deduction
-	50.00	Child support paid to child outside the home
$	590.00	
-	342.20	58% work incentive deduction
$	247.80	Net countable projected income

   If all other eligibility factors are met, the family is eligible for FMAP.

The following sections explain:

- Deductions from unearned income.
- Deductions from earned income.
- Diversion for people not in the home.
- Diversion for needs of an ineligible or voluntarily excluded person.
- Treatment of a stepparent's income.
- Deductions for ineligible parents.

Unearned Income Deductions

Legal reference: 441 IAC 75.57(1)

Deduct reasonable income-producing costs from the gross unearned income to determine net unearned income from investments and nonrecurring lump-sum payments. "Costs" means the amount actually spent to produce the income, rather than the amount owed. Consider the income left after this deduction as gross income available to the eligible group.

Examples of investments are stocks, bonds, trusts, and rental property that is not owner-operated. (Be sure the nonexempt value of the investment plus other countable resources does not exceed the resource limit.)

Examples of income-producing costs are brokerage fees, a property manager's salary, and maintenance costs. The most common type of income-producing cost for a nonrecurring lump sum is an attorney fee.

Allow a deduction for attorney fees when automatically deducted from unearned income when the attorney was hired to obtain the payment.

Also allow a deduction for taxes as described under TYPES OF FMAP-RELATED INCOME: Taxes earlier in this chapter. When the owner manages rental property, determine the income according to instructions in FMAP-RELATED SELF-EMPLOYMENT INCOME.

Also, deduct from unearned income diversions for people not in the home (for example, child support and alimony payments) and diversions for an ineligible or voluntarily excluded person's needs. See Diversion for People Not in the Home and Diversions for the Needs of an Ineligible or Voluntarily Excluded Person, for more information.

Earned Income Deductions

Legal reference: 441 IAC 75.57(2)

The following sections explain the allowable earned income deductions:

- 20% earned income deduction.
- Adult or child care expenses.
- 58% work incentive deduction (not allowed for MAC or Medically Needy coverage groups).

20% Earned Income Deduction

Legal reference: 441 IAC 75.57(2)"a"

Apply a 20% deduction to the gross nonexempt monthly earned income of each person whose income must be considered when determining eligibility. This deduction is intended to include all work-related expenses other than child or adult care, such as:

- Taxes
- Transportation
- Meals
- Uniforms

Deduction for Child or Adult Care Expense

Legal reference: 441 IAC 75.57(2)"b"

Each person whose income is considered is entitled to a deduction for care expenses as follows:

- **From earnings of people in the eligible group and ineligible parents**, allow child or adult care expenses for care of a person in the eligible group.

  Do not allow care expenses for a child living in the home who is not in the eligible group, such as a sanctioned child or a child who receives SSI.

  Do allow care expenses for a child not in the eligible group because the child receives Medicaid as the newborn child of a Medicaid-eligible mother.

- **From earnings of ineligible stepparents**, allow child-care expenses for care of the stepparent's ineligible dependents, including the common but ineligible child. Do not allow care expenses for an FMAP-related child.

- **From earnings of self-supporting parents**, allow child-care expenses for care of their ineligible dependents.

Allow the deduction without regard to whether the care is provided by a licensed facility. Do not allow the deduction when the expense is paid to a parent of the child, to another member of the eligible group or to any person whose needs are met by diversion of income from any person in the eligible group.

Allow a deduction for a grandparent paying the expenses for care of a grandchild who is in the same eligible group as the grandparent's own child, e.g., a three-generation FMAP-related case. Also allow the deduction for a child on a nonparental case when the nonparental relative also has a separate parental case, provided child care is needed for the nonparental child.

Guidelines for Applying the Child/Adult Care Deduction

Legal reference: 441 IAC 75.57(2)"b"

Policy:
When both parents are in the home, adult or child care expenses will not be allowed when one parent is unemployed and is physically and mentally capable to provide the care.

An applicant or member may receive a deduction for care expenses that have been billed or otherwise are anticipated to become due in the month. It is not required that the person actually pay the bill before it can be allowed as an expense. Accept the client's statement as to the amount of the expense. A receipt or signed statement from the care provider may be requested when the expense is questionable.

