Revised June 15, 2012

Employees' Manual
Title 4
Chapter D

FAMILY INVESTMENT PROGRAM

RESOURCES

Iowa Department of Human Services

TABLE OF CONTENTS

Page

OVERVIEW 1
Resource Limits 1

COUNTABLE RESOURCES 4
Whose Resources to Count 4
What Resources to Count 5
Joint Ownership 6

DETERMINING NET MARKET VALUE OF A COUNTABLE RESOURCE 7
Contracts 7
Other Resources 8

EXEMPT RESOURCES 9
AmeriCorps 10
Burial Plot 10
Burial Trusts or Funeral Contracts 10
Child Support $50 Exemption 11
Corrective Payments 11
Current Month's Income 11
Disaster and Emergency Assistance Payments 11
Domestic Volunteer Services Act 12
Earned Income Credit (EIC) Payments 12
Education Assistance 13
Energy Assistance Payments 13
Family Support Subsidy Program 14
Federal Tax Refunds 14
Food Programs 14
Grants and Scholarships 14
Home Produce for Personal Consumption 15
Homestead 15
Household Goods and Personal Effects 16
Inaccessible Resources 17
Income in Kind 17
Indian Tribe Judgment Funds 17
Individual Development Accounts 18
Insurance Settlements and Damage Judgments 18
Life Estates 19

Page

Life Insurance With No Cash Surrender Value 19
Loans 19
Lump Sum (Nonrecurring) 19
Medical Expense Settlement 19
Other Excluded Federal Payments 20
Property Producing Income Consistent with Fair Market Value 21
Property Settlements 21
Property Sold Under Installment Contract 21
Prorated Income 21
Self-Employment Assets 22
Tools of the Trade 23
Transfers to Minors 24
VISTA Payments 25
Women, Infants and Children (WIC) Nutrition Program 25

TRUST FUNDS AND CONSERVATORSHIPS 26
Conservatorships 26
Trusts 26
Referring Trusts or Conservatorships to Central Office 27

VEHICLES 29
Vehicle Exemption 29
Equity Exclusion 29
Determining Equity Value 31

TRANSFER OF ASSETS 32
When an Asset Is Sold or Becomes Available as Cash 32

OVERVIEW

This chapter explains resources to count when determining eligibility for the Family Investment Program (FIP). This section describes the resource limits for FIP. The next section defines whose resources to include and how to decide if the resource is available to the client.

The next section is an alphabetical list of resources that are exempt or exempt under certain circumstances. The following sections explain how to handle mortgages, trusts, and vehicles. The final sections deal with transfer of assets and how to treat property that the client is trying to sell.

The policies on resources are found in 441 Iowa Administrative Code 41.26(239B). These rules are based upon Section 402(a)(7) of Title IV of the Social Security Act and on Iowa Code Section 239B.2.

Resource Limits

Legal reference: 441 IAC 41.26(1)"e"

The countable resources of FIP applicants and participants cannot exceed these limits:

- $2,000 in countable resources for applicant households.
- $5,000 in countable resources for participant households.

Exception: Use the $5,000 limit for applicant households with at least one member who was a FIP participant in Iowa in the month before the month of application. This includes clients who did not receive an assistance grant due to the $10 grant limit or due to rounding the grant amount, and clients whose grants were suspended.

The resource limits apply to the entire eligible group. Participant status does not change when you add a new household member to an existing eligible group.

1. Ms. B is canceled from FIP effective November 1. She reapplies on November 5. She has $3,000 in countable resources. The $5,000 resource limit applies, because Ms. B was a participant in the month before reapplying. Ms. B is resource-eligible.

2. Same as Example 1, except Ms. B does not reapply for FIP until December 2. The $2,000 resource limit applies because Ms. B was not a participant in the month before reapplying. The application is denied.

When the applicant received FIP benefits in the month before the month of application, but eligibility is delayed into the month after the month of application, the $5,000 participant limit applies.

1. Mr. C is canceled from FIP effective November 1. He reapplies on November 26 with a December 3 effective date. Because Mr. C was a participant in the month before reapplying for FIP, the $5,000 resource limit for participants applies.

2. Family X is canceled from FIP effective October 1. They reapply on October 17. The worker approves the application on November 12. The family is denied for FIP for October due to income but is eligible in November. The $5,000 participant limit applies because the family received assistance in September (month before the month of application).

The data processing system determines whether to apply applicant or participant limits according to the system entries you make. If system entries indicate an applicant household, the system looks at each person's status in the month before the month of application. If the system finds an active FIP status for any member of the household for the month before the month of application, it applies the $5,000 participant resource limit.

The system is **not** able to determine whether the assistance received in the month before the month of application is subject to recoupment. Households are not considered participants for a month of recoupment and thus are not entitled to the $5,000 participant limit.

Therefore, when you approve a reapplication for a household that has countable resources in excess of $2,000 and received assistance in the month before the month of application, determine if that month's assistance is subject to recoupment. If so, make system entries to override the system-determined $5,000 participant limit. This results in the system applying the $2,000 applicant limit, as required in such a situation.

1. Mr. D is canceled from FIP effective August 1. He reapplies on November 2. He has $3,000 in countable resources. On November 22, the worker makes a system entry error that causes the system to apply the $5,000 resource limit for participants rather than the $2,000 limit for applicants. Since it is past timely notice to cancel for December, the worker cancels FIP effective January 1. November and December FIP benefits are subject to recoupment.

