INCOME

MA-2250 INCOME
REVISED 02/01/08 – CHANGE NO. 07-08

I. POLICY RULES

A. Available Income

1. To determine eligibility, count income available to the budget unit in the certification period. Refer to MA-2260, Financial Eligibility Regulations-PLA, MA-2270, Long-Term Care (LTC) Need and Budgeting, MA-2280, Community Alternatives Program Medicaid Eligibility, and MA-2275, Program of All-Inclusive Care for the Elderly (PACE) for definition of financial responsibility/deeming.

2. Consider income available to the budget unit when:

   a. It is determined to be available based upon base period projections or verification of benefits received, or

   b. The budget unit member or someone acting on his behalf has the legal ability to make a sum available for support and maintenance.

   c. Income from a financially responsible person (spouse or parent), must be deemed to the a/r.

3. LTC or PACE applicant or recipient (a/r) with a Community Spouse

   The following rules apply in determining the availability of income for Steps I and II of LTC and PACE budgeting.

   a. Trust Fund Income

      (1) Determine the availability of income according to the terms of the trust.

      (2) If there is no specific provision in the trust, determine availability of income according to regulations in b. below.

   b. Income Not From a Trust Fund

      (1) If payment of income is made solely in the name of the institutionalized spouse or the community spouse, consider the income available to that respective spouse.

(I.A.3.b.)

(2) If payment of income is made in both names to the institutionalized and community spouses consider 1/2 of the income available to each spouse.

(3) If payment of income is made to the institutionalized and community spouse, and to another person or persons, consider the income available to each spouse in proportion to each spouse's interest.

(4) In Step II only of LTC or PACE budgeting

Determine if the community spouse income allowance should be given. Refer to MA-2270 , Long-Term Care Need and Budgeting and MA-MA-2275, Program of All-Inclusive Care for the Elderly (PACE).

B. Computation

Determine the available income of a/r. Deem income from a financially responsible person (spouse or parent), when appropriate. Subtract appropriate exclusions, including the infrequent or irregular income exclusion, to determine countable income.

Refer to IX. below for computation outline and MA-2260 , Financial Eligibility Regulations, PLA for budgeting/deeming procedures.

C. Consideration of Income

1. Count all income available in the certification period. Refer to V. below for budgeting terminated income.

2. Count income available to the a/r or a financially responsible person (spouse or parent), per budgeting/deeming instructions.

3. Refer to MA-2270, Long Term Care Need and Budgeting for instructions on allowable deductions in Step II of patient monthly liability computation in LTC budgeting. Count total adjusted gross income after deducting operational expenses for self-employment income.

4. If income is expected to change, flag the case for review at the time of change and recalculate per instructions for change in situation.

II. A/R'S RESPONSIBILITIES

A. Application for Benefits

1. The a/r must apply for all countable unearned income (e.g. RSDI, unemployment, retirement benefits, Veteran's Assistance, etc.) to which he may be entitled before eligibility can be determined. Accept the applicant's statement that he has applied for benefits.

   a. If the a/r chooses to waive, delay, renounce, or fails to comply with requirements to receive the unearned income, count as income the amount to which he is entitled.

   b. If the a/r fails to apply for potential benefits within the processing time standard, count the benefit the day following the processing deadline if you are able to determine the amount. If the amount of benefits cannot be determined, deny the case. Due to the fact that the Social Security Administration often schedules appointments for completing applications with a delay of as much as four to six weeks after contact by the a/r, consider the requirement to apply for Social Security benefits met when the appointment has been scheduled. Flag the case to verify that the a/r completed the application process.

      (1) If the appointment to complete the Social Security application is scheduled in the third month of the certification period or earlier, within a week of the date of the applicant's appointment to complete his Social Security application, verify that the recipient did keep his appointment and completed the application.

      (2) If the appointment to complete the Social Security application is scheduled for the fourth month of the certification period or later, verify that the individual completed his application for Social Security benefits when completing the first Medicaid redetermination.

   c. Terminate an ongoing case when the a/r states that he refuses to apply or cooperate in determining the amount of potential unearned income to which he is entitled unless the amount can be verified (e.g. - unemployment). If so, count the "phantom" benefit.

d. If the client's statement has been accepted as proof of application for benefits and benefits are not being received by the first redetermination, the recipient is responsible for proving that an application has been completed. Send a DMA-5097, Request for Information, and give the recipient 12 calendar days to provide proof. If proof is not received at the end of the 12 calendar days, send a timely notice proposing termination. Individuals who are applying for or have pending applications for potential benefits do not have stable income. Do not certify for 12 months. Refer to MA-2350, Certification and Authorization.

2. Verbally inform a budget unit member who is not a member of the assistance unit of these potential benefits. Do not pend the application or propose termination of an ongoing case if the budget unit member fails to apply.

B. Reporting Income

Inform the a/r that he must report all income he receives or to which he is entitled. Changes must be reported within ten calendar days of receipt of the changed income. The a/r may have to repay the Medicaid program for services received if he fails to report changes timely which result in ineligibility or a new or increased deductible. Refer to MA-2900, Recipient Fraud and Abuse Policy and Procedures.

C. Assistance

The a/r must assist in the determination of eligibility by supplying verification of income or providing the source of the income.

III. DOCUMENTATION

A. Income documentation is required for all cases.

B. The following must be documented:

1. A/R's statements regarding available income; include negative responses.

2. The source and type of income, and a collateral contact if one is necessary.

3. Efforts to determine employment and exploration of potential unearned income.

(III.B.)

4. Copies of correspondence and documents, forms, notification.

5. Amount and type of earned and unearned income and any operational expenses.

6. Base period used and the income available.

7. Changes which may occur in the future. Flag the case. Use special use codes which are available to flag the case.

8. Other facts, information, or dates used to support your decision.

IV. BASE PERIOD

A. Definition of Base Period

The base period is a set time for verification of income when determining eligibility for the certification period. Certain incomes have different base periods. Refer to C. below.

B. Base Period for Applications and Redeterminations

1. Applications

a. Prospective

Unless there is a change, the base period for verifying income for the certification period is the calendar month prior to the month of application. Convert income to a monthly amount. Always convert annual sources of income to a monthly amount (e.g. salaried employee on contract, rental income paid annually, etc.).

b. Retroactive

Verify actual income for the month(s) of retroactive need except for certain incomes listed in C. below and annual sources of income referenced in IV. above. Refer to MA-2370, Retroactive Coverage, regarding retroactive eligibility.

(IV.B.)

2. Redeterminations

Unless there is a change, the base period for computing income for a subsequent certification period is the calendar month prior to the month of the redetermination interview. The base period can:

a. Never be earlier than the 4th month of the current certification period, and

b. Never go beyond the first month of the certification period for which you are determining eligibility.

C. Base Period for Certain Incomes

1. The following types of income have a different base period:

a. Self-Employment - Refer to VII.

b. Rental Income Received other than Monthly - Refer to VIII.

c. Child/Spousal Support/Contributions - Refer to VIII.

d. Child care worker supplements from the Child Care Wages Project - Refer to VII.

e. Farm Income-Refer to VII.

2. Retroactive Medicaid

Always use monthly income computed from the base period (not actual income) when determining eligibility for retroactive Medicaid for these sources of income. The base period for retroactive benefits is the same as for the prospective period.

D. Verifications for Income/Operational Expenses

1. Applications

On the DMA-5097/DMA5097S, Request for Information, always request verification of the income received in the base period. Also, ask for verification of operational expenses paid during the same period.

When processing applications, always follow procedures in MA-2303, Verification Requirements for Applications.

2. Redeterminations

On the review letter, always request verification of the income received in the base period. Also ask for verification of operational expenses paid during the same period, if applicable.

3. Client Statement as Verification of Income for Applications and Redeterminations.

Only accept the applicant's statement as verification of income if:

a. The applicant or IMC cannot obtain the verification from any source, or the source refuses to provide verification or cannot be located, and

b. The statement is not questionable. Do not accept the statement if the applicant/recipient refuses or simply fails to provide the verification of income.

Example 1: The a/r provides a statement but has lost the previous month's pay stubs. The IMC contacts the employer who refuses under any circumstances to provide verification. Accept the statement of income unless questionable.

Example 2: The a/r provides a statement of income but does not provide pay stubs with the application. The IMC requests proof of income. If the a/r does not return the pay stubs and does not indicate that they are unavailable, the IMC should not approve Medicaid. This is true even if the IMC contacts the employer and he refuses to verify income.

c. Document the reason why the applicant's statement was accepted and that he has been instructed that for any subsequent applications or redeterminations he will be required to provide proof of his income.

E. Determination of Adjusted Gross Income

Upon receipt of the verified income and operational expenses:

1. Determine the average monthly gross income by adding together the total gross income received during the base period. Divide this by the number of months used in the base period. This is the average monthly gross income.

(IV.E.)

2. Determine the average monthly operational expenses by adding together the operational expenses paid during the base period. Divide this by the number of months used in the base period. This is the average monthly operational expenses.

3. Subtract the average monthly operational expense from the average monthly gross income to determine adjusted gross income. (Refer to IX. for computation). Use this amount to determine eligibility.

F. Conversions

1. Upon receipt of the verified base period income, total the income for each pay/benefit period. Divide by the number of pay periods. This is the average income.

2. Convert the average income to a gross monthly amount.

   a. If received weekly, multiply by 4.3.

   b. If received bi-weekly, multiply by 2.15.

   c. If received semi-monthly, multiply by 2.

   d. If received monthly, use the monthly gross.

   e. If salaried, and contract renewed annually, divide annual income, etc., by 12.

   EXAMPLE: Applicant receives income bi-weekly. On Sept. 7, he received $300 gross and on 9-21, he received $300 gross. $300 plus $300 = $600. Divide $600 by 2 (number of pay periods received and used). This equals $300 (average income). Convert the $300 by multiplying $300 by 2.15 = $645.00 (countable gross monthly income).

V. CHANGES AND/OR TERMINATED INCOME

A. Definition of Changes

1. Earned Income

   a. Change is defined as beginning employment, increase or decrease in rate of pay, or increase or decrease in the required number of hours worked. Beginning employment includes initial employment as well as change of job with same or different employer.

   b. Do not consider fluctuating wages or hours as a change.

2. Unearned Income

   a. Change is defined as beginning of benefits or an increase or decrease in the amount as established by the agency distributing the benefit.

   b. Do not consider fluctuating amounts as a change.

3. Certain Incomes

   a. Self-Employment/Farm Income

      Change is defined as beginning farming/self-employment or the termination of farm/self-employment income during the certification period. Address additional farm/self-employment income that occurs during the certification period at the next redetermination.

   b. Income from Rentals Received other than Monthly

      Change in rental income is defined as beginning or termination of income during the certification period. Do not consider fluctuating income as a change.

(V.A.3.)

c. Child/Spousal Support or Contributions

Change in support or contributions are defined as the beginning of an increase or decrease in court-ordered or agreed-upon support or contributions. Do not consider fluctuating support or contributions as a change.

B. Changes During Application Processing Period

1. Verification Requirements

If the a/r reports that income has changed, request verification of the changed income. Refer to MA-2303, Verification Requirements for Applications.

a. Ask for as many weeks as possible up to a period of 4 consecutive weeks at the changed amount.

b. Use the base period income up to the month in which the change occurs. If income changes during the month of application, disregard the base period income unless it has already been verified and the application can be processed. (Refer B. below).

c. Upon receipt of any of the changed income, use one of the steps below to determine the gross monthly amount.

d. Refer to MA-2340, Change In Situation, for procedures to use in computing deductible when income has changed.

2. Receipt of Less Than Full Amount of Pay/Benefit

When the applicant has received only one partial pay or benefit, follow procedures below for determining the full amount to be counted.

a. Earned Income

(1) Use pay stub/wage statement or contact the employer to determine the daily wages.

(V.B.2.a.)

(2) Multiply the daily income amount by the number of days per pay period that the applicant is expected to work. If the hours or days are irregular, use the higher amount of hours/days given by the applicant or employer to determine the income.

(3) Using the gross income from (2), convert this income to a gross monthly amount. Refer to IV for instructions. Use this amount to determine eligibility.

b. Unearned Income

If the changed income that has been received only once is a partial amount, determine the full amount of the changed income. Using the full amount, convert the income to a gross monthly amount. Use this amount to determine eligibility.

3. Receipt of Full Amount of Income

If the applicant/recipient has received one or more full paycheck/ benefit, disregard any partial pay/benefits. Use the full pay/benefit amounts to convert to monthly income.

a. Earned Income

(1) Total the gross income from each full pay period received.

(2) Divide by the number of pay periods used to determine the average income.

(3) Refer to IV. for information on converting the income.

(4) Use the converted income amount to determine eligibility.

b. Unearned Income

(1) Total the income from each full benefit/payment received.

(V.B.3.b.)

(2) Divide by the number benefit/payments received to determine the average income.

(3) Refer to IV., for information on converting the income.

(4) Use the converted income amount to determine eligibility.

EXAMPLE: Applicant applied on Sept. 10. He received a partial amount of changed income on Sept. 7 of $100 and is paid weekly. He received $200 which is the full changed benefit on Sept. 14 and Sept. 21. Exclude the $100 received on Sept. 7 in your calculation. Add the $200 received Sept. 14 and 21 together ($400). Divide $400 by 2 (number of pay periods you used to determine the total amount) = $200 (average income). Convert $200 to a monthly amount by multiplying by 4.3 = $860.00 (gross monthly income). Use this amount to determine eligibility.

4. Processing Requirements

a. If base period income results in a deductible and the change is a decrease in income, if the change is not verified, send a DMA-5097/DMA-5097S, Request for Information, requesting verification of the changed income.

(1) Upon receipt of the verification of changed income, follow conversion steps to determine monthly income.

(2) If changed income results in a reduced deductible and a DMA-5099 has previously been sent, send a revised DMA-5099 / DMA-5099S, Your Application for Medicaid is Pending for a Deductible, informing the applicant of the new deductible amount.

(3) If the revised deductible is met, authorize eligibility effective the day the deductible was met.

(4) If the changed income plus the base period income results in eligibility with no deductible, authorize eligibility effective the first day of the month of application.

(V.B.4.)

b. If the base period income results in a deductible and the changed income is an increase, send a DMA-5097/DMA-5097S requesting verification of the income. Upon receipt of verification, recalculate the deductible. If a DMA-5099 has been previously sent, send a revised DMA-5099/DMA-5099S informing the a/r of the new deductible amount effective the month of application.

c. If the base period income establishes eligibility and the change is increased income, approve the application.

(1) When sending the approval notice, also send a DMA-5097, Request for Information, to request verification of changed income. Indicate on the notice income is needed to determine continued eligibility or deductible amount.

(2) Upon verification of the changed income, convert to a gross monthly amount and recalculate the budget.

(3) If the change results in reduced benefits or increased deductible, send another timely notice informing the recipient of the change. Change the case in EIS to reflect the change effective the month after the notice expires.

(4) Refer to MA-2340, Change in Situation, for changes which occur after the application has been approved.

C. Changes Occurring During Redeterminations

1. Changes Reported at the Interview/or on Redetermination form

a. If the income changes during the base period or anytime during the month of the redetermination interview/receipt of the Redetermination form, request the changed income for a period of 4 consecutive weeks at the changed amount. However, do not wait for the 4 weeks if you can get at least one week of the changed amount.

b. Upon receipt of the changed income, use conversion steps in V. above to determine the countable monthly amount. Use this amount to determine eligibility.

(V.C.1.)

c. If the recipient provides the base period income at the same time as the changed income, use the changed income to complete the redetermination.