Procedure:
Project and use the cost of care as a deduction only when it covers:

- The actual hours of the person's employment plus a reasonable period of time for commuting, or
- The period of time that the person who would normally care for the child or incapacitated adult is sleeping because the person's work schedule is such that the person must sleep during the waking hours of the child or incapacitated adult. Exclude any hours a child is in school.

Project and use the actual expense due in the month not to exceed the following:

- $175 per month per child for children age two or older.
- $200 per month per child for children under age two. (Allow $200 for the month the child turns two unless the birthday falls on the first of the month.)
- The going rate in the community if the going rate is less than the $175 or $200 limit.

Comment:
Consider any special needs of a physically or mentally handicapped child or adult when determining the deduction. However, do not exceed the maximum allowable deduction amounts.

When the payment for care outside the home includes meals, consider the cost for the meals as part of the expense.

Do not deduct any part of the expense that is paid by a third party, such as the Child Care Assistance Program. Deduct only the part of the expense that was not paid by a third party, up to the allowable maximum amount.

1. Ms. A and her two children apply for FIP and Medicaid. Ms. A has $1,200 projected gross monthly earnings and pays $300 per month for child care. Ms. A has applied for Child Care Assistance (CCA) and wants to know how that will affect her eligibility. The worker uses the following calculations to help Ms. A decide whether to participate in the CCA program.

   Medicaid eligibility with a child care deduction:

$ 1,200.00	Projected gross earnings
- 240.00	20% earned income deduction
- 300.00	Projected child care paid by Ms. A
$ 660.00	
- 382.80	58% deduction
$ 277.20	Projected net income (less than limit for three people)

   Ms. A and her two children would be eligible for Medicaid under FMAP.

   Medicaid eligibility without a child care deduction:

$ 1,200.00	Projected gross earnings
- 240.00	20% earned income deduction
$ 960.00	(Compared to Test 2; exceeds limit for three people)

   Ms. A and her two children would not be eligible for Medicaid under FMAP without a child care deduction. The two children could be eligible under MAC and Ms. A would be conditionally eligible under Medically Needy.

   Medically Needy spenddown calculation for Ms. A:

$ 1,200.00	Projected gross earnings
- 240.00	20% earned income deduction
$ 960.00	
- 566.00	MNIL for three people
$ 394.00	x 2 months = $788 spenddown for Ms. A

   If Ms. A states that she would not be able to meet spenddown, then IowaCare eligibility requirements would be explained.

   Ms. A states she has no other health insurance and needs her medical card. She chooses to continue to pay her own child-care expenses and not participate in the CCA program. Ms. A and her two children are eligible for Medicaid under FMAP.

2. Ms. B and her two children (over the age of two) receive FIP and FMAP. Her projected gross income is $1,400 per month and her projected monthly child care is $440. The worker uses the following calculations to help Ms. B decide whether or not to participate in the CCA program.

Medicaid eligibility with a child care deduction:

$ 1,400.00	Projected gross earnings
- 280.00	20% earned income deduction
- 350.00	Projected child care ($175 max per child)
$ 770.00	
- 446.60	58% deduction
$ 323.40	Projected net income (less than limit for three people)

Ms. B and her children would continue to be eligible under FMAP.

Medicaid eligibility without a child care deduction:

$ 1,400.00	Projected gross earnings
- 280.00	20% earned income deduction
$ 1,120.00	(Compared to 133% of poverty for a MAC determination)
- 649.60	58% deduction
$ 470.40	Projected net income (exceeds limit for three people)

Ms. B and her children would not continue to be eligible for Medicaid under FMAP without a child-care deduction. The children could be eligible under MAC and Ms. B would be conditionally eligible under Medically Needy.

Medically Needy spenddown calculation for Ms. B:

$ 1,400.00	Projected gross earnings
- 280.00	20% earned income deduction
$ 1,120.00	
- 566.00	MNIL for three people
$ 554.00	x 2 months = $1,108 spenddown for Ms. B

If Ms. B chooses to participate in the CCA program, it will pay the entire $440 monthly child care costs, but she will only be conditionally eligible for Medically Needy with a spenddown. If Ms. B. states that she would not be able to meet spenddown, then IowaCare eligibility requirements would be explained. The children would be redetermined to the MAC coverage group.

