

**NORTH CAROLINA DIVISION OF SERVICES FOR THE BLIND
PROGRAMS AND FACILITIES SECTION
SPECIAL ASSISTANCE FOR THE BLIND PROGRAM**

Section:	Chapter 6
Title:	Income
Revision History:	Revised 08/02

INCOME

This section explains the steps to verify and calculate the countable income for SSI and non-SSI applicant/recipient (a/r) for SAB. All documentation referred to in this section should be done on the DSB-7204.

I. SSI APPLICANT/RECIPIENT

A. Verify Receipt of SSI Eligibility Using SDX, an Award Letter, or a Memo to SSA (attach copy of page 9 of DSB-7204).

NOTE: There are instances in which an SSI recipient no longer receives a cash payment but is still considered to be SSI eligible. An example is a "1619(b)" recipient.

B. Document in File on the DSB-7204.

C. Income Computation for SSI

1. SSI Only

An SSI a/r will have a \$20 income disregard applied in determining monthly income.

- a. Subtract \$20 from SSI current monthly amount.
- b. The result is Total Countable Monthly Income. (Refer to Chapter 7, Budgeting).

Note: SSI Recoupment could apply.

Example 1:

SSI Current Payment	\$637.00
Income Disregard	<u>- 20.00</u>
Total Countable Monthly Income	\$617.00

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Example 2:

SSA recouping SSI overpayment	
Benefit	\$637.00
Recoupment	<u>- 54.50</u>
Current Payment	\$582.50

Use the current payment \$582.50 for computation.

SSI Current Payment	\$582.50
Income Disregard	<u>- 20.00</u>
Total Countable Monthly Income	\$562.50

II. Non SSI Applicant/Recipient

To determine eligibility or amount of payment, count income which is actually available to the applicant/recipient (a/r) and which the a/r can legally make available for his/her support and maintenance.

A. Base Periods

The base period is a set time for verification of income when determining eligibility for the payment review period. Certain incomes have different base periods. To calculate the base period, divide the monthly cost by the number of months.

1. Base Period for Applications and Redeterminations

a. Unless income has changed, the base period is the month prior to the review or application except for farm income, wages, income from self-employment, and for rental income received other than monthly. (If the income has changed, see II.A.2.a. page 118).

b. Changing Income

- (1) An acquired source of income,
- (2) A change in rate or pay that will continue (not fluctuating income),
- (3) Termination of income.

c. Farm Income and Income from Self-Employment or Rental Income Received Other than Monthly

(1) Discontinued Income-All Cases

If the farm operation or business is being discontinued, show the remaining portion of the current year's total net income as reserve.

(2) Continuing Income - Applications and Redeterminations

- (a) The base period is the prior year's income as listed on tax records.
- (b) If there are no tax records, use current business records for up to 12 months of income prior to the month of application or review.
- (c) If the recipient has income less than 12 calendar months, count income for the number of calendar months received.
- (d) If the a/r states there has been a significant change, use gross net ratio based upon prior year's earnings. (See II.B.2.c.(1)(f) page 141 for how to calculate terminated income and II.B.2.c.(2) page 144 for how to calculate self-employment.)

d. Alimony and Child Support

- (1) Six calendar months prior to the month of application or the redetermination interview, or
- (2) The number of months receiving if less than six calendar months.

e. Gross Annual Operational Expenses (for income producing property only)

- (1) The base period is the prior year's income as listed on tax records.
- (2) If there are no tax records, use current business records for up to 12 months of income prior to the month of application or review.
- (3) If the recipient has income less than 12 calendar months, count income for the number of calendar months received.
- (4) If the a/r states there has been a significant change, use gross net ratio based upon prior year's earnings.

2. Base Period for Applications Only

Note: For changes in income on authorized cases refer to Chapter 9, Changes in Situation.

- a. If income changes during the base period, use income received during the month of application.

EXAMPLE:

Mr. Brown applied for SAB on November 5, and was placed in an ACH on November 1. His income decreased effective October. The application was processed in December. November income is used to

determine eligibility and the payment for November and subsequent months.

b. If income changes during the month of disposition:

- (1) Consider the actual income received in the month of disposition.
- (2) Convert to a monthly amount using II.A.3., page 120, to determine eligibility and payment for that month.

