MA-3300 INCOME
REVISED 02/01/08 - CHANGE NO. 03-08

I. INTRODUCTION

This section provides policy rules, regulations, and procedures to aid the caseworker in determining Medicaid eligibility in all Family and Children's Medicaid programs and categories. To determine eligibility, calculate countable income that is anticipated to be available to the budget unit in the certification period.

II. REQUIREMENTS

A. Consider income as available to the budget unit member when:

1. It is determined to be available based upon base period projections or verification of benefits received, or
2. The budget unit member or someone acting on his behalf has the legal ability to make a sum available for support and maintenance.

B. Refer to X. and XI. to determine what types of income are counted.

C. Refer to IV. through VII. for the base periods for counting income.

D. Refer to MA-3305, M-AF, M-IC, H-SF Budgeting, MA-3310, MPW Budgeting, and MA-3325, Long Term Care Budgeting, to determine whose income to count.

III. APPLICANT/RECIPIENT'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. If the a/r refuses or fails to cooperate in determining the amount of potential unearned income to which he is entitled, deny the application.

   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 application.

(III.A.1.b.)

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 or must contact the a/r with an appointment time, consider the requirement to apply for Social Security benefits met when the appointment has been scheduled or the a/r provides proof that an appointment will be scheduled by SSA at a future date. 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 kept 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 or client never reported that he received an appointment with SSA 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.

2. Budget Unit Members

Even though you must complete inquiries on all budget unit members, you cannot require a person not included in the assistance unit to provide a Social Security number or apply for benefits. Verbally inform the budget unit member of these potential benefits. However, do not pend or deny the application or propose termination of an ongoing case if the budget unit member fails to apply.

B. Reporting Income

Changes in earned income must be reported by the applicant/recipient within 10 calendar days of beginning the changed employment or earnings. Changes in unearned income must be reported within 10 calendar days of receipt of the changed income. Refer to V.C. for the definition of change.

(III.B.)

Changes in income do not affect eligibility for MPW during the postpartum period. Children are entitled to continuous eligibility in MIC and NC Health Choice and changes in income do not affect their eligibility. If the recipient reports a change in an MPW or MIC/NC Health Choice case, note the change in the record.

C. Income Verification Requests and Client Responsibility to Supply Information

1. Applications

On the DMA-5097, always request the actual, countable income received in the base period as specified for each aid program/category in IV.-VII. Also ask for operational expenses for self-employment income, paid during the same period, if applicable.

2. Redeterminations

For MIC and NC Health Choice reviews, a reenrollment form is mailed at the beginning of the month prior to the last month of the certification period. It requests information for the "prior month."

For all other reviews, request actual income and specify the base period. Also ask for operational expenses for self-employment, paid during the same period, if applicable.

2. Retroactive

Always request the actual, countable income for the month(s) of retroactive need, except for certain types of income described in VII. Do not project to a monthly amount. Also refer to MA-3220, Retroactive Coverage.

4. The applicant/recipient must assist in the determination of eligibility by providing verification of income and the source of the income or signing a release for information to request the income.

D. Client Statement As Verification of Income for Applications and Redeterminations

Accept the applicant/recipient's statement as verification only if:

1. The applicant or IMC cannot obtain the verification from any source, i.e., the source refused to provide verification or cannot be located, and

2. The statement is not questionable.

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

(III.D.2.)

Examples:

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

b. 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 pay stubs and does not indicate that they are unavailable, the IMC should deny Medicaid or NC Health Choice. This is true even if the IMC contacts the employer and he refuses to verify income.

3. 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.

IV. BASE PERIOD FOR MPW APPLICATIONS

A. Definition of Base Period

The base period for computing countable income is the calendar month prior to the month of application. Also use this base period to establish budget unit membership.

Child support, self-employment income, dividends, and income of school employees are calculated using a different base period. See VII. for the appropriate base period for these types of income.

Always use the actual income from the base period. Do not convert. Round to the nearest whole cent.

1. If the actual base period income is equal to or less than 185% of the Poverty Income Level the pregnant woman is financially eligible from the month of application through the postpartum period.

2. Changes in income do not affect MPW eligibility through the postpartum period. The a/r is not required to report changes. If the recipient reports a change, document the record.

3. If the budget unit's income exceeds the income level for the base period month, and the income is not expected to decrease, deny eligibility for MPW. Evaluate and document eligibility for MAF Medically Needy.

(IV.A.)

4. If the income exceeds the income level for the base period, but the income is expected to decrease or terminate during the application processing time, move the base period to the next calendar month, the month of application.

   a. If income is equal to or less than the income level, authorize effective the month of application.

   b. If income exceeds the income level in the month of application, but it is verified that income has terminated or decreased and will be less than the income level in the month after application, authorize effective the month after application.

   c. Do not hold the application beyond the 45th day waiting for income to decrease.

5. If the a/r is unable to provide income verification for the base period month but does provide income verification for any month after the base period month through the postpartum period, authorize assistance beginning with that month and through the postpartum period if:

   a. The countable income is equal to or less than the income level, and

   b. All other eligibility requirements are met.

6. Base Period For Retroactive Coverage Only

   The base period for computing countable income for the retroactive period is the actual income for the first calendar month of medical need. Also use this base period to establish budget unit membership.

   a. If the countable income is equal to or less than the income level for the first month of medical need, the pregnant woman is financially eligible for all months of retroactive need and through the postpartum period. If all other eligibility requirements are met, authorize assistance from the first month of medical need.

   b. If the countable income exceeds the income level for the first month of medical need:

      (1) Move the base period to the next calendar month(s) of retroactive medical need. If the countable income exceeds the income level for that month, move the base period to the next calendar month of retroactive need. The base period can never go beyond the last month of retroactive coverage.

      (2) When financial eligibility is established and all other eligibility requirements are met, authorize assistance beginning with the month all eligibility

(IV.A.6.b.)

requirements are met. Assistance can never begin earlier than the month the income is equal to or below the income level.

(3) If the budget unit's verified income exceeds the income level for the entire retroactive period, evaluate eligibility for MAF-MN. Follow procedures in IV.A. for prospective coverage.

7. Base Period for Retroactive and Ongoing Coverage

a. Follow the procedures in 6. above for retroactive coverage.

b. If the applicant is eligible in the retroactive period, authorize her through the postpartum period.

c. If the applicant is ineligible in the retroactive period, evaluate for MAF Medically Needy for retroactive coverage.

d. Follow the procedures in 1. through 5. above to determine eligibility for ongoing coverage.

B. Authorization

When financial eligibility is established and all other eligibility requirements are met, authorize assistance beginning with the month all eligibility requirements are met. Assistance can never begin earlier than the month the income is equal to or below the income level.

V. BASE PERIOD FOR MAF, MIC, NC HEALTH CHOICE, AND HSF APPLICATIONS

Use the base period income to make a projection of income that is anticipated to be received during the certification period.

Child support, self-employment income, dividends, and income of school employees are calculated using a different base period. See VII. for the appropriate base period for these types of income.

A. Definition of Base Period for Applications

1. The primary base period for computing income for the certification period is the calendar month prior to the month of application, except for certain types of income described in VII.

2. If the applicant provides verification of income from a different period, it is acceptable to use those verifications if the information is current and representative of the actual anticipated income.

(V.A.2.)

a. Current is defined as wages received within 2 months of the application date. These may be wage verifications received in an active case in another program, such as Food Stamps or another Medicaid case for a member of the budget unit.

b. Representative means that there are no anticipated changes and the verification represents the applicant's average income.

3. Convert this verified income to a monthly amount using the conversion process in B.

4. Once a monthly amount is computed, compare this to the appropriate income standard for the Needs Unit. If the income is equal to or less than the income limit, the applicant may be eligible for the entire certification period. Refer to MA-3410, Terminations and Deletions, for changes that may cause ineligibility. If the income is more than the income limit, the applicant is ineligible as categorically needy. Evaluate for medically needy.

   Example: Applicant completes a mail-in DMA-5063 which is signed on 9/27, received in the agency on 10/4. The application date is 10/4 so the primary base period is September. Attached are wage stubs for weeks ending 8/18, 8/25, 9/1 and 9/8. All show an hourly rate of $6.75, with hours fluctuating between 27-30 hrs/wk. The verifications provided are current and indicate no change. This is acceptable wage verification.

   Example: Same situation, except applicant provides wage verifications for weeks ending 8/25, 9/1 and 9/8. The last two wage stubs indicate an increase in pay to $7.00/hr. Since there has been a change in the rate of pay, use the last two pay stubs to calculate monthly income. Divide by 2 to get an average, multiply by 4.3 to get a monthly amount.

5. If the applicant was not paid for part of the period because of unusual circumstances, convert the partial pay to a full monthly amount. This applies only when missed pay periods are not expected to recur in the certification period. It is not applicable for normally fluctuating wages.

   Example: Applicant is paid weekly. She provides verification for only 3 weeks in base period as she was out of work for a week due to a plant closing. Use the 3 weeks wages. Divide by 3 to get a weekly average, then multiply by 4.3 to get monthly amount.

6. Do not delay application processing to obtain additional verifications if the income verifications provided are current and representative of the applicant's anticipated income during the certification period.

(V.)

B. Conversion

1. Earned

a. In each step of the conversion computation, round to the nearest whole cent. If the total is .005 or more, round up. If the total is .004 or less, round down. For example, $538.145 is rounded to the nearest whole cent, or $538.15.

b. Upon receipt of the income needed to determine eligibility, total the gross income for each pay period used. Divide by the number of pay periods received in a month. This is the average income per pay period.

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

(1) If paid weekly, multiply by 4.3.

(2) If paid biweekly, multiply by 2.15.

(3) If paid semimonthly, multiply by 2.

(4) If paid monthly, use the monthly gross.

Example: Applicant receives income biweekly. On 9/7, she received $218.75 gross and on 9/21, she received $209.38 gross. $218.75 + $209.38 = $428.13. Divide by 2 (number of pay periods received and used) = $214.065, rounded to $214.07 (average income). Convert to a monthly amount by multiplying $214.07 by 2.15 = $460.2505, rounded to $460.25. This is the gross monthly income.

From this amount, subtract the allowable deductions.

2. Unearned Income

a. If the unearned income is a stable amount (such as RSDI or pension), use that amount. If the unearned income varies, obtain the base period unearned income and divide by the number of times received in the month. This is the average income. Round to the nearest whole cent in each step. (If total is $.005 or more, round up. If less than $.005, round down.)

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

(1) If received weekly, multiply by 4.3.

(2) If received biweekly, multiply by 2.15.

(V.B.2.b.)

(3) If received semimonthly, multiply by 2.

(4) If received monthly, use the monthly amount.

C. Definition of Change In Income

1. Earned

a. Change is defined as a new, different or additional employer or source of income, increase or decrease in rate of pay, an increase or decrease in the required number of hours worked, or termination of income.

b. The date of change for earned income is the date of beginning the new or changed:

(1) employer, or

(2) rate of pay, or

(3) required numbers of hours.

Example: A/r begins a new job on September 10. Her first paycheck is received on September 21. The date of change is September 10.

c. The date of change for terminated income is the last day of work.

2. Unearned

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. The date of change is the date of receipt of the new or changed benefit.

3. For the definition of changes in certain types of incomes, such as self-employment, see VII.E.

4. Do not consider fluctuating income as a change.

For example, it is not considered a change if a recipient's work hours fluctuate from pay period to pay period.

D. Income Changes On or Prior to Date of Application

1. If earned or unearned income changes during the base period or anytime prior to the date of application, move the base period forward to begin with the date of change. Request verification of the new income on the DMA-5097.

(V.D.)

2. See C., above for the definition of when a change occurs. The date of the change in relation to the date of application is important in determining the correct action.

3. For earned income, try to get more than one pay period to determine the changed amount. If unable to get more than one pay period, use what changed income you receive to compute the gross monthly amount.

4. Upon receipt of the changed income, use one of the following methods to calculate the anticipated gross monthly income:

   a. Earned Income

      (1) When the changed income from only a partial pay period is available, determine the daily wages. Use the pay stub/wage statement or contact the employer to determine the daily wages.

         (a) 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.

         (b) Using the amount anticipated per pay period, convert to a gross monthly amount using conversion methods in B., above. Use this amount to determine eligibility for the entire certification period.

      (2) When at least one full pay period is available, convert the amount from the full pay period to a monthly amount. Disregard any partial pay periods. Use this amount to determine eligibility for the entire certification period.

         Example: Application on 10/10 for mom and 2 children. She reports she began working on 10/6 at a movie theatre on weekends. She is working 12 hrs/wk at minimum wage. She will receive a partial paycheck on 10/12 and her first full check on 10/26. The change, beginning employment, began prior to the date of application. Use the earnings from the full check on 10/26 and convert to a monthly amount to determine eligibility for the c.p.

   b. Unearned Income

      When the changed income has been received only one time and is a partial amount, determine the full amount of the changed income. Using this full amount, convert the income to a gross monthly amount using conversion methods in B., above. Use this amount to determine eligibility for the entire certification period.

      Example: Application date 8/29. Applicant reports he just began receiving short-term disability payments from his company that will last up to 6 months. He received a

(V.D.4.b.)

partial payment of $34 on 8/15 and then a full payment of $100 on 8/22 and $100 on 8/29. Disregard the $34 partial payment, and use the full payments to compute income. $100 x 2 (full payments) = $200 ÷ 2 (number of incomes you used) = $100 (average income). Convert $100 to a monthly amount by multiplying by 4.3 = $430 (countable gross monthly income).

E. Changes After the Date of Application

Reminder: For MAF-C applications, see XII.G. below for instructions on how to evaluate for the Job Bonus if new employment begins after the date of application.