If Ms. B chooses not to participate in CCA, they all remain eligible under FMAP, but she will be allowed only the maximum child care deduction of $350 when she actually projects paying $440 per month.

58% Work Incentive Deduction

Legal reference: 441 IAC 75.57(2)"c"

After deducting the 20% earned income deduction, care expenses, and diversions, deduct 58% of the total remaining monthly nonexempt earned income of each person whose income must be considered in determining eligibility.

Follow FMAP-related policies when determining applicable deductions. If a person is eligible for these deductions also apply them when determining retroactive Medicaid eligibility under FMAP-related coverage groups.

Ms. A receives FMAP for herself and one child. Also in the home is another child who is not in the eligible group due to the lack of a social security number.

Ms. A's projected gross earnings are $700. She has $100 projected unearned income per month and projected child-care expenses of $175 per month for the child on FMAP. Ms. A has chosen not to participate in the Child Care Assistance (CCA) program.

$ 700.00	Projected gross earnings
- 140.00	20% earned income deduction
$ 560.00	
- 175.00	Projected child care expenses for the FMAP child
$ 385.00	
- 65.00	Diversion for the ineligible child ($426 - $361 = $65)
$ 320.00	
- 185.60	58% work incentive deduction
$ 134.40	Projected countable earnings
+ 100.00	Projected unearned income
$ 234.40	Combined projected earned and unearned countable income Eligible for FMAP

Do not apply the 58% deduction in the 185% test (Test 1).

Do not apply the 58% deduction in the standard of living cost test (Test 2) when determining initial eligibility, regardless whether the person with the countable earnings is included in the eligible group.

1. Ms. B applies for Medicaid. She has two children. Her gross monthly earnings are projected at $1,200, and her child-care expenses are projected at $200 per month. She has chosen not to participate in Child Care Assistance (CCA).

   Test 1

   $1,200 projected gross income is less than the 185% standard of need for three. The household is eligible under Test 1.

   Test 2

$ 1,200.00	Projected gross income
- 240.00	20% earned income deduction
- 200.00	Projected child care expenses
$ 760.00	Less than $849 FMAP standard of living cost for three

   The household is eligible under Test 2.

   Test 3

$ 1,200.00	Projected gross income
- 240.00	20% earned income deduction
$ 960.00	
- 200.00	Projected child care expenses
$ 760.00	
- 440.80	58% work incentive deduction
$ 319.20	Less than the FMAP income limit for three

   The household is eligible under Test 3.

2. Household consists of: Mrs. Z, 32, no income
   Child A, Mrs. Z's child
   Mr. Z, 39, projected earnings of $1,230 per month
   Child C, a common child

   The family applies for Medicaid for Mrs. Z and Child A. Eligibility is explored for a four-member eligible group. The worker determines eligibility as follows:

$ 1,230.00	Mr. Z's projected earnings
- 246.00	20% earned income deduction
$ 984.00	
- 570.72	58% work incentive deduction
$ 413.28	Less than FMAP standard of need for four.

   If they meet other eligibility factors, the Zs are eligible for Medicaid under FMAP.

3. Household consists of: Ms. T, 28, $500 projected monthly earned income
Child A, 5, Ms. T's child
Mr. R, 30, $1,000 projected monthly earned income
Child C, 3, a common child

Ms. T and Mr. R are not married. They apply for Medicaid for Ms. T, Child A, and Child C. The worker explains that because they want Medicaid for Child C, Mr. R must be included in the FMAP-related Medicaid eligible group. The household projects a $100 per month child care expense for each child. The worker determines FMAP-related Medicaid eligibility as follows:

Test 1

$ 1,000.00	Mr. R's projected earnings
+ 500.00	Ms. T's projected earnings
$ 1,500.00	Less than the FMAP 185% limit for four people