   If Mr. D reapplies in January, he will be subject to the $2,000 limit for applicants. Since the FIP benefits issued in November and December are subject to recoupment, Mr. D lost participant status for those months.

2. Same as Example 1, except on December 1, Mr. D verifies that his resources are $1,800. Mr. D is eligible for FIP in December and ongoing. However, his November assistance is subject to recoupment.

   Note: Had Mr. D's countable resources not been below $2,000 until December 2, his December benefits would also be subject to recoupment.

3. Family A is approved for FIP effective October 12. The following March, the worker discovers that the family had these amounts in a savings account that the family had failed to report: October, $2,500; November, $2,500; December, $1,800; January, $2,400; February, $2,300; March, $2,400.

   The family was totally ineligible for FIP in October and November, because their countable resources exceeded the $2,000 applicant limit. FIP benefits issued in those two months are subject to recoupment. However, in December, the family was eligible, because their countable resources were below the $2,000 applicant limit.

   Once eligibility is established, the $5,000 resource limit for participants applies. Therefore, Family A continues to be eligible in January, February, and March.

For applicant households, the effective date of assistance is the first day the household is within the $2,000 resource limit, or seven days from receipt of the application, whichever is later.

An application is received on October 1. The date of decision is October 20. The applicant's countable resources exceeded limits through October 15. The effective date of assistance is October 16 rather than October 8.

An applicant becomes a participant when the application is approved on the system, regardless of whether the date of decision is in the month of application or the following month. Therefore, apply the applicant limit through the month of decision. Apply the participant limit beginning with the month after the month of decision.

1. Ms. A applies for FIP on October 15. The worker approves the application on November 12. The $2,000 applicant limit applies to October and November. The $5,000 participant limit applies beginning with the month of December.

2. Mr. B applies for FIP on October 12. The worker makes the decision on November 8. In October, the applicant's countable resources were $1,800. On the date of decision, Mr. B's resources are $2,100. The worker denies the application because Mr. B's resources exceed the $2,000 applicant limit on the date of decision.

COUNTABLE RESOURCES

The following sections explain:

- Whose resources to count
- What resources to count
- Treatment of resources under joint ownership

Whose Resources to Count

Legal reference: 441 IAC 41.26(2), 41.27(6)"x"

Count the resources of all persons in the eligible group. Include the resources of a parent who is living in the home with the eligible children but who is not a member of the eligible group (e.g., excluded parent).

Do **not** consider the resources of:

- An ineligible stepparent living in the home.
- A Supplemental Security Income (SSI) recipient.
- A self-supporting parent on a minor parent case, when determining eligibility for the minor parent and the minor parent's child.
- An ineligible child living in the home. This includes a child who is excluded because the child receives subsidized adoption assistance.

What Resources to Count

Legal reference: 441 IAC 41.26(1), 41.26(5), 41.26(6)"a" and "c"

Unless specifically exempt, all resources are considered countable. Examples of resources that are countable include:

- Cash on hand.
- Money in checking or savings accounts.
- Stocks. (Use the closing price of the stock as of the date of decision or the time of review.)
- Bonds. (Use the redemptive value as of the date of decision and at the time of review.)
- Mutual funds.
- Retirement accounts such as IRAs, Keoghs, 401Ks, and IPERS.
- Promissory notes and contracts.
- Motor vehicles. (See VEHICLES.)
- The net market value of nonexempt nonhomestead property. See EXEMPT RESOURCES and Inaccessible Resources for certain exceptions. (See DETERMINING NET MARKET VALUE OF A COUNTABLE RESOURCE for instructions.)
- Cash value of life insurance. This is the amount the insurance company pays upon cancellation of the policy before death. Use form PA-2106-0, *Insurance Report*, to obtain the client's authorization to verify the amount of the cash value and that the client has ownership or access to this cash value.

When a client leaves employment, the client may receive a lump-sum payment from the retirement fund. Consider the employee's portion plus accumulated interest as a resource.

Count a resource only when:

- The applicant or participant owns the property in part or in full and has control over it (meaning it can be occupied, rented, sold, etc. at the client's discretion).
- The applicant or participant has a legal interest in a liquidated sum and has the legal ability to make the sum available.

Determine the availability of a resource regardless of the equity (net market) value. See also Inaccessible Resources.

Joint Ownership

Legal reference: 441 IAC 41.26(6)"c"

When a resource is owned by more than one person, assume everyone has equal shares unless you have verification to determine that the shares are different.

If an applicant or participant owns a resource with another person but indicates that ownership is not equal, ask the co-owner to provide a written statement specifying the intent, degree, and terms of the joint ownership.

The intent of the co-owner is important. If the co-owner does not intend to provide the client access, the resource is unavailable. Examples include:

- An elderly parent of a FIP participant who has a joint account with the participant in the event the parent becomes disabled.
- An adult child (a FIP participant) who is added to the title of a parent's home for ease of transfer in the event the parent should die.

In cases such as these, ask the other owner to write a statement indicating whether or not the FIP participant has access to the account. If the statement indicates no access to the resource, consider it unavailable. Periodically check the availability of the resource.

If the client has joint ownership or tenancy-in-common ownership:

1. Determine the equity (net market) value of the total resource. If the total value plus other resources owned by the client are less than resource limits, take no further action.

2. Determine the client's share of the total equity (net market) value of the jointly owned resource. If the client's share plus other resources owned by the client are less than the resource limit, take no further action.

3. If the client's share of the equity value would affect eligibility, contact the co-owner to determine if the co-owner would be willing to sell the resource. If so, count the client's share of the total equity value.

