

**FNS 280 Income Deductions**

**Change #5-2011**

**October 1, 2011**

**280.01 REQUIREMENT**

The deductions listed in this section will be the only deductions allowed to arrive at a household's net monthly income. Evaluate all households to determine allowable deductions.

**280.02 EARNED INCOME DEDUCTION**

Twenty percent of the monthly gross earned income, or adjusted gross income for self-employed households, is deducted to allow for expenses associated with employment such as transportation, special clothing, withholding taxes, and other incidental expenses. Do not allow this deduction for earnings that are excluded. (The Food Stamp Eligibility System [FSIS] automatically calculates this in field 49 of the DSS-8590.)

**280.03 STANDARD DEDUCTION**

Allow every Food and Nutrition Services (FNS) unit with earned and/or unearned income a monthly standard deduction according to household size. (FSIS automatically calculates this in field 53 of the DSS-8590.) Only eligible FNS unit members are included in the household size for calculation of the allowable standard deduction.

Effective October 1, 2011

Household Size	Standard Deduction
1	147
2	147
3	147
4	155
5	181
6+	208

**280.04 DEPENDENT CARE DEDUCTION**

- A. Establish eligibility for the dependent care deduction.
1. The FNS unit must incur a dependent care expense for any dependent, child or incapacitated adult, in the FNS unit; and
  2. The FNS unit must incur the dependent care expense to accept, continue, or seek employment; attend training; or attend school (including high school) to prepare for employment; and
  3. The dependent care provider cannot be included in the FNS unit.
  4. Allow as an expense the amount payable for dependent care by the FNS unit. This includes additional transportation expenses incurred as a result of transporting FNS members to and from the dependent care provider. When determining the mileage incurred to provide the dependent care transportation do not include the normal mileage incurred by the FNS unit to go to and from work. Only allow the dependent care transportation expense for the additional mileage incurred by the FNS unit. Allowable mileage is the current business IRS mileage rate.

EXAMPLE 1: The day care center is located on the route the FNS unit member drives to work. When the stop at the day care center is added, the mileage does not change. No additional transportation expense is incurred. The FNS unit is not eligible for a dependent care transportation deduction as no additional expense occurs.

EXAMPLE 2: The FNS unit members works at the day care center which the child attends. The FNS unit is not eligible for a dependent care transportation deduction as no additional expense occurs.

EXAMPLE 3: The FNS unit member takes her child to a day care center not located on her route to school. When the stop at the day care center is added, she drives an additional 10 miles in the morning and an additional 10 miles in the afternoon. She provides this transportation 5 days a week The FNS unit is eligible for a dependent care transportation deduction. The actual related transportation expense is the 20 miles, per day, that are associated with the travel to the day care center.

B. Do not allow the dependent care expense if:

Paid entirely through government assistance, or Covered by an excluded reimbursement through any source.

EXAMPLE:	\$175	Cost of Dependent Care
	- 175	Amount of Direct Care Payment from DSS
	\$ 0	No Deduction

C. Verification of the Dependent Care Expense

Request verification of the dependent care expense from the FNS unit, using the DSS-8650, Notice of Information Needed, request the dependent care expense for the month prior to the month of application or recertification as long as the deduction is representative of the ongoing deduction.

NOTE: Accept client's statement of dependent care transportation mileage unless it is questionable. MapQuest can be used if the mileage is unknown or questionable.

1. Give the FNS unit at least ten calendar days to provide verification.
2. If the FNS unit states that the verification is not readily available, offer to assist in obtaining the verification.
3. Acceptable sources of verification include, but are not limited to:
  - a. FNS unit records, such as agreements, canceled checks, etc.;
  - b. Agency records; and
  - c. Verbal or written verification from the dependent care provider.
4. If verification cannot be obtained from any source:
  - a. Consult with the FNS unit to determine the amount of the expense based on the best available information.
  - b. Request a signed statement from the FNS unit regarding the dependent care expense, and document the case file thoroughly with the reason the verification could not be obtained.

D. Determine the Allowable Dependent Care Deduction

1. If dependent care is paid weekly or biweekly, convert the dependent care to a monthly amount.
2. Count as a deduction only the amount the FNS unit pays in excess of any government assistance amount and/or any fees paid by the FNS unit.

EXAMPLE:	\$250	Cost of Care
	100	Recipient Responsible Fee
	\$150	Reimbursement – Government Assistance Payment

\$250 Cost of Care  
- 150 Reimbursement – Government Assistance Payment  
\$100 Reimbursement – Government Assistance Payment

E. Documentation of the Dependent Care Deduction

1. Document the dependent care deduction in the case file. Include:
  - a. Amount payable per child or incapacitated adult by the client,
  - b. The frequency of payment,
  - c. The provider's name, address, and telephone number,
  - d. The child(ren) or incapacitated adult in care,
  - e. Hours of care, and
  - f. Any type and amount of government assistance paid for the dependent care.
  
2. To enter the deduction in FSIS:
  - a. Round the dependent care expense, and convert amounts paid weekly, bi-weekly, or semi-monthly to a monthly amount.
  - b. If the expense is paid less often than monthly, average and convert to a monthly amount.
  - c. Enter the actual monthly converted expense paid for each dependent in field 80 of the DSS-8590.
  - d. If one dependent care payment is paid for more than one child or incapacitated adult, enter the child's or incapacitated adult's portion by his name.

EXAMPLE: Mrs. Bell pays \$400 for full time care for one child and \$150 for afterschool care for two children. Enter \$400 beside the name of the child who receives full time care. Enter \$75 beside the names of the two children who receive afterschool care.

