

April 11, 2025

GENERAL LETTER NO. 8-E-105

ISSUED BY: Bureau of Medicaid Eligibility Policy
Division of Community Access and Eligibility

SUBJECT: Employees' Manual, Title 8, Chapter E, **Medicaid Income**, Title Page, Contents 1-3, revised; Contents 4, new; 1, 2-5, 6-8, 9 and 10, 11, 12-31, 32, 33-37, 38-40, 41-72, revised; 73-93, new.

Summary

This chapter is revised to

- Add the 2025 Social Security cost-of-living adjustment (COLA) increase of 2.5 percent and update figures affected by the cost-of-living changes.
- Change the amount to exclude from a child student's earnings from \$2,290 to \$2,350 per month, not to exceed \$9,460 per calendar year.
- Update the acronym for Child Support Recovery Unit (CSRU) to their new name Child Support Services (CSS).
- Update non-MAGI-related in-kind income to remove food from the calculation of in-kind support and maintenance (ISM), We will only use shelter expenses to calculate ISM. If the person has been determined to be living in another person's household, we will ask if others within the household pay for or provide them with all their meals, only to decide if their ISM is valued under the VTR rule or the PMV rule.
- Update federal poverty levels (FPL) effective April 1, 2025.
- FPL updates made to MAGI-Related Income Limits for pregnant individuals and infants to reflect the changes from SF 2251 as well as SPA's (25-0001, 24-0014, 25-0003, and 24-0016) effective April 1, 2025.
- Update branding, style, and formatting throughout.

Effective Date

January 1, 2025.

Material Superseded

Remove the following pages from Employees' Manual, Title 8, Chapter E, and destroy them:

<u>Page</u>	<u>Date</u>
Title Page	April 14, 2023
Contents 1-3	March 8, 2024
1	March 8, 2024
2-5	April 14, 2023

6-8	March 8, 2024
9 and 10	April 14, 2023
11	March 8, 2024
12-31	April 14, 2023
32	March 8, 2024
33-37	April 14, 2023
38-40	March 8, 2024
41-72	April 14, 2023

Additional Information

Refer questions about this general letter to your area eligibility determinations manager.

Medicaid Income

Overview	1
Verification of Income	1
Non-MAGI-Related Income Limits	2
State Supplementary Assistance Income Limits.....	3
Income Policies for Non-MAGI-Related Coverage Groups	3
What Is Income	3
What Is Not Considered Income.....	4
Projecting Future Income	4
Determining Joint Ownership of Income.....	5
Deeming Non-MAGI-Related Income	6
Deeming from an Ineligible Spouse.....	7
Deeming from an Ineligible Parent to an Eligible Child.....	9
Types of Non-MAGI-Related Income	11
AIDS/HIV Settlement Payments	11
Adoption Assistance Subsidy	12
Annuities.....	12
AmeriCorps Payments.....	13
Assistance Payments	13
Benefit and Other Payments Made in Error.....	13
Blood Plasma	14
Census Income	14
Child Student's Earnings	14
Dedicated Accounts.....	16
Disaster Assistance	17
Dividends.....	18
Earned Income Credit.....	19
Educational Assistance	19
Emergency Energy Conservation Services Assistance	21
Employer's Benefits.....	21
Expenses of Obtaining Income.....	21
Experience Works Income.....	22
Federal Department of Labor Payments.....	22
Food and Shelter Received During a Medical Confinement	23
Food Programs (Federal)	23
Foster Care Payments.....	23
Garnishments and Other Withholdings.....	23
General Assistance Payments	24
Gifts	24
Green Thumb Income.....	24
Home Equity Conversion Plans	24
Home Produce for Personal Consumption	26

	<u>Page</u>
Housing Assistance	26
Income Replacement.....	26
Income Tax Refunds	27
Indian Assistance	27
Infrequent or Irregular Income	28
Inheritance Income	28
Insurance.....	29
Interest Income.....	31
Jury Duty Pay	32
Loans.....	32
Low-Income Home Energy Assistance Payments (LIHEAP).....	32
Lump-Sum Income	33
Medical Assistance Income Trusts (MAIT)	34
Military Pay.....	34
Noncash Items	35
Other Excluded Federal Payments.....	35
Personal Services.....	37
Property Tax Refunds.....	37
Rebates and Refunds.....	38
Recouped Benefits Paid in Error	38
Relocation Assistance	38
Rent Reimbursement Payments.....	39
Rental Property or Life Estate Income.....	39
Resource Conversion or Sale.....	40
Resource Replacement	40
Retirement Funds	41
Retroactive SSI Payments.....	41
Sheltered Workshop Earnings	42
Sick Pay	42
Social Security Payments.....	42
Social Services	43
Strike Pay	43
Third-Party Payments.....	44
Vacation Pay	44
Victims' Compensation Payments	45
Wages	45
Winnings.....	45
Workers' Compensation	45
Non-MAGI-Related In-Kind Income	46
In-Kind Earned Income.....	46
In-Kind Unearned Income.....	47
In-Kind Support and Maintenance (ISM)	48
Determining the Client's Living Arrangement	48