Test 2

$ 1,000.00	Mr. R's projected earnings
+ 500.00	Ms. T's projected earnings
$ 1,500.00	
- 300.00	20% earned income deduction
$ 1,200.00	
- 200.00	Projected child care for Child A and Child C
$ 1,000.00	Greater than the FMAP standard of need for four people

The eligible group is not eligible for Medicaid under FMAP. However, since $1,000 is less than 133% of poverty for four people, Child A and Child C are eligible for Medicaid under MAC. Ms. T and Mr. R are conditionally eligible for Medicaid under Medically Needy with a spenddown. The worker calculates the spenddown as follows:

$ 1,500.00	Combined projected earnings of Ms. T and Mr. R
- 300.00	20% earned income deduction
- 200.00	Projected child care for Child A and Child C
$ 1,000.00	Projected countable monthly income
$ 2,000.00	Projected countable monthly income for two months
- 1,332.00	$666 four person MNIL for two months
$ 668.00	Spenddown for Ms. T and Mr. R

4. Household consists of:
   Mrs. P, 38
   Child A, 15, Mrs. P's child
   Child B, 13, Mrs. P's child
   Mr. P, 40, $800 projected monthly earned income
   Child C, a common child

The family applies for Medicaid. Mr. P projects a $50 per month child support payment for a child outside the home. Mrs. P, Child A, and Child B have no income. The worker determines Medicaid eligibility as follows:

Test 1

$800.00	Mr. P's projected earnings are less than the FMAP 185% limit for five people.

Test 2

$ 800.00	Mr. P's projected earnings
- 160.00	20% earned income deduction
$ 640.00	
- 50.00	Projected child support paid by Mr. P
$ 590.00	Less than the FMAP standard of need for five people

Test 3

$ 800.00	Mr. P's projected earnings
- 160.00	20% earned income deduction
$ 640.00	
- 50.00	Projected child support paid by Mr. P
$ 590.00	
- 342.20	58% work incentive deduction
$ 247.80	Less than the FMAP income limit for five people

If all other eligibility factors are met, the five-member eligible group is eligible for Medicaid under FMAP.

5. Household consists of: Mrs. D, 28, no income
Child A, 5, Mrs. D's child, no income
Child B, 3, Mrs. D's child, no income
Mr. P, 40, $1,800 projected monthly earned income
Child C, a common child

The family applies for Medicaid for everyone. Mr. P projects a $50 per month child support payment for a child outside the home. The worker determines eligibility as follows:

Test 1

$ 1,800.00	Mr. P's projected monthly earnings are less than the FMAP 185% limit for five people.

Test 2

$ 1,800.00	Mr. P's projected monthly earnings
- 360.00	20% earned income deduction
- 50.00	Projected child support paid by Mr. P
$ 1,390.00	Greater than the FMAP standard of need for five people

Medicaid eligibility under FMAP does not exist because the projected countable income before the 58% earned income deduction exceeds the FMAP standard of need for five people. However, the three children are eligible for Medicaid under MAC, because the projected countable income of $1,390 is less than the MAC income limit at 133% of poverty for five people.

Mr. P and Mrs. D are conditionally eligible under Medically Needy with a spenddown. The worker determines the spenddown as follows:

$ 1,800.00	Mr. P's projected monthly earnings
- 360.00	20% earned income deduction
- 50.00	Projected child support paid by Mr. P
$ 1,390.00	Projected countable monthly income
$ 2,780.00	Projected countable monthly income for two months
- 1,466.00	$733 five person MNIL for two months
$ 1,314.00	Spenddown for Mr. P and Mrs. D

6. Household consists of: Mrs. F, 25, $400 projected monthly earned income
Child A, 6, Mrs. F's child
Mr. F, 27, $800 projected monthly earned income
Child B, a common child

The family applies for Medicaid. The worker determines eligibility as follows:

Test 1

$ 1,200.00	Mr. and Mrs. F's projected monthly earnings are less than the FMAP 185% limit for four people.

Test 2

$ 1,200.00	Mr. and Mrs. F's projected monthly earnings
- 240.00	20% earned income deduction
$ 960.00	Less than the FMAP standard of need for four people

Test 3

$ 1,200.00	Mr. and Mrs. F's projected monthly earnings
- 240.00	20% earned income deduction
$ 960.00	
- 556.80	58% work incentive deduction
$ 403.20	Less than the FMAP income limit for four people

If all other eligibility factors are met, the entire eligible group is eligible for Medicaid under FMAP.