**280.05 SHELTER DEDUCTIONS**

- A. A FNS unit is entitled to a shelter/utility deduction when shelter and/or utility expenses exceed 50% of the monthly income after the earned income, standard, medical, dependent care, and child support exclusion have been subtracted.
- B. Only that portion of the shelter and/or utility expense which represents the regular monthly payment is used in the calculation of the household's shelter expense. Do not include the amount intended to cover any past due payments.
- C. Allow a deduction for expenses that are incurred or billed, whether paid or not, up to the monthly shelter cap. FSIS calculates this automatically. If the FNS unit contains a specified person, it is not subject to the shelter cap.
- D. Allow a deduction if a shelter expense is billed in the name of a non-FNS unit member but is the responsibility of the FNS unit to pay.

**280.06 ALLOWABLE HOUSING EXPENSES**

The following are allowable housing expenses.

- A Rent;
- B. Mortgage (principal and interest), including second and third mortgages, regardless of the use of the money;
- C. Lot rent for a mobile home or mortgage payment on land when the home is owned or rented;
- D. Home improvement/home equity loans, regardless of how the FNS unit uses the money;
- E. Real property taxes (Include all taxes/assessments listed such as sewer, fire, school, trash, recycling, etc.) and state and local assessments;
- F. Insurance on the home (structure only) but not on furniture or personal belongings;
  - 1. If the FNS unit resides in a mobile home, taxes and insurance are allowable. For FNS purposes, a mobile home is considered real property.
  - 2. If the tax or insurance bill does not show amounts for personal property separate from amounts for the dwelling and land, allow the entire expense as a deduction. Document fully that these expenses cannot be identified separately.
- G. Condominium fees and homeowners association dues;
- H. Taxes and/or insurance expenses itemized as part of mortgage closing expenses when a FNS unit purchases a home.
- I. Costs of repairing a home that was substantially damaged or destroyed due to a natural disaster, such as a fire or flood, as long as the expenses will not be reimbursed;
- J. Shelter expenses for a home temporarily unoccupied by the FNS unit because of employment (such as, migrant employment) or training away from home, illness, or the abandonment of the home due to a natural disaster or casualty loss.
  - 1. For an unoccupied home to be included in the shelter expenses, the FNS unit must intend to return to the home, such as migrants.
  - 2. The current occupants of the home, if any, must not be claiming the shelter expenses for FNS purposes.
  - 3. The home may not be leased or rented during the absence of the FNS unit.

- K. When the FNS unit resides in a group home, any expense for a room, which can be identified separately from other expenses, is allowed as a shelter expense. If only one payment is made for room and meals, allow as a shelter expense the amount of the payment that exceeds the Thrifty Food Plan for the size of the FNS unit.

**280.07 NON-ALLOWABLE HOUSING EXPENSES**

- A. Any expenses related to housing not actually occupied by the FNS unit, except as specified in 280.06 J.
- B. Down payments, closing expenses, discount points, and other expenses incidental to closing a mortgage when purchasing a home, except as specified in 280.06 H.
- C. An expense which is reimbursed or covered by a vendor payment. A vendor payment is a payment made in money on behalf of a household/individual by an outside party.
- D. Site preparation to locate a mobile home.
- E. Late charges or fees on mortgage or rent payments.
- F. Past due rent or mortgage amounts.
- G. Other expenses not directly related to shelter, such as lawn care, except as provided in 280.06 G. above.
- H. Deposits on rental property.
- I. The amount of rent being recouped by HUD for a prior underpayment made by the recipient.

NOTE: If a FNS unit has been granted a suspension of rent or mortgage payments (a moratorium), do not allow the rent or mortgage expense until it is incurred again.

**280.08 VERIFICATION OF HOUSING EXPENSES**

- A. Requirements
  1. Verify the expenses at initial application, at recertification if there has been a change, and when a change in residence, with changed deductions, is reported.
  2. Allow the FNS unit at least ten calendar days to provide verification. Give the FNS unit a DSS-8650, Notice of Information Needed.
  3. If verification is not provided within ten calendar days, process the application, and allow no deduction.
  4. If verification is provided within the certification period, adjust benefits for the month after verification is provided if time allows.
  5. If the FNS unit needs assistance in obtaining verification, offer assistance.
  6. Resolve any discrepancies prior to allowing the deduction.
- B. Sources of Verification
  1. Rent or Mortgage
    - a. Obtain written or verbal statement from the landlord.
    - b. View payment notice, mortgage book, or closing statement for a new mortgage. These will indicate if the taxes and insurance are escrowed in the mortgage payment.

- c. View receipts and make sure the amount on the receipt does not include late charges, past due amounts, or HUD recoupments.
  - 2. Property Taxes/Property Insurance
    - a. View bills or receipts. Does not use the tax rate times the value to calculate the tax bill as some citizens, such as seniors, receive discounts.
    - b. Obtain a written or verbal statement from the taxing authority or insurance company. Do not allow late fees or past due amounts.
  - 3. Miscellaneous Shelter Expenses
    - a. Obtain documentary evidence from the source.
    - b. Use a collateral contact when documentary evidence is not available.
- C. Documentation Of Shelter Expenses
- 1. Document any verifications received in the case file. Include:
    - a. The method of verification. If a verbal statement is obtained, document who provided the information, how the verification was obtained (such as by telephone or in person), and exactly what was stated by the source.
    - b. The monthly amount billed or incurred. Always convert to a monthly amount if paid weekly, biweekly, or semi-monthly.
    - c. Date verification received.
  - 2. Entering Housing Expenses
    - a. Total all shelter expenses, and enter the actual amounts in the appropriate fields on the DSS-8590.
    - b. Do not round. The total shelter amount is automatically rounded by FSIS.
- NOTE: Use verified housing expenses for the month prior to the month of application or recertification as long as the deduction is representative of the ongoing deduction.