	<u>Page</u>
When to Apply the Value of One-Third Reduction (VTR) Rule	50
When to Apply the Presumed Maximum Value Rule (PMV)	51
Non-MAGI-Related Self-Employment Income	53
Determining if a Client is Self-Employed	53
Determining Income from Self-Employment	54
Non-MAGI-Related Veterans Affairs Payments.....	57
Compensation Payment	58
Pension Payments.....	58
Aid and Attendance and Housebound Allowance.....	59
Clothing Allowance	60
Payments for Dependents	60
Educational Benefits.....	62
Payment Adjustment for Unusual Medical Expenses	62
Non-MAGI-Related Deductions	64
\$20 General Income Deduction	64
\$65 Plus One-Half Deduction	65
Deduction for Impairment-Related Work Expenses.....	65
Attendant Care Services.....	68
Routine Drugs and Medical Supplies and Services	69
Durable Medical Equipment and Prostheses.....	69
Modified Vehicles	70
Driver Assistance, Taxicab or Other Hired Vehicles	71
Own Unmodified Vehicles	71
Deduction for Work Expenses for the Blind	72
Deduction for Plan for Achieving Self-Support	73
Income Policies for MAGI-Related Coverage Groups	73
Definitions.....	73
MAGI-Related Income Limits.....	75
Self-Attested Income	76
Income Considered	78
MAGI-Related Household Member Income Exclusions.....	79
Countable Income Under MAGI	79
Gross Countable Income	80
Income Types Excluded from Gross Income.....	81
Allowable Expenses	82
MAGI Income Deduction	83
MAGI-Related Self-Employment.....	83
Income Verification	84
UIB or SSA/SSI	86
Client Self-Attests to Zero Income	86

	<u>Page</u>
Other Income – Options 1-4	87
MAGI-Related Budgeting Procedures for Determining Financial Eligibility	88
Current Monthly Household Income	88
Change in Current Month’s income	88
Unemployment Insurance Benefits (UIB)	89
Recurring Lump-Sum Income	89
Projecting Future Income	90
Change in Circumstances	90
Self-Employment Income	90
Rounding Procedures	92
Shared Living Arrangements	92
Flattening Income	92

Overview

This chapter contains income policy information for both Non-MAGI-related and MAGI-related Medicaid coverage groups. General income policies regarding verification of income and income limits for Non-MAGI follow this overview.

Next, you will find the income policies for the Non-MAGI-related coverage groups. This section begins with an explanation of projecting income, joint ownership, and deeming.

The following section gives instructions on how to treat each type of income for Non-MAGI-related coverage groups, alphabetized by types. In-kind income, self-employment income, and veteran's affairs payments are described in separate sections because they are longer and more detailed. The last Non-MAGI-related section covers deductions.

The balance of the chapter contains the income policies for the MAGI-related coverage groups. This part begins with a section explaining the income limits and what income is considered. It also explains MAGI-related self-attested income, income exclusions, income verification, and budgeting procedures.

Verification of Income

Legal reference: 441 IAC 76 (Rules in Process)

For Non-MAGI-related Medicaid, any countable income received during the period of time for which income is being considered needs verified. See [Projecting Future Income](#).

The client must provide requested verification. A client who provides a signed release to a specific individual or organization for specific information has met the requirement for supplying requested information or verification. The general release does not meet this requirement unless the client asks for help.

Verify all earned and unearned income. Require verification of income when it begins, changes, ends, is questionable, or when otherwise specifically required. A self-employed person must keep any records necessary to establish eligibility.

For MAGI-related Medicaid, refer to [Income Verification](#) under Income Policies for MAGI-Related Coverage Groups, later in this chapter.