4. If the co-owner refuses to cooperate in the sale of the property, determine the equity (net market) value of only the client's share. The client must provide a written estimate of the value from a knowledgeable source.

The source must consider local market conditions as well as the condition and location of the resource. The source must also consider that the client has only a partial interest and that the co-owner refuses to sell.

If the estimate provided by the client appears reasonable, accept it. If the estimate is questionable, ask the client to sign a release of information so that you can independently verify the estimate.

5. Approve assistance, if otherwise eligible, when the equity value of the client's share in combination with other resources does not exceed resource limits. Deny or cancel assistance if that equity value, in combination with other resources, exceeds resource limits.

If the client disagrees with your decision, ask the client to supply additional information regarding the availability or value of the property.

If you are not able to determine availability, refer the case to central office staff on form 470-0116, *Clarification Request*.

DETERMINING NET MARKET VALUE OF A COUNTABLE RESOURCE

The following sections explain how to determine the net market value of:

- Contracts.
- Other resources.

Contracts

Legal reference: 441 IAC 41.26(4)"b"

Consider any principal payments received on a contract as a resource upon receipt. Consider the monthly interest portion of the payment as a resource, effective the first of the month after the month of receipt.

The resource value of a contract is the gross price for which it can be sold or discounted on the open market, minus any legal debts, claims, or liens against it. If the contract has terms which, as a practical matter, prevent sale, do not count it as a resource.

In Iowa, contracts are always legally transferable, even if the terms of the contract prohibit it. Although such terms are not legally enforceable in Iowa, they may affect the current market value of the contract.

Ms. B owns a contract with her two sisters, Ms. C and Ms. D. The terms of the contract prohibit any transfer or sale of the contract without approval of all of the siblings. Neither Ms. C nor Ms. D is willing to sell her shares or to buy Ms. B's share.

In reviewing the contract, a knowledgeable source determines that the terms of the contract prevent the sale. Even though these terms are not legally enforceable, they affect the market value of the contract. Therefore, the contract is considered to have a value of zero.

Ask the client for a written estimate of the contract value. The estimate must be based on local market conditions and the condition and location of the property. If the estimate provided by the client appears reasonable, accept that value. If you have more than one valuation, average the values.

Ms. A owns a contract. She obtained three written valuations: $925, $850, and $800. The worker averages the three evaluations ($925 + $850 + $800 = $2,575 divided by 3 = $858). The average value of $858 is considered the fair market value of the contract.

If you doubt the value of the estimate, or if the client cannot get one, ask the client to sign a release of information so that you can independently verify or obtain the estimate.

Obtain one or more estimates of value from sources knowledgeable in the business of buying and selling contracts. These sources do not need to be in the area where the property is located, but the source must consider local market conditions and the condition and location of the property when determining the value. Valuations must be based on the most complete information possible.

If the client disagrees with your estimate, allow the client to provide additional information.

Other Resources

Legal reference: 441 IAC 41.26(5)

Determine the net market (equity) value of countable resources only. The net market value is the gross price for which an item or property can be sold on the open market, less any legal debts, claims, or liens against it.

Consider each resource separately. The value of one resource does not affect another.

To determine the net market value:

1. Establish the gross sales price, called the "fair market value." Consider local market conditions and the condition and location of the property in determining the fair market value. For example:

   - A piece of real property may be worth less in one part of the state than a similar property is worth in another part of the state, due to a distressed local economy.
   - A piece of property may be worth less than it was previously because of depressed market conditions.
   - An item of real property may have a lower fair market value because of the location of that property (on a flood plain, remote location, etc.).

   Contact a source knowledgeable about similar property, such as a car dealer, stockbroker, realtor, or banker.

   If the client disagrees with the fair market value you determine, give the client an opportunity to provide written evidence of a different valuation.

2. Verify and subtract legal debts, claims, or liens, and document them in the case record. To be considered a lien or encumbrance against a resource, a loan or lien must give the creditor a legal right to satisfy the debt. In most cases, loans from family or friends do not meet this requirement.

   When there is a legal debt against a combination of exempt and nonexempt property, look at the terms of the loan to see if any of the debt is deductible.

   - When the terms of the loan require the proceeds from the sale of any part of the property to be applied to the balance of the loan, deduct the total legal debt from the fair market value of the nonexempt property.
   - When the terms of the loan place a lien against the exempt property only, there is no legal debt to apply in determining the net market value of the nonexempt property.

1. Mr. A owns a home on 80 acres of land outside a city plat. There is a lien of $20,000 on the total property. Proceeds from the sale of any part of the property must be used to reduce the balance of the loan. Deduct the entire $20,000 from the gross value of the nonexempt property.

2. Ms. B owns a home on one acre of land inside a city. There is a lien of $40,000 on the house and one-half acre. Do not deduct the $40,000 from the gross value of the nonexempt property.

The balance after subtracting debts from fair market value is the net market (equity) value. Count as "zero" a resource that has a negative net value (the debt against the property is more than the fair market value). Do not assign a negative number to any resource.

Subtract the client's expenses in selling the property only after it is sold.

EXEMPT RESOURCES

Legal reference: 441 IAC 41.26(1), 45.24(4)

Some resources are always exempt under FIP. However, for other resources, the exemption lasts only for the month of receipt and the month following the month of receipt. Any resources remaining are then counted towards the maximum resource limit.