**280.09****UTILITY EXPENSES**

Allow as a shelter deduction any utility expenses that are identified separately from a rent or mortgage payment.

A. Allowable Utility Expenses

1. Heating and cooling expenses;
2. Electricity;
3. Cooking fuel;
4. Water and sewage;
5. Garbage and trash collection fees; and
6. The basic service fees for one telephone, including the basic phone service rate; telecommunication relay charge; federal and State taxes; Emergency 911 access fee; long distance access fees; and all FCC charges.

NOTE: Use the utilities for the month prior to the month of application or recertification as long as the deduction is representative of the ongoing deduction.

B. Non-Allowable Utility Expenses

1. Deposits charged on utilities, including a telephone;
2. Late fees and past due amounts;
3. The costs of appliances;
4. Repair or replacement expenses for appliances or any other portion of the home due to wear and tear or mechanical problems;
5. Costs connected with cutting wood, such as cutting permits, gas for a chain saw, or equipment used to cut wood when a FNS unit heats or cools with wood.

C. The utility expense allowed may be a standard amount or a telephone utility allowance. There are three utility standards. They are the Standard Utility Allowance (SUA), Basic Utility Allowance (BUA), and the Telephone Utility Allowance (TUA).

D. Eligibility Requirements for the SUA

The FNS unit is eligible for the SUA if the household:

1. Incurs a heating or cooling expense which is billed separated from rent or mortgage payments.
2. Rents or is purchasing a home and pays heating or cooling expenses directly to the utility provider.
3. Rents a home with individual metering for a heating or cooling expense which is billed by the landlord.
4. Owns or rents a home and does not pay a mortgage or rent payment but incurs a heating or cooling expense.
5. Does not currently incur a heating or cooling expense but expects to have one in the upcoming season. (For example, the client moves into a new home and has not received a bill.)

6. Incurs heating or cooling expenses during the certification period in excess of those reimbursed by energy assistance programs other than LIEAP.
  7. Incurs a heating or cooling expense which is not totally covered by a vendor payment.
  8. Includes Any member of the LIEAP household who received an energy assistance payment made under LIEAP for its current residence address in the past 12 months, regardless of whether the FNS unit has any expenses in excess of the LIEAP amount, or
  9. Lives in a public or private housing unit that has central utility meters and residents are charged only for excess heating or cooling expenses. Determine if the FNS unit has been billed for excess heating or cooling expenses within the last 12 months.
    - a. Do not consider the purchase of kindling wood as a heating expense.
    - b. The cooling expense must be from central or room air conditioning, not from fans.
- E. The FNS unit is ineligible for SUA when it:
1. Lives in a public or private housing unit that has central utility meters and the heating or cooling expenses are included in the rent; or
  2. Has not received a LIEAP check for its current residence address within the last 12 months; or
  3. Has its heating and cooling expenses totally covered by a vendor payment (a payment made in money on behalf of a household/individual by an outside party) other than LIEAP; or
  4. Is reimbursed for the total amount of the heating or cooling expense.
- F. Eligibility Requirements for the BUA
- The FNS unit is eligible for the BUA if the household:
1. Rents or is purchasing a home and pays at least two non-heating/non-cooling utility expenses directly to a utility provider.
  2. Incurs at least two non-heating/non-cooling utility expenses including cooking fuel, electricity used for non-heating/non-cooling purposes, water and sewage charges, natural gas for water heaters, telephone, and garbage and trash charges. If the FNS unit incurs at least two of these expenses, the FNS unit is eligible for the BUA. Remember, if the FNS unit's only utility expense is for a telephone, the FNS unit is not eligible for the BUA. Allow the FNS unit the TUA.
  3. Rents a home with individual metering or billing for at least two non-heating/non-cooling expenses which are billed by the landlord.
  4. Owns its home or rents a home and does not pay a mortgage or rent payment but incurs at least two non-heating/non-cooling utility expenses.
  5. Incurs at least two non-heating/non-cooling expenses that are not totally covered by a vendor payment or reimbursement.
  6. Lives in a public or private housing unit that has central utility meters and incurred an excess utility expense for at least two non-heating, non-cooling expenses in the last 12 months.

- G. Eligibility Requirements for the Telephone Utility Allowance (TUA)
1. The FNS unit is eligible for the TUA if the only utility expense incurred is for a telephone.
  2. The telephone can be either a land line or a cellular phone.
  3. The household qualifies for the TUA if a prepaid cell phone is the household's method of basic telephone service. Prepaid long distance service is not considered a basic telephone service.
  4. Budget the TUA for the entire certification period.
- H. Allowing the SUA, BUA, or TUA Expenses
1. Explain eligibility for using the SUA, BUA, or TUA expenses at application, reapplication, recertification or change in situation. Accept the client's statement of the utility expenses and entitlement to the SUA, BUA or TUA, unless questionable.
  2. Explain each utility allowance at application, recertification, and reported move by the FNS unit.
  3. Document the utility deduction in the case file.
- I. Verification of the SUA, BUA, or TUA
1. Verify entitlement to the SUA, BUA, or TUA when the client's statement is questionable. Document the case file as to why the client's statement is questionable and the reason for requesting verification.
  2. Give the FNS unit at least ten calendar days to provide verification of entitlement to the applicable standard. Give the FNS unit a DSS-8650, Notice of Information Needed. Offer assistance to the FNS unit in obtaining information.
  3. View bills or receipts, or obtain a written or verbal statement from the utility company or vendor
- NOTE: The landlord can verify utilities are not included in the rent and can verify the primary source. The landlord cannot verify who pays the utility expense.
4. Resolve any discrepancies prior to allowing the deduction.
  5. If verification is provided within the certification period, allow the deduction. Adjust benefits for the month after verification is provided if time allows.
- J. Documentation of Entitlement to the SUA, BUA, or TUA
1. Document the client's statement regarding the following in the case file.
    - a. The type of expense;
    - b. The utility provider;
    - c. The method of verification if client's statement is questionable; and
    - d. The date verification was received.
  2. Coding the DSS-8590 to Allow the SUA, BUA, or TUA
    - a. Enter a 1 in field 45 on the DSS-8590 for the SUA.