2. Changes after the month of the Interview/Receipt of the Redetermination Form

If the recipient reports after the month of redetermination interview/receipt of the redetermination form that the income has changed and you have received all the information necessary to complete the redetermination, including the base period income, complete the redetermination.

a. If the base period income results in a reduction of benefits or increased deductible:

(1) Send a timely notice to notify the assistance unit of the change. Send a DMA-5097, Request for Information, requesting verification of the changed income and state that it is needed to determine continued eligibility or deductible amount.

(2) Upon receipt of verification of the changed income, convert the income to a monthly amount following conversion procedures in IV.

(3) If the changed income further reduces benefits or increases the deductible amount, send another timely notice telling the recipient of the change.

(4) If the recipient does not provide verification of the changed income, send a timely notice proposing termination.

b. If the base period income results in no change in benefits, complete the redetermination.

(1) Send an approval notice, and in addition, send a DMA-5097. Request for Information, to request income verification and state income is needed to determine continued eligibility or deductible amount.

(2) Upon receipt of verification of income, convert income to a gross monthly amount following procedures in IV.

(V.C.2.b.)

(3) Recalculate the budget to determine if the change reduces benefits or causes a deductible. If so, send a timely notice of change and update case in EIS.

(4) If the recipient does not provide verification of the changed income, send a timely notice proposing termination.

3. Changes after the month of the Interview/Receipt of the Redetermination form. (Base Period Wages not Received)

If income changes after the month of the interview/receipt of the redetermination form and the information necessary to complete the redetermination is not received, send an amended DMA- 5097, Request for Information, to request the changed income, in addition to any other previously requested information. Indicate income is needed to determine continued eligibility or deductible amount.

a. Ask the recipient to provide verification of changed income along with any other previously requested information.

b. Upon receipt of verification, convert the income to a gross monthly amount following procedures in IV.

c. Authorize the case if eligible or send a timely notice if there is a change in benefits.

D. Changes Occurring During the Certification Period

1. Recipient Reports Change Timely

a. Send a DMA-5097, Request for Information, to request income verification. Indicate income verification is needed to determine continued eligibility or deductible amount.

b. Upon receipt of verification, convert the income to a gross monthly amount following procedures in IV.

(V.D.1.)

c. Use base period income to determine eligibility up to the month the first changed income was received. Send a timely notice if the change results in a deductible or lesser benefit. Send an adequate notice if benefits remain the same or continue.

2. Recipient Reports Change Late

a. Send a DMA-5097, Request for Information, to request income verification. State on the notice income verification is needed to determine continued eligibility or deductible amount.

(1) If you are able to get the actual changed income for each month, use that amount for each month. Use the most recent 4 weeks to project for the rest of the certification period.

(2) If you are unable to get the actual income for each month, attempt to get the most recent changed income.

b. Upon receipt of verification of the changed income, convert income to a gross monthly amount following procedures in IV.

c. Verify the point at which the change occurred to determine from what month to calculate if fraud/overpayment occurred.

d. Use base period income plus the changed income to determine eligibility. Refer to MA-2340, Change in Situation. Send a timely notice if there is a change in benefits or deductible.

E. Terminated Income

1. Applications

a. If income terminates and is last received prior to the month of application, do not count the income, unless retroactive benefits are requested.

b. If the income terminates and is received during the month of application

(1) Count only the income received in the month of application.

(V.E.1.b.)

(2) Do not project this income over the certification period, count a new source of income if one exists.

c. If income terminates after the month of application, count the income calculated for the base period up to the month of termination.

(1) If there is not a new source of income, count the income received in the month of termination in determining eligibility.

(2) If there is a new source of income, do not count the terminated income for the month in which income terminated. Use changed income for the entire month.

d. Treat termination of income as a change in situation. If a deductible is applicable in the case, follow procedures in MA-2340, Change In Situation, for revising the deductible due to reduction in income.

2. Redeterminations

a. If any of the income terminates and the income is last received prior to the first month of the certification period for which you are determining eligibility, do not count the income.

b. If income terminates and is received during the first month of the certification period for which you are determining eligibility:

(1) Count the income received in the first month.

(2) Do not project this income over the certification period. Count a new source of income if one exists.

c. If the income terminates in any month after the first month of the subsequent certification period, count the income calculated for the base period up to the month of termination.

(1) If there is not a new source of income, count income received in the month of termination in determining eligibility.

(V.E.2.c.)

(2) If there is a new source of income, do not count the terminated income for the month in which income terminated. Use changed income for the entire month.

d. Treat termination of income as a change in situation. If a deductible is applicable in the case, follow the procedures in MA-2340, Change In Situation, for revising the deductible due to reduction in income.

VI. NON-COUNTABLE INCOME

A. Non-Countable Earned Income

Do not count the following income:

1. Payments for supportive services or reimbursements of out of pocket expenses made to a/r volunteers under Public Law 103-82, The National And Community Service Trust Act of 1993, (NCSTA). Note: Two formerly independent agencies: the Commission on National Service and ACTION were combined to form NCSTA. Programs under NCSTA include:

   a. Volunteers in Service to America (VISTA), (now known as Americorps Vista), University Year for Action Program (UYA), Retired Senior Volunteer Program (RSVP), Foster Grandparent Program, and the Senior Companion Program.

   b. National Volunteer programs to assist small businesses and promote volunteer service by persons with business experience including Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE).

2. Foster Care Board payments equal to or below the state maximum rates for recipients who serve as foster parents.

3. Earned Income Tax Credit (EITC) whether received in advance or from a refund from the IRS are excluded for 12 calendar months beginning the month of receipt. EITC should be easily identifiable on the a/r or financially responsible person's wage stub. This applies to NC State EITC or Federal EITC. Refer to MA-2230, Financial Resources.

(VI.A.)

4. Child Tax Credits are excluded from income for 12 calendar month beginning the month of receipt. Refer to MA-2230, Financial Resources.

5. All other Federal and State tax refunds are excluded for 12 calendar months beginning the month of receipt.

6. Cafeteria Plan/Contributions and Salary Reduction Agreements

   a. A cafeteria plan is a written benefit plan offered by an employer in which all participants are employees and can choose cafeteria style from a menu of two or more qualified benefits. Examples of qualified benefits include, but are not limited to; accident and health plans, group term life insurance plans up to $50,000, dependent care and medical expense re-imbursement plans.

   b. A salary reduction agreement is an agreement between employer and employee whereby the employee, in exchange for the receipt of employer provided cafeteria plan benefits accepts a lower salary or foregoes a salary increase.

   c. When benefits are provided by an employer for the employee as a contribution or as part of a salary reduction agreement with the employee, the benefit is considered as non-countable earned income. See VII. for employee voluntary payroll deductions to purchase cafeteria plan benefits.

   d. A cash reimbursement for a cafeteria plan qualified benefit made to a participant is also non-countable income.

   e. Pay stubs that appear to show payroll deductions for cafeteria plan benefits may actually show how funds from a salary reduction agreement or contribution have been provided by the employer. Verification from the employer may be required.

7. Plan to Achieve Self-Support, (PASS), Also refer to VI. below.)

   a. The Social Security Act authorizes the exclusion of income of an individual who has a disability or is blind when the individual needs such income to fulfill an approved Plan to Achieve Self-Support (PASS).

(VI.A.7.)

b. Verify the exclusion amount by viewing the notice of approval from the SSA office. Since the PASS is issued for a specific period of time and can be amended by SSA due to changes, it should be verified at each redetermination.

8. Income from a National Emergency Grant (NEG).

9. Census Bureau wages for temporary employment related to census activities.

B. Non-Countable Unearned Income

Do not count the following unearned income:

1. Supplemental Security Income (SSI) is non-countable unearned income, except for recipients budgeted as long term care. Refer to VIII.

2. Relocation payments.

3. Benefits from Food and Nutritional Services.

4. Food grown by a member of the household. If home grown produce is sold, count as earned income.

5. Child Nutrition Act and National School Lunch Act benefits.

6. Assistance from other agencies and organizations. This includes assistance provided in cash or in kind under any governmental, civic, or charitable organization whose purpose is for rehabilitation, special training, educational opportunities, or social services. This includes:

   a. Vocational Rehabilitation (VR) incentive payments for training, education, and allowance for dependents.

   b. VR cash received for payment of personal care assistance services.

   c. VA Aid and Attendance and Unreimbursed Medical Expenses (UME).

   d. VA aid to the homebound.

   e. VA Reduced Improved Pension up to $90 received under P.L. 102-568.

   f. Work First payments.

(VI.B.)

g. Chore services under Title XX.

Count items c. and g. for homebound PLA a/r as earned income when paid directly to a chore provider/attendant who is a Medicaid a/r.

7. Dividends and interest earned on resources. If any of the dividend or interest is retained in the month after receipt, it is a countable resource. Refer to MA-2230, Financial Resources.

8. Grants, scholarships, and fellowships are amounts paid by private nonprofit agencies, the U.S. government, instrumentalities or agencies of the U.S., state and local governments, foreign governments, and private concerns to enable qualified individuals to further their education and training by scholastic or research work, etc.

   Any portion of a grant, scholarship, fellowship, or gift used for paying tuition, fees, or other necessary educational expenses at any educational institution, including vocational or technical education, is excluded from income. Any portion of 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, and excluded from resources for 9 months beginning the month after the month it was received. Refer to MA-2230, Financial Resources. This applies to undergraduate and graduate students.

9. All financial assistance received by undergraduate/graduate students for educational purposes made under Title IV of the Social Security Act, such as the Higher Education Act of 1965 (HEA) or Bureau of Indian Affairs (BIA) student assistance programs is excluded from income and resources regardless of use.

   EXAMPLES: Perkins Loans; Stafford Loans such as the National Direct (Defense) Loan; Federal Supplemental Educational Opportunity Grant (FSEOG); Pell Grants, College Work-Study Programs including PACE, NC Student Incentives Grants; Upward Bound, and Title VII of the Older Americans Act of 1965 benefits.

10. Experimental Housing Allowance Program (EHAP) benefits.

(VI.B.)

11. Bills paid by a third party for an item other than food or shelter.

12. Supportive services such as meals, medical care, stipends paid to defray expenses, child care costs paid or reimbursed, etc. made to individuals who are participating in a program authorized by Workforce Investment Act, such as the Job Training Partnership Act programs including Job Corps.

13. Housing improvement grants approved by the N.C. Commission of Indian Affairs or funds distributed per capita or held in trust for Indian tribe members under P.L. 92-254, P.L. 93-134, or P.L. 94-540.

14. Payments to Indian tribe members as permitted under P.L. 94-114.

15. Payments made by Medicare to a home renal dialysis patient as medical benefits.

16. Benefits received by an a/r as a representative payee for another individual who is incompetent or incapable of handling his affairs. Such benefits must be accounted for separate from the a/r's own income/resources.

17. Special one-time payments such as energy, weatherization assistance, disaster assistance, or Work First emergency assistance.

18. The value of the U. S. Department of Agriculture donated foods such as surplus commodities.

19. Payments made under the Alaska Native Claims Settlement Act, P.L. 92-203.

20. Any payment received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

21. Housing and Urban Development (HUD) Section 8 payments regardless of whether the payment is made to the a/r or the vendor.

22. HUD Community Development Block Grant funds received to finance the renovation of a privately owned residence.

23. Adoption assistance.

(VI.B.)

24. Title XX funds received to pay for services rendered by another individual or agency.

25. Refunds of income taxes. Any amount received as a refund of taxes paid is excluded from countable income. Refer to MA-2230, Financial Resources, for treatment as a resource.

26. Income deemed to a Work First budget unit.

27. Plan to Achieve Self-Support, (PASS) Refer to VI. for Non-Countable Earned Income)

    a. The Social Security Act authorizes the exclusion of income of an individual who has a disability or is blind when the individual needs such income to fulfill an approved Plan to Achieve Self-Support.

    b. Verify the exclusion amount by viewing the notice of approval from the SSA office. Since the PASS is issued for a specific period of time and can be amended by SSA due to changes, it should be verified at each redetermination.

28. Reimbursement for transportation expenses for use of a/r's own vehicle which is used to obtain medical care or treatment.

29. Japanese Restitution Payments

30. German Reparation Payments

31. Agent Orange Settlement Payments

32. Aleutian Restitution Payments

33. Loans and Promissory Notes

    Money received as a loan (other than educational loans) by the a/r is not countable income if there is an agreed upon timetable and plan for repayment. Refer to MA-2230, Financial Resources.

(VI.B.)

34. Lump Sum Payments

    a. Lump sum payments received from past months' benefits from SSI or RSDI are excluded from income. Refer to MA-2230, Financial Resources, for treatment as a resource.

    b. Do not count lump sums paid directly to another person outside the budget unit.

    c. Lump sum payments received as compensation for a loss of assets or the lump sum was earmarked for a specific purpose. **Example:** A/r receives an insurance settlement to replace a motor vehicle, a home, or for other catastrophic events. These payments would be disregarded from income. Refer to MA-2230, Financial Resources.

35. Reverse Mortgage Payments

    A reverse mortgage is an agreement in which a lending company makes regular payments to a homeowner during a specific period of time. The amount of payment is determined by the amount of equity the homeowner has in his home. The homeowner is allowed to remain in his home until his death or until a negotiated future date. At that time, the home is sold and the lender is repaid. Any proceeds remaining at the first of the month following receipt are a countable resource. Refer to MA-2230, Financial Resources.

36. Radiation Exposure Compensation Trust Fund Payments.

    Payments which provide compensation for injuries and deaths resulting from exposure to radiation from nuclear testing and uranium mining.

37. Payments made from any fund established as a settlement in the case of Susan Walker v. Bayer Corporation, et al. These cases involve hemophiliacs who contracted the HIV virus from contaminated blood products.

38. Department of Defense Payments to Certain Persons Interned by North Vietnam.

    Certain individuals (and their surviving spouses and children if the individuals are deceased) who were captured and interned by North Vietnam may receive payments from the Department of Defense. The amount payable for each captured individual is a one time payment of $40,000. If the individual's confinement exceeded 20 years, the payment may include an additional $2,000 per year, not to exceed $50,000. Exclude these payments as income.

39. Ricky Ray Hemophilia Relief Fund

    Payments to individuals who contacted HIV in one of the following ways:

    a. A hemophiliac who was treated with anti-hemophilic factor between July 1, 1982, and December 31, 1987; or

    b. The spouse or former spouse of the individual described in a. who contracted HIV; or

    c. A child of a person described in a. or b. who contracted HIV perinatally from his or her mother as a result of the pregnancy, delivery or breastfeeding.

40. Benefits received under Title VII of the Older Americans Act of 1965.

VII. COUNTABLE EARNED INCOME

A. Definitions

1. Regular employment – Employed on a full-or part-time basis, may be permanent or temporary; includes seasonal work.

2. Self-Employment –Working in a business enterprise or trade controlled by oneself, e.g., produce sales, farming, craft sales, babysitting in one's own home.

(VII.A.)

3. Wages/salary - Compensation paid regularly for services rendered.

4. Commissions - percentage of money made on sales and given in pay.

5. Adjusted gross income – Self employment income minus allowable operational expenses. This is the countable amount that is used when budgeting.

6. Tips - Gratuities or sums of money given voluntarily for services rendered.

B. Base Period

1. Applications

a. Prospective

(1) Unless there is a change, the base period for verifying income for the certification period is the calendar month prior to the month of application. Income is converted to a monthly amount using the conversion chart in IV.

(2) Earned incomes with a different base period will have the base period listed in IV. above.

b. Retroactive

Verify actual income for the month(s) of retroactive need except for certain incomes listed in IV.above. Refer to MA-2370, Retroactive Coverage.