Diversion for People Not in the Home

Legal reference: 441 IAC 75.57(4)"b"

When the parent is actually making payments, divert nonexempt earned and unearned income of the FMAP-related parent to permit payment of court-ordered support to children (of the parent) who are not living with the parent.

Allow the diversion for back child support as well as current child support. Allow the diversion regardless whether the parent is in the eligible group (e.g., for an ineligible parent or the ineligible companion in the home).

Do not allow a diversion from the income of the FMAP-related parent for court-ordered alimony payments.

In some situations, child support can be deducted directly from social security disability income. The gross and net amounts on IEVS may not reflect the child support payment. Verification other than IEVS is necessary in these cases.

Diversion for the Needs of an Ineligible or Voluntarily Excluded Person

Legal reference: 441 IAC 75.57(4)"a"

The following sections explain:

- How to divert income for the needs of an ineligible of voluntarily excluded child
- How to determine the needs of a common ineligible child
- How diversion applies to ineligible parents
- How diversion applies to voluntarily excluded parents

Ineligible or Voluntarily Excluded Child

Divert nonexempt earned and unearned income of the FMAP-related parent to meet the unmet needs of that parent's ineligible or voluntarily excluded dependent children who live in the family group. Ineligible children for whom a FMAP-related parent may divert income include:

- Ineligible common children.
- Children who are ineligible aliens.
- Children without social security numbers.
- Children voluntarily excluded for reasons other than excess income.

Do **not** divert income to meet the needs of a child who:

- Has been voluntarily excluded due to excess income.
- Is required to be in the eligible group (see 8-C) but who has failed to cooperate, (e.g., a child who fails to apply for benefits from other sources such as unemployment benefits).

1. The Medicaid household consists of Mrs. C and her two children, Bob and Tom. Mrs. C is employed. Tom is ineligible because he does not have a social security number. Mrs. C's income from her earnings is diverted to meet Tom's needs.

2. The Medicaid household consists of Mrs. B, her son Jim, age 5, and her son Tony, age 17. Tony is not in school and he refuses to apply for unemployment (he was previously employed). Income is not diverted from Mrs. B to meet Tony's needs.

3. The Medicaid household consists of Ms. D and her three children. Ms. D voluntarily chooses to exclude Child A because Child A receives child support that would affect Ms. D's FMAP-related Medicaid eligibility. Income is not diverted from Ms. D to meet Child A's needs because the child support meets child A's needs.

Determine if a child has unmet needs before allowing a diversion from the FMAP parent's income. **Note**: A system-generated cancellation of a child due to the expiration of the 90-day reasonable opportunity period for verifying citizenship will convert the child to "considered" person status on the ABC system. The ineligible child is not allowed a diversion in this situation.

The maximum income that can be diverted to meet the unmet needs of the dependent ineligible children is the difference between:

- The needs of the eligible group with the ineligible children included, and
- The needs of the eligible group with the ineligible children excluded.

Use this formula for all FMAP-related programs, including MAC and Medically Needy.

Determining Needs of the Common Ineligible Child

This section applies to two-parent households with a common ineligible child and one or more children from a parent's previous relationship.

The household consists of Ms. A and Mr. B, their common child, and Ms. A's child from a previous relationship. The common child is not eligible for Medicaid because he does not have a social security number. Ms. A and her child are a two-member eligible group and Mr. B is a separate one-member eligible group. Mr. B is eligible for Medicaid because he has a child (the common child) in his care.

Either FMAP-related parent can divert income to the ineligible common child. The family should make the decision regarding which parent will divert income to the ineligible common child, based on the most advantageous situation for their circumstances.

Use the income of each ineligible child to meet only that child's needs.

The maximum income divertable to meet the needs of the common ineligible child is the standard of need for the child minus any countable income of the child.

Ineligible Parent

Ineligible parents remain part of the Medicaid-eligible group as "considered persons." No diversion is necessary to meet their needs.