- b. Enter a 5 in field 45 on the DSS-8590 for the BUA.
- c. Enter a 7 in field 45 on the DSS-8590 for the TUA.

K. Vulnerability for the Low Income Energy Assistance Program (LIEAP)

Many FNS units are automatically eligible to receive an annual LIEAP check based on their living situation and other eligibility factors determined by their FNS case. The vulnerability code keyed in Field 30 on the DSS-8590 is a major factor in determining if a FNS unit automatically receives a LIEAP check. Use the following guidelines to determine the FNS unit's vulnerability and how to code Field 30.

- 1. A FNS unit is vulnerable if it is subject to the rising costs of heating and has a heat source. FNS units with a heat source in someone else's name are considered vulnerable because the FNS unit is considered subject to the rising costs of heating. Refer to Energy Manual Section 400 if you need additional information concerning vulnerability.

Enter V and the appropriate code for the heating source in Field 30 of the DSS-8590. Example: FNS unit heats with electricity. Enter 'VE' in Field 30.

- 2. The following FNS units are not vulnerable:
  - a. Homeless;
  - b. Living in a Private Living Arrangement with no heat source;
  - c. Living in an institution as defined in Energy Manual Section 400;
  - d. Living in Public Housing and heating costs are included in the rent and no excess heating charge has been paid within the last 12 months.

Enter 'N' in Field 30 of the DSS-8590. Enter '0' (zero) as the second digit.

**280.10 SHARED RESIDENCE**

- A. Allow each FNS unit the applicable SUA, BUA, or TUA for the household size. Do not prorate between the individual units, whether each household is a FNS participant or not.
- B. If all FNS units do not contribute to the heating and cooling expenses, determine the appropriate utility allowance based on the expenses each household incurs.
- C. If the FNS unit lives in the same residence with another FNS unit that does not share utility expenses, allow the SUA, BUA, or TUA if eligible. Do not include other members of the residence when determining the appropriate deduction.

**280.11 SHARING A UTILITY METER/EXPENSE BUT LIVING IN SEPARATE RESIDENCES**

(This includes expenses such as heating/cooling, cooking, and water.)

- A. Allow each FNS unit the SUA or BUA for all residents who contribute to the expense when there is a shared utility meter/expense, but the FNS unit live in separate residences. Do not prorate between the individual units, whether each household is a FNS participant or not.
- B. If each FNS unit does not contribute to the heating or cooling expenses, allow the appropriate utility allowance for the expense the household incurs.

**280.12 OTHER UTILITY EXPENSES NOT COVERED IN THE UTILITY ALLOWANCE**

- A. Additional utility expenses not covered in the utility allowance, but are allowable utility deductions include:
  - 1. Fees charged by a utility company for initial installation of service.
  - 2. The cost of installation and maintenance of wells and septic tanks.

- B. Average these one-time expenses over the remaining months of the certification period in which it is billed. Averaging begins in the month the change becomes effective.
- C. This amount is entered in Field 46, other expenses on the DSS-8590.

**280.13 PROCEDURES FOR SPECIFIED PERSONS, INELIGIBLE MEMBERS, AND DISQUALIFIED MEMBERS**

A. FNS unit Containing a Specified Person

If the FNS unit contains a specified person (elderly or disabled as defined in Section 210, Household Concept), allow a deduction for the full amount of the FNS unit's excess expenses. FSIS does this automatically.

NOTE: Benefits must be restored if an SSI applicant is later determined to be eligible for SSI benefits. In computing the restoration, allow the unlimited excess shelter deduction retroactive to the date of the FNS application or the date of initial SSI eligibility, whichever is later. FSIS will automatically calculate the ongoing excess shelter expense based on the codes in field 80.

B. FNS unit Containing an Ineligible Alien, an Ineligible Individual Who Fails or Refuses to Obtain or Provide a SSN, or an Ineligible Able-Bodied Adult Without Dependents (ABAWD).

1. Allow the eligible FNS unit members a prorata share of the shelter, legal support obligation, and child care expenses that are paid by the ineligible member from the ineligible member's own income. Include all FNS unit members in the utility expense for calculation of the utility deduction. This includes eligible and ineligible FNS unit members.

2. Determine the prorata share by:

- a. Dividing the allowable shelter expenses evenly for all FNS unit members including ineligible and disqualified members; and
- b. Multiplying the prorata share by the number of eligible and disqualified persons included in the FNS unit. This is the allowable expense.

NOTE: An ineligible member is included in determining the utility deduction (SUA, BUA, or TUA); this amount is not to be prorated.

3. When an elderly or disabled individual (specified person) is the ineligible member, the capped shelter amount must be used for the eligible FNS unit members even if the shelter and utility expenses are paid by the ineligible member.

4. Enter the prorata share of the expenses for the eligible FNS unit members on the DSS-8590 in the appropriate fields.

C. FNS unit Containing a Disqualified Member

If the FNS unit contains an individual disqualified due to an Intentional Program Violation, felony drug conviction, fleeing felon, probation/parole violator, for failure to comply with work registration requirements, voluntary quit, or disqualification due to transfer of resources, allow the FNS unit a full deduction for shelter and utility expenses even if paid or incurred by the disqualified individual. Do not prorate the expenses. With regard to transfer of resources, if household membership changes, the penalty follows each member of the original household that transferred the resource. That individual is subject to disqualification in the new FNS unit.