Non-MAGI-Related Income Limits

Legal reference: 42 CFR 435, 20 CFR 416 Subpart D; 441 IAC 75 (Rules in Process)

The monthly countable income limits based on SSI are:

Single Person	Couple	300% of SSI Maximum Benefit
\$967	\$1,450	\$2,901

Current poverty levels used for Medicaid coverage groups are:

Family Size	100%	120%	135%	200%
Individual	\$1,305	\$1,565	\$1,791	\$2,609
Couple	\$1,763	\$2,115	\$2,380	\$3,525

These amounts apply to coverage groups as follows:

- For qualified Medicare beneficiaries (QMB), the income limit is 100% of the poverty level.
- For specified low-income Medicare beneficiaries (SLMB), the income range is over 100% of the poverty level but less than 120% of the poverty level.
- For expanded specified low-income Medicare beneficiaries (E-SLMB), the income range is 120% of the poverty level but less than 135% of the poverty level.
- For qualified disabled and working people (QDWP), the income limit is 200% of the poverty level.

For Medicaid for Employed People with Disabilities (MEPD), net income for the family size is compared to 250% of poverty. (See [8-F, Medicaid for Employed People With Disabilities: Family Income Less Than 250% of Federal Poverty Level](#) for extended listing of 250% levels and family size. See [8-C, Household Size](#) for additional information about family size under MEPD.)

The Medically Needy coverage group does not have an income limit, although the applicant may have to meet a spenddown before eligibility exists. See [8-J](#).

State Supplementary Assistance Income Limits

Legal reference: 441 IAC 50.2(1), 441 IAC 51.3(3), 441 IAC 51.4(1), 441 IAC 52.1(1), 441 IAC 177.4(7), 441 IAC 177.4(8)

For State Supplementary Assistance, the person's income after allowable deductions must fall within the payment schedule limits for the category under which the person qualifies:

- Residential care facility. (See [6-B, Income \(RCF\)](#).)
- Dependent person. (See [6-B, Income \(DP\)](#).)
- Family-life home. (See [6-B, Income \(FLH\)](#).)
- In-home health-related care. (See [6-B, Income \(IHHRC\)](#).)
- Blind allowance. (See [6-B, Income \(Blind Supplement\)](#).)
- Medicare and Medicaid eligibles. (See [6-B, Income \(SMME\)](#).)

Income Policies for Non-MAGI-Related Coverage Groups

The following sections explain:

- [What is defined as income for SSI.](#)
- [What is not considered income for SSI.](#)
- [How to project future income.](#)
- [Determining joint ownership of income.](#)
- [Deeming income from an ineligible spouse or parent.](#)

What Is Income

Legal reference: 20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123, and 20 CFR 416.1167

Under SSI, "income" is anything a person receives either in cash or in kind that can be used to meet the person's basic needs of food or shelter. This includes any income deemed from a parent, spouse, or sponsor. See [Deeming Non-MAGI-Related Income](#).

Determine the countable amount of earned and unearned income prospectively. For the retroactive period, as defined in [8-A, Definitions](#), use actual income received.

When determining eligibility, consider all gross income unless it is specifically excluded. See [Recouped Benefits Paid in Error](#) for an exception to this policy.

See [Types of Non-MAGI-Related Income](#) for a list of various types of income and information on whether the income is earned, unearned, counted, or not considered as income for Non-MAGI-related coverage groups.

What Is Not Considered Income

Legal reference: 20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; P. L. 103-60

Some types of payments do not meet the definition of income and are not considered income. Items that do not meet the definition of income include:

- Income benefit payments made in error.
- Employer's benefits.
- Tax refunds.
- Third-party payments other than those for food or shelter.
- Veterans \$90 pension exclusion for certain residents of medical institutions. See [Pension Payments](#).
- Veterans aid and attendance and housebound allowance.
- Veterans benefits attributable to unusual medical expenses, except as noted under [Payment Adjustment for Unusual Medical Expenses](#).

Each of these items, as well as other types of payments that are not considered income, are described under [Types of Non-MAGI-Related Income](#), arranged alphabetically.

Projecting Future Income

Legal reference: 20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; 42 CFR 435.725(e)(2)

Except when determining eligibility for the retroactive period, as defined in [8-A, Definitions](#), consider the income received in the 30 days before the application or review month to project future income when that income is an accurate indicator of future income.

If income fluctuates to the extent that a 30-day period alone cannot provide an accurate indicator, use an average over a longer past period if it will provide a more accurate indication of future income.

If income has changed and previous months' income is not an accurate indicator of future income, use the best information available to project future income. For example, the interest earned in the previous month on a savings account that has substantially increased or decreased would not be an indicator of future income.

When projecting income for cases that have fluctuating income and client participation, reevaluate the income at least every six months. Set a reminder at the eligibility review to request verification of actual income received. This includes earnings and interest income. Update client participation to reflect actual income in the month it was received.

Convert weekly income to monthly income by multiplying by 4.3. Convert biweekly income to monthly income by multiplying by 2.15.

See [Determining Income from Self-Employment](#) when projecting income for a self-employed client.