The following sections explain exempted resources. The resources described in these sections are **totally exempt** under FIP. **Exceptions:** The following resources are exempt only in the month of receipt and perhaps in the month following the month of receipt:

- Retroactive corrective payments.
- Earned income credit payments.
- Property settlements.
- Insurance settlements.
- Damage judgments.

See individual sections for more information.

Count any resources not in the exempt lists as well as the value of any resources exceeding the excluded amounts toward the resource limit.

AmeriCorps
Public Law 103-82,
441 IAC 41.27(239)

Exempt as a resource the living allowance (stipend) payments made to participants in the AmeriCorps*VISTA program as long as the Director of ACTION determines that the value of all such payments is less than either the federal or state minimum wage when divided by the number of hours the volunteer is serving.

To date, no AmeriCorps*VISTA payments have been determined by the Director to equal or exceed the minimum wage.

Exempt the educational award as a resource, because the award is issued directly to the educational institution or the holder of the loan and is not considered available to the participant.

Also exempt as a resource the health insurance, reasonable accommodations, supplies, and services made available for AmeriCorps participants who have disabilities.

Burial Plot
441 IAC 41.26(1)"i"

Exempt one burial plot for each member of the eligible group. A burial plot is a grave site, crypt, mausoleum, urn, or other repository customarily used for the deceased's remains.

When the client owns more than one plot for each member of the eligible group, count the net market value of the excess plots towards the resource limit. Also count the net market value of a burial plot for an ineligible person whose resources must be considered (e.g., an excluded parent).

Burial Trusts or Funeral Contracts
441 IAC 41.26(1)"h"

Exempt equity not to exceed $1,500 in one burial trust or funeral contract for each member of the eligible group. Count any amount over $1,500 towards the resource limit, unless the contract or trust is irrevocable. ("Irrevocable" means that the contract or trust cannot be terminated or amended unless both parties to the contract or trust agree.)

Count burial trusts and funeral contracts held by an ineligible person whose resources must be considered (e.g., an excluded parent).

Child Support $50 Exemption
441 IAC 41.27(6)"u"

Exempt the first $50 received and kept by a FIP applicant or participant which represents a current monthly support obligation or a voluntary support payment paid by a legally responsible person for a child in the eligible group. (A parent of a child is considered legally responsible, whether or not that parent is ordered to pay support.)

The maximum exempt amount is the lowest of the following:

- $50.
- The amount paid.
- The monthly obligation.

Corrective Payments
441 IAC 41.26(1), 45.24(4)

Exempt retroactive FIP payments in the month received and in the following month.

Current Month's Income
441 IAC 41.26(1)"f"

Do not add current month's income to the total countable resource amount for that month. This includes situations when you prorate lump-sum or self-employment income and project it as future months' income.

Exclude the prorated income from consideration as a resource during the period of months over which you prorate it and count it as income. Count recurring lump sum income that is not subject to proration as a resource the month after receipt. See 4-E, Lump-Sum Income, for details.

When you verify that a liquid resource amount includes current month's income, subtract the income from the resource amount you count for the month. Count any income remaining after the month of receipt as a resource.

Disaster and Emergency Assistance Payments
441 IAC 41.27(6)"y"

Exempt 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 policy covers:

- Payments provided by the Federal Emergency Management Agency (FEMA), including payments from the Individual and Family Grant Program.
- Disaster unemployment benefits provided under the 1988 amendments to the Disaster Relief Act of 1974. Under this Act, unemployment benefits are provided to persons who are out of work due to a major disaster, including self-employed persons and others who are not covered under regular unemployment insurance benefits.
- Disaster and emergency assistance provided 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 vendor payments made under Iowa's Emergency Assistance program.

Verify the source of the payments before exempting them.

Domestic Volunteer Services Act
441 IAC 41.27(6)"j"

Exempt payments 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 (EIC) Payments
441 IAC 41.26(1)

Exempt Earned Income Credit (EIC) payments in the month received as well as in the following month. Exempt payments in these two months whether they are received with a regular paycheck or in a lump sum as part of a federal or state income tax refund. Funds remaining are countable resources after the end of the second month.

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 EIC payments received as part of a federal tax refund between January 1, 2010, and December 31, 2012.

Education Assistance
441 IAC 41.27(6)"r"

Exempt all earned and unearned financial assistance for education or training.

Energy Assistance Payments
441 IAC 41.27(6)"f"

Exempt energy assistance payments made to eligible households through the Division of Community Action Agencies of the Department of Human Rights under the Low-Income Home Energy Assistance Act of 1981 (LIHEAP). LIHEAP 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 a resource.)

Exempt other support and maintenance energy assistance 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.
- Private nonprofit organization, but only if the assistance is 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 agency.

"Support and maintenance" assistance is any assistance designed to meet day-to-day living expenses. This includes 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 percent of the federal poverty level.

There may be other assistance for home energy costs provided to FIP households. When other assistance meets the criteria above, that assistance is also exempt.

Family Support Subsidy Program
441 IAC 41.27(6)"p"

Exempt Iowa Family Support Subsidy payments made 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 Tax Refunds
Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P. L. 111-312) and the American Taxpayer Relief Act of 2012 (P. L. 112-240)

Federal tax refunds are excluded for 12 months from the date of receipt.

Food Programs
441 IAC 41.27(6)"b" through "e"

Exempt the value of:

- Food Assistance program benefits.
- 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).
- Congregate meals or other benefits received under Title III-C of the Older Americans Act of 1965, Nutrition Program for the Elderly.