D. Ineligible Students

Ineligible Students are not household members. Allow the prorata share of the shelter, legal support obligation, and child care expenses paid by a household that includes an ineligible student when the payments of these expenses can not be differentiated between the ineligible student and eligible household members. If the payments can be differentiated, allow as a deduction the expenses the eligible household members verify they are responsible for. If household expenses are paid by an ineligible student, eligible household members can not receive a deduction for those expenses.

## 280.14 MEDICAL DEDUCTIONS

### A. Eligibility

1. Any specified person (except ineligible aliens, ineligible ABAWDS, or individuals ineligible for failure to enumerate) as defined in Section 210, Household Concept, is allowed a medical deduction for all medical expenses that will not be paid or reimbursed by another source, such as portions paid by insurance, Medicaid, Medicare, law suits, and special foundations, like the Kidney Foundation.
2. A specified person who was a member of the FNS household immediately prior to entering a hospital, nursing home, or who has died would be allowed incurred medical expenses. Allow the FNS unit that contained the specified person those medical expenses as a deduction if the household is responsible for payment. Code this specified person as an "M" in field 80K of the DSS-8590.
3. FSIS only allows a deduction for amounts that exceed \$35 per month. No medical deduction will be given unless the specified person(s) in the FNS unit has more than \$35 in monthly medical expenses.
4. Even if there is no medical deduction, field 56 of the DSS-8590 is a required FSIS field for specified persons in the FNS unit. Enter "0000" if the specified person(s) has no medical expenses.
5. If individuals have medical insurance, Medicare, Medicaid, or pending lawsuits, do not delay or deny the medical deduction if reimbursement of expenses is uncertain or unlikely.

### B. Allowable Medical Expenses

The following list includes most allowable medical expenses but is not all-inclusive.

1. Health and hospital insurance premiums (only the portion deemed for the specified person). If you cannot identify this amount, allow a prorata share;
2. Co-payments;
3. Food and veterinary care for a "service animal" trained to serve the need(s) of a disabled person;
4. Reasonable transportation and lodging to obtain medical treatment. This includes trips to fill prescriptions for medicine, dentures, a hearing aid, eyeglasses, sickroom equipment, etc. Allowable mileage is the current business IRS mileage rate. If the transportation could qualify as either a medical expense or a dependent care expense, count as Dependent Care since there is not a limit to Dependent Care Expenses.
5. Medicare Premiums. This includes Medicare Part D premiums.
6. Monthly telephone fees for amplifiers and warning signals for handicapped persons and costs of typewriter equipment for the deaf;
7. The following items if provided, prescribed, or approved by a licensed practitioner or other qualified health professional:

- a. Medical and dental care;
- b. Dentures, hearing aids, and prostheses;
- c. Psychotherapy and rehabilitation services;
- d. Hospitalization, outpatient treatment, nursing care, and nursing home care including payments by the FNS unit for an individual who was a FNS unit; member immediately prior to entering a hospital or nursing home. Care must be provided by a facility recognized by the State;
- e. Rental and purchase of medical equipment and supplies;
- f. Prescribed eye glasses and contact lenses;
- g. Prescription and over-the-counter medications and medical supplies; and
- h. Cost of service of the following attendants when service is provided by a non-FNS unit member: homemaker, Home Health Aide, dependent care service, or housekeeper.
  - (1) If the FNS unit provides the majority of the attendant's meals, allow a deduction equal to the current one-person coupon allotment.
  - (2) If the attendant care could qualify as either a medical expense or a dependent care expense, count as Dependent Care since there is not a limit to Dependent Care Expenses.

C. Non-Allowable Expenses

- 1. Cost of special diets, including Ensure, even if filled as a prescription;
- 2. Premiums paid for health or other medical insurance policies if benefits are payable in a lump sum for death or dismemberment;
- 3. Premiums paid for policies that are payable directly to the individual in a set daily or weekly amount and do not specify that benefits are for medical expenses;
- 4. Premiums paid for policies that continue payments on mortgages or loans. These policies are widely referred to as "income maintenance policies";
- 5. Costs of transportation or lodging for Medicaid recipients or other persons when expenses are being paid by the county;
- 6. Late fees and interest charged on credit cards used to pay expenses;
- 7. Reimbursed medical expenses from a source such as Medicare Set-aside Arrangements that are used to protect Medicare when a person is injured as the result of another person's negligence.
- 8. Senior citizen discounts given by pharmacies. Many pharmacies give a senior citizen discount which is often not reflected in the customer's record of purchase. The discount is not included in the medical expense deduction; and
- 9. Any expenses "written off" by the provider.

NOTE: If expenses are referred to a collection agency, they are not considered to be written off.