Determining Joint Ownership of Income

Legal reference: 441 IAC 75 (Rules in Process), P.L. 100-360

When there is income from property other than a trust, consider income paid in the name of one person as available only to that person, unless the document providing income states otherwise.

If the income-producing property is in the name of several people, consider each person's income to be in proportion to that person's ownership interest in the resource.

If the income is in the name of two people, count half to each person.

If the income is a joint payment to both spouses, count half to each person. If the client or the client's spouse can prove different ownership by a preponderance of evidence, divide the income in proportion to the ownership.

If there is trust property, follow the provisions of the trust regarding ownership.

See [8-D, Joint Ownership](#), for information about determining ownership of a resource.

1. Mr. and Mrs. P jointly own a CD. One-half of the interest is income to each spouse.
2. Mr. and Mrs. W jointly own a farm. One-half of the earnings is income to each spouse.

Deeming Non-MAGI-Related Income

Legal reference: 20 CFR 416.1160, 20 CFR 416.1163, 20 CFR 416.1202, 441 IAC 75 (Rules in Process)

Deeming of income is the determination of a specific portion of an ineligible parent's or ineligible spouse's income used to calculate the benefits of the eligible spouse or child. Determine deemed income for Non-MAGI-related Medicaid and State Supplementary Assistance coverage groups according to SSI policies except for the following coverage groups:

- Medically Needy. See [8-J, Households with Ineligible Spouse or Children](#).
- In-home health-related care. See [6-B, Eligibility for Children](#).
- Dependent person. See [6-B, Ineligible Spouse](#).
- Medicaid for employed people with disabilities (MEPD). See [8-F, Family Income Less Than 250% of Federal Poverty Level](#).

When determining eligibility, apply deeming policies to the income of an ineligible spouse or parent if either:

- An eligible person was living for any part of a month in the same household with an ineligible spouse, or
- The eligible person was a child living in the same household with a parent (or the spouse of a parent).

For all coverage groups except Medically Needy, do not apply the deeming procedure if the applicant's income alone, after appropriate exclusions and deductions, is over income limits. Allow the ineligible parent to deem income to an ineligible child in the household until the ineligible child reaches age 18 (or 21, if the child is a student). However, do not allow deeming to a child receiving FIP.

When determining the income of the ineligible spouse, parent, spouse of a parent, or ineligible children, do not include:

- Any excluded income.
- FIP payments or Veteran Affairs payments based on need.
- Any income that was counted in calculating the amounts of those payments.

- Court-ordered support or alimony payments. Deduct support payments from the income of the ineligible spouse or parent before determining the amount of income deemed. Deduct support payments first from unearned income. Any balance remaining then reduces gross earned income.

For income not based on need, allow the \$20 general income deduction and the \$65 plus one-half deduction per household. For example, apply the \$20 general income deduction to veteran's compensation income, but not to a veteran's pension that is based on need.

The following sections explain:

- [Deeming from an ineligible spouse.](#)
- [Deeming from an ineligible parent to an eligible child.](#)

Deeming from an Ineligible Spouse

Legal reference: 20 CFR 416.1160, 20 CFR 416.1163

If the applicant's income is within program guidelines and an ineligible spouse lives in the same household, also consider the ineligible spouse's income to determine eligibility through the deeming process. An ineligible spouse is a spouse who is not eligible for SSI or Non-MAGI-related Medicaid, or State Supplementary Assistance.

When deeming income from an ineligible spouse:

1. Verify the ineligible spouse's unearned income. Subtract from the ineligible spouse's unearned income an allocation for each ineligible child. The allocation is \$483 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.
2. Verify the ineligible spouse's earned income. Subtract from the ineligible spouse's earned income any remaining balance of the ineligible child's allocation not subtracted from the ineligible spouse's unearned income.
3. Add the remaining unearned income and the remaining earned income of the ineligible spouse.

If the total of the ineligible spouse's income is equal to or less than \$483, there is no income available to be deemed to the applicant. Process as a one-person household.

If the ineligible spouse's total remaining income is over \$483, continue as follows.

4. Combine the applicant's unearned income and the ineligible spouse's remaining unearned income.
5. Combine the applicant's earned income and the ineligible spouse's remaining earned income.
6. If a \$20 general income deduction is applicable to the coverage group being examined, subtract it first from the total countable unearned income. If the total countable unearned income is less than \$20, subtract any unused portion of the \$20 deduction from the total countable earned income, if any.
7. From the remaining earned income, subtract the impairment-related work expenses, the \$65 work expense, and one-half of the remainder.
8. Add the earned and unearned income together to get the total countable income.