1. See C., above for the definition of when a change occurs. The date of the change in relation to the date of application is important in determining the correct action.

2. If income changes after the date of application and the assistance unit is eligible for C or N coverage based on income in the base period, the assistance unit is eligible. Authorize everyone in the assistance unit.

   a. Continuous eligibility for children applies when they are eligible based on income in the base period. Do not react to changes in income after the date of application for individuals under age 19.

   b. Follow up to verify changed income if there are individuals age 19 or older in the assistance unit.

      (1) Use the base period income to determine eligibility for months up to the month of change.

      (2) Use the changed income to determine eligibility for the remaining months in the certification period.

      (3) When sending a DSS-8108 to approve the application, send a DMA-5097 to request the changed income if it has not been provided. Allow the recipient 12 calendar days to provide the information. If the recipient does not provide the requested information, send a timely notice to terminate assistance.

      (4) If the recipient will not receive the first changed income within the 12 calendar days, send a DMA-5097 on the date he is anticipated to receive the first changed income. Allow the recipient 12 calendar days to provide the information.

      (5) Upon receipt of the changed income, convert this income to a gross monthly amount. Follow the procedures in D.4., above, to determine a monthly amount.

(V.E.2.b.(6))

(6) Recalculate the budget to determine if a change in eligibility has occurred for the authorized adults in the case.

Example: Application date is 9/5 (mail-in application) for mom and 3 children. Only income in the Aug. base period is $400 child support; the entire a.u. is eligible as MAF-C.

During processing worker learns mom will begin drawing $645 Social Security Disability on 11/1. Send approval notice for MAF-C because income in the base period establishes eligibility for the a.u. The children remain continuously eligible for 12 months, but mom's new income is over the MAF-C limit. Evaluate her for other coverage groups. In this situation, mom is eligible for MAD. Mom is MAF-C eligible from 9/01 - 10/01. Delete mom from MAF-C and approve for MAD effective 11/01. No signed application is required.

3. If the base period income establishes ineligibility for Categorically Needy and the change is a decrease that will be received prior to the 45th day, contact the applicant or the employer to obtain a verification of income.

If the change is due to terminated income, see VIII. below for instructions on treatment of terminated income.

a. Upon receipt of the changed income, follow the steps in D.4., above to determine the monthly income. (V.E.3.)

b. If the changed income still establishes ineligibility for Categorically Needy, evaluate the assistance unit for all other aid program/categories.

c. If the changed income now results in CN eligibility, authorize beginning no earlier than the month of change. Evaluate for Medically Needy for earlier months.

Example: 19 year old living alone applies 10/5 as he needs dental work and outpatient knee surgery. Income in the Sept. base period is above MAF-N limit due to wages; client has MN deductible for Oct.-Mar. During processing, client reports his hours will decrease starting 12/5 due to the slow season at his job. New income is below CN limit. Authorize CN effective Dec.-Mar. and recompute 2 month deductible for Oct.-Nov. (Month of change is the month he begins working at the reduced hours.)

VI. BASE PERIOD FOR MAF, MIC, NC HEALTH CHOICE, AND HSF REDETERMINATIONS

Use the base period income to make a projection of income that is anticipated to be received during the certification period.

(VI.)

Child support, self-employment income, dividends, and income of school employees are calculated using a different base period. See VII. for the appropriate base period for these types of income.

A. Definition of Base Period for Redeterminations

1. The primary base period for computing income at redetermination for the new certification period is the calendar month prior to the month the initial interview is held, or the calendar month prior to the month a reenrollment form is mailed to the recipient.

2. If the recipient provides verification of income from a different period, it is acceptable to use those verifications if the information is current and representative of the actual anticipated income.

   a. Current is defined as:

      (1) No earlier than the 4th month of a 6 month certification period, or the 10th month of a 12 month certification period, and

      (2) No later than the first month of the new certification period for which you are determining eligibility.

      Current wages may be wage verifications from another active case record, such as Food Stamps, or in another active Medicaid case for a member of the assistance or budget unit.

   b. Representative means that there are no anticipated changes and the verification represents the recipient's average income.

      Example: MAF-C 6 month c.p. ends in October. Interview letter is mailed to recipient in August to schedule interview for 9/10. Primary base period is August. Recipient is paid biweekly. She brings wage stubs for 8/10 and 9/7. Both stubs show same rate of pay and only slight fluctuation in hours worked. Recipient reports no change. This is acceptable wage verification. Average the 2 amounts, multiply by 2.15 to get monthly amount.

      Example: MIC 12 month c.p. ends in August. Reenrollment form is mailed in July; primary base period is June. Recipient returns form with wage stubs for weeks ending 6/15, 6/22, 6/29 and 7/6. Last two weeks indicate an increase in hourly rate. Use the last two pay stubs to determine anticipated increase. Divide by 2 to get an average. Multiply by 4.3 to get a monthly amount.

B. Conversion

See V.B. above.

(VI.)

C. Definition of Changes

See V.C. above.

D. Income Changes Prior to the Date the Initial Interview Is Held Or Receipt of the Reenrollment Form

Reminder: For MAF-C cases, see XII.G. below for instructions on how to evaluate for the Job Bonus.

1. See V.C. above for the definition of when a change occurs. The date of the change in relation to the date of the review is important in determining the correct action.

2. If earned or unearned income changes during the base period but prior to the date the initial interview is held or receipt of the reenrollment form, move the base period forward to begin with the date of the change. Request verification of the changed income.

3. Upon receipt of the changed income, follow instructions in V.D. to determine the gross monthly amount. Use this amount to determine ongoing eligibility.

   Example: MIC c.p. is Jan.-Dec. Reenrollment form is mailed in early Nov.; base period is Oct. Worker receives form 12/3. Client provides wage verifications for Oct. but reports he left his old job on 10/31 and began a new job 11/1. Move base period to Nov. and request wages from new job to determine eligibility for new c.p. Do not use terminated wages from old job even if last pay is received in Nov.

E. Changes After the Date the Initial Interview Is Held Or Receipt of the Reenrollment Form

Reminder: For MAF-C cases, see XII. below for instructions on how to evaluate for the Job Bonus.

1. If income changes after the date the initial interview is held or receipt of the reenrollment form, and the assistance unit is eligible based on base period income, authorize the assistance unit for the new certification period.

   a. Continuous eligibility applies for all assistance unit members under age 19 if eligible based on income in the base period. Do not react to changes in income after the initial interview is held or receipt of the reenrollment form for individuals under age 19, including the caretaker if she is under age 19.

   b. Follow up to verify changed income if there are individuals age 19 or older in the assistance unit.

      (1) Upon receipt of the changed income information, convert to a monthly amount following procedures in V.D.4.

(VI.E.1.b)

(2) Use the changed income to recalculate the budget to determine eligibility for the individuals age 19 or older for the remainder of the certification period.

c. If the changed income establishes ineligibility, evaluate the recipient in all other aid program/categories, following procedures in MA-3410, Terminations and Deletions. If the recipient is ineligible in any other aid program/category, send timely notice to terminate.

Example: MAF-C case with mom and two children, c.p. is Jan.-Jun. Interview is held 5/25; base period is Apr. Client has not been working due to maternity leave; only income is child support of $250. The family is eligible based on income in the base period. Client reports she recently miscarried and is returning to her previous job on 6/1 (ineligible for Job Bonus as this is not new employment). Evaluate mom's ongoing eligibility using new wages. Children are continuously eligible for 12 months.

2. If the base period income establishes ineligibility in the current aid program/category, and the change is a decrease which will be received prior to the end of the current certification period, use the changed income to determine eligibility for the new certification period.

a. Send a DMA-5097 to request the changed income.

b. Convert the changed income to a monthly amount following procedures in V.D.4. above.

c. If the changed income still causes ineligibility, evaluate for coverage in all other aid program/categories. Send a timely notice for any negative action.

F. Changes Occurring During the Certification Period (Not Applicable to MIC or NC Health Choice)

If income changes during the c.p., evaluate the recipient for eligibility in all aid program/ categories, following procedures in MA-3410, Terminations and Deletions. If the recipient is ineligible in any other category, send a timely notice to terminate.

Reminder: For MAF-C cases, see XII. for instructions on how to evaluate for the Job Bonus.

1. Send a DMA-5097, Request for Information, to verify the changed income. Allow 12 calendar days to respond. State on the request that the income verification is needed to determine continued eligibility or deductible amount. If the recipient does not provide the requested information, send a timely notice to terminate assistance.

2. Upon receipt of the changed income, convert this income to a gross monthly amount following procedures in V.D. above.

(VI.F)

3. Use the changed income to determine eligibility for the remainder of the certification period, beginning with the month of the change.

4. Send a timely notice if the change reduces benefits or changes the deductible amount.

5. If the recipient did not report the change timely, verify the point at which the change occurred and when the change should have been made to determine if an overpayment occurred.

VII. BASE PERIOD FOR CERTAIN INCOMES FOR ALL FAMILY MEDICAID PROGRAMS (INCLUDING MPW AND NCHC)

The base period is a set time as established for each type of income that is used to determine eligibility for the certification period. For the following types of income, the base period for retroactive and ongoing certification periods is the same.

A. Base Period for Applications

1. Self-Employment Income

Self-employment income includes but is not limited to income from a trade or business, farm income, rental and roomer/boarder income, and income from partnerships or certain types of corporations. See X.C. below for treatment of self-employment income.

a. Income Received Annually

The base period for computing self-employment income received on an annual basis, such as farm income, is the 12 calendar months prior to the month of application, or the number of months the business has been in operation if less than 12 months.

b. Income Received Less Often Than Monthly And Intended To Be The Annual Income for the Family

The base period for computing self-employment income received less often than monthly which is intended to be the annual income for the family, such as certain fishermen, is the 12 calendar months prior to the month of application, or the number of months the business has been in operation if less than 12 months.

c. Income Received Other Than Annually

The base period for computing self-employment income received other than annually, or intended to be the annual income for the family, is the 6 calendar months prior to the month of application, or the number of months the business has been in operation if less than 6 calendar months.

(VII.A.1)

d. Rental Income Received Monthly - See IV.-VII. for base periods.

e. If the applicant/recipient has more than one source of self-employment income, the base periods may be different for each one.

For example, a farmer with annual income may also be self-employed as a carpenter. The base period for the farm income is 12 months; the base period for the carpentry income is 6 months.

2. Child/Spousal Support/Contributions

The base period for computing income from support/ contributions is the 6 calendar months prior to the month of application or number of months receiving if less than 6 calendar months.

If the a/r has received a lump sum of back child support income in the base period, a portion of that amount may be disregarded when computing the monthly average. See XI.U. below.

3. Dividends and Interest for Stocks, Bonds, Ownership in Closely Held Corporations, and Other Investments

a. The base period for computing income from dividends and interest for stocks, bonds, and other investments is the 6 calendar months prior to the month of application or number of months receiving if less than 6 calendar months.

b. If the dividend income is received annually, the base period is 12 months.

c. The base period for computing income from dividends of a closely held corporation is 12 months. See X.C.2.d.(2) for the definition of a closely held corporation.

4. Other Types of Income Received Less Frequently Than Monthly

If the a/r receives any type of income from a source not addressed in A.1.-3. immediately above, or in X. and XI., below, and the income is received less frequently than monthly, the base period is the 6 calendar months prior to the month of application or the number of months receiving if less than 6 calendar months. If the income is received annually, the base period is 12 months.

This applies only to UNUSUAL TYPES of income that are not specifically discussed in the earned or unearned income sections. Do not apply this rule to any TYPE of income when base period is addressed elsewhere.

(VII.A.)

5. School System Employees

a. Contract Employees

(1) The base period for computing income at application and redetermination for teachers and other school employees under contract is 12 months. Teachers generally sign a 12 month contract with the school system by which they are employed. Divide the yearly income specified in the current contract by 12 to determine the monthly gross income. Use 12 months to annualize income even if the teacher opts to have the income received over only 10 months.

(2) When a teacher or other contract employee returns to the same school system at the beginning of the school year, this is not considered new employment and the Job Bonus does not apply.

(3) If the school contract is for a period other than 12 months, divide by the number of months in the contract to determine the monthly amount.

b. School Employees Not Under Contract

Use the base periods for wages specified in IV.-VII. Treat beginning school employment as new income and ending school employment as terminated income.

Do not apply Job Bonus when the employee returns to the same school system at the beginning of the school year as this is not considered "new employment" for the purposes of the Job Bonus. See XII.G. below.

B. Base Period for Redeterminations

1. Base Period for Self-Employment Income (Except for Rental Income Received Monthly)

This section does not apply to rental income received monthly. See IV.-VII. for base periods for rental income received monthly.

a. The base period for computing self-employment income for a new certification period is 6 calendar months, or 12 calendar months for annualized income. The last month of the base period must be:

(1) The month prior to the month of the redetermination review but no earlier than the 4th month of a 6 month current certification period or the 10th month of a 12 month certification period, and

(2) No later than the first month of the new certification period.

(VII.B.1.)

b. If the business has been in operation less than 6 or 12 months, use the actual number of months the business has been in operation to determine the earnings and operational expenses.

2. Base Period for Child/Spousal Support/Contributions

a. The base period for computing support/contributions for a new c.p. is 6 calendar months. The last month of the base period must be:

(1) The month prior to the month of the redetermination interview, but no earlier than the 4th month of the current 6 month certification period or the 10th month of the current 12 month certification period, and

(2) No later than the first month of the new certification period.

b. If the number of months receiving child/spousal support/ contributions is less than 6, use the actual number of months the recipient has received the income.

c. If the a/r has received a lump sum of child support in the base period, refer to XI.U. below.