Grants and Scholarships
441 IAC 41.27(6)"q"

Exempt grants and scholarships obtained and used under conditions that preclude their use for current living costs.

Home Produce for Personal Consumption
441 IAC 41.27(6)"a"

Exempt the value of home-produced garden products, orchards, animals, etc., that 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.

Homestead
441 IAC 41.26(1)"a," 41.26(3)

Exclude the client's homestead without regard to its value. A homestead is any house, mobile home, or similar shelter used as the client's home. It may contain one or more adjacent lots or tracts of land, including buildings and equipment.

A homestead may contain any type or number of buildings within the land limits described including:

- A duplex. (Exempt the entire duplex.)
- An apartment. (If the client lives in the building and does not sell any of the apartments, exempt the entire apartment house. Apartments include both standard buildings and single-family houses converted to apartments.)
- A family home containing a room or apartment. (If the client lives in one of the units, exempt the home.)
- A condominium or row house occupied by the client. (Exempt only the unit occupied by the client.)

There is a limit on the amount of land that may be exempted as part of the homestead:

- When outside a city plat, exclude no more than a total of 40 acres of land.
- Within the city plat, exclude no more than one-half acre of land.

To determine if the homestead within a city plat is within size limits, multiply the length of the property by the width to calculate the square footage. Compare this figure to 21,780 -- the number of square feet in one-half acre. If necessary, obtain courthouse or tax records to find the legal descriptions of the property.

Property that exceeds the allowable limit is counted as a resource.

Exempt a homestead when a client temporarily leaves if the client:

- Is absent for a defined purpose, **and**
- Lived in the home immediately before the absence, **and**
- Intends to return when the purpose of the absence has been accomplished.

Regularly document the client's intentions to return home. If the client does not intend to return home, the homestead becomes a countable resource.

Do not apply the homestead exemption to nonhomestead property which the household acquires intending to make the property its homestead in the future.

Household Goods and Personal Effects
441 IAC 41.26(1)"b"

Exempt household goods and personal effects without regard to their value. Household goods are items used in and about the house in connection with home occupancy. They are items used to maintain the home as well as to accommodate, comfort, and entertain the occupants.

Personal effects are the belongings of family members, including clothing, books, grooming aids, jewelry, hobby equipment, and similar items.

Animals, pets, and collections are **not** excluded and must be counted.

Inaccessible Resources
441 IAC 41.26(6)"a," "c" and "d"

Exempt resources that are not available to the client. Examples of instances in which a resource is **not** available include:

- Property jointly owned by spouses involved in a divorce proceeding. The property is not available until a decision on property distribution has been made.
- Real or personal property in which the terms of the joint tenancy or tenancy in common make the property unavailable. See Joint Ownership.
- Nonhomestead property jointly owned by a FIP parent and a separated or divorced spouse or a deceased spouse's estate, when the parent is not able to have control of it. This may occur because the other owner has possession of the property or because it is in litigation.
- Nonhomestead property that is publicly advertised for sale at an asking price consistent with its fair market value. To verify that the property is up for sale at fair market value, use collateral contacts and documentation, such as newspaper ads or real estate broker listings.

Income in Kind
441 IAC 41.27(6)"o"

Exempt as a resource unearned income in kind, such as money paid on a client's behalf to a third party (vendor payments). Also exempt earned income in kind, such as meals or reduced rent received in exchange for performing work or a service.

Indian Tribe Judgment Funds
441 IAC 41.27(6)"h"

Exempt 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.

When all or part of the payment is converted to another type of resource, also exempt that resource. If this resource decreases in value, the exemption applies to the remaining value of the resource. If the resource appreciates in value, only the original amount is exempted.

Individual Development Accounts
441 IAC 41.26(1)"m"

Individual Development Accounts (IDAs) are optional, interest-bearing accounts much like IRAs. IDAs encourage families to save and plan for the future, without the savings affecting eligibility for assistance. The accounts allow withdrawal without penalty for items such as educational expenses, business start-up, home ownership, and emergencies.

Exempt the balance in an IDA and any interest applied to the account.

Insurance Settlements and Damage Judgments
441 IAC 41.26(7)"a"

Consider insurance settlements and damage judgments received for damage or destruction of an **exempt or nonexempt** resource as liquidating a resource and not as income.

When the client intends to repair or replace an **exempt** resource and signs a legal, binding commitment no later than the month after the payment is received, exempt the payments for the duration of the commitment (up to eight months following the commitment date).

For example, if a homestead is damaged by fire, the client must commit any settlement funds in excess of resource limits in a binding contract to rebuild or repair the home to avoid being over the resource limit.

Document the settlement and the legal commitment in the case record.

If the client does not intend to repair or replace the home, or the payments are for a **nonexempt** resource, count the settlement as a resource in the month following the month payment was received. Follow the instructions described under When an Asset Is Sold or Becomes Available as Cash to determine FIP eligibility.

Life Estates
441 IAC 41.26(1)"k"

Exempt a life estate of the life estate holder. A life estate is defined as the ownership of the right to live on or use or receive income from a property in which the person does not have full rights of disposition. The life estate holder may use the property but may not alter or transfer it.

Exempt any interest in a property held by an applicant or participant when the life estate is held by another person until the holder dies or surrenders the life estate to the client.

Life Insurance With No Cash Surrender Value
441 IAC 41.26(1)"c"

Exempt any types of life insurance that have no cash value, such as term insurance or group insurance. The owner of the life insurance policy is the person who pays the premium and has the right to change the policy.