If the total countable income is less than the payment standard for a couple when at home, the applicant is eligible.

The applicant's SSI benefit will be the lesser of:

- The SSI benefit rate for an individual minus the applicant's own income, or
- The SSI benefit rate for a couple minus the couple's income.

Mr. M has applied for Medicaid. He receives \$1,000 in Social Security disability benefits and Medicare. Mrs. M receives a Social Security benefit of \$400. They have two children, Y and Z. Each child receives \$150 Social Security benefits.

If Mr. M's own income makes him ineligible for SSI, it's not necessary to consider Mrs. M's income, except for Medically Needy, QMB, SLMB, E-SLMB, or QDWP.

\$	Mr. M's unearned income
1,000.00	General income deduction
-	<u>20.00</u>
\$	980.00
\$	967.00 SSI benefit for one person
-	<u>980.00</u> Mr. M's countable income
\$.00

Mr. M's income creates ineligibility for SSI. The worker moves to the deeming process for SSI-related Medically Needy:

\$	400.00	Mrs. M's unearned income
-	333.00	Allocation for ineligible child X (\$483 - \$150 = \$333)
-	<u>333.00</u>	Allocation for ineligible child Y (\$483 - \$150 = \$333)
\$.00	Mrs. M's countable unearned income

\$0 does not exceed \$483. There is no income available to deem to Mr. M.

Mr. M's countable income of \$980 (\$1,000 - 20) is compared to the Medically Needy income level (MNIL) for a household size of one to determine the spenddown amount, and to 100% of the federal poverty level for a household size of one to determine QMB eligibility.

Deeming from an Ineligible Parent to an Eligible Child

Legal reference: 20 CFR 416.1160, 20 CFR 416.1165

When a child applicant is living in the same household with an ineligible parent, deem the ineligible parent's income when determining eligibility. Deem a stepparent's income to the child if the natural parent lives in the house with the stepparent and child.

If the child lives with a stepparent only, do not deem the stepparent's income to the child, but consider any food and shelter the stepparent provides to the child as in-kind support and maintenance. See [In-Kind Support and Maintenance \(ISM\)](#).

When deeming income from an ineligible parent or the spouse of an ineligible parent to a child:

1. Verify the ineligible person's unearned income. Subtract from the ineligible person's unearned income an allocation for each ineligible child. The allocation is \$483 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.
2. Subtract the \$20 general income deduction from the unearned income.
3. Verify the ineligible person's earned income. Subtract from the ineligible person's earned income any remaining portion of the ineligible child's allocation that was not used to offset the ineligible person's unearned income.
4. Subtract from the earned income any balance of the \$20 general income deduction that was not used to offset the unearned income.
5. Subtract the \$65 standard work expense deduction and one-half of the remainder from the balance.
6. Combine the remaining earned income with the remaining unearned income.
7. Subtract an allocation for the ineligible parents or stepparent in the household. The remaining amount is the income available for deeming to the child.
 - For one ineligible parent, the allocation is equal to the SSI payment standard for one person.
 - For two ineligible parents or an ineligible parent with a spouse, the allocation is equal to the SSI payment standard for a couple.
8. Treat the income as unearned income for the child and, if applicable to the coverage group being examined, apply the \$20 general income deduction.
9. Add any remaining countable earned income of the child.
10. Compare this amount with the payment standard for an individual to determine eligibility for the child.

NOTE: If there is more than one applicant child in the household, divide the parental income to be deemed equally among the children.

Client S, age 17, was living with her parents and two brothers before entering an RCF. She has no income of her own. Her father has earnings of \$1,270 per month. Her brothers and mother have no income. The computation is as follows:

\$1,270.00	Father's earned income
- 966.00	Allocation for ineligible children (2 x 483)
\$ 304.00	
- 20.00	General income deduction
\$ 284.00	
- 65.00	Work expense deduction
\$ 219.00	
- 109.50	1/2 remainder
\$ 109.50	
- 1,450.00	Parental exclusion
\$.00	Deemed income to Client S

Countable income of zero is less than the SSI payment standard for one person. As Client S has no income of her own, income eligibility exists for the retroactive period if she meets a category of eligibility for the retroactive period, as defined in [8-A, Definitions](#).

Types of Non-MAGI-Related Income

Income is either countable or excluded from consideration. "Countable income," which is the gross income expected to be received for the month under consideration, is either earned or unearned.

The following section is an alphabetical listing of various types of payments that explains how these payments are used in determining eligibility for Non-MAGI-related coverage groups.

AIDS/HIV Settlement Payments

Exempt settlement payments from any fund established pursuant to the class action settlement of Susan Walker v. Bayer Corporation, et. al., 96 C5024(N.D. Ill.) as income.