D. Verification

1. Verify all medical expenses that the FNS unit is responsible for paying at initial application.
2. Medical expenses do not always have to be verified at recertification. Review the medical expense information provided by the household. Ask the client if the expenses previously reported have changed. Verify the medical expenses if:
  - a. The type or source of expense has changed. For example, the client purchases prescriptions at a different pharmacy or the doctor changed the client's prescriptions.
  - b. The total (of medical expenses) has changed by more than \$25. If the expenses have changed by less than \$25.00, do not verify unless c. below applies.
  - c. The information/verification provided is incomplete, inaccurate, inconsistent, or outdated.
  - d. Review the previous DSS-8208. Verify any possible reimbursement for expenses reported.
3. If the FNS unit reports an anticipated change in medical expenses during the application or recertification process, flag the case to add the expense if already verified. If not already verified, flag the case to request verification of the anticipated change when it is expected to occur. Send the DSS-8650, Notice of Information Needed to Complete Your Food and Nutrition Services Application: Refer to Manual Section 450 and 550 to determine the appropriate reaction to a change in medical expenses.
4. If a specified person reports that they cannot afford to purchase or obtain medical services, (i.e., prescriptions, doctor visit, etc.), the expense cannot be anticipated nor allowed as a deduction.
5. Give the FNS unit at least ten calendar days to provide verification.
6. Give the FNS unit a DSS-8650, Notice of Information Needed to Complete Your Food and Nutrition Services application.
7. Offer assistance to the FNS unit in obtaining information.
8. Resolve any discrepancies prior to allowing the deduction.

E. Sources of Verification

1. Current bills or receipts;
2. Statements from providers;
3. Pharmacy computer printouts;
4. Insurance policies or statements from insurance companies; and
5. Medicare Explanation of Benefits (EOB).

NOTE: If you cannot identify the amount the specified person is responsible for paying, do not allow a deduction until an amount can be determined.

**280.15 MEDICAL EXPENSE TYPES AND BUDGETING PROCEDURES**

A. One-time-only Expenses

1. One-time-only medical expenses are those expenses that cannot be reasonably expected to recur. This includes such expenses as emergency room visits due to an accident, a doctor visit for flu, etc.

2. One-time-only medical expenses that have a repayment plan established between the customer and the medical provider are allowed as a recurring expense. (See 280.15, B., Recurring Medical Expenses.)

3. Expenses Reported at Application

One-time-only expenses incurred and billed prior to the month of initial application or reapplication (old bills) are allowed as a deduction if:

- a. The applicant/recipient was a specified person at the time the bill was incurred; and
- b. The bill is unpaid (in full or in part); and
- c. The bill has not been written off by the medical provider or paid by another source; and
- d. The bill was not incurred and billed in a prior certification period unless it is under a repayment plan. If the expense is under a repayment plan, it is treated as a recurring expense. See 280.15, B.; and
- e. The bill has never been allowed as a medical deduction for FNS purposes in a prior certification period.

Allow as an expense an old bill incurred in a prior certification period but first billed and reported in the current certification period as an expense (such as a hospital bill).

4. Budgeting One-time-only Expenses at Application

- a. The FNS unit has the option of having the old bill prorated over the initial certification period or allowed as a one-month deduction for the month of application. Do not allow the old bill reported at application as a deduction beyond the initial certification period.
- b. Unpaid or paid medical expenses incurred and billed in the month of application are prorated over the initial certification period or allowed as a one-time deduction for the month of application.
- c. If the FNS unit reports new medical expenses in the month of application, evaluate them as an allowable deduction.

5. Expenses Reported at Recertification

- a. Allow paid or unpaid one-time-only medical expenses incurred and billed in the certification period and reported by the last month of the certification period.
- b. Do not allow expenses that were reported after the certification period expires unless they are under a repayment plan. If the expenses are under a repayment plan, allow the deduction as a recurring expense. See 280.15, B.
- c. Allow the deduction if it is reported as part of the recertification process but provided later in the Certification Period. This would not be considered a change in situation since the information was provided at recertification.

6. Budgeting One-time-only Expenses at Recertification

- a. The FNS unit has the option of having the one-time-only bill prorated over the new certification period; or
- b. Allowed all in one month in the last month of the certification period. If allowed all in one month, a supplement must be issued for the last month of the certification period.

EXAMPLE: Certification Period = 12/98 – 11/99  
 Recertification Interview 11/15/99

Incurring and First Billed	Reported	Allowable Deduction
11/27/99	11/27/99	Entire expense in 11/99 as a supplement or prorated over new certification period.
11/27/99	12/02/99	None, unless set up under a repayment plan. Allow as a recurring expense.

7. Expenses Reported During the Certification Period

- a. The FNS unit is not required to report changes in medical expenses during the certification period.
- b. If a Simplified Reporting FNS unit reports a change in medical expenses that would increase benefits during the certification period, request verification of the reported change in medical expenses prior to acting on the change. Send a DSS-8650, Notice of Information Needed. Do not terminate benefits if the FNS unit fails to provide verification.
- c. Do not react to the change if a FNS unit reports a change in medical expenses that would decrease benefits.
- d. One-time-only medical expenses incurred and billed in a previous certification period but not reported until after the certification period expires, are not allowed as a deduction unless the expense is under a repayment plan. If the expense is under a repayment plan, allow a deduction as a recurring expense. See 280.15, B.

EXAMPLE: Certification Period = 12/98 – 11/99

Incurring and First Billed	Reported	Allowable Deduction
5/99	5/99	Entire expense in 5/99 as a supplement or prorated over 5/99 – 11/99.
5/99	11/99	Entire expense in 11/99 as a supplement or prorated over new certification period.
5/99	12/99	None, unless set up under a repayment plan. Allow as a recurring expense.