EXAMPLE:

Mr. Brown applied for SAB on November 5, and he was placed in an ACH on November 1. His income decreased effective December. The application was processed in December. October income is used to determine eligibility and the payment for November. December income is used to determine the December payment and subsequent months.

(3) For the month after the month of disposition:

- (a) Consider the actual income received in the month of disposition.
- (b) Convert to a monthly amount using II.A.3, page 120.
- (c) Flag the case.
- (d) Recompute income when the a/r has received the new monthly amount.

EXAMPLE:

Mr. Brown applied for SAB on November 5, and he was placed in an ACH on November 1. The application was processed in December. His income decreased effective January. October income is used to determine eligibility and the payment for November and December. Flag the case and recompute payment in January using the new income amount.

(4) If income is terminated in any month prior to the month of application, do not count the terminated income.

EXAMPLE:

Mr. Brown applied for SAB on November 5. He received his last paycheck on October 3. Since the income terminated in the month prior to the month of application, do not count the terminated income to determine eligibility and the payment for November and subsequent months.

- (5) If income terminates in the payment effective month, count the actual income in the month received prior to the date of disposition.

EXAMPLE:

Mr. Brown received his final wages November 30. He applied for SAB and entered ACH facility on November 1. His SAB application was approved December 14, with a payment effective date of November 1. Since the income terminated in the payment effective month, count the actual income received in November to determine eligibility and the payment for November. Do not count any of the terminated income for December and subsequent months.

3. Add income received in the base period month and divide by the number of dates paid.
4. Income for the base period is converted to a monthly amount using the following formula:
 - a. Multiplying by 4.3 if paid weekly.
 - b. Multiplying by 2.15 if paid biweekly.
 - c. Multiplying by 2 if paid semimonthly.
 - d. Using the monthly amount if paid monthly.

NOTE: This formula applies even if income fluctuates month to month. It is unnecessary to recalculate income monthly. Review again at redetermination.

B. Types of Income

1. Unearned Income

a. Countable Income

- (1) Alimony and Child Support
- (2) Cash contributions (including support or alimony)
- (3) Income from trust funds
- (4) Interest and dividends from stocks, bonds, other investments
- (5) Living Needs Benefits
- (6) Loans and Promissory Notes
- (7) Lump Sum Payments
- (8) Rental property
- (9) Sick Pay
- (10) Social Security benefits- RSDI

- (11) Veterans benefits (VA) (Except Aid and Attendance/unmet medical, Homebound, and Clothing)
- (12) Other types of countable income:
 - (a) Annuities
 - (b) Black Lung benefits
 - (c) Brown Lung benefits
 - (d) Cherokee Reservations- Gaming Proceeds
 - (e) Military Allotments
 - (f) Pensions
 - (g) Private disability or unemployment benefits
 - (h) Railroad Retirement benefits
 - (i) Retirement
 - (j) Trade Readjustment benefits
 - (k) Unemployment Insurance (UI)
 - (l) Worker's Compensation

b. Non- Countable Income

- (1) Agent Orange settlement payments.
- (2) Assistance and Real Property Acquisition Act of 1970.
- (3) In-kind support from any source.
- (4) Assistance from other agencies and organizations. This includes financial assistance and in-kind goods (clothing, food, etc.) or services received from a governmental, civic, or charitable organization-as long as such aid is for rehabilitation purposes, special training, or educational opportunities and provided no duplication exists. This includes:
 - (a) VA aid and attendance and UME (unusual medical expenses).
 - (b) VA aid to the homebound.
 - (c) VA clothing allowance.
- (5) Benefits received by an a/r as a representative payee for another individual who is incompetent or incapable of handling his affairs. Such benefits must be accounted for separately from the a/r's own income/resources.
- (6) Bills paid by a third party to a vendor/provider.
- (7) Disaster assistance.
- (8) Experimental Housing Allowance Program (EHAP) payments made under Annual Contributions Contracts entered into prior to January 1, 1975, under Section 23 of the U.S. Housing Act of 1937, as amended.
- (9) German Reparation payments.