2. Redeterminations

Unless there is a change, the base period for computing income for a subsequent certification period is the calendar month prior to the month of the redetermination interview. The base period can:

(VII.B.2.)

a. Never be earlier than the 4th month of the current certification period, and

b. Never go beyond the first month of the certification period for which you are determining eligibility.

C. Wages

1. Include in wages:

a. Employment earnings, countable tips, pay for seasonal work, pay received for babysitting, domestic employment, and earnings from commission sales.

b. Income received by an a/r participating in the Job Training Partnership Act (JTPA) program, including Job Corps or the National Civilian Community Corps program which is part of Americorps. This may include salaries, bonuses, student pay, living allowances, incentive payments, and stipends for service or a payment received as an alternative to an educational award.

c. Earnings from the Title V Program for adults age 55 or older (through U.S. Department of Labor).

d. Annual leave pay when subject to tax deductions.

e. Sick pay for the first six months after work stops due to disability or illness.

f. Earnings from work performed in a sheltered workshop or work activities center.

g. Employee voluntary payroll deductions to purchase cafeteria plan benefits.

Pay stubs that appear to show voluntary payroll deductions may actually show how funds from a salary reduction agreement or contributions from an employer have been provided. Verification from the employer may be required.

h. Cash received from an employer under a cafeteria plan in lieu of benefits. This is different from a reimbursement for a qualified benefit. Refer to VI. above.

i. In kind compensation or support and maintenance, (payment of bills and expenses) provided to owners of small incorporated businesses, pastors and ministers, or agriculture workers.

j. Earnings received by shareholders as employees of a corporation.

k. Count any tips received by an employee in the course of employment by any one employer if the tips total $20 or more in a calendar month.

2. Responsibility of the A/R

Unless the a/r is mentally or physically incapable or requests assistance, he must provide verification of income.

3. Applications - Refer to Section IV. above for base period.

a. If the a/r states that no member of the budget unit is employed, discuss work history for the last 6 months. Explore possibility of unemployment insurance benefits by completing an online verification inquiry with the Employment Security Commission (ESC).

b. Ask for names of former employers. Contact them for any information on current employment. Do not pend the application for the information from the former employers.

c. If the applicant or other members of the budget unit have wages, request verification using the DMA-5097, Request for Information. Refer to MA-2303, Verification Requirements for Applications, for procedure.

4. Redeterminations - Refer to Section IV. for base period.

a. Ask the recipient if he or any member of the b.u. is employed.

b. If the recipient or other members of the budget unit have wages, request verification using the DMA-5097, Request for Information. Allow 12 calendar days for the verification to be returned.

c. If verification is provided by the deadline, complete redetermination.

d. If verification is not provided by the deadline, send a timely notice to propose termination.

(2) If verification is received during the timely notice period, complete the redetermination. Send another timely notice if there is a change in benefits or deductible.

5. Verification Sources

a. Wage stubs/verification forms, or

b. Contact with current/former employers.

D. Self-Employment

1. An individual is self-employed when he is working in his own business, trade or profession rather than working for an employer.

2. To determine if the individual is self-employed, evaluate the individual's work situation. If an employer is withholding Social Security and income taxes, the individual is not self-employed. A self-employed individual generally exercises control over how the business will be conducted, not just the end product. Also a self-employed individual usually incurs operational expenses related to conducting his business or work activity.

3. The a/r or financially responsible person must be actively involved in the business operation on a day to day basis. The information reported on Internal Revenue Services form Schedule E, Supplemental Income and Loss, should be checked to determine whether the individual is actively engaged in the business. If the income is listed as Non-passive Income (#27k), the individual is actively engaged in the business. If it is listed as Passive Income (#27h), he is not actively engaged in the business.

4. Consider the following when determining the existence of a trade or business:

   a. The good faith intention of making a profit or producing income,

   b. Continuity of operations, repetition of transactions, or regularity of activities,

   c. Regular occupation,

   d. Soliciting business by advertisement, etc.

5. A single factor is not sufficient upon which to determine the existence of a trade or business.

   Example:

   Mrs. Bell reports at a redetermination that she began babysitting for her grandchild while her daughter is working. Sometimes she has the child at her home, but as a general rule, she goes to her daughter's home because the child's toys and other items are there. She does not baby-sit for anyone else. She receives about $20.00 a week from her daughter. Although some individuals are self employed as caregivers, Mrs. Bell is not advertising as a provider of daycare services, nor does she intend to produce income. Mrs. Bell is not self-employed. The money she receives for babysitting would be budgeted as wages since an employer/employee relationship exists. (This is the general rule when the child care services are performed in the home of the child's parent).

6. The following is an overview of the possible types of business arrangements encountered with a/r's who have income other than regular wages. Some, but not all of these are treated as self-employment income for Medicaid purposes.

   a. Sole Proprietorship

      (1) An individual who owns and operates his trade or business activity alone. No formal legal action is required to establish this type of activity. All profit and loss belong to the individual.

(2) Adjusted gross income is calculated by subtracting the operational expenses from the gross receipts of the business in the base period. Any salary or disbursements made to the individual from his business are disregarded in calculating adjusted self-employment income.

7. Partnership

A partnership is the association of two or more individuals in a trade or business. The countable gross earned self-employment also includes any profit or loss in a partnership. Partnerships are required by the IRS to file a Form 1065 Partnership Return of Income which shows the income and expenses of the partnership, as well as the assets and liabilities. If the partners do not file the required tax forms, they are still treated as partners for the purposes of determining countable gross self-employment income.

Self-employment also includes any distributive share (profit at the end of the year after salaries are paid), whether or not distributed, of income from a trade or business carried on by a partnership. Count profit from a partnership or corporation as distributable income even if the a/r states it is not available.

a. General – Each partner jointly owns; income received is self-employment.

b. Limited – Owned by one or more general partners and one or more limited partners. Income to a general partner is self-employment. Income to a limited partner is unearned income. (Reported on Schedule K-1 from the partnership and Schedule E on the individual tax return).

c. Limited Liability Partnership – It is like a general partnership except partners are granted limited liability. Income to a general partner is self-employment.

(VII.D.)

8. Corporations

a. A corporation is a distinct legal entity formed by individuals but having separate legal status from the individuals. The owners must file Articles of Incorporation with the Secretary of State. The Articles specify the type of corporation and the ownership agreement between the owners. Corporations are enduring legal business entities with lives that extend beyond the illness or even death of their owners.

b. An incorporated business whose stock is not publicly traded on the stock market is referred to as a "closely held corporation." This is applicable to most small incorporated businesses in which the stockholders are also working in the business. A Professional Association (PA) is a corporation. The profits of the corporation are taxable income to the corporation and not to the individual stockholders unless the profits are distributed as dividends. If the income the a/r draws from the business does not appear reasonable or sufficient to meet his living needs, explore the possibility that funds are being used from the business accounts to pay personal expenses, and if so, budget as countable unearned income.

c. Information about Corporations and Limited Liability Companies registered in North Carolina may be found at the following website: www.secretary.state.nc.us/. You will need the name of the business to access. On the home page, scroll down and select the bulleted item, "Search by Corporate Name". Enter the business name. When the next page is displayed, click on the business name to view the profile. Select "View Document Findings" to get more details.

(1) C Corporation

This is the more common type of corporation. An a/r or financially responsible person who works for a corporation for a salary is not self employed even if he is the primary stockholder in the corporation. Treat the salary as wages, and treat the distribution of profits from ownership of the corporation's stock as unearned income, unless profits are distributed as dividends.

(VII.D.8.c.)

(2) S Corporation

Some small businesses incorporate as an S Corporation. This is a special tax status, which operates the same as a partnership in that the income is taxed at the individual level and there are no corporate taxes. The income is budgeted as self employment and also includes any profit or loss of the corporation. Income from an S Corporation paid to a corporate director as fees is also budgeted as self-employment income.

(3) Limited Liability Company (LLC) Also known as Limited Liability Corporation.

(a) Limited Liability Company is a legal form of a business structure with corporation and partnership qualities. Members are protected from liabilities for acts and debts of the company, and have the tax advantages of a partnership, (no double taxation). A Limited Liability Company uses IRS Form 1065 and Schedule E, unless it chooses to be taxed as a corporation using IRS Form 8832.

(b) Limited Liability Companies can elect to be taxed as a Sole Proprietor, Partnership, Corporation, or an S-Corporation, providing much flexibility. LLC's can lose their tax advantage without the partnership structure. Treat income based on the Limited Liability Company's election.

(c) Limited Liability Companies are organized with a document called the "Article of Organization" or the "Rules of Organization." Additionally it is common to have an operating agreement privately specified by the members. See website above for verifying information about an LLC.

(VII.)

E. Verification of Self-Employment Income/Operational Expenses

1. Attempt to verify self-employment income in the following order:

   a. Use the federal income tax return from the most recent tax year or the most recent year's quarterly income tax statements if available. Do not use tax return or quarterly tax statements unless at least some of the months included on the tax return or quarterly statements are included in the base period. This is true even if the a/r states there has been no change in his average earnings. If some of the months from the base period are represented in the tax document, you may project income from the tax documents for the entire base period if the a/r states there has been no change in the business earnings. Use another source for the months in the base period in which there has been a change in earnings.

      Example: Mr. Roberts applies for Medicaid on 4/20/07. He has been self-employed as a car mechanic for the past five years. The base period for his self-employment income is 04/06-03/07. He provides his 2006 tax return documents to verify his income and states that there have been no changes in his income or expenses. The tax return from 2006 indicates yearly gross earnings of $36,000. The monthly average gross income for 04/06-03/07 is $3,000. His total allowable operational expenses from 2006 which were verified by receipts provided, total $5,100. Divide $5,100 (total yearly operational expenses) by 12 months. The average monthly operational expense is $450.00. Subtract the average monthly operational expenses from the average monthly gross income. $3,000 minus $450 equals $2,550.00. $2,550.00 is the monthly adjusted gross income to budget for the entire ongoing certification period.

   b. Business accounting records or statements from an outside accountant.

   c. Ledger books or bookkeeping records, including those maintained by the a/r or an employee, either paper or in software programs such as Quicken.

   d. Information from banks, Production Credit Associations, farm agents, suppliers, purchasers or customers of the business.

e. Signed allegation of self-employment if no other evidence can be obtained and the a/r has not been informed of the requirement to keep business records. Give the a/r the DMA-5043, Verification Form for Self Employment Income and Expenses, and explain to a/r how to use the form. At the next application or review the a/r will be required to provide self employment income records in order for eligibility to be established.

2. Base Period for Self-Employment Income – Applications and Redeterminations

The base period is the twelve months prior to the month of application or review. (Refer to a. above for using prior year tax return for base period) If a/r or financially responsible person has been self employed less than twelve months, use income from all of the months since self-employment began.

3. Base Period for Self-Employment Income -Retroactive Medicaid

Always use monthly income computed from the base period (not actual income) for a/r or financially responsible person who has self-employment income when determining eligibility for retroactive Medicaid.

4. Base Period for Operational Expenses

a. Verify operational expenses for the previous calendar year if using federal tax returns, or quarterly tax statements for base period.

b. Verify operational expenses for the twelve months or number of months individual has been self-employed prior to the application or redetermination interview (same months as used for income base period).

c. Convert operational expenses to a monthly amount.

(VII.E.)

5. Allowable Operational Expenses

a. Only deduct operational expenses which have been verified as paid and business related.

Allowable operational expenses include but are not limited to:

(1) Taxes required to operate the business (only the percentage that can be claimed as a business expense),

(2) License and permit fees,

(3) Interest portion of mortgage (principal not allowed),

(4) Rent payments,

(5) Insurance on stock, personal and real property,

(6) Labor costs and employee benefits such as Worker's Compensation and Social Security,

(7) Maintenance of real and personal property,

(8) Utility costs paid by the a/r,

(9) Products required to operate the business,

(10) Interest payments on loans for equipment, etc., necessary for producing the income,

(11) Business related transportation costs.

(12) Food costs of self-employed baby sitters provided to children that they care for in the babysitter’s own home. Use a/r's records of food costs.

6. Verification of Operational Expenses

Attempt to verify operational expenses in the following order.

a. Most recent Federal income tax return/ previous year's quarterly tax statements. The tax documents must show the itemized operational expenses being deducted.

   Some operational expenses allowed for tax deductions are not allowable for self-employment budgeting for Medicaid. Do not allow depreciation as an operational expense.

b. Business records such as ledger sheets, receipts files, accounting records, including those maintained regularly by the a/r or financially responsible person on paper or in software programs such as Quicken.

c. Information obtained from contact with suppliers, landlords, banks or purchasers of goods or services provided.

d. Signed allegation if no other evidence can be obtained and the a/r has not been informed of the requirement to keep business records. Give the a/r the DMA-5043, Verification Form for Self Employment Income and Expenses, and explain to a/r how to use the form. At the next application or review the a/r will be required to provide self employment/operational expense records in order for eligibility to be established.

7. Withdrawals for Personal Use

Be sure to ask about any cash or in-kind items the self-employed a/r or financially responsible person may have withdrawn from their business for personal use. These must not be allowed as part of the operational expenses.

When an a/r alleges (or you discover) that cash or in-kind items (e.g., food, fuel) are withdrawn from a business for personal use:

a. Ask if the withdrawals were properly accounted for. Were they deducted on tax returns or on business records in determining cost of goods sold? Accept a/r's allegation that the cost of goods sold were deducted on his business records. If they were deducted, then they were properly accounted for.

b. If they were not deducted, ask the a/r to estimate the value. Deduct this amount from operational expenses.

(VII.E.)

8. Disagreements

If records disagree, attempt to resolve the difference. If unable to resolve, use records which verify the lower income amount.

9. Calculating Adjusted Gross Self-Employment Income

a. If the a/r states there has been no change in the business earnings in the past year, budget projected income from the base period.

(1) If using the prior year federal tax return document or most recent year's quarterly tax statements, divide the total earnings from self-employment equally among the months in the tax period to determine the average monthly gross earnings from self-employment.

If not using a federal tax return or prior year's quarterly tax statements, use a/r's business records, bookkeeping records, or other verification to determine the average monthly gross income for the prior 12 months or number of months the individual has been self-employed.

(2) Subtract the allowable operational expenses paid in the months of the base period from gross income received in same months of the base period. Divide this amount by 12 or the total number of months the individual(s) was self-employed to determine the countable adjustable gross monthly income.

b. If the a/r states there has been a change in income and the method in a. above would not be accurate, apply the Gross-Net Ratio.

(1) Determine the ratio between the net profit and gross receipts for last year from a/r's federal tax return or business records (i.e., net profit of $1,200 for $6,000 gross receipts or 20%).

(2) Determine the actual gross receipts for the current taxable year thus far from the a/r's records and project it for the remainder of the year (i.e., $4,000 in current year's receipts for the first 6 months gives an assumed gross of $8,000 for the entire year).

(3) Apply the gross-net ratio (i.e., 20% of $8,000 is $1,600) to the gross receipts projected for the year to obtain an estimate of net profit.

(4) Prorate the net profit equally into the 12 months of the taxable year.

10. Projecting Partial Years Profit for Whole Year

When the b.u. is engaged in a new business, have the individual supply a profit and loss statement or other business records for the taxable year to date so a net profit can be derived. Project for the year and prorate to a monthly amount.

11. If the business is to be continued but no profit is realized due to circumstances beyond the control of the a/r. Do not consider the property value in resources.

a. Flag the case for review of income when the income begins again.

b. Discuss with the a/r his plans for meeting living expenses. Determine what income is available from other sources.