3. Base Period for Dividends and Interest for Stocks, Bonds, Ownership in Closely Held Corporations, and Other Investments.

a. The base period for computing dividends/interest income for a new c.p. is 6 calendar months. The last month of the base period must be:

(1) The month prior to the month of the redetermination interview but no earlier than the 4th month of the current 6 month certification period or the 10th month of the current 12 month certification period, and

(2) No later than the first month of the new certification period.

b. If the number of months receiving is less than 6, use the actual number of months the recipient has received the income.

4. Other Types of Income Received On Other Than A Monthly Basis

a. For any other types of income received on other than a monthly basis (not addressed in B.1.-3. immediately above, or in X. and XI.), the base period for a new certification period is 6 calendar months, or 12 months if received annually. The last month of the base period must be:

(1) The month prior to the month of the redetermination interview but no earlier than the 4th month of the current 6 month certification period, or the 10th month of the current 12 month certification period, and

(2) No later than the first month of the new certification period.

b. If the number of months receiving is less than 6/12 calendar months, use the actual number of months the recipient has received the income.

5. School System Employees - See A.5., above.

C. Determination of Countable Income

Upon receipt of the actual income and operational expenses needed to determine eligibility:

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

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 in the base period. This is the average monthly operational expense.

3. Subtract the average monthly operational expense from the gross average monthly income. From this amount, subtract the allowable deductions as provided in XII. and XIII. Use this amount to determine eligibility.

D. Definition of Changes for Applications and Redeterminations

1. Self-Employment Income

a. Change in self-employment income is defined as:

(1) Beginning a new business/activity, or

(2) Termination of a business/activity during the c.p., or

(3) A substantial change (increase or decrease) in the nature and/or scale of the self-employment activity.

For example, an a/r operates a day care center in her home. Due to bad health, she closes the center but continues to babysit two children. This is a significant change in the scale of her self-employment activity and in her income, and should be treated as a change in situation.

b. The date of change is the date of:

(1) The date of beginning the new business/activity, or

(2) The last day worked when the business terminates, or

(3) The date of beginning the changed business/activity, such as reducing the number of hours work.

c. Do not consider fluctuating income as a change.

Example: Changes in assignment while employed with the same temporary service is considered fluctuating income.

2. Child/Spousal Support or Contributions

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

3. Dividends and Interest for Stocks, Bonds, and Other Investments

Change in dividends and interest is defined as the beginning or an increase or decrease in the amounts as established by the company. Do not consider fluctuating dividends or interest as a change.

E. Computation of Changes

1. Upon notification of a change, contact the a/r to determine when the change occurred. Ask the a/r to provide the changed income for the appropriate months since the change occurred.

2. Follow the steps in D., above, using the months of changed income to determine the countable income.

3. Flag the case for an income review after receiving the appropriate months (12 or 6) at the changed amount.

VIII. TERMINATED INCOME (Does not apply to MPW or applications for retroactive coverage)

A. Applications

Do not count terminated income. Project income for the certification period without counting the terminated income.

Terminated income is income from a source that has already ended, or ends during the application process, even if the budget unit member has not yet received the last pay.

For example, applicant's last day of work was 11/16. Application date is 11/20. Last pay is 12/7. This is terminated income.

If the budget unit member goes back to work in the same month that he receives terminated income, project income for the certification period using only the new income. Refer to V.C.-E. for computing income when there is new income during the application process.

B. Redeterminations

Do not count terminated income during the redetermination process. Project income for the new certification period without counting the terminated income.

Terminated income is income from a source that has already ended, or ends prior to the first month of the new certification period, or ends prior to the completion of the review process, even if the budget unit member has not yet received the last pay.

For example, recipient's last day of work was 11/16. The review date is 11/20. Last pay is 12/7. This is terminated income.

If the budget unit member goes back to work in the same month that he receives terminated income, project income for the certification period using only the new income. Refer to V.C.-E. for computing income when there is new income during the redetermination process.

C. Terminated Income During The Certification Period For MAF-Medically Needy

Treat the termination of income as a change in situation. For a Medically Needy case, the termination of income may result in a reduction in the amount of the deductible or in eligibility for Categorically Needy coverage. Recompute eligibility effective the month of the change.

If the termination of income results in eligibility for Categorically Needy coverage, authorize CN coverage beginning with the month of change. Recompute the deductible for the months prior to the change.

If the termination of income results in a reduced deductible, follow procedures in MA-3315, Medicaid Deductible, to revising the deductible due to a reduction in income.

IX. NON-COUNTABLE INCOME

A. Non-Countable Earned Income

Do not count the following income received by a member of the budget unit:

1. Income of a child under age 21 in the budget unit who is participating in WIA (Workforce Investment Act). This applies to individuals under 21 receiving under eligibility regulations in MA-3230, Eligibility Regulations Individual Under Age 21. It does not apply to an a/r receiving as a caretaker or a pregnant woman.

2. Payments for supportive services or reimbursement of out-of-pocket expenses made to a/r volunteers serving as/in:

   a. Foster grandparents,

   b. Senior health aides,

   c. Senior companions,

   d. Services Corps of Retired Executives (SCORE),

   e. Active Corps of Executives (ACE),

   f. Retired Senior Volunteer Program (RSVP),

   g. Action Cooperative Volunteer Program (ACVP),

   h. University Year for Action Program (UYA),

   i. Volunteers in Service to America (VISTA),

   j. Other programs under Titles I, II, and III of Public Law 93-113.

3. Earned income of a child under age 21 who is a full-time student, or who is a part-time student but is not employed full-time. This exclusion does not apply to individuals receiving M-PW and FPW.

   a. A full-time student has a school schedule equal to at least one-half of a full-time curriculum as defined by the institution or school program.

   b. A student may attend a school, college or university or be in a vocational/technical curriculum.

   c. Consider a child 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.

(IX.A.3.)

4. Income that is unpredictable, i.e. unplanned and arising only from time to time. Examples are occasional yard work, sporadic babysitting, winnings from gambling or bingo, etc.

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

6. Earned Income Tax Credit (EITC), whether received in advance or from a refund from the IRS. 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-3320, Resources.

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

B. Non-Countable Unearned Income

Do not count the following unearned income received by a member of the budget unit:

1. Relocation payments

2. Food Stamps

3. Food (vegetables, dairy products, and meat) grown by or given to a member of the household. If homegrown produce is sold, count as earned income.

4. Child Nutrition Act and National School Lunch Act benefits

5. 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. No duplication must exist. This includes:

   a. VR incentive payments for training, education, and allowance for dependents.

   b. Grants for tuition

   c. Chore services under Title XX (countable income to the chore provider)

   d. Work First payments

(IX.B.)

6. Educational Assistance

   a. All student financial assistance to undergraduates from any program authorized under Title IV of the Higher Education Act or under Bureau of Indian Affairs student assistance programs.

      Examples: Federal Pell Grants; Presidential Access Scholarships (currently unfunded); Federal Supplemental Education Opportunity Grants; Robert C. Byrd Honors Scholarship Program; Federal Family Education Loan Program: Federal Stafford Loans, Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, Federal Consolidations Loans, Unsubsidized Stafford Loans for Middle-Income Borrower; Federal Work-Study; Federal Direct Loans; and Federal Perkins Loans.

   b. For educational loans, grants, or scholarships not authorized under Title IV of the Higher Education Act or Bureau of Indian Affairs student assistance programs, the portion actually used for tuition, books, fees, equipment, special clothing needs, required school insurance or child care services necessary for school attendance. Refer to XI.N.

      Examples: Veterans Educational Assistance Program (G.I. Bill), civic, honorary and fraternal club scholarships or loans; sports scholarships; or scholarships granted from private donations to the college, etc., except for any portion used or designated for maintenance.

7. Title VII of the Older Americans Act of 1965 benefits

8. Experimental Housing Allowance Program (EHAP) benefit

9. In-kind shelter and utility contributions paid directly to the supplier. Shelter, utilities, or household furnishings made available to the a/r at no cost.

10. Food/clothing contributions

11. Payments received through Work Force Investment Act (WIA) or TANF designated to assist employed a/r's with work-related expenses. Exclude these payments even though the a/r received work-related expenses.

12. 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.

(IX.B.)

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

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

15. Supplemental Security Income (SSI)

16. Benefits received by an a/r who is 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.

    Disaster assistance includes the following Farm Service Agency payments: Crop Loss Disaster Assistance, Market Loss Disaster Assistance, and Emergency Conservation Assistance. However, a payment from insurance for damaged crops is considered a lump sum payment. See XI.T. for treatment of lump sums.

18. The value of the U.S. Department of Agriculture donated foods (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. 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. AmeriCorps stipends or child care assistance

24. Adoption assistance

25. Incentive payments made to an a/r participating in a vocational rehabilitation program. Such payments are excluded as long as a training plan is in effect. Verify and document with Vocational Rehabilitation when the training ends and the a/r becomes employed. Includes payments received from the Work Adjustment Program through the Division of Services for the Blind.

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

(IX.B.)

27. The first $50 of child/spousal support or military allotment paid to the budget unit for PLA cases

28. 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-3320, Resources, for treatment as a resource.

29. Refunds of income taxes including Earned Income Tax Credit (EITC) refunds. Any amount received as a refund of taxes paid is excluded from countable income. Refer to MA-3320, Resources, for treatment as a resource.

30. Income deemed to a Work First budget unit.

    NOTE: There are few situations in which income is deemed to a Work First b.u. One is income deemed from an alien sponsor to a Work First assistance unit member. The other is income deemed from the spouse of a child in a Work First assistance unit.

31 Supportive services received under Work Force Investment Act (WIA) or TANF (i.e., childcare, transportation, meals, and other reasonable expenses)

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

33. Japanese Restitution Payments

34. German Reparation Payments

35. Aleutian Restitution Payments

36. Agent Orange Settlement Payments

37. Lump sum payments that meet criteria listed in XI.T.2.

38. 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 the 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-3320, Resources, for treatment as a resource.

(IX.B.)

39. 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.

40. Susan Walker *v. Bayer Corporation*, et al Class Settlement Payments

Payments to hemophiliacs who contracted the HIV virus from contaminated blood products.

If the payments are placed in an account that earns interest, the interest may be countable. Follow procedures at XI.L. to calculate interest income.

41. "Project Challenge" Earnings

The individual has been found guilty of a crime and ordered to pay restitution, court costs and other expenses. The individual works in the public arena (not community service) but never receives the pay.

42. Department of Defense Payments to Certain Persons Captured and 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. These payments are excluded from income. However, interest earned on unspent payments is countable income and resources.

43. Ricky Ray Hemophilia Relief Fund

Payments to individuals who contracted HIV in one of the following ways: (A) a hemophiliac who was treated with antihemophilic factor between July 1, 1982 and December 31, 1987, (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 breast-feeding).

These payments are not considered as income or resources in determining eligibility.

44. Individual Development Accounts (IDAs)

IDAs are special bank accounts designed to help an individual save for education, purchase a home or start a business.

a. TANF Funded IDA

The individual's contributions are matched with funds from the state TANF program. Earnings that an individual deposits in a TANF funded IDA are countable income. Any interest accruing on such an account, on either the individual's contributions or the matching funds, is not counted as income.

(IX.B.)

b. IDA - Demonstration Project

The earnings deposited by an individual are matched with money from special funds called "demonstration project" money. Earnings that an individual deposits in this type of IDA are not excluded from income. Funds retained in a demonstration project IDA are countable resources. However, any matching funds retained in the IDA are excluded from income and resources. Interest earned on the individual's contribution is countable unearned income when received and becomes a countable resource the month after the month of receipt. Exclude interest earned on the matching funds from both income and resources.

c. Verify from documents provided to the individual by the sponsoring agency or by contact directly with the agency.

X. COUNTABLE EARNED INCOME

A. Definitions

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

2. Self-employment - Working in one's own business, trade or profession, either alone or with others, where the business is controlled by oneself rather than working for an employer. See X.C.

3. Wages/salary - Compensation paid regularly for services rendered, i.e., baby-sitting in the home of another, sales clerk.

4. Commissions - percentage of money made on sales and given in pay, in addition to salary or wages.

5. Tips - Gratuities or sums of money in excess of $20 per month given voluntarily for services rendered.

6. Bonus - Occasional special payment made to an employee, such as a holiday bonus. If the bonus is received in the base period, divide by 12 months (or the period of time it covers) and consider only the average monthly amount.

(X.)

B. Wages - See XII. and XIII. for computation procedures.

1. Types of Wages

a. Wages from employment, commissions, tips, seasonal work

b. Payments made directly to a renal dialysis patient's assistant who is a Medicaid client

c. Adult Developmental Activities Program (ADAP) for cases where employment continues after completion of a training program

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

e. Annual leave pay and sick pay when subject to tax deductions

f. Payments made to or on behalf of an employee as payment for services, in some form other than cash or check. These are considered in-kind wages and may be in the form of goods, services, shelter, etc. The fair market value of such payments at the time they are provided is countable wages.

For example, if a company pays the a/r's utility bills and car payment in addition to a weekly salary, the value of the utilities and car payments are countable as wages.

(1) Do not count as wages the value of food provided on the job to an employee, such as meals provided by a restaurant to the staff.

(2) Count the value of shelter (fair market value of rent or mortgage) provided by the employer only if living in the shelter is an option by the employee and is not a condition of the employment.

(3) Do not count the value of shelter provided to agricultural employees.

g. Income from sheltered workshop is considered earned if there is an employer/employee relationship. If there is no employer/employee relationship, see XI.S., below.

h. Royalties earned in connection with any publication of the individual.

i. Basic Allowance for Housing (BAH) - Housing allowance for military families, which is reported on the Leave Earnings Statement.

(X.B.)

2. Responsibility of the A/R

Unless the a/r is mentally or physically incapable or requests assistance, he must provide verification of income. See 5., below, for acceptable sources of verification.