The cash surrender value of insurance is generally available to the premium payor, unless it is assigned or in some other manner actually transferred on the records of the insurance company to the insured or another named person. Do not automatically assume that the client does not own the policy simply because another person is paying the premium.

Loans
441 IAC 41.27(6)"v"

Exempt bona fide loans. A bona fide loan is one that includes an agreement between the lender and the borrower that the money is a loan. This agreement may be oral or in writing, as long as it indicates an intent to repay the money.

Lump Sum (Nonrecurring)
441 IAC 41.26(1)"f"

Exempt the amount of a nonrecurring lump sum that is reserved for current or future month's income. See 4-E for more information about how to treat lump sums.

Medical Expense Settlement
441 IAC 41.26(1)"j"

Exempt settlements for payment of medical expenses.

Other Excluded Federal Payments

Exempt the following federal payments:

441 IAC 41.27(6)"w"

- Payments received through the Agent Orange Settlement Fund or any other fund established because of the settlement in the "In re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.)."

441 IAC 41.7(6)"k"

- Payments made by the U.S. government under Public Law 92-203, the Alaskan Native Claims Settlement Act. Exempt the tax-exempt portions.

441 IAC 41.27(6)"z"

- Payments made by the U.S. government to individual Japanese-Americans (or their survivors) who were interned or relocated during World War II.

441 IAC 41.27(6)"z"

- Payments made to eligible civilian Aleuts under section 206 of Public Law 100-383. This payment is available only to those Aleuts who were living on August 10, 1988, the date Public Law 100-383 was enacted.

441 IAC 41.27(6)"aa"

- Payments made under the Radiation Exposure Compensation Act, Public Law 101-426 which compensates persons 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 41.27(6)"l"

- Payments from the Experimental Housing Allowance Program 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 41.27(6)"g"

- Payment 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. Local poverty agencies administer these payments to persons displaced when the government acquires their property for a federal or federally assisted project.

Property Producing Income Consistent with Fair Market Value
441 IAC 41.26(1)"o"

Exempt the value of nonhomestead property that produces income consistent with the property's fair market value, such as property rented for an amount consistent with income from similar rental properties in the area. Allow the exemption even when the property produces the income on a seasonal basis.

If the property does not produce income consistent with its fair market value, count the net market (equity) value of the property toward the resource limit. **Note:** If the household uses the real property for self-employment purposes, consider the exemption described under Tools of the Trade.

See DETERMINING NET MARKET VALUE OF A COUNTABLE RESOURCE for information on determining net as well as fair market (gross) value. Also see Inaccessible Resources to determine availability of the nonhomestead property.

Property Settlements
441 IAC 41.26(4)

Exempt property settlements that are part of a legal action in the dissolution of marriage or palimony suits, regardless if received as a lump sum or in periodic payments. Exempt settlements for the month of receipt and the following month.

Property Sold Under Installment Contract
441 IAC 41.26(4)"b"

Exempt property sold under an installment contract or held as security in exchange for a price consistent with its fair market value. Also exempt the value of the installment contract.

If the price is not consistent with the fair market value, count the net market (equity) value of the installment contract (rather than the equity value of the property) toward the resource limit. See DETERMINING NET MARKET VALUE OF A COUNTABLE RESOURCE for information on determining contract value.

Prorated Income
441 IAC 41.26(1)"f"

Exempt prorated income during the period of months over which you prorate it. See Current Month's Income.

Self-Employment Assets
441 IAC 41.26(10)

See 4-E for information on how to determine if an enterprise is considered self-employment.

Exempt **inventory** and **supplies** that are needed for self-employment.

"Inventory" is defined as all unsold items, whether raised or purchased, that are held for sale or use. Examples are:

- Merchandise
- Grain held in storage by a farmer
- Livestock raised for sale
- Antiques held by a dealer
- Cosmetics held by a beautician

> Mr. A is a self-employed toy maker. His unsold toys (his inventory), as well as his lumber, glue, varnish, and other supplies are exempt as inventory.

"Supplies" are items that are necessary for the operation of the business like lumber, paint, seed, and fertilizer.

Capital assets are not considered to be inventory or supplies. These are assets that, if sold at a later date, could be used to claim capital gains or losses for federal income tax purposes. (See below.) Capital gains resulting from the sale of a resource are a resource upon receipt.

Continue to exempt self-employment inventory or supplies if the self-employment is temporarily interrupted due to circumstances beyond the control of the household, such as illness. There must be a defined purpose for the interruption and an intent to return to the self-employment. Apply prudent-person guidelines to determine if this is a situation where you can expect the person to return.

Tools of the Trade
441 IAC 41.26(1)"n"

Exempt up to a total of $10,000 in equity (net market) value for **tools of the trade or capital assets** for self-employed households. First deduct what the client owes on the tools. Then count any equity value over $10,000.

The $10,000 limit applies to the entire household, regardless of how many members are self-employed.

Tools of the trade and capital assets are those items that, if sold, could be used to claim gains or losses for federal income tax purposes. A capital asset usually has a life span of more than one year. It can include real as well as personal property.

Examples include:

- Farm equipment of a farmer
- Farm land
- Hair dryers of a beautician
- Tools of a mechanic
- Electric saw and sander of a toy maker
- Computer and other equipment of a word processor
- Stoves and ovens of a baker
- Photocopy machines in a copy center

Livestock used for breeding, show, or dairy purposes are capital assets if depreciated for federal income tax purposes. If not, the livestock is considered inventory and is entirely exempt.