12. Business being discontinued

a. Application Processing

Show as reserve the remaining portion of the current year's total available net business income.

b. During the Certification Period

Include in reserve net proceeds still available from the dissolution of the business.

13. Net Loss from Self-Employment

A Medicaid individual, a member of a Medicaid couple, a Medicaid individual's ineligible spouse or one of two ineligible parents may incur a verified net loss during the tax year being used for base period income. Deduct the verified net loss from any other earned income in the budget, regardless of which individual incurred the loss.

a. Do not use the loss to offset other earned income until it can be accurately established (usually not prior to the close of a/r's taxable year).

Example: Mr. Tyler applies for Medicaid on 2/10/07. He has been self-employed for the past five years. He provides his federal tax return for tax year 2006. During 2006 Mr. Tyler had a net loss of $2,400. Divide his total yearly net loss by number of months in the tax year. Mr. Tyler's average monthly net loss is $200. ($2,400 divided by 12) Mr. Tyler is married and his wife is employed. He provides her base period wages from January 2007. Her monthly gross wages for January are $750. The average monthly net loss of $200 is subtracted from his wife's monthly gross wages, leaving $550 of countable gross income to budget.

b. Do not reduce total earnings below zero when deducting the net loss from other earnings.

c. Never subtract any amount of a net loss from unearned income.

F. Farm Income

Farm income is self-employment from production of crops or livestock. Income from a farm which is leased to another individual is counted as rental income.

1. Base Period - Applications and Redeterminations

The base period is 12 months prior to the month of application or review, or number of months the a/r or financially responsible person has been a self-employed farmer.

a. If earnings have been fairly constant and change is not anticipated, estimate current annual income based upon the federal tax return filed for the most recent year or most recent year's quarterly tax statements. If there are no tax records use business records for the previous 12 months to verify gross income. Subtract allowable operational expenses from gross income to determine the countable adjusted gross income.

b. If the a/r states there has not been a significant change, use gross-net ratio based upon prior year's earnings.

(VII.F.)

2. Base Period for Retroactive Medicaid

   For farm income, always use monthly countable adjusted gross income computed from the base period (not actual income) when determining eligibility for retroactive Medicaid.

3. Consider all income received from the sale of farm products such as:

   a. Crops,

   b. Livestock such as beef, poultry, etc.,

   c. Livestock products such as milk, eggs, etc

   d. Proceeds from the Soil Bank,

   e. Cash rent, or

   f. Other sources of farm income such as insurance payments for damaged crops.

4. Base Period for Operational Expenses

   a. Verify operational expenses for the previous calendar year if using federal tax return to determine income, or

   b. When using prior year's quarterly tax statements to verify earnings, use the same quarters when verifying operational expenses.

   c. Verify operational expenses for the twelve months prior to the application or redetermination interview or number of months the a/r or financially responsible person has been self-employed.

   d. Convert operational expenses to a monthly amount.

   e. Only deduct expenses which have been paid and are business related.

(VII.F.)

5. Allowable operational expenses include but are not limited to:

   a. Fertilizer, insecticides, seed, crop insurance,

   b. Livestock maintenance,

   c. Interest portion of mortgage (principal not allowed),

   d. Rent payments,

   e. Taxes on farm property or equipment,

   f. Building and equipment maintenance/insurance,

   g. Interest payments on debts or loans directly related to producing the income such as interest on loans for seed and fertilizer,

   h. Labor, or

   i. Verified costs of transportation related only to the farm operation.

6. Verification sources for income and operational expenses:

   Refer to Self-Employment in VII. above.

7. Disagreements

   If records disagree, attempt to resolve the difference. If unable to resolve, use records which verify the lower amount.

8. Computation

   a. If the a/r states there has been no change in the business earnings in the past year, budget projected income from the base period.

   b. If a federal tax return or prior year's quarterly tax statements are not available, use a/r's business records to verify base period gross income. Subtract the total allowable operational expenses paid (use same base period as used for income) from gross income received in base period. Divide by 12 (or the number of months used in base period) to determine the countable adjusted gross monthly income.

c. If the a/r states there has been a change in income and the method in a. above would not be accurate, apply the Gross-Net Ratio.

(1) Determine the ratio between the net profit and gross receipts for last year from the a/r's tax return or business records (i.e., net profit of $1,200 for $6,000 gross receipts or 20%).

(2) Determine the actual gross receipts for the current taxable year thus far from the a/r's records and project it for the remainder of the year (i.e., $4,000 in current year's receipts for the first 6 months gives an assumed gross of $8,000 for the entire year).

(3) Apply the gross-net ratio (i.e., 20% of $8,000 is $1,600) to the gross receipts projected for the year to obtain an estimate of net profit.

(4) Prorate the net profit equally into the 12 months of the taxable year.

d. Projecting Partial Years Profit for Whole Year

When the b.u. is engaged in a new business, have the individual supply a profit and loss statement or other business records for the taxable year to date so a net profit can be derived. Project for the year and prorate to a monthly amount.

9. Farm Operation Being Discontinued

a. Application

When processing the application, show as a resource the remaining portion of the current year's total available adjusted gross business income.

b. During the Certification Period

Include in reserve net proceeds still available from the dissolution of the farm business.

(VII.)

G. Tobacco Transition Payment Program (Tobacco Buyout)

1. Effective October 22, 2004, the Tobacco Transition Payment Program (TTPP) eliminated the tobacco quota or allotment system, calculating the value of lost quota and began providing compensation in the form of cash installment payments to both tobacco quota owners and tobacco quota growers. Eligible quota owners and quota growers who applied for the program receive annual installment payments over a 10 year period. Payments are distributed during the first few months of each calendar year.

2. In October 2005, after the first installment payment was made, tobacco quota owners/growers were permitted to enter into an assignment or successor-in-interest contract with an approved financial institution and receive cash payment in exchange for the balance of the annual installment payments.

3. Determine if the balance of the tobacco allotment contract can be sold to an approved financial institution for a lump sum cash payment. The list of approved financial institutions can be found at www.fsa.usda.gov.

   a. Once the balance of the allotment contract is verified as salable to an approved financial institution for a lump sum payment, the total allotment contract amount is counted as a resource to the tobacco quota grower. Refer to MA-2230, Financial Resources.

   b. When the balance of the allotment contract is verified as non-salable to an approved financial institution for a lump sum payment:

      (1) The annual payments received by the tobacco quota grower (those who rent the land) are counted as annual self-employment income in each year of receipt.

      (2) The annual payments received by the tobacco quota owner are counted as annual unearned income in each year of receipt. Refer to VIII. below.

   c. When the balance of the allotment contract has been sold to an approved financial institution by a tobacco quota grower (those who rent the land), for a lump sum payment, the lump sum payment is counted as self-employment income in the transaction year.

(VII.G.)

4. The Commodity Credit Corporation, CCC-960, "Tobacco Transaction Payment Notification of Contract Approval and Appeal Rights" does not apply the maximum discount rate to contracts with family members, transfers upon death of a tobacco quota grower or owner, individuals who entered into an assignment or successor-in-interest contract prior to 10/22/2004, and one year contracts made with "Tobacco Transaction Payment Notification of Approval and Appeal Rights" CCC approved financial institutions.

5. For an assignment contract made with a third party in exchange for other property, the property obtained is a conversion of a resource in the month the contract is completed, and becomes the new resource as of the first moment of the month following the assignment month. Refer to MA-2240, Transfer of Assets, as a sanction may apply.

6. Evaluate all assignment contracts made with other third parties for a potential transfer of asset. Refer to MA-2240, Transfer of Assets.

H. Supplemental Payments in Excess of State Maximum Rates for Foster Care Payments

Payments made to parent(s) or responsible adult(s) as foster parents that exceed the State maximum rates for Foster Care Payments must be budgeted as income. The foster parents cannot be employees of a child care facility.

1. Verify and document all foster care payments received.

2. Subtract the state maximum rate for foster care board payments from total foster care payments received.

3. If there is any excess money remaining after subtracting the state maximum rate for foster care board payments, divide that excess amount by two to determine how much income to apply to the foster parents. Divide the excess amount by the number of foster children to determine how much income to deem to each child.

(VII.)

I. Supplemental Payments made to Child Care Workers from the Child Care Wages Project

1. The Child Care Wages Project provides education-based salary supplements to low paid teachers, directors and family child care providers working with children between the ages of 0-5 years old. The Child Care Wages Project is offered statewide in North Carolina as a funding collaboration between local Smart Start Partnerships and the Division of Child Development. Currently, 63 North Carolina counties have chosen to participate in the Child Care Wages Project. The participating counties can be verified by accessing the Child Care Services Association website at www.childcareservices.org.

2. Each participant who meets the requirements for the Child Care Wages Project and remains eligible will receive a check from Child Care Services Association in the seventh month after the completion of his/her six month commitment period.

3. Once approved for the award, participants who remain in the same child care program do not need to reapply in order to receive future installments. The salary supplement is earned income. Participants will receive an IRS-1099 form at the end of the year if they received $600 or more from Child Care Services Association during the calendar year.

4. The recipients that are approved for the Child Care Wages Project will receive a letter stating their approval to participate in the project. The recipient should report this approval to participate as a change in income within ten calendar days of receipt of the approval letter. The case should be flagged to review in the month after the six month commitment period ends. Earnings cannot be budgeted until the recipient receives the first supplemental check. Since this income is received after the time period it supplements, it can only be budgeted prospectively based on the amount of the first supplement received. The six month supplemental payment is divided by six to determine the countable monthly income to budget. Refer to V. for budgeting procedures.

(VII.)

J. Royalties, (Also see VIII. FF. below)

1. Royalties include compensation paid to the owner for the use of property, usually copyrighted material (e.g., books, music, and art) or natural resources (e.g., minerals, oil, gravel or timber). Royalty compensation may be expressed as a percentage of receipts from using the property or as an amount per unit produced. Royalties are earned income when they are received:

   a. As part of a trade or business, or

   b. By an individual in connection with any publication of his/her work.

2. Verify that payments received meet the definition of royalty by examining the agreement between the parties involved or documents in the a/r or financially responsible person's possession. Some documents concerning royalty payments will provide both a gross and a net payment amount. When the difference between the gross and the net figures is due to income taxes withheld or windfall profit tax deductions, use the gross figure when determining amount of income to budget. If the agreement or documents are unclear, unavailable, or informal, contact the company or source of the payment.

3. Include in the case record copies of documents and/or information provided by the payment source including the reason the royalty is being received, amount(s) including the type of tax(es) if any, which are being deducted, and the frequency of receipt of payments.

VIII. COUNTABLE UNEARNED INCOME

A. General Information

Unearned income is all income that is not earned income (e.g., Social Security benefits, Veteran's benefits, alimony and support, annuities, in-kind support and maintenance, rentals, etc.)

(VIII.A.)

1. Explore potential benefits for each b.u. member at each application/ redetermination. Document discussion in the case record. If it appears there is a potential for benefits even though a/r denies receipt, explore the possibility.

2. Count benefits to which the a/r is entitled if he has waived, renounced, or delayed receipt and the amount of entitlement can be verified. If entitlement cannot be verified, refer to MA-2303, Verification Requirements for Applications.

3. In determining eligibility in a Private Living Arrangement, and in step one of Long Term Care budgeting, if a benefit amount is reduced to recoup an overpayment, verify and use the entitlement benefit to which the client is entitled.

   In step two of LTC budgeting, count the benefit amount the a/r is actually receiving after the recoupment of an overpayment.

4. Benefits are not available for a child when the representative payee other than the caretaker refuses to use them for the child's needs.

   a. Notify the Social Security office or other agency immediately so that a change of payee may be made.

   b. Flag the case for review in one month. A change of payee action should not take more than one or two months.

B. RSDI Benefits

1. At application and review, explore potential benefits for each b.u. member. The potential depends on the situation of children as well as the work history of parents or specified relatives. Even if the a/r denies that anyone receives the benefit, explore the possibility. The a/r is required to apply for all benefits to which he is entitled.

2. RSDI benefits increase each January based on the increase in cost-of-living.

(VIII.B.)

3. Persons who lost SSI eligibility due to receipt of Social Security may be entitled to have part or all of their Social Security benefits excluded when determining their Medicaid eligibility. This is called "passalong." When an individual is ineligible for Medicaid based on RSDI benefits or an increase in RSDI benefits, refer to MA-2110, Passalong, to evaluate for passalong eligibility.

   a. Eligibility may be based on:

      (1) Disability

      (2) Disabled workers under 65 and certain members of their families.

      (3) Persons who become disabled before reaching age 22 if an insured parent or a grandparent under certain circumstances dies or becomes entitled to retirement or disability benefits.

      (4) Disabled widows and widowers 50 or older if the disability began no later than 7 years after the death of an insured spouse or within 7 years after the end of the widow's entitlement to benefits as a parent caring for his children.

   b. Dependency or survivorship

      The dependents and survivors of disabled, dead or retired individuals who may be eligible for benefits include:

      (1) Unmarried children under 18 or up to age 19 if they are enrolled full-time in high school.

      (2) Unmarried sons and daughters 18 or over who were disabled before they reached 22 and who continue to be disabled.

(VIII.B.3.b.)

(3) A wife under 65 or widow/widower under 62 who is caring for a child that is under 16 or disabled and is entitled to benefits.

(4) A wife 62 or widow 60 or older or a disabled widow 50 or over, even if there are no children entitled to payments.

(5) A dependent husband 65 or over or widower 60 or over; or a disabled dependent widower 50 or over.

(6) Surviving dependent parents 62 or over.

(7) A worker's grandchildren if natural parents are disabled or dead and if the grandchildren are living with and are supported by the grandparent.

(8) Step-children who have lived with a stepparent for 9 months or more.

4. Verification sources

You may use the Medicare card to help establish the Social Security claim number.

a. State Online Query (SOLQ) screen 4 lists as monthly benefit credited. Refer to EIS 1107.

b. Third Party Query (TPQY). Refer to MA-2440, Automated SOLQ Procedures.

c. On-line Bendex listing. Bendex lists the entitlement amount less the Part B premium if not bought in.

(1) If the a/r is on the Buy-in (SMI Premium payer = 340), use the Bendex amount.

(2) If the a/r is not on Buy-in, (SMI - Premium payer = SELF), add the Medicare B premium amount to RSDI check amount to arrive at the RSDI entitlement amount. Use this amount to determine eligibility.

d. Award letter. However, SOLQ is preferable as benefits may have increased subsequent to the award letter.

e. Send an SSA-1610, Social Security - Public Assistance Agency Information Request and Report to your local SSA district office. Permission is not required to make this inquiry. Use as a last resort.

5. Except for 6. below, count the monthly RSDI entitlement amount for each budget unit member when:

a. The benefit amount is reduced to recoup an overpayment, or

b. The a/r is not yet on the State Buy-in.

Note: The a/r can file a hardship case with SSA to request waiving or lowering a recoupment amount. Also, until the month the a/r is eligible to be added to the State Medicare Buy-In, count the Medicare premium toward deductible expenses or as an unmet medical need.

6. Count the RSDI amount actually received in step two of LTC budgeting.

C. Supplemental Security Income (SSI)

SSI is only countable income to a recipient who is budgeted as long term care.

1. Only count the $30 SSI maintenance payments made to a/r's in long term care, regardless of the amount of the SSI payment.

2. Verification sources.

a. On-line SDX listing. The SDX reflects the benefit amount of the current month.

b. Third Party Query (TPQY).

c. Award letter. However, TPQY is preferable as benefits may have increased subsequent to the award letter.