Some settlement payments were made in lieu of the class action settlement. These payments are also exempt as income. These settlements were made on or before December 31, 1997. These funds must be kept in a separate, identifiable account.

**Adoption
Assistance Subsidy**

There isn't a single policy that covers subsidized adoption payments. It will depend on the source, type, and purpose of the subsidized adoption payment and how those circumstance fit under other income policies.

- Count as income to the child any payments for the maintenance needs of the child that are IV-E funded. (See federally funded assistance payments under **Assistance Payments** later in this chapter).
- Exempt payments that are for social services and involve funds provided under title IV-B of the Social Security Act. (See **Social Services** later in this chapter).
- Exempt payments that are completely state or privately funded, are for the maintenance needs of the child, and are based on need. (See state assistance based on need under **Assistance Payments** later in this chapter). If the payments are state or privately funded assistance that isn't based on need, then the payments are counted as income.
- Exempt payments that are completely state or privately funded and aren't intended to meet the child's maintenance needs at all (e.g. if they are being made to the parents to cover travel expenses and lodging). In this situation, the payment would be reimbursement to the parents and not considered income at all.

(NOTE: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.)

Annuities
20 CFR 416.1121

An annuity is a contract in which a person receives fixed payments for a specified period. See [8-D, Annuities](#), for information on how to count the annuity payments.

AmeriCorps Payments POMS SI00830.537 Effective with benefits payable on or after September 1, 2008, cash or in-kind payments provided by AmeriCorps State and National or AmeriCorps NCCC are excluded from income even if they meet the definition of wages.

Such payments include, but are not limited to:

- Living allowance payments
- Stipends
- Food and shelter
- Clothing allowance
- Educational awards
- Payments in lieu of educational awards

Assistance Payments 20 CFR 416.1124(c)(2) Exclude state or local general assistance cash payments to the recipient that are based on the need of the recipient (e.g., State Supplementary Assistance, General Relief, Rent Reimbursement, Energy Assistance).

Unless specifically excluded, count assistance payments that are funded in whole or in part from federal monies. For exceptions to this policy, see [Indian Assistance](#) and [Third-Party Payments](#). Verify the amount and source of the payment either with evidence provided by the client or by contacting the paying agency.

Benefit and Other Payments Made in Error If the person receives a benefit or other payment in error and returns it by the end of the following month, the payment is **not considered income**.

20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; P. L. 103-60 If the person has a valid reason for not returning the payment by the end of the following month (such as a lengthy hospital stay), the payment is still not considered income. However, if the payment is not returned and the client has no good reason for not returning it, count the payment as income in the month of receipt.

Benefit and Other
Payments Made in
Error (Cont.)

An SSI eligible person enters a nursing home and informs the Social Security Administration. Social Security continues to make SSI payments, even though the person should not be eligible for SSI after entry to the nursing home. The client returns the checks when they are received. The erroneous SSI payments are not considered income.

Blood Plasma
20 CFR 416.1102

Count income from selling blood plasma as unearned income.

Census Income
20 CFR 416.1110

Count as earned income any wages from either temporary or permanent census employment, including wages received while in training. See [Wages](#) for more information.

**Child Student's
Earnings**
20 CFR
416.1112(c)(3), 20
CFR 416.1861

Exclude up to \$2,350 per month of a student child's earnings, but not more than \$9,460 per calendar year. When the income exceeds \$2,350 per month or \$9,460 per calendar year, count the excess, subject to the work expense deduction of \$65 + 1/2.

See [\\$65 Plus One-Half Deduction](#) for coverage groups that do not receive the work expense deduction.

To qualify, the student must meet all of the following criteria:

- Under age 22.
- Not married.
- Not the head of the household.
- Regularly attending a school, college, or university or taking a course of technical training designed to prepare the student for employment. "Regularly attending school" means:
 - 12 hours a week for grades 7-12.
 - 8 hours a week for college or university studies.
 - 12 hours a week for technical training courses.
 - 15 hours a week for technical training courses with shop practice.

Child Student's
Earnings (Cont.)

A child can attend school less than the amount of time indicated above if reasons beyond the child's control justify the child's reduced credit load or attendance.

Client M, a disabled child, is forced to limit vocational school attendance to one day a week due to the unavailability of transportation. Although he is enrolled for attendance of less than 12 hours per week, Client M qualifies as regularly attending school because the lack of transportation is a circumstance beyond his control.

Consider that a child who is a homebound student because of a disability is regularly attending school if the child is studying a course or courses given by a school (grades 7-12), college, university, or government agency at home, and a home visitor or tutor directs the studies.