Voluntarily Excluded Parents

Parents who are voluntarily excluded for the following reasons are not part of the Medicaid-eligible group. However, no diversion is allowed to meet the needs of these voluntarily excluded parents.

- The biological parent whose needs are voluntarily excluded because the income of a stepparent has been voluntarily excluded in order for a stepchild to establish Medicaid eligibility.
- The minor parent whose needs are voluntarily excluded because the income of the minor parent's self-supporting parents has been voluntarily excluded in order for the minor parent's child to establish Medicaid eligibility.

Treatment of Stepparent Income

Legal reference: 441 IAC 75.57(8)"b"

When a stepparent is not included in the eligible group but is living with the parent **in the home of the eligible children**, treat the stepparent's income as you would the income of a natural parent, except as otherwise specified.

When the stepparent living in the home is not included in the eligible group, consider the eligible group and any dependent, but ineligible children of the parent, as one unit. Consider the stepparent as a separate unit. The common ineligible child is part of the stepparent's unit.

When the household consists of an SSI parent, the SSI parent's children, and a stepparent, the stepparent should be voluntarily excluded to avoid using the stepparent's income in determining eligibility of the children. The SSI parent's Medicaid is not affected by the stepparent being voluntarily excluded.

Count a nonrecurring lump sum received by a stepparent as income in the month received. Any income remaining after the stepparent's deductions are subtracted is considered unearned income available to meet the needs of the eligible group.

Consider any part retained by the stepparent in the month following the month of receipt to be a resource to the stepparent. (See 8-D, Liquid Resources.) Do not calculate a period of ineligibility due to receipt of the lump sum unless the *stepparent* is included in the eligible group.

The following sections explain:

- Income deductions allowed for stepparents.
- Treatment of the parent's income in a stepparent case.

Deductions

Legal reference: 441 IAC 75.57(2)"b", (8)"b"

Allow the following deductions from the stepparent's monthly nonexempt gross earned income earned as an employee or the net profit from self-employment:

1. A 20% earned income deduction.

2. Adult or child-care expenses for the stepparent's ineligible dependents in the home, including the common child. Do not consider the stepparent's spouse (the FMAP-related parent) as a dependent of the stepparent.

3. The stepparent's alimony and child support payments, made to people not living in the home with the stepparent. The payments do not have to be court-ordered.

   If these payments have been made in the past and the stepparent is projecting child support and alimony payments will continue in the same manner, verify that the payments have been made and project accordingly.

If these payments have not been made in the past or the stepparent is projecting payments in a manner different than they have been made in the past, obtain a signed and dated statement from the stepparent regarding the amount and frequency the stepparent anticipates making the payments.

4. Any verified amounts the stepparent pays to people who are not living in the home, but who are claimed (or could be claimed) by the stepparent as dependents for federal income tax purposes.

   If these payments have been made in the past and the stepparent is projecting the payments will continue in the same manner, verify that the payments have been made and projected accordingly.

   If these payments have not been made in the past or the stepparent is projecting payments in a manner different than they have been made in the past, obtain a signed and dated statement from the stepparent regarding the amount and frequency the stepparent anticipates making the payments.

5. From the income that remains after deductions 1-4, allow a diversion for the needs of the stepparent and the stepparent's ineligible dependents living in the home whom the stepparent claims or could claim for federal income tax purposes (including the ineligible common child).

   Determine the need of the stepparent and the stepparent's ineligible dependents in the home according to the Standard of Need for that size family.

6. Apply a 58% work incentive deduction to earnings that remain after deductions 1-5 have been subtracted from earnings.

   Exception: Do not allow the 58% work incentive deduction when determining:

   - Initial eligibility under the 185% test,
   - Initial eligibility under the standard of need test, or
   - Eligibility under MAC and Medically Needy.