(VIII.C.2.)

d. SSA-1610, Social Security - Public Assistance Information Request and Report. Send to SSA district office.

e. Copy of the check.

D. Veteran's Benefits

At application and review, explore potential benefits for each budget unit member. Even if the a/r denies that anyone receives the benefit, explore the possibility. Refer to www.ncveterans.com and click on US Veterans Benefits Admin. to locate information regarding types of VA benefits and requirements for pension and compensation. To locate Veterans Service Officers in your county, click Veterans Service Officers on the right.

The veteran or survivor must file an application with the VA to establish or apply for entitlement amounts to increased benefits (improved pension, aid and attendance, or homebound rating). VA benefits increase at different times based on the increase in cost-of-living.

1. Potential eligibles include:

   a. Disabled individuals with disabilities incurred or aggravated by military service and the spouse or dependents of such individuals.

   b. Permanently and totally disabled veterans including veterans age 65 or older who have sufficient wartime service. The surviving spouse may be eligible for pension also.

   c. Surviving spouse and dependent children of veterans who die in service or who died of a service connected disability.

   d. Parents of a veteran who died in service or of a service connected disability when the veteran has no other surviving dependents.

2. Appointment of NC Division of Veteran's Affairs as a/r's representative

   The Division of Veteran's Affairs (DVA) assists veterans and their families in obtaining Veteran's Benefits. DVA is working with DMA to make sure all a/r's and financially responsible individuals receive the maximum veteran's benefits to which they are entitled. In order to aid this task, DVA may be appointed as a "Claimant's Representative" by the veteran or family member signing VA form 21-22, Appointment of Veterans Service Organization as Claimant's Representative. The signed VA form 21-22 also enables DVA to verify veteran's benefits for dss.

(VIII.D.2.)

Take the following actions:

a. Obtain a copy of VA form 21-22, Appointment of Veterans Service Organization as Claimant's Representative from the VA website: http://www.vba.va.gov/pubs/forms/VBA-21-22-ARE.pdf) and fill in the following blocks:

   (1) In block 1, writer the name of veteran

   (2) In block 2, write the VA file number (if available)

   (3) In block 3A, write "North Carolina Division of Veterans Affairs"

   (4) In block 3B, write "Veterans Service Officer"

   (5) In block 4, write the Social Security Number of the veteran

   (6) In block 7, write the name of the claimant (a/r)

   (7) In block 8, write the address of the claimant (a/r)

   (8) In block 12, write the date of the appointment (must be the same as the date signed in block 16)

   (9) Have the a/r sign in block 15. **VA will not accept the signature of a POA.** If the a/r is incapable of signing, the a/r's "X" is acceptable if witnessed by any two individuals. The witnesses must sign their names next to the "X."

   (10) In block 16, write the date signed (must be the same as the date of appointment in block 12)

b. Contact a/r's identified as being potentially eligible for veteran's benefits (see D.1. above) using cover letter DMA-5026 and VA form 21-22, Appointment of Veterans Service Organization as Claimant's Representative. Cover letter DMA-5026 informs the a/r that he must either sign VA form 21-22 or provide proof that he has applied for veteran's benefits within 12 days.

c. If the a/r chooses to sign the VA 21-22, Appointment of Veterans Service Organization as Claimant's Representative, fax the signed form to the DVA District Service Officer identified in 2d. below.

d. Determine the appropriate DVA District Service Officer.

(1) Go to the NCDVA web site www.ncveterans.com.

(2) Click on the link to the left labeled "veterans service officers."

(3) Click on the county where the individual for whom you are verifying benefits resides.

(4) The page that opens provides the District Number. **Do not contact the individuals listed on this page.** Use the drop down box labeled "North Carolina District Service Officers" and locate the appropriate District Number. Click on the "Go" button. The page that opens provides the appropriate District Officer's name and contact information. (see example in VIII.D.3.i. below)

3. Verification of benefits through DVA:

a. Fill out the top portion of the DMA-5027, Verification of Veteran's Benefits,

If you do not have the VA claim number, leave that space blank. There is a space in the DVA portion of the DMA-5027, Verification of Veteran's Benefits, for DVA to supply the VA claim number if not provided by the county.

b. Determine the appropriate DVA District Service Officer.

c. Go to the NCDVA web site www.ncveterans.com.

d. Click on the link to the left labeled "veterans service officers."

e. Click on the county where the individual for whom you are verifying benefits resides.

f. The page that opens provides the District Number. **Do not contact the individuals listed on this page.** Use the drop down box labeled "North Carolina District Service Officers" and locate the appropriate District Number. Click on the "Go" button. The page that opens provides the appropriate District Officer's name and contact information.

g Fax the DMA-5027, Verification of Veteran's Benefits to the District Service Officer identified in 2. f. above.

h. When DMA-5027, Verification of Veteran's Benefits, is returned by fax, complete the lower portion of the form to determine the amount of the veteran's benefit that is countable income.

i. Follow up questions should be addressed to the individual from DVA who completed the DMA-5027, Verification of Veteran's Benefits.

Example: Applicant is a veteran who lives in Alamance County. Go to the DVA web site and click on the "veterans service officers by county" link. Click on "Alamance County" and see that it is in District 7. Locate "District 7" in the drop down menu and click on "Go." The page that opens shows the name, title, telephone number, fax number, e-mail address, etc. for the District Service Officer for Alamance.

4. Other verification methods (the following methods of verification may not give an accurate picture of countable income)

a. Award letter. However, a general increase may have occurred since the date of the award letter,

or

b. Current check

5. Budgeting

a. Count the monthly VA benefit entitlement for the budget unit member unless:

(1) The a/r is a student who is receiving VA benefits to pay for tuition, fees, or other necessary educational expenses;

(2) The VA payment is Aid and Attendance and/or Unreimbursed Medical Expenses; this does not apply to veterans who reside in a North Carolina State Veterans Nursing Home. Refer to MA-2270, Long Term Care Need and Budgeting; or

(3) The VA payment is the Reduced Improved Pension up to $90 received under P.L. 102-568.

(VIII.D.5)

b. Aid and Attendance (A&A)

(1) Aid and Attendance benefits are only issued to veterans or the spouse of veterans. The Adult Helpless Child allowance is not the same as Aid and Attendance and is countable unearned income.

(2) Need for aid and attendance is considered to exist when the veteran is so nearly helpless that he cannot care for himself without the services of another person. VA recipients who receive aid and attendance are entitled to higher VA income limitations or additional VA benefits, depending on the type of pension received. Aid and attendance can be received by:

(a) A VA recipient who is a patient in a nursing home, who is otherwise determined by VA to be in need of the regular aid and attendance of another person; or

(b) A VA recipient who is permanently housebound (unable to leave his home) due to his condition, who is otherwise determined by VA to be in need of the regular aid and attendance of another person.

c. Unreimbursed Medical Expenses (UME)

Reimbursement from VA for medical bills that the veteran has paid. This can be a lump-sum payment or included in monthly benefits.

d. Reduced Improved Pension

An institutionalized veteran or a surviving spouse of a veteran may choose to have his Improved Pension reduced to $90 or less under P.L. 102-568.

e. Contact VA to verify amounts for A&A, UME, educational benefits, and Reduced Improved Pension. You may contact the school directly for educational benefits.

(1) Exclude the amount for A&A and/or UME, educational benefits, and/or Reduced Improved Pension from VA benefits in both private living and long term care budgeting except for veterans who reside in North Carolina State Veterans Nursing Homes. Refer to MA-2270, Long Term Care Need and Budgeting.

(2) Veterans may receive A&A, UME, and/or Reduced Improved Pension included in their pension checks. Remember to determine amount and exclude from countable income.

6. Contact VA to verify the type of VA benefit received. Remember that the VA benefit is subject to change, so re-verify the benefit amount at every application and redetermination

a. Pension: **DO NOT DEEM VA PENSION IN PLA BUDGETING** (Refer to MA-2260, Financial Eligibility Requirements-Private Living Arrangement). Veterans Pension, except Reduced Improved Pension, is countable unearned income to the individual in either PLA or LTC.

(1) In PLA budgeting, do not give the $20.00 general exclusion to an individual who has VA pension unless he has other sources of income (e.g., Social Security).

(2) In Step II of long term care budgeting do not give the $20.00 general exclusion to any unearned income. Allow only a personal needs allowance (PNA). (Refer to MA-2270, Long Term Care Need and Budgeting for PNA).

b. Compensation: Countable unearned income to the individual. (The $20 general exclusion may be applied).

If the a/r is a veteran receiving compensation because his disability is service-connected, his VA payment will be based on his percentage of disability. An individual who is in a nursing home is considered to have a 100% disability. (An individual can be classified as disabled with as little as a 10% disability. Therefore, disability determination by VA does not meet disability requirements for Medicaid purposes). Compensation to a disabled veteran is not reduced by other income.

c. Parent Disability and Indemnity Compensation, DIC:

(1) Countable unearned income to the parent. The $20 general exclusion may be applied.

(2) If a/r's adult child died in service or died of a service-connected disability, the a/r may be eligible for Disability and Indemnity Compensation (DIC). The amount of the VA payment may be reduced by his other income if he is in a private living arrangement. However, if he is in a nursing home, he should be eligible for the maximum payment.

(VIII.D.6.)

d. Surviving Dependent DIC:

(1) Countable unearned income to the individual. (The $20 general exclusion may be applied)

(2) If the a/r is the surviving spouse of a veteran who died in service or died of a service-connected disability, the VA benefit amount will be based on the veteran's rank at the time of death or discharge. (Disability Indemnity Compensation to a surviving spouse or child is not reduced by other income.)

E. Railroad Retirement Benefits

At application and review, explore potential benefits for each budget unit member. Even if the a/r denies that anyone receives the benefit, explore the possibility.
The potential for Railroad Retirement Benefits is based on the railroad work history. If the a/r denies receipt of benefits but his Social Security number begins with a 7, he may have been employed by the railroad.
Railroad Retirement Benefits (RRB) information may be requested by letter. Provide the applicant's name and social security number or railroad retirement claim number.

Mail written requests to:

Quorum Business Park
7508 E. Independence Blvd., Suite 120
Charlotte, NC 28228-9409
Telephone (877) 772-5772
Fax (704) 344-6429

The **a/r or financially responsible person** may also access the Railroad Retirement Benefits information from the website at: www.rrb.gov.

1. Verification sources

   a. Use the award letter. However, a general increase may have occurred since the date of the award letter.
   b. Examine a current check.

   c. The client's Railroad Retirement (RRB) suspension notice is verification of suspended payments.

2. Count the gross monthly Railroad Retirement benefit for each budget unit member.

3. Benefits increased because of a dependent child are income to the RR beneficiary, not the child.

4. Survivor benefits paid to or for a child is income to the child.

F. Annuities, Pensions and Retirement Benefits

At application and review, explore potential benefits for each budget unit member. Annuities are paid yearly or at specified intervals. They may be purchased from an insurance company or by an employer for services rendered.

Explore the work history of the adults in the b.u. regarding pensions paid by a former employer, insurance company, or other public/private agency.

If receipt of benefits is denied but there is a record of several years service in a particular organization and retirement in the past six months, contact the employer to determine benefit potential. Benefits also may be provided by a labor union or a fraternal organization.

1. Verification sources

a. Annuities

Contact the insurance company or employer.

b. Pensions

Contact the payer of the benefit.

c. Retirement

(1) Contact the payer of the benefit.

(2) For a retired employee receiving U.S. Civil Service or Federal Employee Retirement System payments because of disability, retirement, or death, do not use a check alone to verify the amount of the payment, because the check is not reliable evidence of the gross amount. Use notices or other documents in the a/r's possession, or contact the Office of Personnel Management toll free at (888) 767-6738 or send written inquiries to:

Office of Personnel Management
Retirement Operations Center
PO Box 45
Boyers, PA 16017

2. Count the gross entitlement amount as income to the entitled retiree or individual survivor, even when additional monies for other family members are included in the payment.

G. Worker's Compensation

Definition - Benefits resulting from loss of employment due to injury on the job.

At application and review, explore potential benefits for each budget unit member. If receipt of Worker's Compensation is denied but disability/incapacitation occurred during employment, contact the employer to determine eligibility for Worker's Compensation.

1. Verification sources

   a. Contact the employer.

   b. Current check.

   c. Award letter. However, an increase may have occurred since the date of the award letter.

2. The countable amount is the gross amount less expenses incurred in obtaining the income or which are necessary for entitlement (such as attorney fees, court costs, filing fees, birth or death certificate fees, and medical fees for exams). You may accept applicant's statement of expenses.

(VIII.G. 2)

Example: Jessie Snow received a Worker's Compensation award of $3,250. However, in pursuing her claim, she incurred $100 in medical fees and $900 in attorney fees. Deduct the total amount of the legal and medical fees from the $3,250 that is awarded to Ms. Snow. The balance of $2,250 is the amount of her Worker's Compensation income that is countable.

Do not deduct expenses if they have already been taken out of the Worker's Compensation award received by the individual.

3. Count as a lump sum if benefits are received as a one-time payment.

4. If benefits will be received on a weekly/monthly basis count the monthly amount received:

   a. If expenses have not previously been deducted, convert the expenses to a monthly amount based upon the anticipated number of weeks/months of Worker's Compensation.

   b. Deduct expenses from the monthly benefit amount to obtain monthly countable income.

H. Unemployment Insurance Benefits (UIB)

Definition - Income received by an individual as compensation for loss of employment due to layoff, suspension, or firing. It may include additional amounts paid by unions or employers. At application and review, explore the potential benefits for each budget unit member.

1. Verification sources

   a. On-line ESC inquiry.

   b. Award letter. However, a general increase may have occurred since the date of the award letter.

   c. Current check.

2. Convert UI benefits to a monthly amount. Use this amount to determine eligibility. Flag the case to recalculate the budget when benefits end, if known.

(VIII. H.)

3. See MA-2430, Automated Inquiry and Match Procedures, to determine when to complete an ESC/UI on-line inquiry and on whom. At redetermination, an inquiry is not required for a.u. members as they will be included in the quarterly paper match. Refer to 8. below. An inquiry is also not required at redetermination for individuals in a nursing home, retirees or under age 16.

4. Even though you must complete inquiries on all budget unit members, you cannot require a person not included in the assistance unit to apply for benefits. You can inform the budget unit member of these potential benefits. However, you cannot pend the application or terminate an ongoing case if the budget unit member does not apply.

5. Except for assistance unit members listed in 7. below, the assistance unit member must apply for UI when you find in the on-line UI inquiry that:

   a. The assistance unit member is "monetarily eligible;" and
   b. There is no "File Date" or the "File Date" is earlier than the 12 months prior to the month of application.

6. If the "File Date" is within the 12 months prior to the month of application, do not refer the applicant to ESC. Do not count the amount of UI as income to the assistance unit member unless you verify he actually receives this income.

7. Even if the following assistance unit members are shown as monetarily eligible in the ESC/UI Inquiry, do not refer those who are:

   a. Employed 30 hours or more per week; or

   b. Disabled or has applied for disability and determination is pending; or

   c. Institutionalized; or

   d. Incapacitated for 30 days or more as evidenced by a hospital stay, doctor's statement, or receipt of disability checks; or

   e. Pregnant. Evidence proving the pregnancy must be provided.

   f. Retired and no longer available for work.

8. Application

   When you determine an assistance unit member is required to apply for UI, take the following action:

(VIII.H.8.)

a. Send a DMA-5097/5097S. Refer to MA-2303, Verification Requirements For Applications.

(1) Notify the assistance unit member that he is required to apply for unemployment benefits.