3. Applications - See IV., V. and VII. for base periods.

a. Ask the applicant if he or any member of the budget unit is employed. If he states neither he nor any other members of the budget unit is employed, discuss work history for the last 6 months for leads on employment. Refer to MA-3515, Automated Inquiry and Match Procedures, for IEVS requirements. Explore the possibility of unemployment insurance benefits.

b. Ask for names of former employers during that period. 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 of wages.

4. Redeterminations - See VI. and VII. for base periods.

a. Ask the recipient if he or any member of the budget unit is employed.

b. If the recipient or other members of the budget unit have wages, set a deadline for the wage verification to be returned. Ensure the deadline for returning verification allows you to complete the review timely. Follow IEVS requirements in MA-3515, Automated Inquiry and Match Procedures.

NOTE: The recipient's statement may be used as an alternative source of verification for redeterminations if documentary evidence is not available from the employer.

c. If the recipient provides verification by the deadline, complete the redetermination.

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

5. Verification Sources

a. Wage stubs/verification forms, or

b. Contact with current/former employers

(X.)

C. Self-Employment Income

Self-employment income is the gross income from a continuing trade or business activity minus the allowable operational expenses for that activity.

Self-employment income also includes any distributive share (profit at the end of the year) from a partnership, whether or not the income was actually distributed. See 2.b., below, for income from partnerships.

Self-employment income may be received annually (such as farming), or it may be received monthly (such as rental income), or it may fluctuate (such as a lawn care business).

1. Definition of Self-Employment

An individual is self-employed when he is working in his own business, trade or profession rather than working for an employer. Self-employment income includes but is not limited to farm income; rental income; roomer/boarder income; income from a solely operated business; income from a trade such as a carpenter or a cosmetologist; income from a partnership; and income earned by an individual working as a consultant or independent subcontractor.

To determine if an 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.

For example, a carpenter who works for a construction company, has materials provided, and receives a regular paycheck with taxes withheld is not self-employed. A carpenter who is self-employed solicits his own work, works on various jobs, provides his own tools and is paid when the job is finished with no taxes withheld.

An a/r who babysits in another person's home is an employee of that person. An a/r who babysits in her own home is self-employed.

2. Types of Self-Employment

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.

(X.C.2.)

a. Sole Proprietorship (Self-Employment)

(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) 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 gross self-employment income.

For example, a painter's gross receipts for the 12 month base period are $53,000 and her operational expenses are $28,500. She has withdrawn from her business account $350 per week in the same period for a total of $18,200. Her gross income from the business is $24,500, the difference between receipts and expenses, rather than the amount she withdrew.

b. Partnership (Self-Employment)

(1) Two or more individuals who agree to contribute money and skill/labor and to share profits and losses as well as management. No formal legal action is required to establish a partnership but written agreements may exist.

(2) Gross income is calculated by subtracting the operational expenses from the gross receipts of the business in the base period and dividing that amount by each partners' share. This is the distributive share and is countable regardless of whether it is actually distributed. Any salary or disbursements made to the individual from his business are disregarded in calculating gross self-employment income.

For example, two individuals work together as equal partners in a lawn care service. Their gross receipts in the base period were $63,000 and their operating expenses were $12,000. The gross income from the business is $51,000 and each partner's gross income is $25,500.

(3) 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 of the partnership.

NOTE: If the partners do not file the required tax forms, they are still treated as partners for the purposes of determining countable income.

(X.C.2.)

c. Limited Partnership (Not Self-Employment)

(1) Two or more individuals who are investors only and are legally liable only to the extent of their investment. This type of partnership is established by executing a Certificate of Limited Partnership which must be recorded with the Secretary of State and which specifies the partners' percentage of profit and loss. A limited partner by definition is not an active participant in the business.

(2) There must be at least one general partner who is actively involved in operating the business and who is considered self-employed for there to be a limited partner. Income for the general partners is treated as self-employment income and is calculated according to b., immediately above.

(3) Because the limited partner is not actively involved in the business activity, the income from a limited partnership is treated as unearned income and not as self-employment. See XI.L.

d. Corporation

(1) 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.

NOTE: A Professional Association (PA) is a corporation.

(2) 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.

(3) C Corporation (Not Self-Employment)

(a) This is the more common type of corporation. The profits of the corporation are taxable income to the corporation and not to the individual stockholders. When the profits are distributed as dividends, the dividends are taxable unearned income to the shareholders.

(b) An a/r 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 any dividends or distributions of profits from ownership of the stock as unearned income. See XI.L. for treatment of dividends.

(X.C.2.d.(3))

(c) Be alert to the fact that many small incorporated businesses provide in-kind compensation to the owners in the form of payment of personal bills and expenses directly from the business accounts. This is generally treated as countable wages to the a/r as it is part of his compensation. See X.B.1.g.

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.

For example, the recipient owns a used record store with his brother and the business is incorporated. He states he only receives $100 per week salary. The caseworker learns that he also writes checks out of the business account to pay his car payment and car insurance and his rent. This is considered in-kind wages and is countable.

(d) You must also evaluate the value of the stock as an asset. If the corporation is a small business and the stock is not traded on the open market (a closely held corporation), it is necessary to establish the value of the a/r's ownership interest as an asset. Refer to MA-3320, Resources, for treatment of stocks as a resource.

(4) 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. For self-employment income purposes, treat individuals in an S Corporation the same as partners in X.C.2.b.

3. Verification of Self-Employment Income

a. Business Records

The primary source of verification of self-employment income is the business records of the business, if available. This may include but is not limited to the following:

(1) Business accounting records or statements from an outside accountant (generally compiled based on information provided by the a/r).

(X.C.3.a.)

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

(3) Verification Form For Self-Employment Income and Expenses - See.b., below.

(4) IRS tax forms, if available from the most recent tax year. For example, for applications taken in 2001, the most recent tax year is 2000.

(a) You may use the a/r's IRS tax records to establish the gross receipts before expenses for the months in the base period which are included on the tax form.

(b) Do not use the tax records unless at least some of the months included on the tax form are included in the base period, even if the a/r states there has been no change in his average earnings.

(c) You may also project income from the tax forms for the entire base period if the a/r states there has been no change. If the a/r states there has been a change, use another source for the months in the base period not included on the tax form.

For example, application is made on 4/01 and the base period is 10/00-3/01. The tax records from tax year 2000 indicate gross receipts before expenses of $36,000. The monthly average is $3,000 per month. This is the monthly average for 10/00-12/00. The a/r states there has been no change, so $3,000 per month may be projected for 1/01-3/01.

In this same example, the caseworker cannot use tax records from tax year 1999 because none of those months are included in the base period.

NOTE: Refer to X.C.4.c.(4) for procedures for using tax forms to average operational expenses.

(5) Information from banks, Production Credit Association, farm agents, suppliers, purchasers or customers of the business.

b. Applicant's Statement

At application, the applicant's statement of income may be accepted AS A LAST ALTERNATIVE only if no business or current tax records are available **and** the applicant has not previously been informed of the requirement to keep business records. Applicant's statement is acceptable for gross income receipts only, not net receipts after operating expenses. The applicant's statement cannot be accepted for operational expenses. If you must accept the applicant's statement of gross income:

(X.C.3.b.)

(1) Document the reason the applicant has no business records and that he has been instructed that for any subsequent applications he will be required to provide proof of his self-employment income.

(2) Advise the applicant that at subsequent reviews **and** applications he must provide adequate business records to establish income received from the business.

(3) Give the applicant/recipient a Verification Form for Self-Employment Income and Expenses (Figure 1). Instruct the a/r that he is responsible for keeping this record current, and that without this information his eligibility for ongoing Medicaid cannot be established. Also, instruct the a/r that for any subsequent Medicaid applications, he will have to provide verification.

(4) Advise the applicant that the county has the option of requesting an income review after 3 months to determine that records are being maintained and that the statements provided at application were correct. If the income provided for the review is significantly different (not just fluctuating income), treat as a change in situation.

This review is optional to the county. Do not terminate assistance if the recipient does not provide requested information. However, the recipient may be terminated at the end of the 6/12 month c.p. if he does not provide the requested information for the regular review. The purpose of this income review is to encourage the recipient to keep adequate records to establish eligibility.

(5) If the recipient opts to use another form of verification for subsequent certification periods, such as using the services of an accountant, those records will be acceptable.

(6) A/R's statement is NOT acceptable verification at redetermination. Income must be verified using the Verification Form for Self-Employment Income and Expenses or by some other form of business records.

4. Operational Expenses

A deduction from the gross income receipts of the business is allowed for the ordinary and necessary expenses required for the operation of the business. Specifically excluded are expenses allowed by the IRS, such as depreciation and amortization, which do not reflect the actual income available to the a/r to meet living expenses.

Operational expenses should be carefully reviewed to determine the actual level of income available to the a/r. In most cases this will differ from a determination of allowable deductions and business income for tax purposes.

(X.C.4.)

a. Base Period - The base period for operational expenses is the same as the base period for determining self-employment income. Deduct only those operational expenses that have been paid during the base period.

b. Operational expenses include but are not limited to:

(1) Taxes required to operate the business

(2) Licenses and permit fees

(3) Rent payments (not for the home in which the a/r lives except as specified in g., below)

(4) Insurance (such as fire, liability, theft, or storm insurance on business assets, health/accident insurance on employees)

(5) Labor costs and employee benefits (such as Worker's Compensation and Unemployment Insurance)

(6) Maintenance and upkeep

(7) Products, materials and supplies

(8) Transportation costs (see f., below)

(9) Utility costs for business buildings

(10) Interest on debts, including mortgages and loans

(11) Business use of the a/r's home (see g., below)

(12) Accounting, advertising, and legal costs

(13) Food costs for roomer/boarders and for babysitters who keep children in their own home. See e. below.

c. Verification

(1) Allow operational expenses as a deduction from income for the business activity only when the expense is verified. Do not accept client statements for operational expenses at application or review.

(X.C.4.c.)

(2) Verification must indicate that the expense was paid in the base period (except when using IRS tax records to average as described in (4)(c) immediately below.

(3) If documentation is inadequate to clearly establish the amount, date and type of the expense, and that it is for items related to the type of business activity, do not allow it as a deduction from income.

(4) Sources of verification include but are not limited to:

(a) Business records, such as ledger sheets, receipt files, accounting records, including those maintained regularly by the a/r, on paper or in software programs such as Quicken.

(b) Statements from suppliers, banks, farm agents or others conducting business with the a/r.

(c) IRS tax records. IRS allows expenses not allowable for Medicaid purposes. Ensure that the item is clearly identifiable as an allowable expense for Medicaid. The tax forms do not show the actual date paid, but you may use IRS tax forms to average expenses.

Using the same example used for gross receipts in X.C.3.a.(4) above, application is made in 4/01 and the base period is 10/00-3/01. The tax records from tax year 2000 indicate allowable operational expenses of $12,000. The monthly average is $1,000 per month. This is the monthly average for 10/00-12/00. The a/r states there has been no change, so $1,000 per month may be projected for 1/01-3/01.

(d) Receipts from the source of purchase of materials/ supplies. Use this source only if there are no other business records available, or if it is not clear from the business records that a particular item is allowable.

d. Maintenance/Repair Versus Capital Expenditures

(1) Expenses incurred for repair or maintenance are allowable operational expenses. Capital expenditures are not an allowable operational expense.

(2) Maintenance/repair is an incidental correction to an existing structure such as repairing a broken light switch, patching holes in a roof, or servicing the furnace.

(X.C.4.d.)

(3) A capital expenditure is one that adds to or increases the value of fixed assets and is subject to depreciation for income tax purposes. Examples are rewiring a house, installing new plumbing, purchasing a vehicle or farm machinery, or adding a room.

(4) Replacement of an existing feature that could be repaired is not an allowable operational expense.

(5) Depreciation and the principal portion of mortgage payment are not allowable operational expenses for Medicaid purposes even though they are allowable IRS tax deductions. They are considered capital expenditures.

e. For roomer/boarder income, the only allowable operational expense is food costs. (These procedures also apply to babysitters who claim food costs when keeping children in their home.)

(1) Use the a/r's records to verify food expenses.

(2) If the a/r does not have records, use the Value Table, below, to determine the cost.

Value Table for Food Expense

Number of Persons	1	2	3	4	5	6	7	8	9	10
Allowance Per Person (10/01)	$182	$117	$84	$70	$62	$57	$53	$50	$48	$44

Add $43 for each additional person

(3) Add the total number of boarders/children to the number of persons in the needs unit to determine the food allowance per person.

(4) If the boarder/child eats only some meals in the home (1/2, 1/3, 2/3, etc.), determine what portion of a month's 91 meals are eaten with the a/r. Divide the food allowance by the portion of meals eaten with the a/r. Round to the next highest dollar.

(X.C.4.e.(4))

Example: A boarder eats one meal a day or 1/3 of his meals per month with client and client's spouse. Divide the food allowance for 3 by 3. Subtract this amount from the amount paid for board as an expense.

Example: A babysitter keeps a child 22 days/month and feeds the child 2 meals/day (44 out of 91 meals/month) or 48%. The needs unit is 4 plus the child = 5, food value per person is $62. The total allowable expense is $62 x 48% = $29.76.

f. Transportation Expenses

(1) There are two methods of allowing transportation expenses as an operational expense. The a/r may choose either method, regardless of whether he or the business owns the vehicle, as long as there is documentation to support the expense. The two methods are:

(a) Deduct the actual cost of operating the vehicle, such as gas, oil, repairs, tires, tags, and insurance.

(b) Take a standard mileage allowance equal to the amount currently allowed by the IRS.