- (10) Housing improvement grants to low income families approved by the North Carolina Commission of Indian Affairs or any funds distributed per capita to or held in trust for members of any Indian tribe under P.L. 92-254, P.L. 93-134, or P.L. 94-540.
- (11) HUD Community Development Block Grant funds received to finance the renovation of a privately owned residence.
- (12) HUD Section 8 payments.
- (13) Income diverted to a plan for achieving self- support (PASS) through the SSI. The PASS must be a written, formal plan, for a specified period of time, for eventual economic self-sufficiency.
- (14) Irregular or infrequent income. To be excluded as irregular or infrequent, it must not be received more than once in a calendar quarter and be \$20 or less.
- (15) Japanese-American and Aleutian restitution payments.
- (16) Payments for supportive services or reimbursement of out-of pocket expenses made to volunteers serving as/in:
 - (a) Foster grandparents,
 - (b) Senior health aides,
 - (c) Senior companions,
 - (d) Service 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 111 of Public Law 93-113
- (17) Payments made by Medicare to a home renal dialysis patient as medical benefits.
- (18) Payments to certain Indian tribes as permitted by Public Law 94-114.
- (19) Payment received under Title II of the Uniform Relocation
- (20) Radiation Exposure Compensation Trust Fund (RECTF) payments. RECTF payments which provide compensation for injuries and death resulting from exposure to radiation from nuclear testing and uranium mining.
- (21) Social Services Block Grant funds used to pay for services rendered by another individual or agency.
- (22) Special one-time payments such as energy or weatherization assistance.
- (23) That portion of educational loans, grants, or scholarships including a payment under the Veterans Educational Assistance Program (G.I.Bill), programs administered by the U.S.

Department of Education, or the Bureau of Indian Affairs used actually for tuition, books, fees, equipment, transportation, required school insurance, and child care services necessary for school attendance.

- (24) Value of the benefits received under the Food Assistance Program.

c. Verification and Determination of Unearned Income

(1) Alimony and Child Support

(a) Alimony

1. When the a/r is receiving alimony, the amount received is countable income.
2. When the a/r is paying alimony, do not exclude the amount paid when determining countable income.

EXAMPLE:

Mr. Brown is an a/r and receives \$800 Social Security monthly. He pays \$200 alimony per month. His countable income is \$800.

(b) Child Support

1. When the a/r is receiving child support payment, the payment amount received is countable income. Child support paid for a child is always payment to the child. It is never payment to the parent, guardian, or relative.
2. When the a/r is paying child support, do not exclude the amount of support payments when determining countable income.

EXAMPLE:

Mr. Brown is an a/r and receives \$800 Social Security monthly. He pays \$200 a month court ordered child support. His countable income is \$800.

(c) To verify alimony or child support, use the following sources:

1. Clerk of Court (if the person receives alimony or pays the support through that office).
2. Statement from spouse or ex-spouse when the person receives the alimony directly from him.
3. Provisions of the separation agreement/divorce decree.

(d) Disagreements

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

NOTE: A/R may need referral to legal aid.

(2) Cash Contributions

At application and review, determine if the a/r receives cash on a consistent basis to help meet his/her needs.

NOTE: This does not include any cash paid by a third party directly to the operator of an ACH or a specialized residential community center as a supplement to the recipient's payment to the facility so that he/she may have a private room in a regular unit or a semi-private or a private room in a special care unit in the facility.

- (a) Verify the monthly cash contribution by contacting the provider of the cash. Ask him/her to submit a statement showing the amount of the contribution and for what period. If the a/r's statement and the provider's statement disagree, accept the a/r's statement.
- (b) Count the monthly cash contribution received by the a/r.

EXAMPLE OF A CASH CONTRIBUTION:

Mr. Brown's family sends him \$10 per week spending money. This must be counted as income. Convert to a monthly amount by multiplying \$10 times 4.3. Show \$43.00 as countable unearned income.

(3) Income from Trust Funds

At application and review, determine if the a/r is receiving or will receive income from a trust fund.

(a) To verify trusts:

1. Contact the executor or administrator of the fund who may be:
 - a. A family relative,
 - b. The Clerk of Court,
 - c. A lawyer,
 - d. The trust department of a local bank; or

2. Contact the lawyer who handled the legal aspects of the trust fund; or
3. If questions, contact the attorney who represents DSS.

(b) Count trust income received by the a/r.

(4) Interest Income or Dividends from Stocks, Bonds, Other Investments

At application and review, determine if the a/r is receiving or will receive dividends.