When the household has a vehicle that is used for the self-employment enterprise and also for personal use, apply both the $10,000 exemption for capital assets and the vehicle exemption. See VEHICLES.

The tools of the trade exemption also applies when:

- The household is in the process of setting up a business, and provides verification, or
- A participant's self-employment is temporarily interrupted because of circumstances beyond the control of the household (for example, because of illness or training directly related to self-employment).

The $10,000 exemption no longer applies when the self-employment ends or when the client files Chapter 7 bankruptcy. The household loses this exemption beginning the month after the self-employment ends.

Transfers to Minors
441 IAC 41.26(1), 41.26(6)

When a child has assets in an account set up under the Uniform Transfers to Minors Act (Iowa Code Chapter 565B), an adult is named as custodian of the account. The adult has discretion in withdrawing money from the account to give to the child (or spend for the child).

When the custodian of the account lives with the FIP household, consider the money in the account as a countable resource, regardless whether the custodian is included in the grant. If the custodian is a parent in the assistance unit, count the money as available even if the parent is temporarily absent.

When the custodian is someone who does **not** live with the FIP household (other than a parent who is temporarily absent), count as an available resource only the amount the custodian is willing to make available to the household.

Obtain a signed statement from the custodian to determine the amount the custodian is willing to make available to the FIP household. Consider the remainder in the account as an unavailable resource.

VISTA Payments
441 IAC 27(6)"i"

Exempt as a resource Title I VISTA volunteer payments, as long as the value of all payments is less than either the federal or state minimum wage when dividing the payments by the hours of service.

To date, no VISTA payments have been determined by the Director of ACTION to equal or exceed the minimum wage.

Women, Infants and Children (WIC) Nutrition Program
441 IAC 41.27"d"

Exempt the value of food assistance received through the Women, Infants, and Children Nutrition Program administered by the Department of Public Health through local health agencies.

TRUST FUNDS AND CONSERVATORSHIPS

The following sections explain policies on:

- Determining the resource value of conservatorships
- Determining the resource value of trusts
- Referring trusts or conservatorships to Central Office to determine availability of the funds

Conservatorships

Legal reference: 441 IAC 41.26(8)

Conservatorships are unavailable until the court releases funds. Refer all conservatorships to the Bureau of Financial, Health and Work Supports staff in central office to decide if a court petition should be filed.

Trusts

Legal reference: 441 IAC 41.26(8)

A trust is established to allow one person to hold property for the benefit of another. The person who holds or controls the property is the trustee. The person for whom the trust is created is the beneficiary. Generally, a trustee cannot use any trust funds for the trustee's own benefit.

Trusts may be available or unavailable. Obtain and examine the language in a trust to decide if the assets are available to the client. Consider the trust available if:

- Funds are available in their entirety; that is, the funds are not made available as periodic payments. (If the funds are periodic, treat them as unearned income as described in 4-E.)
- Funds are clearly available for care, support, or maintenance.
- The beneficiary is a child living with a relative who has control of the funds, and there are no restrictions on the use of funds for current support or maintenance.

Treat a trust as unavailable if:

- The terms clearly prohibit access (for example, funds are not available if the terms provide that no money will be released until a child reaches age 18).
- It is established solely for the payment of medical expenses.

Consider any settlement paid into an existing or simultaneously created unavailable trust or conservatorship to be an unavailable resource, rather than nonrecurring lump-sum income. Consider any settlement received *before* the establishment of a trust or conservatorship, or one paid into an available trust, as nonrecurring lump-sum income.

If it is not clear whether funds are accessible to the client, refer the case to central office staff, as described in the next section.

When you determine that the trust is available, allow the client the opportunity to present evidence showing that the trust is not available.

When the assets in the trust are not clearly available, central office staff may ask the trustee to make funds available. If the trustee chooses not to make the funds available, the Department may petition the court to have funds released.

Referring Trusts or Conservatorships to Central Office

Submit trust or conservatorship referrals on form 470-0116, *Clarification Request*. Send as much information about the trust or conservatorship as possible, including:

- Copies of the trust or conservatorship, as well as any other legal papers about it.
- Correspondence from attorneys.
- Information about any previous petitions or actions to gain access to the trust or conservatorship.
- The reason the trust or conservatorship was established.
- The source of the funds.
- The terms under which funds can be released.
- The name of the person or organization that has control of the funds.
- Verification of the current amount of the funds (for example, bank statements).
- A statement defining the relationship between the trustee or conservator and the beneficiary.
- A statement about FIP case status (e.g., applicant or participant).

Do not delay processing an application because you are waiting a response from central office staff regarding fund availability. Consider the funds unavailable until you receive a response.

Refer to central office trusts of *more than $5,000* if the trust meets any of the following:

- The terms are unclear about the availability of funds for care, support, or maintenance.
- The trust was established as a result of accidental injury, or for educational purposes, and it may be available for care, support, or maintenance.
- The terms indicate funds are legally available, but the trustee chooses not to make them available.

Before referring trusts of *$5,000 or less* to central office.

1. Determine if the funds are available, as defined under Trusts.
2. If the terms of the trust are unclear, check the following:
   - If the language of the trust indicates that funds cannot be given to the client without a court order, consider the trust unavailable.
   - If the trustee is not the parent in the home and the trustee refuses to make the funds available, do not consider the trust available.
3. If the terms of the trust are still unclear, refer it to central office.