Household consists of:
Mrs. M
Mr. M, stepparent
Child A, Mrs. M's child from a previous relationship
Child B, Mrs. M's child from a previous relationship

Mr. M has $800 gross earnings. He has no diversions except for his own needs. The family has no other income. They have applied for Medicaid. To determine eligibility under FMAP for Mrs. M and her two children, follow the following procedures:

1. 185% Test (test 1): Compare the gross figure for a three-person FMAP-eligible group to $800 gross earnings, minus 20%, the income deduction, minus $365, the diversion for Mr. M's needs. ($800 - $160 = $640 - $365 = $275 < $1,570.65)

2. Standard of Need Test (test 2): Compare the standard of need for a three-person FMAP-eligible group to $800 gross earnings, minus 20%, the income deduction, minus $365, the diversion for Mr. M's needs. ($800 - $160 = $640 - $365 = $275 < $849)

3. Benefit Standard Test (test 3): Compare the benefit standard for a three-person FMAP-eligible group to $800 gross earnings, minus 20%, the income deduction, minus $365, the diversion for Mr. M's needs, minus 58%, the work incentive. ($800 - $160 = $640 - $365 = $275 - $159.50 (58% of $275) = $115.50 < $426)

When the stepparent has both nonexempt earned and unearned income, and the earnings are less than the allowable deductions, subtract any remaining portion of deductions 3 through 5 from the unearned income. Apply any income that remains as unearned income to the eligible group.

If the stepparent has earned income that remains after allowable deductions, add any unearned income to the remaining earnings.

Apply the total remaining income of the stepparent after allowable deductions as unearned income to the eligible group. Except as noted in item 5, this is also the income that is applied to the eligible group when determining eligibility under the 185% standard, initial eligibility, and continuing eligibility.

Mrs. A receives FMAP for herself and her two children. Mr. A is the stepparent. Mrs. A has no income. Mr. A has projected gross earnings of $850 per month.

$ 850.00	Mr. A's projected gross income
- 170.00	20% deduction
$ 680.00	
- 365.00	Diversion for the stepparent
$ 315.00	
- 182.70	58% work incentive deduction
$ 132.30	Projected countable income

$132.30 is within the 185% FMAP income limit for the three-person eligible group.

Do not consider the income of the stepparent's dependents to be available to the eligible group. However, consider dependents' income when determining the amount of their unmet needs. When determining unmet needs, treat the income of the dependents in the same way as the income of a person in the eligible group is treated.

A mother and one child receive FMAP. They live with the stepparent and a voluntarily excluded common child. The stepparent has projected unearned income of $350 each month. The common child has projected unearned income of $356 each month.

The common child's needs are $354 ($719 - 365). However, the child's $2 excess income cannot be used to meet the needs of the FMAP eligible group. Since there is no unmet need, none of the stepparent's income is used to meet the needs of this child.

In all calculations, determine the needs of the stepparent's unit, including the needs of the common child, based on the Standard of Need schedule.

To determine the needs of any person (or group of people) in either household unit, take the difference between the unit's needs with that person's needs included and the unit's needs with the person's needs excluded.

The household consists of Mrs. P, her three children by a previous relationship, Mr. P, and their common child.

If this household of six is not eligible as one unit, the group may become two units. Mrs. P and her three children comprise the parent's unit. Mr. P and the common child comprise the stepparent's unit. The children's needs are determined as follows:

- The common child's needs are based on the standard of need (Test 2). Start with the standard of need for two people, Mr. P and the common child. Subtract the needs of Mr. P. ($719 minus $365 = $354).
- If any of Mrs. P's other children are ineligible, start with the basic needs of all three children and Mrs. P (Test 3 for a four-member group). Subtract the needs of the ineligible children. For example, if two children were not eligible because they did not verify citizenship, their needs would be $134 ($495 minus $361 = $134).

Parent's Income in Stepparent Cases

Legal reference: 441 IAC 75.57(8)"a"

When the income of a stepparent who is not in the eligible group is not enough to meet the needs of the stepparent and the dependent but ineligible children living in the home, divert the parent's income to meet the unmet needs of the children of the current marriage.

See Determining Needs of the Common Ineligible Child for exceptions when the FMAP parent cannot divert income to an ineligible common child.

The household consists of Mrs. J, her husband, a common child, and Mrs. J's child. The stepparent has projected countable income of $500. Mrs. J's income after allowable work expenses is $248. The worker diverts from Mrs. J's income to meet the needs of the common child.