To verify dividends or other investments:

- (a) Review the most current dividend check, or
- (b) Review the dividend statement, or
- (c) Contact the stockbroker or brokerage firm that sold the stock or bonds to the a/r, or
- (d) Contact the company in which the a/r owns the stocks, bonds, or other investments.

(5) Living Needs Benefits

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

- (a) If an a/r has a life insurance policy which allows him/her to receive his/her death benefit while living and he/she meets the insurance company's requirements for receiving the proceeds, he/she will not be required to file for such proceeds.
- (b) If the a/r does file for and receives the proceeds, the payment is considered income in the month received. Any portion remaining in the following month is considered an available resource.
- (c) If payment is received on an ongoing basis, verify proceeds with the insurance company administering the policy and count as a monthly benefit.

(6) Loans and Promissory Notes

- (a) When the loan is a non-countable resource, count payments received as unearned income. This includes any interest payments.
- (b) When the loan is counted as reserve to the a/r, count only the interest received as unearned income.

(7) Lump Sum Payments

A lump sum payment is a one-time payment received by the a/r, not expected to recur.

- (a) If a lump sum payment of unearned income is received in the month of application or during the application process, determine the months it covers. For the months the applicant is eligible for SAB, count the amount of the lump sum that is designated for that month of eligibility as income.
- (b) A lump sum received for an ongoing case is not counted as income. It is considered as reserve the following month. Benefits received prior to receipt of a lump sum payment cannot be reduced.
- (c) If a lump sum is received as a loan, other than educational loan by the a/r, do not count as income if there is an agreed upon timetable and plan for repayment. Obtain a written statement from the parties involved if there is no formal loan agreement.

(8) Rental Property

At application and review, determine if the a/r has income from rentals of real or personal property such as land, housing, machinery, or leased farm land.

(a) Verify income by reviewing:

1. The a/r's tax statements,
2. The a/r's business records,
3. Renter's statements or receipts, or
4. Information available from banks or real estate agents.

(b) Verify actual paid operational expenses directly related to producing the income for the corresponding base period. For instructions on calculating base period, refer to pages 116-121. Use the a/r's records, including tax records, or information from banks, real estate agents, or collateral contacts with renters. These actual operational expenses include but are not limited to:

1. Interest and escrow portions of a mortgage payment (at the point the payment is made to the mortgage holder),
2. Property taxes,
3. Insurance,
4. Maintenance,
5. Utilities, if paid by the a/r,
6. Labor costs,
7. Real estate agent's fees,
8. Repairs (i.e., minor correction to an existing structure),
9. Sales taxes,
10. Advertising for tenants,
11. Verified transportation costs related to rental property operation,
12. Interest payments on loans for equipment necessary to produce the rental income, and
13. Replacement of an existing feature that cannot be repaired or the cost of the repair exceeds cost of replacement, with a feature of comparable value and function (i.e., furnace which cannot be repaired). Obtain a statement of a knowledgeable source to verify whether the feature can be repaired.

(c) Non-Deductible Expenses

1. Principal portion of a mortgage payment.
2. The depreciation amount claimed as a federal income tax deduction.
3. Capital expenditures (i.e., an expense for an addition or increase in the value of property, which is subject to depreciation for income tax purposes).
4. Replacement of an existing feature of property which could have been repaired (i.e., furnace could be repaired but is replaced with new heating system).
5. Replacement of an existing feature of the property, which could not be repaired with one, that is not of comparable value (i.e., replacement of shingle roof with brick tile roof) which results in improvement and increases the value of the property.

(d) Determination of Net Rental Income

1. Determine gross rent received and deductible expenses month-by-month.
2. Subtract operational expenses paid in a month from gross rent received in the same month.

3. If deductible expenses exceed gross rent in a month, subtract the excess expenses from the next month's gross rent and continue doing this as necessary until the end of the tax year in which the expenses are paid.

(9) Sick Pay

At application and review, the a/r must indicate if he/she has received sick pay from an employer for more than 6 months after work stopped.

NOTE: Sickness and accident disability payments made during the first six months are treated as earned income with only the appropriate deductions allowed. Refer to II.B.2.c.(3), page 148.

(a) Sickness and accident disability payments made after the first six months, paid from an employer or the employee's own contribution are treated as unearned income.