Consider a child to be attending school during periods when school is not in session (such as summer vacation) when the child was regularly attending school before the break and intends on regularly attending when classes resume.

Count payments from Neighborhood Youth Corps, work-study, and similar programs as earned income.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

Child Support
20 CFR
416.1124(c)(11)

The annual \$25 child support collection fee withheld by Child Support Services (CSS) is not considered income.

Exclude one-third of support payments for minor children. Count the remainder as unearned income. Count the full amount of child support payments for a child aged 18 or older.

The following are income to the child whether or not the child lives with the parent receiving the money or receives the money from the parent:

Child Support (Cont.)

- Child support payments received by a member of the child's family on behalf of a minor child, including back child support.
- Current child support payments received by a member of the child's family on behalf of a child age 18 or older.

Back child support payments received by a member of the child's family on behalf of a child aged 18 or older are income to the child when the child:

- Lives with the person who receives the money, or
- Receives the money from the person (when the child does not live with the person).

Back child support payments received by a member of the child's family on behalf of a child aged 18 or older are income to the person receiving the payment if the child does not live with that person and does not receive the money.

When the client receives irregular child support payments, use an estimated amount based on the absent parent's payment history for the last three quarters. Verify the amount using court records, canceled checks, IRS records, or CSS.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

Civil Service Annuity

Count the gross amount of Civil Service Annuity whether the payment is taxable or not taxable.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

Dedicated Accounts
20 CFR 416.546, 20
CFR 416.640(e), 20
CFR 416.1247

Exclude the interest and other income earned on funds in a dedicated account as countable income for SSI participants. When past-due benefits are paid for eligible people under age 18, the representative payee is required to establish a dedicated account. The dedicated account may be used only for:

Dedicated Accounts
(Cont.)

- Medical treatment, education, and job skills training.
- Personal needs assistance, special equipment, housing modification and therapy or rehabilitation that is related to the child's impairment.
- Other items and services related to the child's impairment approved by the Social Security Administration.

Do not exclude the funds in a dedicated account when the person is terminated from the SSI program or is terminated and later reapplies and is approved.

Make a referral using form **470-2826, Insurance Questionnaire** and send to Iowa Medicaid Enterprise (IME) Revenue Collection Unit.

Disaster Assistance
20 CFR
416.1124(c)(5), 20
CFR 416.1150

Exclude:

- Assistance provided under any federal statute when the United States President declares a catastrophe to be a major disaster.
- Interest earned on the assistance.
- Unemployment benefits from FEMA that Iowa Workforce Development has identified as paid because of the disaster.
- In-kind support and maintenance if the client's circumstances meet the following conditions:
 - The client was living in a household maintained as the client's home when the disaster occurred.
 - The President declared the catastrophe to be a major disaster for the purposes of the Disaster Relief Act of 1974 and the Emergency Assistance Act.
 - The client stops living in the home because of the catastrophe and begins to receive support and maintenance within 30 days after the catastrophe.
 - The client receives support and maintenance while living in a residential facility (including a private household) maintained by another person.

Disaster Assistance
(Cont.)

Record the date the disaster occurred and the date assistance is received (or support and maintenance begins) in the case record.

Dividends

20 CFR 416.1103, 20
CFR 416.1121(c), and
20 CFR
416.1124(c)(22)

Dividends earned on countable resources are excluded income when determining eligibility.

Dividends earned on excluded resources are excluded income except for the following:

- Dividends earned on unspent tax refunds related to an Earned Income Tax Credit or a Child Tax Credit are countable unearned income.
- Dividends earned on gifts to children under age 18 who have a life-threatening condition are countable unearned income. The gift must be from an organization that is described in Section 501(c)(3) of the Internal Revenue Code of 1986 and is exempt from taxation under Section 501(a).
- Dividends earned on the proceeds from the sale of a homestead that was excluded for up to three months when the client intends to purchase another home are countable unearned income.
- Dividends earned on unspent relocation assistance payments are countable unearned income.
- Dividends earned by funds that are SSI or Social Security Disability benefits excluded from resources for nine calendar months after receipt are countable unearned income.
- Dividends earned on unspent victims' compensation payments are countable unearned income.
- Dividends earned as a retirement benefit, such as IPERS, are countable if the resource is no longer available after the recipient chooses to receive monthly benefits instead of a lump sum.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

**Earned Income
Credit**

P.L. 101-508

Exclude a federal or state earned income credit whether received as a part of earned income included with regular paychecks or as a lump sum included with the income tax refund. Also see 8-D, [Resources](#).