(2) Tell the applicant that he must report the date he applies for unemployment benefits as well as the receipt of the benefits.

b. Verify the application for unemployment benefits by completing an on-line UI inquiry. Refer to the EIS Manual, for instructions.

(1) If the applicant has not applied for UIB by the 45th day, count the "phantom" benefits beginning with the 46th day.

(2) If the applicant has applied for UI but has not received any benefits, process the application. Do not count any UI income until it is actually available. Flag the case to review for future receipt of benefits.

(3) If the applicant has applied for and has begun receiving UI, determine the monthly UI amount to count. Process the application using this amount.

(4) If the applicant waives, renounces his right to, or fails to comply with the requirements to receive UI, count the phantom benefits (i.e. "WBA" on the on-line UI screen.) effective with the month of application.

9. Ongoing Cases

a. Quarterly ESC/UI Match

Upon receipt of the quarterly ESC/UI Match, review the report to determine if any of your recipients are listed.

(VIII.H.9.a.)

(1) If so, complete on-line inquiry to determine “File Date.”

(2) When the "File Date" is within the 12 months prior to the first month of the next certification period, no referral to ESC is needed.

b. When you determine a recipient is required to apply for UI, take the following action:

(1) Notify the recipient that he is required to apply for unemployment benefits.

(a) Tell the recipient that he must report the date he applies for UIB as well as the receipt of the benefits.

(b) Follow the appropriate timeframes.

(2) Verify the recipient's application for unemployment benefits by completing an on-line UI inquiry. Refer to the EIS Manual, Vol. 1, 1106 for instructions.

(a) If the recipient fails to apply for UI by the deadline date, count the "phantom" benefit if it can be verified. If not, send a timely notice. On the timely notice, explain that termination is for failure to apply for all benefits to which he may be entitled.

(b) If the recipient applies for UI by the deadline but has not begun receiving benefits, continue eligibility.

1) Inform the recipient of his responsibility to notify the caseworker within 10 calendar days once entitlement for the benefit is determined.

2) Flag the case for review to determine if entitlement is established or the recipient is receiving UI.

(c) If the recipient applies for and begins receiving UI by the deadline set, determine the monthly UI amount to count. Complete the redetermination.

(d) If the recipient waives, renounces his rights to, or fails to comply with requirements to receive UI benefits, count the phantom benefits (i.e. "WBA" on the on-line UI screen) when determining his eligibility.

I. Private Disability or Unemployment Benefits

1. Definition - Benefits paid by private insurance plans for persons incapacitated/unemployed.

2. At application and review, explore the potential benefits for each budget unit member. If receipt of benefits is denied, but the a/r is disabled and has a history of employment, contact the employer to determine benefit potential/amount and duration.

   a. Verification sources:

      (1) Contact the payer of the benefit.

      (2) Current check or award letter. However, an increase may have occurred since the date of the letter.

   b. Count the gross monthly benefit amount received by each budget unit member.

J. Sick Pay

Payment made to an employee by an employer or a private third party for sickness or accident disability.

1. Count any payments for sickness and accident disability which continues for more than <u>6 months</u> after work stopped because of sickness or disability, or sick pay which is paid from the employee's own contributions.

2. Payments during the first 6 months are earned income unless paid from the employee's own contributions.

3. Verification sources

(VIII.J.3.)

a. Contact the employer.

b. Current check.

4. Count the gross monthly amount of sick pay for each budget unit member.

K. Trade Readjustment Benefits

Definition - Benefits for persons who have lost their job because of imports and the federal government has approved their petition for assistance. Persons can only receive this assistance after other unemployment sources have been exhausted. These benefits are not shown on the ESC/UI inquiry.

At application and review, explore the potential benefits for each budget unit member.

1. Verification sources

a. Contact ESC.

b. Current check.

c. Award letter. However, an increase may have occurred since the date of the letter.

2. Count the gross monthly Trade Readjustment Benefit for each budget unit member.

L. Work Release Funds

1. Definition - Funds to dependents from a prisoner employed under the Department of Correction Work Release Program.

2. At application and review, explore the potential benefits for each budget unit member, particularly if a child's parent is in prison.

a. Verification sources

(1) Check county department of social services' records.

(2) On-line Department of Correction inquiry. Refer to the EIS Manual.

(VIII.L.2.)

b. Count the gross amount of work release for each budget unit member. If some dependents are not budget unit members, divide the amount of the check equally between the dependents, (i.e. assign a share to each dependent).

3. Use the EIS Automated Referral System to notify the child support enforcement staff (IV-D) that the assistance unit is receiving work release funds. Any court order for support has to be amended due to work release funds. If there was no court order, the local child support staff may find it appropriate to pursue court action.

4. Upon receipt of a DC-190, Work Release Action Form, the county director must designate who is responsible for contacting a prisoner's dependents whether known to the agency or not to determine their needs. The designee must contact the prisoner's dependents.

a. The prisoner's dependents may include:

(1) Spouse,

(2) Dependent children,

(3) Parents of the prisoner,

(4) Parents of the prisoner's spouse,

(5) Other relatives for whom the prisoner has assumed responsibility in the past.

b. Report to prison officials any legal dependents not previously acknowledged. Do not consider as dependents:

(1) Remarried spouses, or

(2) The parent of the dependent children if the parents were never married.

c. Determine the dependent's need for work release funds. Disregard any other income or resources available to the dependents.

(VIII.L.4.c.)

To determine the needs:

(1) Use the amount for monthly needs specified below for the number of dependents, and

(2) Add to this number for the dependents monthly payments on health and life insurance, medical expenses not covered by Medicaid, school lunches, expenses for college, vocational or technical courses not being met by loans, scholarships, grants, etc.

Number of Dependents	Monthly Needs
1	$362
2	472
3	544
4	594
5	648
6	698
7	746
8	772
9	812
10	860
11	896
12	946
13	992
14	1,042

For each additional dependent, add: $50

(3) Notify the Department of Correction within 2 weeks.

(4) Return two DSS-1664's with a copy of the court order if there is a valid order which indicates a specific amount to be paid for the support of some of the dependents claimed by the prisoner. Failure to return the court order can delay payment.

(5) Return one DSS-1664 with a copy of the court order if the order specifies support is to be paid through the county.

(VIII.)

M. Income from Trust Funds

At application and review, explore the potential benefits for each budget unit member.

1. Verification sources

   a. Examine the trust fund documents.

   b. Contact the executor or administrator of the trust fund. This may be:

      (1) A family relative,

      (2) The Clerk of Court,

      (3) A lawyer, or

      (4) The trust department of a local bank.

   c. Contact the lawyer who handled the legal aspects of the trust funds.

   d. Contact the local office of the Internal Revenue Service as all trust funds must be reported. A signed release statement is required.

2. Refer to MA-2230, Financial Resources, for guidelines for evaluating trusts for income and resources.

3. Count the income from trusts received by Medicaid a/r or financially responsible person.

N. Educational Loans, Grants and Scholarships

1. If a budget unit member receives any educational loans, grants, or scholarships administered by any source other than under the Higher Education Act of 1965 (HEA) or Bureau of Indian Affairs, (BIA) and an amount is designated for room and board expenses (maintenance), count this designated amount as unearned income. These items may be listed as "Living Costs" on the document.

(VIII.N.)

2. Any portion of 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. Exclude from resources for 9 months beginning the month after the month it was received. See MA-2230 Financial Resources. (This applies to undergraduate as well as graduate students).

3. Verification source - Contact the provider in writing or by telephone.

   a. Verify if the assistance is received yearly or on a basis other than yearly.

4. Determine how much of the educational grant, loan, or scholarship to budget.

   a. If the educational loan, grant, or scholarship (other than HEA or BIA) is received on a yearly basis:

      (1) Subtract the allowable yearly expenses of tuition, books, fees, equipment, special clothing needs, required school insurance, and child care services necessary for school attendance.

      (2) Determine if the remainder will be used for future educational expenses and if so, it is excluded income. If not, count as unearned income.

   b. If the educational loan, grant, or scholarship (other than HEA or BIA) is received on a basis other than yearly:

      (1) Subtract the allowable expenses of tuition, books, fees, equipment, special clothing needs, required school insurance and child care services necessary for school attendance for the same number of months the loan, grant, or scholarship covers.

      (2) Determine if the remainder will be used for future educational expenses and if so it is excluded income. If not, divide the remainder by the number of months it is intended to cover to determine a monthly amount. Use this amount as countable monthly unearned income.

c. If the a/r or financially responsible person receives financial educational assistance under HEA or BIA and another form of educational grant, loan or scholarship, subtract the allowable educational expenses from the other educational assistance prior to subtracting from assistance received under HEA or BIA.

O. Brown Lung Benefits

Definition - Payments made to persons disabled by lung disease resulting from exposure to raw cotton dust.

1. At application and review, explore potential benefits for each budget unit member. If there has been textile work explore the possibility, particularly if lung ailments exist. Count the gross benefit for each budget unit member.

2. Verification sources

a. Contact the Industrial Commission, Department of Economic and Community Development. The Commission is housed in the Department of Commerce at 430 N. Salisbury Street, Raleigh, N.C. 27611. Include a/r's file number, name of former employer, and the date of the accident. Attach a signed consent for release of information.

b. Award letter. However, an increase may have occurred since the date of the letter.

c. Current check.

P. Black Lung Benefits

Definition - Payments to a disabled worker, dependents, or survivors, usually as the result of working in a coal mine.

At application and review, explore potential benefits for each budget unit member. If there has been coal mining work and the a/r has a lung ailment explore the possibility.

1. Verification sources

a. Contact the U.S. Department of Labor, Black Lung District Office, 500 Springdale Plaza, Spring St., Mt. Sterling, Kentucky, 40353 for checks dated the 15th of the month. Attach a signed consent for release of information, or

(VIII.P.1.)

b. Contact your local Social Security District Office for checks paid the first week of the month.

c. Current check.

d. Award letter. However, an increase may have occurred since the date of the award letter.

2. Count the gross amount of monthly Black Lung Benefits for each budget unit member.

Q. Military Allotments

Benefits received by dependents of military personnel. Explore benefits if the spouse/parent of the a/r is in the military.

1. Verification sources:
Attach a signed, valid consent form for release of information.

a. Copy of the check or a current bank statement showing a direct deposit.

b. Award letter. However, an increase may have occurred since the date of the letter.

c. The **a/r or financially responsible person** may also, while still in the office and by using the public computers, if available, access the military allotment pay table and a copy of the service members Leave and Earnings statements from the website at, http://www.dfas.mil/militarypay.html by clicking on “myPay,” "Military Pay Tables” or other appropriate links on this site depending on the information needed.

To access immediate allotment information by computer or by telephone, to request a mailed allotment statement, the a/r or financially responsible person would need his password and the following information:

(1) The allotment amount.
(2) The social security number of the active/retired service member

(3) The six or nine digit financial institution company code where the allotment is direct deposited or the address where the allotment is being mailed.

d. The military allotment verification contact telephone number for a member in the Army Reserves is 1-877-462-7782. For the Army National Guard, the number is 1-877-276-4729. The **a/r or financially responsible person** may call to request a copy of a military allotment. The county caseworker may call for a current address to submit allotment verification requests. Attach a signed valid consent form for release of information

e. Caseworkers may contact the military payment information center for current addresses by calling 1-888-332-7411.

R. Lump Sum Payment

Definition - A one-time payment, not expected to recur, that is received by a member of the budget unit. This includes personal injury awards. It does not include the receipt of earned income received on a yearly basis such as farm or rental income.

1. Count a lump sum payment as income when:

   a. Payment was received in a month included in a request for retroactive coverage for medical expenses.

   b. Payment was received in the month of application for ongoing coverage or in any month prior to approval of the case.

   c. Payment was received prior to authorization of a case in deductible status.

2. Do not count a lump sum as income when:

   a. It is paid directly to another person outside the budget unit.

   b. The payment is for past months' benefits from SSI or RSDI. Disregard these as income. (Refer to MA-2230, Financial Resources)

   c. Payment was received as compensation for loss of assets or a lump sum was earmarked for a specific purpose. For example, the a/r receives an insurance settlement to replace a motor vehicle, a home, or for other catastrophic events.

(VIII.R.)

3. Verification sources

   a. Provider of benefit.

   b. Copy of check.

   c. Award letter.

4. Applications

   a. Retroactive Period

      Count the lump sum payment as income for the retroactive certification period during which it is received.

   b. Prospective Period

      Calculate the deductible when the lump sum is received at any time during the application process:

      (1) Upon receipt of the lump sum, add the lump sum to the other countable income.

      (2) Use this total income to determine a deductible for the assistance unit.

5. Ongoing Cases

   While a lump sum payment would be income for an authorized case in the month of receipt, benefits received prior to receipt of a lump sum payment cannot be reduced. Therefore, treat lump sum payments to authorized cases as reserve in the month following receipt. Refer to MA-2230, Financial Resources.

S. Child Support and Alimony

Child support is a payment made by a child's absent parent which is available to meet the child's basic needs. It may be paid voluntarily, under a court order or enforced in compliance with a State agreement under title IV-D.

(VIII.S.)

1. Child Support

   a. Child support paid for a child by an absent parent is income to the child. (See VIII. S. 2 below for arrearages paid for a child over age 18).

      (1) Exclude one-third of the child support received by an ABD Medicaid child, or

      (2) Exclude one-third of the value of child support received as in-kind support and maintenance.

   b. If a financially responsible person makes court ordered or IV-D child support payments to a child outside of the home, exclude these payments from the deeming process.

   c. Do not exclude the amount of support payments made to a child outside the home when determining countable income for the non-custodial parent who is the a/r.

2. Child Support Arrearages Paid For A Child Over Age 18

   Child Support arrearages paid for a child over age 18 is income to the custodial parent/relative/guardian.

3. Alimony

   Alimony is a court-ordered payment by a spouse (or former spouse) received by an a/r, or financially responsible person.

   a. The entire amount of alimony received is countable unearned income to an a/r and is also countable for deeming purposes if received by a financially responsible person.

   b. Do not exclude the amount of alimony paid out from income.

4. Base Period

   a. Applications

      The base period is the 6 calendar months prior to the month of application or number of months receiving if less than 6 calendar months.
      Use income from base period (not actual) when determining eligibility for retroactive Medicaid benefits.

(VIII.S.3.)

b. Redeterminations

The base period is the:

(1) The base period is the 6 calendar months prior to the month of redetermination.

(2) If a/r or financially responsible person has been receiving the benefit for less than 6 months, use the number of months receiving.

5. Verification sources

a. Clerk of Court (if the caretaker receives the support from that office).

b. Access verification through the Online Verification System (OLV) or the Child Support Automated Collection and Tracking System (ACTS).

c. Signed statement from spouse or ex-spouse when the caretaker receives the support directly from him.

d. Provisions of the separation agreement/divorce decree.

6. Disagreements

If a/r's statement and the available records disagree, try to resolve the difference. If you are unable to resolve the difference, use the lower amount.

7. Count as support any income received from a spouse. This includes money sent through the State Child Support Enforcement Section in the base period month.

8. Verify the support for six months.

9. If support began/changed in the past 6 month period, project an average based upon the number of months available.

(VIII.)

T. Loans and Promissory Notes

Money received by the a/r as a repayment for a loan is countable unearned income.

1. When the loan is an excluded resource to the a/r or financially responsible person, count as unearned income the payments received by the a/r.

2. When the loan is a countable resource to the a/r or financially responsible person, do not count payments received as income.