$ 719.00	Needs of stepparent and common child
- 500.00	Stepparent's projected income
$ 219.00	Unmet needs of the common child
$ 248.00	Parent's projected net income
- 219.00	Diverted to meet the unmet needs of the common child
$ 29.00	Use for needs of eligible group

Do not divert the parent's income to meet the needs of the ineligible stepparent or the stepparent's dependent children living in the home.

> The household consists of the parent, the stepparent, stepparent's child (not in the eligible group), and the parent's child. The stepparent has $250 projected countable income. The parent has $100 projected income after work expenses. None of the parent's income can be diverted to meet the unmet needs of the stepparent and the stepparent's child.

Ineligible Parent Deductions

Legal reference: 441 IAC 75.57(8)"a"

If the ineligible parent's income, along with any other income of the eligible group, passes the 185% eligibility test (Test 1) for the size of the eligible group:

1. Deduct the 20% earned income deduction.

2. Deduct child and adult care expenses.

3. Divert for people not in the home (for example, court-ordered child support).

4. Divert for an ineligible or voluntarily excluded person's needs. See Diversion for the Needs of an Ineligible or Voluntarily Excluded Person.

   Remember: Use the Schedule of Living Costs (Test 2) for the standard of need test and the Schedule of Basic Needs (Test 3) for the eligibility test.

5. Apply a 58% work incentive deduction from earnings that remain after deductions 1 through 4 have been subtracted from the earnings. **Exception:** Do not allow the 58% work incentive deduction when determining initial eligibility under the standard of need test (Test 2) for the eligible group.

When the ineligible parent has both nonexempt earned and unearned income, and earnings remain after applying allowable deductions, add the unearned income to the remaining earned income. If the earnings are less than the allowable deductions, subtract any unused portion of the diversion for people not in the home or voluntarily excluded persons from the unearned income. Consider the balance to be countable income.

Apply all remaining income of the ineligible parent in determining eligibility for the eligible group.

1. Mr. A receives CMAP for his two children. Mr. A is sanctioned for failure to cooperate with CSRU. He has projected gross earnings of $800, projected child-care expenses of $374 per month, and projects $100 monthly child support for a child not living with him.

$ 800.00	Projected gross earnings
- 160.00	20% earned income deduction
$ 640.00	
- 374.00	Projected child care deduction
- 100.00	Projected child support
$ 166.00	Projected countable earnings
- 96.28	58% work incentive deduction
$ 69.72	Projected countable income
$ 426.00	Schedule of basic need for three (Mr. A is "considered")
- 69.72	
$ 356.28	CMAP eligible for the two children

2. Household composition: Mrs. E, who is employed, and her three children. Mrs. E's deceased husband was a veteran, but she refuses to apply for Veterans Benefits. Mrs. E is sanctioned and is no longer eligible for Medicaid. However, the eligible group remains a household of 4.

3. Mr. and Mrs. F apply for Medicaid on June 24, listing themselves and Mrs. F's four children from a previous relationship. Mrs. F is not eligible for Medicaid because she is an ineligible alien but she is included in the eligible group as a "considered" person. Mrs. F has projected gross monthly earnings of $1,000 and $100 projected child care costs per month. The family has no other income.

   Step 1: 185% Eligibility Test (Test 1)

   Mrs. F's $1,000 projected monthly gross earned income is less than the gross income limit of $2,020.20 for a five-person eligible group. Income passes Test 1.

   Step 2: Schedule of Living Costs (Test 2)

$ 1,000.00	Mrs. F's projected monthly gross earnings
- 200.00	20% earned income deduction
$ 800.00	
- 100.00	Monthly projected child care
$ 700.00	Projected countable income

Income passes Test 2. Projected countable income is $700 and the Schedule of Living Costs for five is $1,092.

Step 3: Basic Needs Test (Test 3)

$ 1,000.00	Mrs. F's projected monthly gross earnings
- 200.00	20% earned income deduction
$ 800.00	
- 100.00	Monthly projected child care
$ 700.00	
- 406.00	58% work incentive deduction
$ 294.00	The four children are eligible for Medicaid under CMAP since the projected countable income is less than the Basic Needs for five people.