NOTE: The only exception is when the vehicle is used for hire, such as taxis, limousines, buses and vans. For vehicles used for hire, only the actual costs of operating the vehicle may be deducted as an operational expense.

(2) The cost of purchasing/leasing a vehicle is not an allowable operational expense, whether owned by a business or an individual. It is considered a capital expenditure. However, the interest paid on the loan is allowable.

(3) If the vehicle is used solely for the business or is registered in the name of the business, all allowable operating costs may be deducted.

(4) If the vehicle is used for both business and personal use, only the expenses related to the business use are deducted.

(a) Accept the a/r's statement for the percentage of business use and personal use if there is no documentation, unless it is questionable.

(b) If the a/r's statement is questionable, you may request the a/r to maintain mileage records to substantiate his deductions for future reviews.

(X.C.4.f.)

(5) The a/r who uses his vehicle for both personal and business use may not take a deduction for the mileage incurred in getting to and from home to the work site. A deduction is allowed for mileage between multiple work sites during the day, as well as for other travel necessary to the operation of the business.

Example 1: Sole proprietor of a flower shop owns a van in her name which is used primarily for delivering flowers but is also used for occasional personal travel. She drove 20,000 miles during the base period and states that 16,000 were for delivering flowers. She can claim a mileage allowance for the 16,000 miles related to the business activity, or she may claim 80% of actual costs for which she has receipts.

Example 2: Married couple with a turkey farm own a truck registered in both names and it is their only vehicle. They state they use the truck both for farm work and as their private vehicle. They have no mileage records but they have receipts for gas, oil, tires, and repairs. They state that approximately 50% of the mileage is related to farm work, mostly picking up supplies and providing transportation for laborers. They may claim 50% of the actual costs as an expense.

g. Business Use of the Home

(1) To deduct expenses for business use of the home, the following criteria must be met:

(a) The area must be used EXCLUSIVELY and regularly for the activities of the business, and

(b) The a/r has NO OTHER FIXED LOCATION where the business is conducted, and

(c) The area must be the PRINCIPAL PLACE FOR DOING THE PRIMARY WORK of the business. The two factors that determine the primary work of the business are the relative importance of the tasks and the time spent in the office.

For example, the primary work of a painter is painting. The other tasks, such as buying supplies, preparing written estimates and sending invoices, are secondary.

(X.C.4.g.)

(2) Examples of allowable expenses are repairs or maintenance of the area in use (such as painting or cleaning), utilities, rent, insurance on the premises and equipment.

NOTE: Mortgage payments are not an allowable expense for home offices as they are considered a capital expenditure.

(3) The basic local telephone service is not allowable. However, long-distance phone calls related to the business are allowable, as well as the cost of a second phone line used exclusively for the business (including fax and Internet lines).

NOTE: This rule applies for deducting telephone expenses even if the a/r cannot claim a deduction for the business use of the home.

(4) The allowable expenses must be prorated, based either on the percentage of the square footage of the home in business use or the number of rooms in business use.

For example, if the total area is 1,200 square feet and the room used for the business is 240 square feet, 20% of the home is used for business. Therefore 20% of the utilities may be allowed as an operational expense.

In another example, the home has four rooms and one room is used for the business. Therefore 25% of the utilities may be allowed.

(5) If the criteria in (1), immediately above, are not met, the a/r is not allowed to deduct the expenses for the use of his home (utilities, repairs, etc.). However, he may still deduct other expenses related to operating the business, such as supplies, phone lines, computers, labor, etc.

Example 1: Self-employed plumber has a room in his home which he uses exclusively as an office to phone customers, order supplies, keep books. He has a part-time secretary who also uses the office. He spends approximately 35 hrs/week in his customers' homes installing and repairing plumbing and 10 hrs/week in the office. His office is not where he does the primary work of his business and the expenses for the space in his home are not allowable. However, he may still deduct the cost of supplies, the labor costs for the secretary and other costs related to operating the business.

(X.C.4.g.(5))

Example 2: Transcriptionist has a room in her home used exclusively as an office where she does her transcription on a computer, contacts customers by phone, prepares invoices, keeps business records, and mails advertising brochures. She spends 25-30 hrs/wk in the office and 6-8 hrs/wk picking up and delivering materials to be transcribed. The office is her principal place of business and the expenses are allowable.

5. Multiple Self-Employment Enterprises

If the a/r is involved in more than one self-employment enterprise, determine income as follows:

a. Combine the total gross income receipts for the base period from each enterprise.

b. Combine the total allowable operational expenses for the base period from each enterprise.

NOTE: Do not allow the same operational expenses more than once. For example, if the a/r rents a space and uses it for two businesses, the rent may only be allowed once.

c. Subtract the operational expenses from the total gross income receipts to determine the countable gross income.

For example, a recipient operates a lawn care business for most of the year. During the off-season he does plumbing installation and repair. These are two separate business activities. The total gross income in the base period from the lawn care business is $43,050 and from the plumbing business $12,140 for a total of $55,190. His operational expenses from the lawn care business are $16,650 and $3,450 from the plumbing business for a total of $20,100. His gross countable income from self-employment is $35,090 (55,190 - 20,100).

6. Net Loss

a. When the a/r incurs a verified net loss in one business activity, it can be offset by other self-employment income for the base period. (See 5. immediately above.) Do not use a loss to offset any other type of earned or unearned income, and do not reduce the total self-employment income below zero.

b. The loss must be verified. It must be a loss according to Medicaid income calculations, not IRS tax calculations.

c. When the a/r indicates a net loss from his business, discuss how current living expenses are being met to determine what other income is available to the family.

(X.C.)

7. Disagreements

If there are conflicting records/statements, attempt to resolve the difference. If it cannot be resolved, use the lowest verified amount.

8. Discontinued Business

If the business or activity is being discontinued, do not include the self-employment income from the base period in the income calculation for the upcoming c.p. Include as reserve any remaining portion of the total available net proceeds from the business.

9. Temporary Loss of Profit

For Medically Needy cases, if the business or activity is to be continued but no profit is realized due to temporary circumstances beyond the control of the a/r, do not consider the property value in reserve. (Business assets are always countable in Categorically Needy cases.) Refer to MA-3320, Resources, for procedures for treatment of excluded property no longer producing income.

a. Flag the case for review when the income begins. Advise the a/r to notify the caseworker within 10 calendar days of resuming the business activity. Document the record.

b. Discuss with the a/r how current living expenses are being met to determine what other income is available to the family.

10. Special Self-Employment Situations

a. Contract Grower Income

(1) Contract growers are individuals who grow a product under contract with a company. The product is generally livestock, such as hogs, turkeys or chickens, but may also be produce, such as sweet potatoes. The company provides the livestock (or plants), the feed and medicine and certain supplies needed to raise the livestock or produce. The grower provides the houses for animals, labor, utilities, and equipment to maintain the business.

(2) Income - The grower and the company sign a contract, which specifies how the grower will be paid. The grower receives a form 1099 at the end of the year showing the gross amount the company paid him.

(a) The grower is generally paid several times a year, for example every 60 days.

(X.C.10.a.(1))

(b) He also generally receives a lump sum payment when the final product is delivered to the company.

(c) He may also be paid a bonus based on production.

(d) The contract may specify that the payments be split between the grower and a bank or other mortgage/lien holder. However, the total amount of payment is countable income to the grower.

For example, a hog farmer receives a $15,000 payment. He signed an agreement that 60% of his payment ($9,000) is paid directly to Carolina Bank who holds a mortgage on his hog houses. The remaining 40% ($6,000) is paid directly to the farmer. However, the countable gross income is $15,000.

(3) Operational Expenses

(a) The grower may have allowable operational expenses, such as interest on mortgages and loans, labor, utilities, maintenance and repairs on farm equipment, etc.

(b) The largest expense to the grower is the houses for raising the livestock or the land for raising produce. A bank or mortgage lender usually finances these. The principals on loans and mortgages and depreciation are not allowable expenses for self-employment for Medicaid purposes.

b. Production Flexibility Payments

These are annual payments to farmers from the federal government based upon contract acreage for production of certain feed/grain crops. Treat these payments as self-employment income. The payment is included on the farmer's tax returns, along with operational expenses. This is annualized income. Divide the net annual income after expenses by 12 to calculate the countable monthly income.

c. Rental Income

(1) Income Received Monthly

(a) For applications, the base period is the month prior to the month of application, unless there is a recent change such as a new rental contract.

(X.C.10.c.(1))

(b) For redeterminations, the base period month can never be earlier than the 4th month of the current 6 month certification period or the 10th month of the current 12 month certification period, and can never go beyond the 1st month of the new certification period.

(2) For income received other than monthly, the base period is 6 or 12 months. See VII.A. or B.

(3) Operational Expenses - The base period for operational expenses is the same as the base period for income.

(4) Rental income may be from a rental business operation, such as a rental management company or real estate business, or it may be rental income from property owned directly by the individual, such as heir property. If the a/r has an ownership interest in property that produces income, the a/r also has a legal interest in the income. Count the a/r's share of the rental income, regardless of whether he actually receives the income. If he receives more than his legal share, count the amount actually received.

Example: Applicant owns 1/3 interest in undivided heir property with his 2 brothers. It is farm property that is rented for $600/month after operational expenses. 1/3 of the net rental received, or $200, is countable income applicant. He reports he receives 1/2 the income, or $350, from the property because he helps manage the property. Count $350 as income.

d. Ministers

If a minister files taxes as a self-employed person, determine gross income as follows:

(1) Count all money paid to the minister during the base period for his services, including salary, household allowance, travel allowances, insurance, church's share of Social Security and retirement, etc. Payments for services such as weddings, funerals, and baptisms are also countable income.

(2) Deduct allowable operational expenses that can be verified. See X.C.4. for allowable operational expenses.

(3) The difference is the gross income from self-employment for the base period.

NOTE: If the church provides a house for the minister, the current market value of the monthly expense for the house (rent or mortgage payment) is considered income unless living in the house is a condition of employment.

(X.C.)

11. Refer to MA-3320, Resources, for treatment of business property and assets in MAF cases. Business assets are not an eligibility factor for MIC cases.

D. Supplemental Payments in Excess of State Maximum Rates for Foster Care Payments and State Foster Home Funds Paid by the County

Definition - Payments by a county that exceed the state maximum rates or exceed the rates set by the county

1. Verify the supplemental payment from county records.

2. Determination of Gross Income

   Count the full amount of the supplemental payment as gross income. See XII. for computation instructions.

E. Worker's Compensation/Employer Funded Disability Payments

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

1. Count as earned income when:

   a. Employer funded,

   b. Provided to an individual who remains employed while recuperating from a temporary illness/injury pending return to the job, and

   c. Characterized under state law as a temporary wage replacement.

2. Count as unearned income when:

   a. The individual no longer remains employed, or

   b. The individual receives private disability benefits.

3. 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.

(X.E.)

4. Verification sources

   a. Contact the employer/payer of benefit.

   b. Current check.

   c. Award letter. Verify that an increase has not occurred since the date of the award letter.

5. Use the gross amount of monthly Worker's Compensation received by each budget unit member in determining countable income.

XI. COUNTABLE UNEARNED INCOME

A. General Information

1. Explore potential benefits for each budget unit member at each application/review. 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. The assistance unit members must apply for all unearned income to which they are entitled before eligibility can be determined. Even though you must complete inquiries on all budget unit members, you cannot require a person not included in the assistance unit to provide a Social Security number or apply for benefits. Refer to III.A. for the requirements to apply for benefits.

3. Count benefits to which the assistance unit member is entitled if he has waived, renounced, or delayed receipt and the amount of entitlement can be verified. If entitlement cannot be verified, eligibility cannot be determined. Refer to MA-3210, Verification Requirements for Applications.

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.

(XI.)

B. RSDI Benefits

At application and review, explore potential benefits for each budget unit member. The potential depends on the situation of the 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 assistance unit members are required to apply for all benefits to which they are entitled.

If an assistance unit member who is aged 65 or older or disabled has already applied for RSDI benefits but has been determined financially ineligible because they did not meet the work quarters requirements, do not require the a.u. member to reapply for RSDI at redetermination or reapplication. Document the record.

1. Eligibility may be based on:

   a. Disability

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

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

      (3) 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.

      (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.

(XI.B.1.b.)

(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) Stepchildren who have lived with a stepparent for 9 months or more.

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

2. Verification sources

a. State On-Line Query (SOLQ) or Third Party Query (TPQY). Refer to the EIS Manual, Section 1107.

b. 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.

c. On-line SDX listing if SSI or SSA/SSI is received. The SDX reflects the benefit amount of the current month.

d. Award letter. However, SOLQ or TPQY is preferable, as benefits may have increased since 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.

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

f. Copy of the check. Ensure the Medicare premium is accounted for.

(XI.B.)

3. Except for 4. immediately below, count the monthly RSDI entitlement amount for each budget unit member even when:

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

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

4. For an individual under 21 who is budgeted for Long Term Care (LTC), count the RSDI amount actually received.

C. 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 MA-5700, VA Appendix for detailed information regarding types of VA benefits and requirements for pension and compensation.) 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 active duty 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. Verification Sources

   a. Contact the VA Regional Office Claims Division, Winston-Salem, 1-800-827-1000. A written request may be mailed to the VA Regional Office at 251 North Main Street, Winston-Salem, North Carolina 27155

   Requests must include:

   (1) Beneficiary's full name, and

(XI.C.2.a.)

(2) VA claim number or any two of the following:

(a) Veteran's military service number. The veteran's military service number may be verified by the local VA service office, or

(b) Veteran's Social Security number, or

(c) Veteran's date of birth

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

c. Current check

3. Count the total gross monthly VA entitlement amount received by each budget unit member, including any increased benefits such as Aid and Attendance and homebound assistance.