VEHICLES

Legal reference: 441 IAC 41.26(1)"d"

A vehicle is any motorized means of transportation that moves persons or articles from place to place. This includes automobiles, trucks, motorcycles, tractors, snowmobiles, recreational vehicles, campers, and motorized boats.

Vehicle policy is explained in the following sections:

- Vehicle exemption
- Equity exclusion
- Determining equity value

Vehicle Exemption

Legal reference: 441 IAC 41.26(1)"d"

Exempt one motor vehicle without regard to its value. This exemption applies to one motor vehicle for the FIP eligible group. Consider the value of any additional vehicles owned by the eligible group, as described in Equity Exclusion.

Equity Exclusion

Legal reference: 441 IAC 41.26(1)"d" and "n"

Exclude the equity value up to $5,874 in one motor vehicle for each adult (including a needy nonparental relative) and working teenage child whose resources must be considered in determining eligibility. The equity value limit changes each July to reflect the latest increase in the consumer price index for used vehicles.

The exclusion applies regardless of who owns the vehicle, as long as the owner is a person whose resources must be considered.

Do not allow an exclusion for additional vehicles over and above the number of exclusions to which the eligible group is entitled. When the considered person has multiple vehicles, apply the exemption and the exclusion in the manner that is most beneficial to the client.

Allow the exclusion for a working teenager regardless of the teen's legal driving age, whether the teen has a driver's license or whether the car is needed for the teen to drive to work.

The exclusion for the teen continues when the teen is temporarily absent from the job for illness, vacation, between jobs or due to the nature of employment (for example, if the teenager only works during summer vacation). The exclusion does not apply to a teenager who is looking for work but has not been employed in the past.

Ms. B receives FIP benefits for herself and three teenage sons. One son is employed. They own the following vehicles:

- Vehicle A, owned by Ms. B, who is not employed, has an equity value of $5,900.
- Vehicle B, also owned by Ms. B, has an equity value of $300.
- Vehicle C, owned by one son who is employed, has an equity value of $6,000.
- Vehicle D, owned by another son, has an equity value of $1,000.

Calculate the value to count towards the resource limit as follows:

- Apply the vehicle exemption to the vehicle with the highest equity value.
- Apply the equity exclusion to two vehicles, one for Ms. B and one for the son who is employed.
- Count the entire equity value of the remaining vehicle.

Vehicle	Exemption/Exclusion	Countable Value
A	$5,874 Excluded	$5,900 - $5,874 = $26
B	None	$300
C	Exempted	$0
D	$5,874 Excluded	$1,000 - $5,874 = $0
		$396 Total countable value

When the household has a vehicle that is used both for the self-employment enterprise and also for personal use, apply both the $10,000 exemption for capital assets and the vehicle exemption. See Self-Employment Assets.

Ms. A, an applicant has the following assets: two cars, one with $5,500 equity and another with $5,497 equity value that is used in her self-employment, $1,000 in savings, $200 cash value in an insurance policy, and $5,000 equity in tools needed for her self-employment.

Countable Resources		Exempt Resources	
$1,000	Savings	$5,500	Equity in car (vehicle exemption)
200	Cash value of insurance	$5,900	Equity in car ($5,874 vehicle equity exclusion and remaining $26 in equity exempt as capital asset)
$1,200	Countable resource	$5,000	Equity in tools (exempt as a capital asset)

Ms. A is eligible for assistance.

Determining Equity Value

Legal reference: 441 IAC 41.26(1)"d"

The value of the vehicle is usually found in "blue books," like the National Automobile Dealer's Association (NADA) ***Used Car Guide***. When using this source, use the average trade-in value to determine net market value. Do not increase the value because of low mileage or optional equipment.

If a new vehicle is not yet listed in the "blue book," use another reputable assessment, such as a new car dealership, to determine net market value.

If the vehicle is no longer listed in the "blue book," accept the estimated value given by the household, unless there is reason to believe the estimated value is not accurate and the value will affect eligibility. When the estimate is questionable, the household must verify the value of the vehicle using a reputable source (such as an appraisal or a newspaper ad for a like vehicle).

Ask the household to get proof of the value of any vehicle that is in less than average condition. Vehicles with body damage or engine problems may be worth less than the "blue book" value. Proof of the value of classic cars, antiques, or custom built cars must be from a reliable source. Do not count special equipment to accommodate the handicapped as increased value.

TRANSFER OF ASSETS

Legal reference: 441 IAC 41.26(4)

Applicants or participants who have more countable assets than allowed under FIP limits are not eligible for a grant until they dispose of any excess assets.

Unlike some other programs, there is no provision in Title IV of the Social Security Act or in the Code of Iowa that prohibits FIP clients from disposing of excess assets. There is also no provision that requires that reasonable value be received for the asset.

Verify and document the disposition of any excess assets in the case record.

When an Asset Is Sold or Becomes Available as Cash

Legal reference: 441 IAC 41.26(4)

When an asset is sold or becomes available as cash, examine the case to determine if the liquidated asset puts the participant over resource limits.

If it appears the client may be close to or over the limit, request in writing that the client provide verification of the resources. Verification must be received no later than timely notice day in the month after the resource was converted to cash or sold.

If verified resources exceed the limit, cancel FIP effective the second month after the resource was converted to cash or sold. However, if the participant verifies before the effective date of cancellation that resources are again within limits, reinstate FIP in accordance with 4-G, Reinstatement.

Do not recoup for the month the asset is sold or becomes available and the following month, provided the only reason the participant is ineligible is due to these excess resources.

Document the circumstances in the case record.