8. Budgeting One-time-only Expense During the Certification Period

- a. Prorated over the remaining months of the current certification period (including the month reported); or
- b. The entire expense is allowed in the month reported. If allowed all in one month, a supplement must be issued for the month the expense is reported

B. Recurring Medical Expenses

1. Recurring medical expenses are those expenses that can be reasonably expected to continue. This includes such expenses as prescriptions for a chronic condition, regularly scheduled doctor visits, etc.
2. There are two types of recurring medical expenses.
  - a. Monthly expenses, and
  - b. Non-monthly expenses
3. At application and recertification, request verification of all reported monthly medical expenses from the calendar month prior to the month of application. See Section 280.14 (D) (2) for monthly medical expenses at recertification.
4. Request verification of any reported non-monthly recurring medical expenses from the appropriate time period.
5. Recurring Expenses Reported at Application and Recertification
  - a. Monthly Expenses
    - (1) To determine monthly recurring expenses, use the calendar month prior to the month of application or recertification. Use the full prior month's medical expenses.
    - (2) Do not include any expenses that have stopped. Document these expenses as having stopped on the DSS-8208, Medical Deduction Supplement Worksheet.
    - (3) Installments are considered ongoing monthly expenses. Do not allow a deduction for these expenses beyond the pay-off month.
  - b. Non-monthly Expenses
    - (1) To determine recurring non-monthly expenses, request the recurring expenses for the three calendar months prior to the month of application or recertification.
    - (2) If the expense is incurred less often than quarterly, request verification from the appropriate time period.
    - (3) Use only those expenses that are expected to continue during the certification period. These expenses include, but are not limited to:
      - (a) Prescriptions and supplies taken or used on a regular schedule but purchased less often than monthly; or
      - (b) A regularly scheduled doctor visit every other month or quarterly.
    - (4) To convert the allowable non-monthly expenses to a monthly amount, divide the total expenses by the number of months covered.
6. Budgeting Recurring Expenses at Application and Recertification

EXAMPLE: A prescription obtained every other month for \$50 would be an allowable expense of \$25 monthly ( $\$50 \div 2 = \$25$ ).

Determine the allowable monthly medical deduction for recurring expenses by adding the total monthly expenses to the converted monthly amount for non-monthly expenses.

7. Expenses Reported During the Certification Period

- a. The FNS unit is not required to report changes in medical expenses during the certification period.
- b. If a FNS unit reports a change in medical expenses that would increase benefits during the certification period, request verification of the reported change in medical expenses prior to acting on the change. Send a DSS-8650, Notice of Information Needed. Do not terminate benefits if the FNS unit fails to provide verification.
- c. Do not react to the change if a SR FNS unit reports a change in medical expenses that would decrease benefits.

8. Budgeting Recurring Expenses During the Certification Period

- a. Determine the allowable deduction for the changed medical expense.
- b. Add this amount to the current expense being allowed. The result is the new monthly medical deduction.
- c. Delete any existing expense being replaced by a new or changed expense.

**280.16 SPECIAL PROCEDURES FOR MEDICAL EXPENSES**

- A. When a specified person resides in a group home, only allow the medical expenses that can be identified separately from food and shelter payments made to the home.
- B. Verified anticipated changes in the FNS unit medical expenses are allowed if they can be reasonably expected to occur during the certification period based on available information about the recipient's medical condition, public or private insurance coverage, and current medical expenses. This can be a "one-time-only" or a "recurring" expense. For example, a specified person states he will start a new medication next month, and the pharmacist verifies the cost of the new medication. If the FNS unit reports an anticipated expense but verification is not available, flag the case to request verification when the expense occurs.
- C. The lump-sum annual adjustment that some veterans receive is not considered a reimbursement for medical expenses. The amount of the monthly pension payment and the annual adjustment are based on the family's other income and expenses. At the end of the year, the Veteran's Administration (VA) sends a letter to the family requesting verification of the past year's income and out-of-pocket medical and educational expenses. The VA will then either establish a claim for an overissuance or make a retroactive income payment to the family. Monthly pensions in the coming year may also be adjusted. The annual adjustment is not considered to be a recurring payment or reimbursement because the family could receive a claim for overissuance or a payment.

**280.17 CASES WITH MEDICAL INSURANCE**

- A. Medicaid  

Never prorate a Medicaid deductible over the certification period (CP). The specified person may not meet the full Medicaid deductible. Allow only the anticipated and verified medical expenses that a FNS unit is responsible for paying.
- B. All Other Medical Insurance (Including Medicare)

Allow the percentage of expenses the insurance will not pay. If the customer's insurance pays 80% of his medical expenses after the deductible is met, allow the customer 20% of his reported and verified medical expenses as a deduction.

**280.18 ALLOWABLE MEDICAL EXPENSES NOT COVERED BY MEDICARE, MEDICAID, MQB, AND CAP**

- A. Medicare Qualified Beneficiaries
  - 1. Prescriptions;
  - 2. Over-the-counter medications or supplies;
  - 3. Private medical insurance premium;
  - 4. Medical care, lodging, and transportation (non-county initiated);
  - 5. Dental care; and
  - 6. Corrective lenses for eyes unless cataract surgery is done.
- B. Medicare
  - 1. Prescriptions;
  - 2. Over-the-counter medications or supplies;
  - 3. Private medical insurance premium;
  - 4. Medical care, lodging, and transportation;
  - 5. Dental care; and
  - 6. Corrective lenses for eyes unless cataract surgery is done.
- C. Medicaid
  - 1. Over six prescriptions (unless life threatening);
  - 2. Over-the-counter medications or supplies;
  - 3. Private medical insurance premium;
  - 4. Medical care, lodging, and transportation (non-county initiated);
  - 5. Flu shots;
  - 6. Routine foot care;
  - 7. Artificial limbs;
  - 8. Hearing aids and supplies; and
  - 9. Co-payments.
- D. Community Alternative Program (CAP)
  - 1. Over-the-counter medications or supplies;
  - 2. Private medical insurance premium;
  - 3. Medical care, lodging, and transportation (non-county initiated);
  - 4. Flu shots;
  - 5. Routine foot care; and
  - 6. Hearing aids and supplies.