4. Exception to counting VA: The only exception is when an individual receives VA to attend school (except for individuals under 21 budgeted for Long Term Care).

a. Apply the VA benefits received for education toward school expenses prior to any other educational benefits that the a/r or financially responsible person, (parent or spouse) may receive. (The one exception is when the other source of educational benefits are benefits received because of attendance at an approved school. These benefits should be applied prior to VA benefits).

b. Count as income any amount remaining after school expenses are deducted.

5. Do not count Agent Orange payments as income.

6. The veteran or survivor must file an application with the VA to establish entitlement amount to increased benefits (improved pension, aid and attendance, or homebound rating). Refer to VA Appendix, MA-5700.

7. Using the eligibility file and information obtained from the applicant/recipient/ representative, explore the veteran status of the veteran, including dates of service and whether compensation or pension may be appropriate.

(XI.C.7.)

a. Parent Disability Indemnity Compensation (DIC):

If the 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.

b. Surviving Dependent Disability Indemnity Compensation (DIC)

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. (DIC to a surviving spouse or child is not reduced by other income.)

c. Compensation

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.

d. Pension

(1) If the a/r is an institutionalized veteran with spouse/dependents at home, or the institutionalized surviving spouse of a veteran with dependents at home who meet the requirements for pension, the individual may receive additional benefits. This additional benefit is referred to as "Aid and Attendance" rating.

(2) If the a/r is a single institutionalized veteran with no dependents or a surviving spouse without dependents and he is eligible for Medicaid, his VA benefit will be reduced to $90. The reduced $90 payment is non-countable unearned income for Medicaid purposes and is the recipient's personal needs allowance. Do not allow an additional $30.00.

e. If the a/r is potentially eligible for pension, he must apply for improved pension under the Pension Improvement Act to receive the Aid and Attendance rating.

D. 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 of adults and parents of the children in the b.u. 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.

(XI.D.)

Request verification by phone by calling the Railroad Retirement Board at the number below. You may also request verification by letter. Provide the applicant's name and social security number or railroad retirement claim number.

Quorum Business Park, Suite 120
7508 East Independence Boulevard
Charlotte, North Carolina 28227
Phone Number (704) 344-6118

1. Other 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 benefits received by 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 are income to the child.

E. 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. A labor union or a fraternal organization also may provide benefits.

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 federal employee receiving U.S. Civil Service award, use the award letter or other document.

2. Count the gross monthly amounts received by each budget unit member.

F. Worker's Compensation

1. Count Worker's Compensation as unearned income if the individual no longer remains employed.

2. Count as earned income if provided during illness or injury as a temporary wage replacement. See X.E.

3. Verification Sources

a. Contact the employer.

b. Current check

c. Award letter. Verify that an increase hasn't occurred since the award letter was issued.

4. Count the gross monthly amount of Worker's Compensation received by the budget unit member.

G. Unemployment Insurance (UI)

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 UI inquiry.

(XI.G.1.)

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

c. Current check.

2. Count the gross monthly amount of UI received by the budget unit members.

3. Convert UI benefits to a monthly amount. Use this amount to determine eligibility. Flag the case to recompute the budget when benefits end.

4. See MA-3515, 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. See 8., below. An inquiry is also not required at redetermination for individuals in a nursing home, retirees, or under age 16.

5. Except for assistance unit members listed in 8. 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. An assistance unit member who is employed and earning 20% or less of the amount of benefit for which he is monetarily eligible must apply for UI within 12 days of filing an application. (For example, if a person is receiving $100 per week in UI, they can earn up to $20 and still receive the UI.)

8. Even if the following assistance unit members are shown as monetarily eligible in the ESC/UI Inquiry, they are not available for work. Do not refer those who are:

a. Employed full-time as defined by the employer

b. Registered for and attending school or on vacation during or between successive quarters.

(XI.G.8.)

c. Receiving or applying for benefits under any state or federal law based on temporary or permanent total disability

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

e. Receiving a government or other pension, retirement, annuity, or other similar periodic payment that is more than the potential monthly Unemployment Insurance Benefit payment

f. Placed on disciplinary suspension by his employer. If the family member is on a single disciplinary suspension that lasts more than 10 consecutive calendar days, he is considered dismissed from the employment and must apply for UI.

g. Unavailable for work due to a medical condition, including childbirth, as verified by a physician's statement, or a medical condition that is obvious to the worker.

h. Women on maternity leave whose job is held for their return. If the woman has a job and intends to return to it after her maternity leave ends, she is not entitled to UI even if monetarily eligible.

9. Application

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

a. Send a DMA-5097 to the assistance unit member. Refer to MA-3215, Processing the Application.

(1) Notify the a.u. member he is required to apply for unemployment benefits.

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

b. Verify the a.u. member's application for unemployment benefits by completing an on-line UI inquiry. Refer to the EIS Manual, Vol.I., 1106 for instructions.

(1) If the applicant has not applied for UI by the 45th day, count the phantom benefits beginning with the month in which the 46th day occurs. Count the amount under "WBA" on the on-line UI screen when determining his eligibility.

(XI.G.9.b.)

(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. The date of change for unearned income is the date the income is actually received. Flag the case to verify the amount received and determine ongoing eligibility at that time.

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

(4) If the applicant waives or renounces his right to UI, count the amount under "WBA" on the on-line UI screen effective with the month of application.

(5) Count the gross benefits for the entitlement period.

10. Ongoing Cases

a. Quarterly ESC/UI Match

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

(1) If so, complete an on-line inquiry to determine the "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.

(3) If there is no "File Date" or the "File Date" is beyond the 12 months, and the recipient is showing as currently monetarily eligible, he must apply for UI.

c. 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 UI as well as the receipt of the benefits.

(b) Follow the appropriate timeframes.

(XI.G.10.c.)

(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 DSS-8110. On the DSS-8110, explain the termination is for failure to apply for all benefits to which he may be entitled. See 8.b.(5). above.

(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 inform 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 or renounces his rights to UI, count the amount under "WBA" on the on-line UI screen when determining his eligibility.

H. Private Disability or Unemployment Benefits

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

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.

1. Verification sources

a. Contact the payer of the benefit.

b. Current check.

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

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

(XI.)

I. Sick Pay

Definition - Income not subject to tax deductions that is received by a budget unit member who is unable to work due to illness or incapacity. Sick pay subject to tax deductions is treated as earned income.

1. Verification sources

   a. Contact the employer.

   b. Current check.

2. Count the monthly amount of sick pay received by each budget unit member.

J. 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 received by each budget unit member.

K. Work Release Funds

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

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

(XI.K.)

1. Verification sources

   a. County department of social services' records.

   b. On-line Department of Correction inquiry. Refer to the EIS Manual.

2. Count the gross amount of work release received by 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. Notify the local child support enforcement staff 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, or

      (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. To determine the needs:

(XI.K.4.c.)

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

(2) Add to this the dependents' monthly payments on health and life insurance, medical expenses not covered by Medicaid, school lunches, and 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

For each additional dependent, add: $50

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

(a) Return two DSS-1664's with a copy of the court order if there is a valid order that 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.

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

L. Dividends and Interest from Stocks, Bonds, Ownership in Closely Held Corporations, Limited Partnerships and Other Investments

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

1. Base period

(XI.L.1.)

a. Applications

(1) Closely Held Corporations - These are usually small businesses who have incorporated but whose stock is not publicly traded. The corporation's dividends are generally in the form of profits of the corporation divided among the stockholders. The base period for computing income is the 12 calendar months prior to the month of application, or the number of months in business if less than 12 months.

(2) Limited Partnerships - A limited partner is an investor only and is not an active participant in the business. The base period for computing income is the 12 calendar months prior to the month of application, or the number of months in business if less than 12 months.

(3) Other Dividends and Interest - The base period for computing income is the 6 calendar months prior to the month of application or the number of months receiving if less than 6 calendar months.

If the dividends are paid annually, the base period is 12 months. See VII.A.3., above.

NOTE: Use income from base period (not actual) when determining eligibility for retroactive Medicaid benefits.

b. Redeterminations

The base period is the same as the base period for applications above. The last month of the 6 or 12 month base period must be:

(1) No earlier than the month prior to the month the redetermination interview is held, but no earlier than the 4th month of the current 6 month certification period or the 10th month of the current 12 month certification period, and

(2) No later than the first month of the new certification period.

If the number of months receiving is less than 6/12, use the actual number of months the recipient has received the income.

(XI.L.)

2. Verification sources - For dividends and interest from stock, bonds, investments:

   a. Current dividend check.

   b. Contact the financial institutions. Use form DSS-3431, "Request for Financial Information". Financial institutions will not release information without this signed consent. All persons whose name is on the account must sign a DSS-3431.

   c. Current dividend statement. A statement for tax purposes is issued to each recipient of a dividend.

   d. Bank/savings and loan passbook.

      Consider as income any interest which is earned on a savings or checking account that is withdrawn by the a/r on a regular basis or that is paid to him as a regular dividend. Consider as part of the reserve interest that is accumulated or reinvested automatically.

   e. Contact a bank with issue date and serial number of bonds.

   f. Contact the stockholder or brokerage firm that sold the stocks/ bonds.

   g. Contact the company in which the stocks/bonds are owned.

   h. Check the following website to obtain the current value of bonds: www.publicdebt.treas.gov/servlet/SBCPrice

      NOTE: If dividends are paid out in stock, verify value of additional shares.

3. Dividends From A Closely Held Corporation

   a. The primary source of verification is the business records of the corporation, including tax returns. See X.C., above.

   b. The income is the amount of profit made by the corporation multiplied by the percentage of stock owned by the a/r. Profit is calculated by subtracting operational expenses from the gross receipts of the business. The dividends are countable regardless of whether actually disbursed.

(XI.L.3.b.)

For example, a/r and his brother and sister-in-law own a pet store that is incorporated. A/R owns 40% of the stock and his brother and sister-in-law own 30% each. The pet store profits for the base period were $62,000 (income minus operational expenses). A/R's dividends from the business are $62,000 x .40 = $24,800.

c. If the a/r is also employed in the business and receives a salary, treat the salary as wages separately from the calculation of dividend income. See X.B.1., above, for treatment of wages.

4. Dividends From a Limited Partnership

a. The primary source of verification is the business records of the company, including tax returns. See X.C., above.

b. The income is the amount of profit (gross receipts minus operational expenses) made by the business multiplied by the percentage of stock owned by the a/r. The dividends are countable regardless of whether actually disbursed.

For example, a/r is a limited partner in a dairy operation. The partnership agreement stipulates that in return for his investment he is entitled to 25% of the dairy's profits. The business records indicate a profit of $40,600 during the base period. A/R's share is $10,150.

5. Count the monthly income from dividends or interest received by each budget unit member. If dividends fluctuate or are paid less often than monthly, use the prior 6 months (or 12 months) and project based on that. Flag the case to recompute when the dividend is due to be received.

M. Income from Trust Funds

At application and review, explore the potential benefits for each budget unit member. The principal of a trust is not a countable resource. However, income paid directly to a member of the budget unit from a trust is countable income.

Verification sources

1. Examine the trust fund documents.

(XI.M.)

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

   a. A family relative,

   b. The Clerk of Court,

   c. A lawyer, or

   d. The trust department of a local bank.

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

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

N. Educational Loans, Grants and Scholarships

If a budget unit member receives any educational loans, grants, or scholarships not administered by the U.S. Department of Education or Bureau of Indian Affairs Student Assistance program, and an amount is designated for room and board expenses, count this designated amount as unearned income. These items may be listed as "Living Costs" on the document. See IX.B.6. for exclusions.

If educational benefits are received because of attendance at an approved school, and the individual also receives another source of educational benefits, always apply the benefits received because of attendance at an approved school toward school expenses first. If there is any of the educational benefit remaining after paying the school expenses have been paid, count as unearned income.

If the budget unit member receives VA educational benefits and educational benefits from another source, apply the VA benefits toward the educational expenses first. (The one exception is when the other source of educational benefits are benefits received because of attendance at an approved school. These benefits should be applied prior to VA benefits). If there is any VA educational benefits remaining after educational expenses have been paid, count it as unearned income.

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

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

3. If the educational loan, grant, or scholarship not administered by Title IV of the U.S. Department of Education or Bureau of Indian Affairs student assistance programs is received on a yearly basis:

(XI.N.)

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

b. Count the remainder as a lump sum. See XI.T

4. If the educational loan, grant, or scholarship not administered by the U.S. Department of Education or Bureau of Indian Affairs student assistance programs is received on a basis other than yearly:

a. 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.

b. Divide the remainder by the appropriate number of months to determine a monthly amount.

c. Use this amount as countable income.

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, particularly if lung ailments exist.

2. Verification Sources

a. Contact the Industrial Commission, Department of Economic and Community Development, 4334 Mail Service Center, Raleigh, N.C. 27699-4334. Include the a/r's file number, name of former employer, and the date of the onset. 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.

3. Count the gross amount of Brown Lung Benefits received by each budget unit member.

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.

(XI.P.)

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

   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 letter.

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

Q. Prouty (Special Age 72) Benefits

Definition - Special benefits paid by SSA to persons age 72 or over who have not worked under the Social Security system. The payments are minimal. Persons now receiving SSI are ineligible for these benefits. Some long term care recipients elect to have Prouty instead of SSI as they can receive a larger benefit.

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

1. Verification Sources

   a. State On-Line Query (SOLQ) or Third Party Query (TPQY). Refer to EIS Manual, Section 110.

   b. SDX - Prouty recipients are identified by suffix J or K and a numeric digit following their Social Security Number.

   c. Contact local SSA District Office.

   d. Current check.