(b) To verify benefits:

1. Examine a current check stub, or
2. Contact with the employer

(c) Count the gross monthly amount of sick pay for the a/r.

(10) Social Security (RSDI)

At application and review, the a/r or his/her representative must indicate if any member of the budget unit is receiving Social Security. Even if he/she denies that anyone receives benefits, explore the possibility.

(a) To verify Social Security benefits

1. Use the Bendex and SDX.
2. Examine the current award letter

NOTE: A general increase may have occurred since the date of the award letter.

3. Send a memo to SSA with a copy of page 9 of DSB-7204 requesting verification of Social Security benefits.

(b) Determine the gross monthly benefit received by the a/r. Deduct the amount withheld to recoup an overpayment if this has not already been done by SSA.

- (c) The a/r is responsible for applying for RSDI if he/she is potentially eligible.

NOTE: If a/r chooses to waive, delay or renounce RSDI benefits, count the amount to which he/she would be entitled as unearned income.

(11) Veterans Benefits (VA)

At application and review, the a/r must indicate if he/she is receiving VA. Discuss whether he/she or any family member served in the military. Explore any possible survivor benefits.

- (a) To verify benefits:

- 1. Examine a current VA benefit check stub; or
- 2. Examine the current award letter; or

NOTE: A general increase may have occurred since the date of the award letter.

- 3. Contact the local VA service officer; or
- 4. Contact the VA Regional Office Claims Division, 251 N. Main Street, Winston-Salem, North Carolina 27155, to verify the amount and type of VA received. The toll free number is 800-827-1000. The a/r's consent is not required. Include the following information with your request.
 - a. The a/r's full name and social security number.
 - b. The a/r's VA claim number or any two of the following:
 - 1. Veteran's military service number. The veteran's military service number may be verified by the local VA service office, or
 - 2. Veteran's social security number, or
 - 3. Veteran's date of birth.

- (b) If VA rates are increased, the new pension rates are not automatic. The veteran or survivor must file an application with VA to establish entitlement to increased benefits under the Pension Improvement Act.

- (c) Determine VA benefit.

- 1. Count monthly VA benefits the a/r is entitled to receive. Do not include aid in attendance or homebound allowances.

2. The \$20 income disregard DOES apply to VA compensation payments to a veteran, spouse, child, or widow(er).
3. Count VA payments made less frequently than monthly (such as quarterly, biannually, etc.) as income in the month the payment is received. When the monthly payment due is less than \$19, VA pays the income other than monthly.

(12) Other types of Unearned income:

(a) At application and review, the a/r must indicate if he/she is receiving any of the benefits listed below.

1. Annuities
2. Black Lung
3. Brown Lung
4. Cherokee Reservations- Gaming Proceeds
Payments are generally received twice a year in June and December. If the payment is received during an application month, count the full amount of the payment as income in the month received. Any amount remaining after the month of receipt is a countable resource. If received in an ongoing case, do not count as income in the month received. Count the amount remaining after the month of receipt as a resource.
5. Military Allotments
6. Pension
7. Private Disability or Unemployment Benefits
8. Railroad Retirement Benefits

NOTE: Social Security numbers that begin with a 7 indicate the possibility of railroad retirement benefits.

9. Retirement
10. Trade Readjustment
11. Unemployment Insurance
12. Worker's Compensations

(b) To verify benefits:

1. Examine a current check stub, or
2. Examine the current award letter, or
3. Contact a representative of the source of the benefit.

(c) Count the gross monthly benefits received by the a/r. Deduct the amount withheld to recoup an overpayment.

2. Earned Income

a. Countable

- (1) Farm income
- (2) Self-employment income
- (3) Wages from:
 - (a) Adult Developmental Activities Program (ADAP).
 - (b) Annual leave pay with subject to tax deductions.
 - (c) Employment, tips, seasonal employment, baby-sitting in another person's home, domestic employment.
 - (d) Sheltered workshops.
 - (e) Sick pay for the first six months after work stops due to disability or illness (Sick pay is unearned income after six months. Refer to II.B.1.c.(9), page 133. Only appropriate disregards are allowed during the first six months while counted as earned income.
 - (f) Title V Program for adults age 55 or older (through U.S. Department of Labor).
 - (g) Training allowances, earnings, and payments received by an a/r

b. Non-Countable

- (1) Earned Income Tax Credits.
- (2) Income for supportive services or reimbursement of out-of-pocket expenses to volunteers serving as foster grandparents, senior health aides, senior companions, Service Corps of Retired Executives (SCORE), and Active Corps Executives (ACE), and any other programs under Titles I, II, and III of Public Law 93-113.
- (3) Income that is unpredictable, or which is received irregularly or infrequently. (Examples are occasional yard work, sporadic babysitting, winnings from gambling or bingo, etc.)