**280.19 DOCUMENTATION**

- A. Document on the DSS-8208, Medical Deduction Supplement Worksheet, the method of verification, the amount of the expenses, the date verification is received, and the amount of all reimbursements received or expected.
- B. Total all medical expenses and round the total to the nearest dollar. Enter the rounded amount with leading zeros (four characters) in field 56 of the DSS-8590.

**280.20 CHILD SUPPORT EXCLUSION**

- A. Allow an income exclusion for legally obligated child support payments, including arrearages, that the FNS unit member anticipates paying to or for a non-household FNS unit member. This includes payments made to a third party on behalf of the non-household member (vendor payments). This exclusion is allowed prior to screening for the maximum allowable gross income limits. Legally obligated child support is:

child support is: Section 280 Change #3-2010 July 1, 2010
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1. Court ordered; or
  2. Ordered through an administrative process (such as IV-D); or
  3. Ordered through a legally enforceable separation agreement.
- B. Take the following steps when a FNS unit member reports he pays legally obligated child support to or for a non-household member.
1. Verify both the child support amount ordered and the child support amount actually paid (including arrearages which can be anticipated by the FNS unit member.)
  2. Allow as an income exclusion the child support actually paid (including arrearages) by the FNS unit member. This includes court ordered payments of rent, mortgage, and other shelter expenses to the custodial parent and child in lieu of child support and court ordered payments for health insurance coverage for the child. Prorate the premium and exclude the amount paid for a non-custodial child when the health insurance policy covers household members and a non-custodial child.
  3. Do not allow an income exclusion for alimony payments, spousal support payments, and property settlement payments paid by a FNS unit member.
- C. Accept the following verifications of legally obligated child support paid by a FNS unit member.
1. Court order (verifies obligation);
  2. Administrative order (verifies obligation);
  3. Legally enforceable separation agreement (verifies obligation);
  4. Canceled checks (verifies actual payment);
  5. Wage withholding statements (verifies actual payment);
  6. Unemployment Insurance Benefits (UIB) withholding statements (verifies actual payment);
  7. Statements from the custodial parent on received child support payments (verifies actual payment); and
  8. Clerk of Court or ACTS Inquiry (verifies actual payment).
- D. If the FNS unit member who is currently paying child support has been under an order to pay support for at least two months:
1. Verify two months of payments prior; and
  2. Use the average of the two months as an income exclusion for the certification period if the child support is paid monthly.
  3. Convert child support payments paid on a weekly, bi-weekly or semi-monthly basis to a monthly amount. The base period for child support payments paid on a weekly, bi-weekly or semi-monthly basis is the month prior to the month of application or recertification.
- E. If the FNS unit member who is currently paying child support has been under an order for less than two months:

1. Anticipate the income exclusion for the certification period based on the child support legal order;
  2. Convert to a monthly amount child support payments paid on a weekly, bi-weekly, or semi-monthly basis.
- F. If the FNS unit member has a new legally obligated child support order, anticipate the income exclusion for the certification period based on the new child support order.
- G. Round each child support payment paid in the base period. Enter the total rounded amount of the child support in field 80N of the DSS-8590. FSIS will exclude the amount of the child support paid from the payor's gross earned and/or unearned income. FSIS will also budget the amount of the child support payment as a deduction once the gross income test determines the FNS unit meets income guidelines.
- NOTE: If the child support is paid by a disqualified FNS unit member (E&T, Workfare, Voluntary Quit, Drug Felon, IPV, or disqualified due to Transfer of Assets), allow the entire child support payment as an income exclusion deduction for the eligible FNS unit members. If the child support is paid by an ineligible FNS unit member (ineligible alien or an individual ineligible due to failure to provide or obtain an SSN), allow a prorata share of the payment as an income exclusion for the eligible FNS unit members. If the child support is paid by an ineligible student, do not allow the child support payment as an income exclusion.
- H. Exclude the LSO amount paid from gross income prior to screening for expedited benefits.
- I. Do not react to the change that would decrease benefits.
- J. React to the change if the benefits will increase. Issue a DSS-8650 and make the necessary change if verification is provided. Do not terminate benefits if the FNS unit fails to provide verification.

NOTE: Proof of support from an ARMY member that makes payments for child support via an allotment should be faxed to 317-510-7563.

**280.21 DEDUCTION WAIVER FOR QUALITY CONTROL (QC) LOCK-OUT**

- A. North Carolina has elected to implement a waiver to allow a FNS unit to sign the deduction explanation and waive their right to a deduction under certain circumstances. That is, if they fail to report a deduction, they waive their right to receive the deduction. If the waiver is signed, QC can not verify and include these deductions when they review the case. The waiver statement is being added to several state forms.

NOTE: Issue a DSS-8650, Notice of Information Needed, requesting verification of the expenses. The deduction should be allowed if the expenses are verified through other resources (i.e. property taxes verified using the county Register of Deeds database).

1. Deductions must be included on the statement to be considered in this waiver.
  2. The statement must acknowledge that the deductions have been explained to the FNS unit and that the FNS unit understands that failure to report or verify the expense acknowledges that they do not want the deduction.
  3. The statement must be signed and dated.
  4. The statement must be signed at every application or recertification and must cover the QC review period.
- B. Income Deductions Included in the Waiver

1. Legal child support obligation;
  2. Child care expenses;
  3. Medical expenses;
  4. Shelter expenses;
  5. Utility expenses; and
  6. Operational expenses for self-employment.
- C. Deductible items left off the statement will continue to be subject to the QC review process.
- D. This waiver does not eliminate the client's responsibility to report a move to a new residence and their new expenses for that residence. When the FNS unit reports a move to a new residence, issue a DSS-8650, Notice of Information Needed, requesting verification of the expenses.