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

2. Count the gross amount of monthly Prouty Benefits received by each budget unit member.

R. Military Allotments

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

1. Verification sources

   a. Contact the commanding officers of military payment information centers. Attach a signed consent for release of information. See MA-5500 for addresses.

   b. Copy of the check.

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

   d. Contact the absent spouse/parent.

2. Count the gross amount of monthly Military Allotments received by each budget unit member.

S. Sheltered Workshop Income

1. Count as unearned income if no employer/employee relationship exists. If there is an employer/employee relationship, see X.B.

2. Verification sources

   a. Contact the workshop where a/r is employed.

   b. Current check(s).

T. 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 and tobacco settlement payment. It does not include the receipt of earned income received on a yearly basis such as farm or rental income.

1. Use a lump sum payment as income in the month of application 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.

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(XI.T.)

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

   a. It is paid directly to another person outside the a.u/b.u.

   b. The payment is for past months' benefits from SSI.

   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.

3. Verification sources

   a. Provider of benefit.

   b. Copy of check.

   c. Award letter.

4. Applications - Retroactive Period

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

5. Applications - Prospective Period

   To calculate the period of ineligibility when the lump sum is received at any time during the application process:

   a. Categorically Needy

      (1) Add together the lump sum payment and any other countable earned and unearned income.

      (2) Determine the number of persons in the Needs Unit.

      (3) Compare the total countable income to the income level for the number in the Needs Unit used to establish eligibility (income level or categorically needy).

(XI.T.5.a.)

(4) If the income does not exceed this income level, establish eligibility.

(5) If the total countable income exceeds the income level used to determine eligibility, divide the total countable income by that income level.

(a) The assistance unit is ineligible for Medicaid for this number of months.

(b) Any remainder counts as unearned income for the month after the last month of ineligibility.

(c) Evaluate the assistance unit for Medically Needy.

b. Medically Needy

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

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

6. 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. See MA-3320, Resources. Count a lump sum payment as income when received prior to case authorization, i.e., in deductible status.

U. Child/Spousal Support

1. Verification sources

a. OLV Inquiry of ACTS, or

b. One of the following sources:

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

(2) A written, signed statement or completed and signed DSS-8176, Contribution form from the absent parent when the support is paid directly to the caretaker.

(3) Provisions of the separation agreement/divorce decree.

(XI.U.)

2. Disagreements

   If the 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.

3. Count as support any income received from an absent parent. This includes money sent through State Child Support Enforcement in the base period.

4. If the budget unit member is receiving child support for an adult child (over age 18) it is countable unearned income to the budget unit member with the following exception. Budget the child support as unearned income for a child if he is age 18 or older, lives with the custodial parent and is a student in high school up to the month he graduates high school if he is expected to graduate by the month of his 19th birthday.

5. Verify the support for the base period of six months. If there is more than one source of support, verify each source separately.

6. Computation

   a. Add the total amount paid from each source of support from the base period and divide each source total by 6 or number of months received in the base period.

   b. From this amount, subtract up to $50 of child support paid from each source of support. Divide the result by the number of children supported by each source. This determines the average monthly support to budget for each child receiving support in the assistance unit. (The $50 disregard does not apply to LTC budgeting.)

      Example 1: Mother applies for Medicaid for her 3 children. The absent parent is father of all children. He pays his child support through the State Child Support Enforcement Program. His support obligation is $600 monthly. $600 has been paid for each of the last 6 months, $3600 ÷ 6 = $600. $600 - $50 = $550. $550. ÷ 3 = $183.33. The average monthly child support to budget for each child is $183.33. If all children are included in the same Medicaid application and budgeting the full amount of child support causes ineligibility, budget the children separately.

      Example 2: Mother applies for Medicaid for her 2 children in January. She receives direct support for child #1 from the absent parent. She does not receive support from the absent parent of child #2. She provides a signed, written statement from the absent parent stating the following amounts as being paid for support for the previous six months. July-$120.00, August-$100.00, September-$120.00, October-$80.00, November-$100.00, and December-$120.00. The total support received from this absent parent for the last six months is $640.00. The average monthly support was $106.67. Subtract $50.00 from the average monthly support ($106.67-$50.00 = $56.67. $56.67 is the amount of support to budget for child #1. If both children are included in the same Medicaid application, and the support causes ineligibility, budget the children separately.

c. Lump Sum Payments of Back Support

(1) Count any portion of the lump sum that is for months in the base period.

Example: Absent parent's support obligation is $300/mo. The base period is Sept.-Feb. He did not pay in Sept.-Dec. but made the regular payments in Jan.-Feb. In Feb. he also paid a lump sum of $900 for the months missed. The $900 is countable in the base period.

(2) Disregard the portion of the lump sum arrearage support that, when added to actual ongoing support payments made, exceeds the total ongoing support obligation for the base period.

Example: Absent parent's support obligation is $300/mo but the amount he pays fluctuates. In the 6 month base period he paid $1,050, which is $750 less than his obligation (300 x 6 = 1,800 - 1,050 = 750). He also paid a lump sum of back support in the amount of $1,000. This was for months prior to the base period. Count $750 of the lump sum.

7. If support began or the amount of the obligation changed during the past 6 month period, project an average based on the new amount.

a. Verify the total amount paid for the month(s) since the support began or changed. To get the average, add the amounts paid. Divide by the number of months since support began/changed.

b. From this amount, subtract up to $50 of child support paid from each source of support. Count the balance as the average monthly support in determining eligibility.

c. Flag the case to recompute when the support has been received for six months at the changed amount.

V. Contributions

1. Count contributions given in cash on a regular basis to meet the a/r's needs.

2. When individuals live together and share expenses, such as one paying shelter and utilities and one buying food, there is no contribution.

3. Count cash contributions for shelter and utilities given to the a/r by someone outside the home. Do not count if a contributor pays the supplier directly.

(XI.V.)

4. Disagreements

   If the a/r's statement and the available records disagree, try to resolve the difference. If the difference cannot be resolved, use the lower amount.

5. Verify the contribution amount for the 6 month base period.

   a. Add the total amount paid and divide by 6.

   b. Count this amount as the average monthly contribution in determining eligibility.

6. If the contribution began/changed in the past 6 month period, project an average.

   a. Verify the total amount paid for the month(s) since the contribution began/changed. To get the average, add the amounts paid. Divide by the number of months since the contribution began/changed.

   b. Count this amount as the average monthly contribution in determining eligibility.

   c. Flag the case to recompute when the contribution has been received for 6 months at the changed rate.

W. Loans and Promissory Notes Money

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

1. When the loan or promissory note is an excluded resource to the a/r, count the payments received by the a/r as unearned income. This includes any interest payments.

2. When the loan or promissory note is a countable resource to the a/r, count only the interest received as unearned 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-3320, Resources. Obtain a written statement from the parties involved if there is no formal loan agreement.

(XI.)

X. Deemed Income

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.

Y. 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 their 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 that allows him to receive the death benefit while living, do not require the a/r to file for such proceeds even if he meets the insurance company's requirements for receiving the proceeds.

2. If an a/r does file for and receive the benefits, the payment will be considered 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.

4. If payment is received as a lump sum, refer to XI.T. for treatment of lump sums.

5. Verification source - Contact with the insurance company administering the policy or award letter.

Z. Tobacco Settlement

Money paid to tobacco farmers and quota owners as part of the settlement by tobacco companies is treated as a lump sum payment. Refer to XI.T. for treatment of lump sums.

Farmers may receive this settlement payment on a yearly basis depending upon the settlement terms. Continue to treat the payment as a lump sum.

AA. *Pigford/Brewington v. 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 T. above for treatment as a lump sum payment. 11/01/03

(XI.)

BB. Gaming Proceeds for Eastern Band of Cherokee Nation

Members of the Eastern Band of Cherokee Indians receive a distribution of profits from gaming operations on their reservations. Payments are made semi-annually in June and December.

1. Base Period - The base period is the 6 calendar months prior to the month of application or review. Divide the total amount by 6 to calculate the monthly countable income.

2. 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 to minors are not countable since they go into a trust. Trust funds are an exempt resource. Refer to MA-3320, Resources.

   b. Payments to parents are countable when determining the child's eligibility. Refer to XI.M. for treatment of income from trusts.

3. Verify the per capita payment by copy of the check or award letter, or contact:

Eastern Band of Cherokee Indians
P. O. Box 455
Cherokee, NC 28719
828-497-7040

CC. 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 the gross when considering severance pay.

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

   a. In one payment, in which case it is treated as a lump sum payment. (Refer to XI.T.)

   b. In a series of payments, in which case it is treated as income received on a regular basis: monthly, weekly, etc. (Refer to IV., V., VI., and VII. for base period instructions.)

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

3. Verify the amount and payment schedule by:

(XI.CC.3.)

a. Seeing the check stub,

b. Seeing wage verification form, or

c. Contacting the former employer.

XII. COMPUTATION OF COUNTABLE INCOME FOR MAF-C

See XIII., below for the Income Computation for MIC, MPW, MAF-N, MAF-M and NC Health Choice. Also refer to the Family and Children's Budget Sheet at the end of MA-3300, Income, for Income Computations.

A. Computation Outline

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

1. Count income available to any member of the budget unit.

2. Convert earned income to a countable monthly income. Round to the nearest whole cent.

   a. If the budget unit member has more than one source of earned income, add the gross incomes from each source before subtracting deductions.

   b. For self-employment income, deduct operational expenses to arrive at the countable gross self-employment income before subtracting deductions.

   c. If the budget unit member has both wages and self-employment income, add the countable gross income from self-employment (after deducting operational expenses) to the wages before subtracting deductions.

3. Deduct any Federal and State Earned Income Tax Credit (EITC) from gross income.

4. Subtract the allowable earned income deductions according to C., below. Each budget unit member receives only one earned income deduction, even if he has more than one source of earnings.

5. Add unearned income of the a/r plus that of his spouse/ financially responsible parent(s) if appropriate.

6. Exclude income paid by a budget unit member for court ordered child support and/or alimony according to E. below.

7. Exclude income deemed to a Work First case according to F., below.

(XII.A.)

8. The balance is the available income used to determine financial eligibility. Do not round. Use the total income to compare to the appropriate income level for the number in the Needs Unit.

   NOTE: If the earned income is new employment or an increase in the number of hours working, evaluate for Job Bonus following instructions in G., below. If new earned income results in ineligibility, refer to MA-3405, Twelve Months Transitional Medicaid, to evaluate for Transitional Medicaid.

B. Federal and State Earned Income Tax Credit (EITC)

Deduct any Federal and State EITC from the gross income before any other deductions (except for operational expenses for self-employment). Verify the receipt of EITC by use of wage stubs or employer's statement.

C. Earned Income Deductions

The 27.5% Earned Income Deduction is used to calculate countable earned income for each employed parent/specified relative in the budget unit of an MAF-C case. (They do not have to be in the assistance unit.) The 27.5% deduction is not applicable to MIC, MAF-N or M, MPW or NCHC. See XIII. for Income Computations for these aid program categories.

In most instances, the 27.5% Earned Income Deduction will be the greater deduction for MAF-C budgeting. However, if the MAF-C case is ineligible using the 27.5% deduction, and the $90 work related expense and child care deductions are a greater deduction than the 27.5% deduction, complete a second budget using the greater deduction. You may use the Family and Children's Budget Sheet at the end of MA-3300, Income.

EXAMPLE: Budget 1

N.U. 3/Income Limit = $544

Gross Income

752.50 X 27.5% = 206.94

752.50

- 206.94

545.56

(ineligible)

Budget 2

N.U. 3/Income Limit = $544

Gross Income

752.50

- 90.00

- 175.00 (child care)

487.50

(eligible)

(XII.C.)

- In Budget #1, the income exceeds the $544 income limit for MAF-C. Since the $90 work related expense and child care deductions may be a greater deduction, complete a second budget using the $90 work related and child care deductions to determine eligibility.

- In Budget #2, the $90 work related expense and allowable child care deductions are a greater deduction than the 27.5%, and the case is eligible for MAF-C.

D. Standard Work Related and Child/Adult Care Deduction

The $90 standard work related expense and child care deductions are used in budgeting for MIC, MAF-N or M, MPW or NCHC. See XIII.C-D. for instructions on applying this deduction.

This deduction is used in MAF-C budgeting only when the case is ineligible using the 27.5% Earned Income Deduction, and this deduction is a greater deduction than the 27.5% deduction.

E. Court Ordered Child Support/Alimony

Subtract amounts actually paid by the parent/specified relative included in the budget unit, for court ordered child support and/or alimony to individuals not living in the home. See XIII.E. for instructions on applying this deduction.

F. Income Deemed to a Work First Case

This includes any budget unit member whose income is deemed to a Work First case. Work First deems income from alien sponsors and from the spouse of a child in a Work First assistance unit.

1. Subtract from the income of a b.u. member the amount of his income deemed to a Work First case. Use the amount deemed in the Work First calculation for the base period month.

2. If none of the income is actually counted in the Work First budget because it is too low, do not count any of the income in the Medicaid budget calculation.

G. Evaluating for the Job Bonus

1. General Requirements

   The Job Bonus is a 100% exclusion of earned income for the first three months after an MAF-C parent/specified relative begins employment, or begins working 20 or more hours a week, in a permanent job (expected to last more than one month). The Job Bonus is a once in a lifetime benefit and is applied for three consecutive months, provided the individual remains employed and eligible for Medicaid.

(XII.G.1.)

If employment stops or Medicaid eligibility ends, the Job Bonus ends and cannot be given again. If the individual changes jobs during the Job Bonus period but continues working, the Job Bonus continues for the original 3 months.