3. Money received as a loan (other than educational loans) by the a/r is not countable income if there is an agreed upon timetable and plan for repayment. Refer to MA-2230, Financial Resources. Obtain a written statement from the parties involved if there is no formal loan agreement.

U. Deemed Income from Institutionalized Spouse

1. Count income deemed from an institutionalized spouse to the a/r who is the community spouse.

2. Count income deemed from an institutionalized spouse to the a/r who is a dependent family member.

V. Living Needs Benefits

A living needs benefit is a provision that allows a terminally ill person (or in some cases, individuals permanently confined to a medical institution) to receive all or part of the proceeds of his life insurance policy while living. Depending on circumstances, these payments can be received either as a lump sum or on an ongoing basis.

1. If an a/r has a life insurance policy which allows him to receive his death benefit while living and he meets the insurance company's requirements for receiving the proceeds, he will **not** be required to file for such proceeds.

2. If an a/r does file for and receive the proceeds, count the payment as income in the month received. Any portion remaining in the following month will be considered an available resource.

3. If payment is received on an ongoing basis verify the amount and count as a monthly benefit.

(VIII.V.)

4. If payment is received as a lump sum:

   a. If received in the base period month, disregard as income for the prospective period.

   b. If received in the month of application, prior to approval of the case, or prior to authorization of a case in deductible status, count as income.

   c. Count the actual amount of payment if received in a month in which there is a request for retroactive coverage.

   d. If received in a month after applicant is authorized, do not count as income. Any portion remaining in the month following receipt is a countable resource.

5. Verification source – Contact the insurance company who is administering the policy.

W. Rental Income

Rental payment which an a/r receives for the use of real or personal property, such as land, housing or machinery is counted as unearned income to the a/r.

1. How to Count Rental Income

   a. Unearned Income

      Count rental income as unearned income if the a/r rents property, machinery, rooms, etc. and rental is not done as a business.

   b. Earned Income

      Count rental income as self-employment if the a/r has a property rental business, rental service, etc.

2. Determination of Net Rental Income

   Adjusted gross rental income is gross rent less allowable operational expenses paid in the base period. Use adjusted gross rental income in the 6% test when determining if property is income producing for reserve purposes. Refer to MA-2230, Financial Resources.

(VIII.W.)

3. Verification Sources of Rental Income and Operational Expenses

   a. A/R's business records.

   b. A/R's IRS tax statement.

   c. Renter's statements or receipts. Obtain a signed rental statement at application and every redetermination.

   d. Information available from the banks or real estate agents.

4. Base Period for Rental Income Received other than Monthly

   Use the following base period for computing rental income received other than monthly:

   a. Applications

      (1) The base period is the prior calendar year's income as listed on tax records or up to 12 months income from current business records prior to the month of application or review if there are no tax records.

      (2) Number of months operating the business or rental property if less than 12 calendar months.

   b. Retroactive Medicaid

      Always use monthly income computed from the base period (not actual income) when determining eligibility for retroactive Medicaid.

   c. Redeterminations

      (1) The base period is the prior year's income as listed on tax records, or up to 12 months income from current business records prior to the month of interview or review if there are no tax records, or

      (2) 12 calendar months which must end with the first month of the subsequent certification period, or

      (3) If the number of months is less than 12 use the actual number of months the recipient has been in business.

(VIII.W.)

5. Base Period for Rental Income Received Monthly

The base period for regular monthly rental income is the calendar month prior to the month of application or review.

6. Determining Net Rental Income

a. Determine net rental income for each parcel of real property that is identified by the local tax office as being a separate parcel. Calculate net countable monthly income for each parcel. Then combine to arrive at total net countable monthly income.

If property is listed as one parcel, combine all income and operational expenses from different income producing activities into one net rental income for that parcel.

b. Determine the net annual rental income amount produced by the rental property. **DO NOT ROUND ANY AMOUNTS!**

(1) Calculate gross annual rental income:

(a) If receiving the same amount monthly, then multiply this amount by 12 months (i.e., monthly amount X 12 months = gross annual rental income).

(b) If receiving other than monthly, then multiply this amount by the number of times received in a 12 month period (i.e., If received quarterly, multiply by 4 quarters = gross annual rental income).

(2) Calculate gross annual allowable operational expenses.

(a) Deduct predictable expenses **paid by the a/r** which are necessary for the production or collection of rental income. These expenses include but are not limited to the following:

(VIII.W.6.b.(2).(a))

1) The interest portion of a mortgage payment,
2) Property taxes
3) Insurance,
4) Maintenance,
5) Utility costs paid by the a/r,
6) Labor costs,
7) Real estate agent's fees,
8) Sales taxes,
9) Advertising for tenants,
10) Verified transportation costs related to rental property operation.
11) Interest payments on loans for equipment necessary to produce the rental income.

(b) **Unexpected expenses** are unanticipated expenses that are necessary for the collection of rental income and must be paid from rental income (e.g., repairs to an appliance or minor corrections to an existing structure). When an a/r reports an unexpected expense that must be paid from the rental income, treat as a change in situation.

1) Verify whether the expense is an operational expense (necessary for the collection of rental income) vs. a capital expenditure (increases the value of the property). Only operational expenses are allowable deductions.

2) If the expense is an allowable operational expense, recalculate net countable monthly rental income to determine deductible (PLA) or Patient Monthly Liability (PML) for Long Term Care.

(i) An operational expense can only be deducted when the rental income is used to meet the expense. Never use other income to offset an operational expense. The net rental income can never be less than $0.
(ii) Deduct from the net countable monthly rental income the total expense or if paying in installments, deduct the monthly amount.

(VIII.W.6.b.(2)(b))

(iii) If the expense cannot be paid in one month, divide the expense over the number of months in the installment plan or the number of months necessary to allow for total recoupment. The months required may extend into the next certification period.

(iv) It is allowable to not meet the 6% income test while the unexpected expense is being deducted from net countable monthly rental income. Flag case to recalculate deductible or PML in the month that the expense is expected to be used up.

3) For PLA, when the change in net rental income results in a decrease in countable income, follow adequate notice requirements.

4) For LTC cases, change PML for future months in accordance with EIS reporting requirements and follow notice requirements.

5) Follow instructions in MA-2230, Financial Resources, at review, to use only predictable operational expenses in the base period for the 6% test. Do not use unexpected operational expenses for the 6% test.

(c) Regardless of whether rental income is received monthly or other than monthly:

1) Verify operational expenses for the previous calendar year based on expenses on the tax form if using tax statements to determine income, or

2) Verify operational expenses for the twelve months base period to the application or redetermination interview for a business if using business records.

(VIII.W.6.b(2))

(d) Non-allowable Expenses

Do not deduct the following expenses from rental income:

1) Operational expenses not paid by the a/r from the income received. If expenses are paid by a third party then do not allow as operational expenses unless a/r reimburses the payee.

2) The principal portion of a mortgage payment. (The principal is deducted from the tax value as an encumbrance in reserve.

3) A capital expenditure. This is an expense for an addition to or increase in the value of the property and is subject to depreciation for tax purposes (i.e. principal portion of mortgage payment, additions to existing structure, remodeling).

4) The property depreciation amount claimed as a federal income tax deduction.

5) Replacement of an existing feature of the property which could have been repaired (e.g., furnace could be repaired but is replaced with new heating system).

6) Replacement of an existing feature of the property which could not be repaired with one that is not of comparable value (e.g., replacement of shingle roof with brick tile roof) which results in improvement and increases the value of the property.

(3) Calculate adjusted gross annual rental income by subtracting allowable annual operational expenses from gross annual rental income.

(VIII.W.6.b.)

(4) Determine countable adjusted gross monthly rental income by dividing by 12 months.

EXAMPLE

monthly gross rent		$	450	
property taxes per year		$	350	
insurance per year		$	300	
other expenses per month		$	100	
$450 X 12 = $5,400		$	5,400	
	-	$	350	taxes
	-	$	300	insurance
$100 X 12 = $1,220	-	$	1,220	other expenses
	=	$	3,550	
$3,550 divided by 12	=	$	295.83	adjusted gross countable monthly rental income

DO NOT ROUND, use entire amount in monthly budget.

NOTE: If an unexpected expense is reported, then subtract the expense from the countable adjusted gross monthly rental income.

c. Explain to the a/r that net countable monthly rental income amount received must be included as countable income for PLA. If a/r is institutionalized then income is countable in determining PML. Also explain to a/r that it is his responsibility to assure that required PML amount is paid to the facility.

X. Roomer/Boarder Income

Roomer/Boarder income is a form of rental income in which an individual pays an amount (usually weekly or monthly) to the head of household in return for room and/or board in the household. When an a/r receives income from an individual for whom he has no financial responsibility, always evaluate the living arrangement to determine whether it is a roomer/boarder situation as opposed to a shared household.

(VIII.X.)

Refer to MA-2261, One Third Reduction, to determine criteria for a shared household and whether 1/3 reduction is applicable.

1. Verify the amount paid by the roomer/boarder(s). If variable, obtain a monthly average for the base period.

2. Refer to Rental Income above to determine base period and allowable and non-allowable operational expenses.

3. Verify monthly operational expenses.

   a. If rent does not include food, food costs are an unallowable operational expense. If the rent includes food, verify food costs by receipts or statement of a/r.

   b. Determine the number of rooms in the house. Exclude bathrooms and any rooms such as attics, basement, or garages unless they have been converted into living quarters.

   c. Divide total operational expenses by the total number of rooms.

4. Determine countable income.

   a. Multiply the average operational expense per room obtained in 3.c. above by the number of rooms rented.

   b. The resulting amount is deducted from the rent to determine net countable income.

      Example – Roomer/Boarder rents one room in a 5 room house for $100.00 per month. Total operational expenses are $200.00 per month. $200.00/5 = $40.00. $100.00 - 40.00 = $60.00 per month countable income.

Y. Contributions

1. Cash

   Always count contributions given in cash on a regular basis to meet a/r's needs.

When individuals live together and share household expenses such as one paying rent or utilities and one buying food, there is no cash contribution.

2. In-Kind

Refer to In-Kind Income below to count contributions of food and shelter. Do not count items other than food or shelter (e.g., medical supplies, pampers).

3. Verification Source

Contributor's statement.

4. Base Period

a. Verify the contribution amount for the past six months.

b. If contributions began/changed in the past six month period, project an average based upon the number of months available.

Z. In-Kind Income

In-kind income is support and maintenance in the form of food or shelter (including utilities, heating fuel and property taxes).

1. When an individual or couple lives in the household of another, determine whether to use the full income limit (maintenance amount) or the 1/3 reduced income level. (Refer to MA-2261, 1/3 Reduction)

a. If 1/3 reduction income limit is used, do not count in-kind income.

b. If full income limit is used, count contributions of food or shelter given to the individual or couple as in-kind income.

2. Determining Countable In-Kind Income

If a Medicaid individual/couple receives food or shelter:

a. Verify the income by contacting the provider of the food or shelter. Obtain from the provider a written statement of the value.

b. If the amount of in-kind income varies, obtain an average for the past six months.

c. Do not count items other than food or shelter (e.g., payment of phone bill, medicine, pampers or other supplies). Shelter includes rent, mortgage payment, utilities, fuel, and property taxes.

d. Never count more in-kind income than 1/3 of the current SSI amount (individual or couple) plus $20.00. This is the maximum value you would count for in-kind support and maintenance. Less can be counted based on the actual amount verified of the value of in-kind support and maintenance.

AA. Severance Pay

Severance pay is extra pay given to an employee by his former employer when the employee is dismissed through no fault of his own. Count gross when considering severance pay.

1. Severance pay may be paid out in one of the following ways:

   a. In one payment, treat as a lump sum payment. Refer to VIII.

   b. In a series of payments, treat as income received on a regular basis: monthly, weekly, etc. Refer to IV. for base period instructions.

2. If the severance pay has ended, treat it as terminated income. Refer to V.

3. Verify the amount and payment schedule by:

   a. Seeing the check stub,

   b. Seeing wage verification form, or

   c. Contacting the former employer.

(VIII.)

BB. Gaming Proceeds for Eastern Band of Cherokee Nation

Members of the Eastern Band of Cherokee Indians receive a distribution of profits as permitted under P.L. 98-64 from gaming operations on their reservations. Payments are made semi-annually in June and December. The receipt of a per capita payment or an increase in the amount of the per capita payment is not considered a change. A change in per capita payment is defined as a change in the frequency of the receipt of the per capita payment.

1. Applications

   a. Count the per capita payment as unearned income for the month it is received. Count the payment when determining the first month of eligibility only.

   b. If there is any remaining income after the month of receipt, count in reserve.

2. Ongoing

   a. Count the per capita payment as unearned income for the month it is received. Because of the timely notice required, the payment will not affect the ongoing case as income.

   b. If there is any remaining income after the month of receipt, count in reserve.

3. Payments to minors or incompetent adults are paid into trust funds administered by the tribe or fiscal agent. The trust funds are accessible only upon petition to the tribe, and if approved they are limited to medical or educational purposes.

   a. Payments made directly into a trust are not counted.

   b. Payments made to parents/guardians are countable when determining the child's eligibility. Refer to VIII. for treatment of income from trusts.

(VIII.BB.)

4. Verification

   a. Obtain a copy of the check, or

   b. Obtain a copy of the award letter.

   c. Contact the source at the following address;

      Eastern Band of Cherokee Indians
      Post Office Box 455
      Cherokee, North Carolina 28719
      (828) 497-7040

5. Refusal to Receive Per Capita Payments

   Tribal members may refuse to accept the per capita payment by signing a waiver.

   a. Verify the tribal member's refusal to receive the payment by obtaining a copy of the waiver.

   b. If the tribal member signs the waiver before distribution of the payment, do not count the per capita payment.

   c. For LTC budgeting, if an applicant/recipient refuses a per capita payment, consider as a transfer of assets.

CC. Indemnity Policy Payments

Indemnity policies are insurance policies that pay a flat rate benefit without regard to the actual charges or expenses incurred. These payments are not restricted to the payment of a medical service and can be used as the a/r decides. Request verification from the a/r and if questionable, contact the insurance carrier to determine the amount received. These payments are budgeted as unearned income in the month of receipt regardless of how used.

(VIII.)

DD. Long Term Care Insurance

If the insurance company makes payments, directly to the individual, count payments as unearned income. If the insurance company makes payment directly to the nursing facility, it is considered a third party payment. Refer to MA-2400, Third Party Recovery.

Copies of checks or a statement from the insurance company are acceptable forms of verification.

EE. Gambling Winnings, Lottery Winnings and Other Prizes

1. Definition

Gambling winnings, lottery winnings and prizes are generally things won in a game of chance, lottery or contest. Count these winnings as unearned income. Do not subtract gambling losses from gambling winnings in determining an individual's countable income. If an individual has a choice between an in-kind item and cash, count the cash offered as unearned income. This is true even if the individual chooses the in-kind item and regardless of the value of the in-kind item.

2. Verification

a. If a recipient receives winnings or prizes use documentation that the individual has in his possession to verify the income. If there is not sufficient documentation to verify the income, obtain a signed statement from the individual regarding:

(1) The date the item was received,

(2) Type of item received,

(3) Individual's estimate of the value of the item if not cash; and

(4) Source of the item

b. Accept an individual's signed estimate of the value of the item or actual value if cash, unless you have reason to doubt the estimate. If you doubt the estimate, determine the item's current market value with an independent source. Determine the nature of the item and apply the appropriate instructions pertaining to income.

FF. Royalties (Also see VII. J. above)

1. Definition

Royalties include compensation paid to the owner for the use of property, usually copyrighted material (e.g., books, music, and art) or natural resources (e.g., minerals, oil, gravel or timber). Royalty compensation may be expressed as a percentage of receipts from using the property or as an amount per unit produced.