c. Verification and determination of gross earned income

(1) Farm Income

- (a) At application and review, determine if the a/r has farm income from production of crops or livestock.
- (b) Income from a farm which is leased to another individual is counted as rental income. Refer to unearned rental property income, page 130.

(c) To verify:

1. Use tax statements or business records.
2. Determine all income received from the sale of farm products such as:
 - a. Crops,
 - b. Livestock such as beef, poultry, etc.,
 - c. Livestock products such as milk, eggs, etc.,
 - d. Proceeds from the Soil Bank,
 - e. Cash rent, or
 - f. Other sources of farm income such as insurance payments for damaged crops.
3. Verify actual paid operational expenses directly related to producing the income.
 - a. Fertilizer, insecticides, seed, crop insurance,
 - b. Livestock maintenance,
 - c. Rent payments,
 - d. Taxes on farm property or equipment,
 - e. Building and equipment maintenance/insurance,
 - f. Labor,
 - g. Interest payments on debts or loans directly related to producing the income such as interest on loans for seed and fertilizer,
 - h. Interest portion of mortgage (principal not allowed), and
 - i. Verified costs of transportation related only to the farm operation.

(d) Use the previous year's tax statement if it is used to verify the income, or

NOTE: Operational expenses included on tax returns, which are not allowable, must be added back in when computing gross countable income. Do not allow depreciation as an operational expense.

- (e) Use the a/r's records or landlord's records or information from farm suppliers, banks, Production Credit Association, farm agents, Farm Services Agency, and purchasers of farm products if business records are used to verify the income.
- (f) Determination of Countable Gross Farm Income

1. If the a/r states there has been no change in the farm earnings in the past year,
 - a. Base the current year's profits on the prior year's profits.
 - b. Subtract the total operational expenses paid from gross income received in the base period.
 - c. Divide by 12 (or the number of months used).
 - d. Subtract the \$85 monthly disregard and divide the balance by one-half. This is the Net Countable Income.

2. If the a/r states there has been a change in income, apply the Gross Net Ratio.
 - a. Determine the ratio between the net profit and gross income for last year from the a/r's tax return or business records.

EXAMPLE:

Mr. Brown stated that his income in this calendar year is different from last year. Last year's net profit was \$1,200 and the gross income was \$6,000 for a 20% profit.

Net Profit	1200
Gross Income	$\div 6000$
Gross Net Ratio	20%

- b. Determine the actual gross receipts for the current taxable year thus far from the a/r's records and project it for the remainder of the year.

EXAMPLE:

Mr. Brown has \$4,000 in net profit for the first 6 months of current calendar year, projecting an assumed gross of \$8,000 for the entire year).

Net Profit (first 6 months)	4000
# of Months for which you have receipts	$\div 6$
Average monthly profit	666.67
# Months in the Year	$\times 12$
Estimated Gross Annual Income	\$8000

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

Annual Gross	8000
Gross Net Ratio	<u>x 20%</u>
Net Profit	\$1600

d. Prorate the net profit equally into the 12 months of the taxable year.

Net Profit	1600
Gross Income	<u>÷ 12</u>
Gross Net Ratio	\$133.33

(2) Self-Employment Income

- (a) At application and review, determine if the a/r has income from a small business or is self-employed.
- (b) Verify income by using the tax statement or business records as determined by the base period.
- (c) Verify actual paid operational expenses related directly to producing the income for the corresponding base period. Use the previous year's tax statement if it is used to verify the income. Use the a/r's records or information from suppliers, banks, and purchasers of the goods or services if business records are used to verify the income. These actual operational expenses include but are not limited to:
 1. Taxes required to operate the business (only the percentage that can be claimed as a business expense),
 2. Licenses and permit fees,
 3. Rent payments,
 4. Insurance on stock, personal and real property,
 5. Labor costs and employee benefits such as Worker's Compensation and Social Security,
 6. Maintenance of real and personal property,
 7. Products required to operate the business,
 8. Interest payments on loans for equipment, etc., necessary for producing the income,
 9. Food costs for self-employed baby sitters who babysit in their own homes. Use the a/r's records of food costs,
 10. Interest portion of mortgage (principal not allowed),
 11. Utility costs paid by the a/r, and
 12. Business related transportation costs.