Each parent/specified relative in an MAF-C budget unit may be eligible to receive the Job Bonus. For example, if both parents are receiving MAF-C, and the first parent has already used his Job Bonus and the second parent starts a job, she is eligible for the 3 months of Job Bonus. You would exclude her earnings for three months and give the other parent the 27.5% earned income deduction, if applicable. The parent/specified relative must meet the following criteria:

a. Be included in the budget unit (not just the assistance unit), and

b. Have never received the Job Bonus in MAF-C or Work First, and

c. Have new permanent employment that began after applying for Medicaid, is expected to last more than one month, including self-employment, and

d. Employment is expected to be at least 20 hours per week; this may include 2 permanent part-time jobs that average a total of 20 hours.

NOTE: In some instances, a parent may be in the budget unit but not in the assistance unit. An example is a non-qualified alien parent with a U.S. citizen child.

2. Definitions of New Employment

a. "New employment" refers to an employee who:

(1) Begins working for an employer for whom he has not worked before, or

(2) Begins working for an employer for whom he has previously worked but there has been a break in his employment during which his job was not held for him nor rehire guaranteed.

For example, an employee is laid off from his plant. He draws Unemployment Insurance and is seeking other work. After several weeks, the same plant rehires some of the laid off employees because work has increased. This is considered new employment.

(XII.G.2.)

b. The following situations are not considered "new employment" for the purposes of applying the Job Bonus:

- Temporarily leaving a job, but the job is held until the employee returns to work. Examples are when a job is held for an absent employee on maternity leave, sick leave, family medical leave, etc.

- An employee of a temporary agency at 20 or more hours a week whose assignment ends, but he is still considered employed by the agency. When he starts a new assignment, it is not new employment.

- A school employee returns to the same job he previously held in the same school system. Although there is no guarantee of rehire, school employees' jobs are generally available to them when they return unless they are terminated for some other reason.

3. Wage Verifications

When the parent/specified relative reports an employment change, request verification of the new wages. DO NOT wait for wage verifications to apply the Job Bonus. Determine the Job Bonus based on the client's statement of earnings if verifications have not been received.

Wage verification is necessary to evaluate ongoing eligibility once the Job Bonus period ends.

4. Applications (MAF-C)

a. If the parent/specified relative is employed full time (working 20 or more hours a week) on the date of application, he is ineligible for the Job Bonus.

b. If the parent/specified relative is not working, or is working less than 20 hours per week on the date of application, and subsequently increases the hours to 20 or more per week:

(XII.G.4.b.)

(1) Apply the Job Bonus for 3 consecutive months, beginning the month following the month of the first pay that includes the increased hours. It does not matter if the earnings would cause ineligibility for this month. Do not wait for verification of wages,

or

(2) If the new/increased wages cause ineligibility in the month of receipt, apply the Job Bonus for 3 consecutive months beginning with the month of receipt.

Example: Parent applies on March 3, working less than 20 hours per week. Reports in April that hours have increased to more than 30 hours per week in the last week of March. The first pay with increased hours is received in April. Apply the Job Bonus beginning in May, June, and July. If the April income causes ineligibility for April, apply the Job Bonus beginning April for April, May and June.

c. If the parent/specified relative is ineligible for the Job Bonus, follow instructions in C. above for Earned Income Deductions.

5. Ongoing Cases (MAF-C)

a. If the parent/specified relative currently is employed in a permanent job, working 20 or more hours weekly, he is ineligible for the Job Bonus.

b. If the parent/specified relative is currently working less than 20 hours a week, he is ineligible for the Job Bonus for that job.

c. When the parent/specified relative reports going to work, or an increase in the number of hours from less than 20 to more than 20 hours per week, in a permanent position (expected to last at least one month), take the following actions:

(1) Request verification of the new wages.

(2) Evaluate for the Job Bonus (do not wait for wage verifications).

(3) If eligible for the Job Bonus, apply the bonus period for 3 consecutive months beginning the month following the month of the first pay that includes the new wages.

(4) If ineligible for the Job Bonus, follow instructions in C. above for Earned Income Deductions.

(XII.G.)

6. Ending the Job Bonus Period

Once the Job Bonus is entered on the Job Bonus history screen, the end date of the Job Bonus period will appear on the case management report each month. Prior to the end of the Job Bonus, complete an income review. Use any wage verification received at the beginning of or during the Job Bonus period, along with all other earned and unearned income. Complete the review by the deadline for processing changes in the third month of the Job Bonus.

a. If the case remains eligible, place a copy of the budget in case record and document continued eligibility.

b. If ending the Job Bonus causes ineligibility (e.g. income verification was not received prior to the end of the Job Bonus period), evaluate eligibility for everyone in the assistance unit for all other aid program categories. This includes MA-3405, Twelve Months Transitional Medicaid, continuous eligibility for children, disability, pregnant woman coverage, MAABD and NCHC. Follow procedures in MA-3410, Terminations and Deletions.

c. If the family is ineligible for all programs, send timely notice to terminate.

7. Reacting to Other Income Changes During the Job Bonus Period

a. During the Job Bonus period, the earned income is disregarded for three months. However, all other income is counted and if a change occurs, you must react to that change.

b. If ending the Job Bonus causes ineligibility, evaluate eligibility for all other aid program categories, including MA-3405, Twelve Months Transitional Medicaid, MAABD and NCHC.

8. Changes in Employment Status during the Job Bonus Period

a. Once applied, the Job Bonus runs 3 consecutive months, whether the individual remains employed or not.

Example: An individual begins employment and his Job Bonus period is December, January and February. However, he terminates his employment in January and receives his last pay in January. Although he has no earned income to disregard in February, he is still considered to have received the Job Bonus for three consecutive months.

b. If an individual changes jobs, i.e. ends one job and starts another job, during the Job Bonus period, the Job Bonus continues for the three consecutive months and the earnings for both jobs are disregarded.

(XII.G.8.)

c. If an individual goes to work and the job meets the Job Bonus criteria, but he quits the job before the Job Bonus is ever applied, he did not receive the Job Bonus. Therefore, he may be eligible for the Job Bonus at a later date.

Example: Client reports on July 13 that she went to work on July 10. On July 17 she reports that she quit the job. The worker has not had time to apply the Job Bonus. Therefore, do not apply the Job Bonus.

9. Continuing Job Bonus when Family Transfers to MAF-C from Work First

a. When a recipient transfers to MAF-C from Work First during the Job Bonus period, regardless of the reason, the recipient is eligible for the remainder of the Job Bonus in MAF-C if he has not already received the Job Bonus as an MAF-C recipient.

The Job Bonus is an earned income disregard for both Work First and MAF-C. At the time the Job Bonus is applied to determine Work First eligibility, it is also being applied to determine the MAF-C eligibility. Subsequently, when Work First ends but MAF-C continues, the Job Bonus period also continues unless the recipient has already received the Job Bonus in Medicaid.

b. If the recipient has already received the Job Bonus in MAF-C, do not continue the Job Bonus that started in Work First. The recipient can receive the Job Bonus only once in MAF-C. Follow instructions in XII.C. for earned income deductions. If ineligible for MAF-C, evaluate eligibility for all other categories, including Twelve Month Transitional Medicaid, MAABD and NCHC.

H. Tracking the Job Bonus

If a recipient is eligible for the Job Bonus, the Job Bonus period must be entered in EIS to ensure that the recipient does not receive the Job Bonus more than once. Follow instructions in the EIS Manual to enter an individual's Job Bonus information in the Job Bonus History Screen. Also, follow instructions in the EIS Manual when completing inquiries into the Job Bonus History.

XIII. COMPUTATION OF COUNTABLE INCOME FOR MIC, MPW, MAF-N, MAF-M, MAF-D AND NC HEALTH CHOICE

See XII., above, for Income Computation for MAF-C. Also refer to the Family and Children's Budget Sheet at the end of MA-3300, Income, for Income Computations.

A. Computation Outline

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

(XIII.A.)

1. Count income available to any member of the budget unit.

2. Convert earned income to a countable monthly income. Round to the nearest whole cent.

   a. If the budget unit member has more than one source of earned income, add the gross incomes from each source before subtracting deductions.

   b. For self-employment income, deduct operational expenses to arrive at the countable gross self-employment income before subtracting deductions.

   c. If the budget unit member has both wages and self-employment income, add the countable gross income from self-employment (after deducting operational expenses) to the wages before subtracting deductions.

3. Deduct any Federal and State Earned Income Tax Credit (EITC) from gross income.

4. Subtract the standard deduction for work related expenses according to C. below. (For PLA only). Each budget unit member receives only one standard deduction, even if he has more than one source of earnings.

5. Subtract allowable child care/incapacitated adult care costs according to D. below.

6. Add unearned income of the a/r plus that of his spouse/ financially responsible parent(s), if appropriate.

7. Exclude income paid by a budget unit member for court ordered child support and/or alimony according to E. below.

8. Exclude income deemed to a Work First case according to F., below.

9. The balance is the available income used to determine financial eligibility. Do not round. Use the total income to compare to the appropriate income level for the number in the Needs Unit.

B. Federal and State Earned Income Tax Credit (EITC)

Deduct any Federal and State EITC from the gross income before any other deductions (except for operational expenses for self-employment). Verify the receipt of EITC by use of wage stubs or employer's statement.

(XIII.)

C. Standard Work Related Expense

The standard work related expense is $90 for each budget unit member who works. This is for full and part-time employment and for self-employment income. The standard deduction includes expenses for federal and state tax, FICA, union dues, retirement, medical insurance, the costs of uniforms, tools or materials, transportation to and from work, transportation to and from child care centers, and all other work related expenses.

D. Deductions for Child Care and /or Incapacitated Adult Care Costs

Allow costs paid by a budget unit member up to a maximum of $175 for each child age 2 and older and for each incapacitated adult. Allow costs paid by the b.u. member up to a maximum of $200 for each child under age 2. Allow only costs that are expected to be paid by the b.u. member. Do not allow costs paid by a third party, such as private industry or a government program.

1. Base Periods

   a. Applications/Redeterminations for Ongoing Coverage

      Use the same base period to determine child care costs as used to determine earned income, even if 12 months. Convert to a monthly amount and project for the certification period.

   b. Retroactive Coverage

      Use actual costs incurred during the retroactive period.

2. Child Care and/or Incapacitated Adult Care Arrangements

   a. Social services are available to assist with child care/incapacitated adult care arrangements. If the budget unit member expresses a desire for more information, refer him to the services unit.

   b. Allow only the expense paid by the b.u. member as a work-related expense.

   c. Verify with the services unit any child care payments paid by county programs before deducting child care payments as an expense.

(XIII.D.2.)

d. Some businesses also provide child/adult care assistance or reimburse the employee for all or part of their child/adult care expenses. Verify with the employer if they pay any child/adult care.

e. Do not allow the child care deduction when the child care provider:

(1) the budget unit member's natural, adoptive, or step child, and

(2) is under the age of 21, and

(3) lives in the home.

This applies regardless of whether the child is included in the assistance unit.

3. Allow child care costs and/or incapacitated adult care costs as a work related expense if:

a. The budget unit member is employed; and

b. The child/adult is related to the b.u. member per MA-3350, Kinship and Living with Requirements for Families and Children; and

c. The child/adult lives with the b.u. member; and

d. The b.u. member pays the child care costs and/or incapacitated adult care costs; and

e. The b.u. member provides verification that the adult is incapacitated.

4. If the child turns age 2 during the certification period, flag the case to review the child care costs. Allow the costs up to the $200 maximum through the last day of the month of the child's second birthday.

5. Acceptable Verifications

a. Child/adult care provider's statement of receipt.

b. Cancelled checks for payment for care.

c. Employer's statement.

(XIII.D.5.)

d. For applications:

(1) If the verification is not received by the 45th day, accept the applicant's statement as verification.

(2) Continue to attempt to obtain verification. Document in the case record verification attempts before accepting the applicant's statement.

(3) If neither the verification nor the applicant's statement is received by the 45th day, process the application without allowing the deduction.

(4) If verification is received after the application is approved, recompute the budget and make any necessary changes in authorization.

E. Exclusion - Court Ordered Child Support/Alimony

Subtract amounts actually paid by the parent/specified relative included in the budget unit for court ordered child support and/or alimony to individuals not living in the home.

1. Determine support/alimony by regularity and amount actually paid in cash or in kind.

2. If the amount has been paid for 6 months, add the total verified amount paid and divide by 6 to determine average monthly amount to be excluded.

3. If support/alimony began/changed in the past 6 months period, add the amount paid and divide by the number of months since support began/ changed.

4. Flag the case to recompute when support has been paid for 6 months.

5. Follow instructions in XI.U., above for verification of support/alimony.

F. Exclusion - Income Deemed to a Work First Case

This includes any budget unit member whose income is deemed to a Work First case. Work First deems income from alien sponsors and from the spouse of a child in a Work First assistance unit.

1. Subtract from the income of a budget unit member the amount of his income deemed to a Work First case. Use the amount deemed in the Work First calculation for the base period month.

2. If none of the income is actually counted in the Work First budget because it is too low, do not count any of the income in the Medicaid budget calculation.

XIV. APPEAL REVERSALS

If you reopen an application or a terminated case due to an appeal, administrative decision or court order, you must:

A. Review Income Information

Review the case record to determine if you have verified the income from the base period for the application or terminated case.

B. React to Changes In Income

1. Contact the a/r to determine if there has been a change in income.

2. If you have the income from the base period and there has been no change, use this income to project for the certification period.

3. If there has been a change in income, obtain verification of the changed income. Refer to IV.-VII. to determine the date of change and how to project income from the month of change for the remainder of the certification period.

4. When there has been a change in income, refer to:

   a. MA-3410, Terminations and Deletions, II. for continuous eligibility for children

   b. MA-3405, Extended Medicaid

   c. XII.G. for Job Bonus.

Figure 3, Family and Children's Income Chart