2. An **outright sale** of natural resources by the owner of the land or by the owner of the rights to use of the land constitutes a conversion of a resource. Proceeds from a conversion of a resource are not income.

To be considered royalties, payments for the use of natural resources must be received:

a. Under a formal or informal agreement whereby the owner authorizes another individual to manage and extract a product (timber or oil) and

b. In an amount that is dependent on the amount of the product actually extracted.

3. Royalties are unearned income unless they are received as part of a trade or business, or received by an individual in connection with any publication of his/her work.

(VIII.FF.)

4. Verification

   a. Verify that payments received meet the definition of royalty by examining the agreement between the parties involved or documents in the a/r or financially responsible person's possession. Some documents concerning royalty payments will provide both a gross and a net payment amount. When the difference between the gross and the net figures is due to income taxes withheld or windfall profit tax deductions, use the gross figure when determining amount of income to budget. When the difference between the gross and net figures represents a production or severance tax, use the net figure when determining the amount of income to budget. If the agreement or documents are unclear, unavailable, or informal, contact the company or source of the payment.

   b. Include in the case record copies of documents and/or information provided by the payment source including the reason the royalty is being received, amount(s) (including the type of tax(es) if any, which are being deducted, and the frequency of receipt of payments.

GG. Tobacco Transition Payment Program, (Tobacco Buyout)

1. Eligible tobacco quota owners and tobacco quota growers who applied for the program receive annual installment payments over a 10 year period. Payments are distributed during the first few months of each calendar year.

2. In October 2005, after the first installment payment was made, tobacco quota owners/growers were permitted to enter into an assignment or successor-in-interest contract with an approved financial institution and receive cash payment in exchange for the balance of the annual installment payments.

3. If a/r or financially responsible person is receiving yearly allotment payments, determine if the balance of the tobacco allotment contract can be sold to an approved financial institution for a lump sum cash payment. The list of approved financial institutions can be found at www.fsa.usda.gov.

4. When the balance of the allotment contract owned by the tobacco quota owner is verified as non-salable to an approved financial institution for a lump sum payment, the annual payments will be counted as unearned income in the year of receipt. Refer to VII. above, and VIII. below for further information regarding Tobacco Transition Payment Program allotment payments.

(VIII.GG.)

5. The Commodity Credit Corporation, CCC-960, "Tobacco Transaction Payment Notification of Contract approval and Appeal Rights" does not apply the maximum discount rate to contracts with family members, transfers upon death of a tobacco quota grower or owner, individuals who entered into an assignment or successor-in-interest contract prior to 10/22/2004, and one year contracts made with "Tobacco Transaction Payment Notification of Approval and Appeal Rights" CCC approved financial institutions.

6. For an assignment contract made with a third party in exchange for other property, the property obtained is a conversion of a resource in the month the contract is completed, and becomes the new resource as of the first moment of the month following the assignment month.

7. Evaluate all assignment successor-in-interest contracts made in 5. and 6.. above for a potential transfer of asset sanction. Refer to MA-2240, Transfer of Assets.

HH. Pigford/Brewington vs. Glickman Settlement

This is a settlement for black farmers who were discriminated against when applying for farm loans. Taxes may be withheld by the government. Since this is a one-time payment, refer to VI. B. 34, above for treatment as a lump sum payment.

IX. COMPUTATION

A. Computation Outline

The following steps are in the required order for income computation.

1. Unearned Income

   a. Verify countable unearned income.

   b. Evaluate for Infrequent or Irregular Income Exclusion ($60.00 unearned income). Refer to IX. below.

   c. Social Security Passalong a/r's who were former SSI recipients terminated due to initial entitlement to Social Security benefits or cost of living increases are allowed income disregards specific to their coverage group. Refer to MA-2110, Passalong, for instructions.

   d. Subtract the $20.00 General Income Deduction. Do not give the $20.00 deduction to an individual whose only income is VA Pension. (The General Income Deduction does not apply to STEP II LTC Budgeting).

(IX.A.)

2. Earned Income

Never reduce total earned income below zero.

a. Compute countable adjusted gross self-employment/farm income. (Total self-employment income minus allowable operational expenses equals countable adjusted gross income.)

b. Add income or subtract any self-employment losses from any other earned income.

c. Evaluate for Infrequent/Irregular Income Exclusion ($30.00 earned income). Refer to IX.B. below.

d. Subtract any remainder of the $20.00 exclusion from earned income.

e. Subtract Student Earned Income Exclusion if applicable: (PLA Only). Refer to IX.D. below.

f. Subtract Earned Income Exclusion if applicable: (Does not apply to STEP II in LTC Budgeting) Refer to IX.E. below.

g. Deduct Work Expense Exclusion for the Blind if applicable. Refer to IX.F. below.

h. Deduct any Impairment-Related Work Expense Exclusion (IRWE) for the Disabled. Refer to IX.G. below.

3. Follow procedures in MA-2260, Financial Eligibility Regulations for budgeting earned and unearned income and applying financially responsible person's income.

(IX.)

B. Infrequent/Irregular Income Exclusion

1. Infrequent Income

Income that is received by the a/r or financially responsible person only once during a calendar quarter from a single source, and the a/r or financially responsible person did not receive it in the month immediately prior to that month or in the month immediately after that month, regardless of whether or not these payments occur in different calendar quarters.

2. Irregular Income

Income is considered to be received irregularly if the a/r or financially responsible person cannot reasonably expect to receive it.

3. Single Source of Income

a. A single source of earned income is an employer, a trade, or a business. A single source of unearned income is an individual, a household, an organization or an investment. Examples of a single source of unearned income are as follows:

(1) A household in which an a/r lives is a single source even if the household composition changes due to a move by the a/r or by other household members.

(2) An organization is the Federal Government, a single state or local government, a business or corporation, a charitable agency, or a similar entity which provides the a/r or financially responsible person with income.

(3) An investment is a single financial account, life insurance policy, rental property, or any resource providing a return to its owner. Two separate accounts, even if with a single financial institution, are two different investments.

b. When income (except child support payments) of the a/r or a financially responsible person meets the definition of Infrequent **or** Irregular, an exclusion can be applied. Apply the exclusion to the first income that was received that meets the definition of infrequent or irregular. The exclusion is $30.00 for earned income, and $60.00 for unearned income. Only one exclusion for each, earned and unearned, may be applied per budget unit. Subtract the exclusion before adding the infrequent/irregular income to any other income.

C. $20 Per Month General Income Exclusion

The General Income Deduction does not apply to STEP II LTC Budgeting.

1. Deduct the first $20 per month of any unearned income except for VA pension.

2. If there is not enough unearned income to use all the $20, deduct any remainder of the $20 from earned income.

3. Allow only one $20 deduction per case when both spouses are applicants/recipients or income is deemed.

D. Student Earned Income Exclusion

The earned income exclusion for a student applies to each a/r, and/or financially responsible person who regularly attends school, college, university, or a course of vocational or technical training to prepare the student for gainful employment. This exclusion helps finance and encourages school attendance. Some uncommon examples which may qualify for this exclusion are individuals participating in National Civilian Community Corps under Americorps and Job Corps under the Workforce Investment Act.

1. Regular attendance is defined as:

   a. College or University – student must attend at least eight hours a week under a semester or quarter system.

   b. Students in grades 7-12 must attend at least twelve hours a week.

c. Course of Vocational or Technical Training – student must attend training for at least fifteen hours a week if training involves shop practice. Twelve hours per week if it does not involve shop practice.

d. Home schooling for grades 7-12 if under the home school law of the state or other jurisdiction in which they reside.

2. Consider a student to be regularly attending school in months when he is not attending because of vacation, illness, convalescence, or family emergency if he plans to return to school. Document the record.

3. The amount of the student earned income exclusion is adjusted each year by the cost of living adjustment (COLA) that is used to adjust the SSI Federal Benefit rate. Effective January 1, 2009, exclude up to $1,640 per month but, no more than $6,600 total for the year of 2009, of the countable earned income of an eligible student.

4. To qualify for this exclusion, the a/r or financially responsible person must be a student under age 22.

5. Use the following guidelines to apply the exclusion.

a. Compute income in base period. Subtract the exclusion from the student's earned income to determine countable monthly income. If more than one individual in the budget unit qualifies for this exclusion, apply the entire allowable amount of the student earned income exclusion to the budget unit.

b. Apply the exclusion to months in which the a/r, ineligible spouse, or ineligible parent has earned income until the exclusion is exhausted, the individual is no longer a student, ceases to be employed or no longer is part of the budget unit.

E. Earned Income Exclusion

(Does not apply to STEP II in LTC Budgeting)

1. Subtract the $65.00 Earned Income Exclusion.

(IX.E.)

2. If applicable, deduct:

   a. Impairment-Related Work Expenses (IRWE) for the disabled if applicable. (Refer to IX.G. below.) or

   b. Work Expenses for the blind. (Refer to IX. below.)

3. Subtract 1/2 of the remainder.

4. Allow only one earned income exclusion from total earned income when both spouses are applicants/recipients or income is deemed.

NOTE: Be sure to apply the impairment related work expense deduction (IRWE) or work expenses for the bind deduction to HCWD if applicable. See MA-2250, Income, IX. F.and IX.G.

F. Work Expense Exclusion for the Blind

1. Exclude the monthly earned income of a blind person which is used to meet any expenses attributable to earning the income if the blind a/r is:

   Under age 65, or

   a. Age 65 or older and received SSI and/or Medicaid in the month prior to attaining age 65, and

   b. Meets the SSI definition of blindness.

2. After deducting operational expenses, the $20.00 general income deduction and the earned income deduction.

   Deductions from earned income include but are not limited to:

   a. Drugs, medical services, and medical devices (not paid by Medicaid or third party insurance).

   b. Seeing eye dog and associated costs.

   c. Work related equipment such as special tools, vision or sensory aids, clothing or shoes required for the job.

d. Income taxes.

e. Structural modifications to an individual's home to create a work space or allow the individual to get to and from work.

f. Special training (e.g., Braille, cane travel, use of special equipment).

g. Mandatory pension contributions (i.e. for retirement or disability).

h. Prosthesis.

i. Transportation.

3. Non-allowable deductions

a. In-kind payments.

b. Expenses which will be reimbursed.

c. Items that the a/r requires in order to work which are furnished by a third party.

d. Expenses deducted in determining net countable earned income.

NOTE: The Work Expense Exclusion for the Blind may be applicable to HCWD cases. See MA-2180.

G. Impairment-Related Work Expense Exclusion (IRWE) for the Disabled

IRWE are expenses for items or services which enable a person with a disability to work. The expense is incurred by the a/r because of a physical or mental impairment. These expenses can be excluded from the a/r's earned income when certain conditions are met.

1. IRWE applies to the earned income of an a/r who is:

a. Disabled, and;

b. Is under 65, and;

c. Is employed.

(IX.G.)

2. IRWE can be given to the a/r when:

   a. The severity of the impairment requires the a/r to purchase or rent or use items and services in order to work, and

   b. The expense is reasonable. "Reasonable" is the standard charge for the item or service in the person's community, and

   c. The cost is paid by the a/r and is not reimbursable from another source (i.e., Medicaid, Medicare, private insurance), and

   d. The a/r made payment for item/services in a month that:

      (1) He worked and received income for working and obtained item/services, or

      (2) The a/r worked and received the item/service before receiving a paycheck.

3. Verification of IRWE

   Before excluding IRWE from earned income, verify the need and the payment for the item/service.

   Ask the a/r the following questions to determine whether he has the need for an impairment-related item or service.

   a Does the a/r's physical limitation require him or her to have assistance (items or services) in order to work?

   b. Does the alleged expense meet the definition of IRWE (i.e., is it determined to be attendant care services, durable medical equipment, prostheses, other equipment, similar items and services, or routine drugs or routine medical services necessary for the control of the disabling condition)?

   c. Does the expense pertain to the impaired individual (not to another person)?

(IX.G. 3)

Ask the following questions for the proof of payment:

a. Did the payment pertain to an item that was used or service that was used in the month in which the individual was working?

b. Was the expense paid by the impaired individual's funds?

4. Does the impairment(s) which reportedly requires the individual to use a particular item or service, correlate with the established medical basis of disability?

a. To verify the need of the item/service, request that the a/r provide a statement for the need of the item/service for himself.

b. To verify payment for the item/service, request that the a/r provide copies of cancelled check(s) or paid receipts. Exclude the basic cost of the item/service as IRWE. Refer to IX. for instructions on subtracting earned income exclusion.

(1) If the cost is unknown to the agency or it appears to be unreasonable, contact a provider of that item/service.

(2) Ask the provider for basic cost of the item/service. Use basic cost amount.

(3) If the a/r provides receipts for recurring items/services paid for one week, convert that amount to a monthly amount and allow the monthly amount.

4. In the base period for applications and redeterminations, use IRWE expenses paid for the last 12 months to determine the IRWE deduction.

a. At application and redetermination, verify the IRWE expenses the a/r paid for in the past 12 months or for the number of months the a/r paid the expense if less than 12 months.

(IX.G. 4.)

b. Get an average of the IRWE the a/r paid. Convert the IRWE to a monthly amount and subtract from a/r's total income. For one time expense refer to VIII. for unexpected expenses in rental income. See IX. above for earned income deductions.

Example: A/R applies for Medicaid in July. He began working in January. From January through June, the a/r has paid a total of $840 for transportation to and from work. The amount of IRWE is computed by dividing the total amount by the number of months covered ($840.00 divided by 6 = $140.00 per month.) $140.00 is subtracted from a/r's gross monthly earnings.

5. The following items/services can be used for IRWE. The items/services that can be excluded are not limited to this list.

a. Attendant care services.

b. Drugs and medical services not covered by Medicaid which are essential to enable the individual to work.

c. Expendable medical supplies not covered by Medicaid such as bandages, catheters, face mask.

d. Dog guide.

e. Medical devices such as braces, inhalers, pacemakers, respirators, wheelchair and the repair of that item.

f. Physical Therapy.

g. Prosthetic devices required to work and the maintenance and repair of these devices.

h. Structural modifications to a/r's home to create a work space or to allow the a/r to get to and from work.

i. Training such as braille, cane travel, use of special equipment. Training does not include general education courses.

j. Other work-related equipment/services such as one handed typewriters, special tools, typing aids.

k. Transportation to and from work.

(IX. G. 5)

l. Vehicle modification.

NOTE: IRWE may be applicable to HCWD cases. See MA-2180.

X. APPEAL REVERSALS

A. Applications

If you reopen an application due to an appeal or administrative decision, you must:

1. Review the case record to determine if you verified the income from the base period during the first application, and

2. Contact the a/r to determine if there has been a change in income.

   a. If you have the income from the base period and there has been no change, use this income to project for the certification period.

   b. If you do not have the income from the base period, obtain and use the actual income received in the first month of the certification period. Project this income for the entire certification period.

   c. If there has been a change in income, obtain and use the income from the base period up to the month of change. Verify the changed income from the month of change. Get 4 consecutive weeks of the changed income. Follow procedures in MA-2340, Change in Situation.

B. Redeterminations

If you reopen a terminated case due to an appeal or administrative decision, you must:

1. Request actual income for the first month in which you must re-establish eligibility, and

2. Contact the recipient to determine if there has been a change since that month.

   a. If you have the income and there has been no change, use this income to project for the rest of the certification period.

   b. If there has been a change, use the income from the first month up to the month of change. Verify the change. Follow the procedures in MA-2340, Change in Situation.