NOTE: Operational expenses included on tax returns, which are not allowable, must be added back in when computing

gross countable income. Do not allow depreciation as an operational expense.

(d) Determination of Countable Gross Business Income

1. If the a/r states there has been no change in the business earnings in the past year, base the current year's profits on the prior year's profits.
 - a. If there are no tax records, use the a/r's business records to determine gross income and operational expenses.
 - b. Subtract the total operational expenses paid from gross income.
 - c. Divide by 12 (or the number of months used) to determine a countable net monthly income.
 - d. Subtract the \$85 monthly disregard and divide the balance by one-half. This is the Net Countable Income.
2. If the a/r states there has been a change in income, apply the Gross Net Ratio.
 - a. Determine the ratio between the net profit and gross income for last year from the a/r's tax return or business records

EXAMPLE:

Mr. Brown stated that his income in this calendar year is different from last calendar year. The net profit was \$1,200 and the gross income was \$6,000 for a 20% profit).

Net Profit	1200
Gross Income	\div 6000
Gross Net Ratio	20%

- b. Determine the actual gross receipts for the current taxable year thus far from the a/r's records and project it for the remainder of the year.

EXAMPLE:

Mr. Brown has \$4,000 in net profit for the first 6 months projecting an assumed gross of \$8,000 for the entire year.

Net Profit (first 6 months)	4000
# of Months for which you have receipts	<u>÷ 6</u>
Average monthly profit	666.67
# Months in the Year	<u>x 12</u>
Estimated Gross Annual Income	\$8000

c. Apply the gross-net ratio to the gross receipts projected for the current calendar year to obtain an estimate of net profit.

Annual Gross	8000
Gross Net Ratio	<u>x 20%</u>
Net Profit	\$1600

d. Prorate the net profit equally into the 12 months of the taxable year.

Net Profit	1600
Gross Income	<u>÷ 12</u>
Gross Net Ratio	\$133.33

(3) Wages

- (a) At application and review, determine if the a/r is employed.
 (b) To verify wages:

1. Examine a current pay stub, or
2. Contact the employer.

(c) Allowable Monthly Deductions:

1. Standard Work-Related Expenses:

Allow for Federal and State tax, FICA, compulsory retirement, compulsory health insurance, etc.

Use the Standard Work- Related Expense Table below for each who has any earned income unless the applicant provides documentation for work-related expenses which are greater than the standard deduction.

Standard Work-Related Expense Table (Monthly)

Gross Income	Standard Deduction
\$1-50	\$2.00
51-100	4.00
101-150	11.00
151-200	19.00
201-300	43.00
301-400	79.00
401-Up	127.00

2. Compulsory Insurance Premiums (Health Only):
Usually paid on a monthly basis. If premiums are paid on a weekly basis, multiply this amount by 4 1/3 to get a monthly average. Multiply by 2.15 if paid biweekly. Obtain verification if other than Medicare.

C. Income Computation for Non-SSI A/R

1. Unearned Income
 - a. Use countable unearned income.
 - b. Subtract the \$20 income disregard.
 - c. Apply the income disregard to unearned income first. Apply any remainder to earned income.

2. Earned Income
 - a. Compute net income, if applicable. (Gross income minus expenses and disregard = countable net income.) Add all earned income.
 - b. The example below shows the computation of countable net income.

Gross Income	\$550.00
- FICA	- 25.00
- State & Federal Income Tax	- 40.00
- Compulsory Health Insurance and/or Retirement	- 65.00
Adjusted Income	420.00
-\$85 Monthly Earned Income Exemption	- 85.00
Balance After Above Exemption	335.00
- 1/2 Additional Earned Income Exemption	- 167.50
COUNTABLE NET INCOME	\$167.50