**Educational
Assistance**

20 CFR 416.1124“c”(3)

Exclude the following educational assistance except for any part the recipient uses for general living expenses (food or shelter):

- Any impairment-related expenses necessary for school.
- Any portion of a grant, scholarship, fellowship, or gift received by or for a recipient to pay for tuition, transportation to and from school, books, or fees at any educational institution. Exclude only the amounts billed by the institution. Count any excess funds as income and prorate them over the period of intended use.

Any portion of such educational assistance that is not used to pay current tuition, fees, or other necessary educational expenses but will be used for paying this type of educational expense at a future date is excluded from income in the month of receipt. This exclusion does not apply to any portion set aside or actually used for food or shelter.

Count as income any portion of grants, scholarships, fellowships, and gifts that is excluded from resources because it is set aside to pay for tuition, fees, or other necessary educational expenses but is used for some other purpose. The funds are income in the month that they are spent or in the month when the person no longer intends to use the funds to pay tuition, fees, or other necessary educational expenses.

- If funds are not spent after the ninth month, they are countable resources as of the tenth month following the month of receipt.
- Veterans educational benefits such as:
 - Any VA educational grants or scholarships for tuition, transportation to and from school, books, and fees at any educational institution.

Educational
Assistance (Cont.)

- Payments made as part of the veterans vocational rehabilitation program.
- Any portion of a VA educational benefit that is a withdrawal of the veteran's own contribution. This is a conversion of a resource and is not income.
- Grants made or insured under a program administered by the Secretary of Education under Title IV, such as:
 - PELL or Basic Educational Opportunity Grants (BEOG).
 - Presidential Access Scholarships (Super PELL).
 - Federal Family Education Loan Program (formerly GSL).
 - Perkins Loans (formerly NDSL).
 - Federal Work Study funds.
 - Robert C. Byrd Honors Scholarship Program.
 - College Assistance Migrant Program (CAMP).
 - High School Equivalency Program (HEP).
 - TRIO Grants for disadvantaged students such as Upward Bound, Student Support Services, Robert E. McNair Post-Baccalaureate Achievement.

Count as unearned income any part that the recipient uses for general living, or any purpose other than education. Prorate it over the period of time it was intended to cover.

Count payments and allowances that are **not** grants, such as:

- Any amount received as a gift from a relative, friend, or other individual.
- Allowances to members of the United States armed forces.
- Allowances or retainer payments to students under ROTC.
- Grants with a requirement that work must be performed during or after study before receiving the grant, unless received under Title IV program which is listed previously.

Emergency Energy Conservation Services Assistance

20 CFR 416.1124(b)

Exclude any cash or in-kind assistance provided under the Emergency Energy Conservation Services Program or the Energy Crisis Assistance Program, including:

- Winterization of old or substandard dwellings (neither the cost of the materials, nor the cost of labor is counted).
- Insulation.
- Emergency loans or grants to install energy conservation devices.
- Alternative fuel supplies and special fuel vouchers or stamps.
- Alternative transportation activities designed to save fuel and guarantee continued access to training, education, and employment.
- Legal or technical training relating to the energy crisis.
- Fuel to operate food preparation appliances, or meals provided because utilities have been shut off.

Employer's Benefits

20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; P. L. 103-60

Employer payments made on behalf of employees are **not considered income** when the payments are not earnings, and not available to meet the employee's needs of food or shelter. For example, the contributions by an employer in a health insurance fund and an employer's payment of FICA and unemployment compensation taxes are not income to the employee.

Expenses of Obtaining Income

20 CFR 416.1123(b)(3)

When a client incurred expenses that were essential in obtaining an unearned income payment, deduct the amount of the expenses to determine the amount of the payment to consider as income. The amount deducted is **not considered income**.

Essential expenses of obtaining unearned income may include legal, medical, and other expenses connected with an accident settlement or legal expenses connected with a claim for a benefit program such as Social Security benefits.

Expenses of
Obtaining Income
(Cont.)

When a client receives payment for damages in connection with an accident settlement, subtract legal fees, unmet medical expenses that will not be reimbursed, and other essential expenses connected with the accident.

When a client receives a retroactive check from a benefit program such as Social Security, subtract legal fees connected with the claim.

Deduct essential expenses from the first and subsequent payments received until the expenses are completely offset.

A guardianship or conservatorship fee is an essential expense only if the presence of a guardian is a requirement for receiving the income. Guardianship fees are never an essential expense for obtaining Social Security or SSI benefits because the Social Security Administration never requires appointment of a legal guardian.

**Experience Works
Income**
20 CFR 416.1124(b)

Exclude assistance, except wages or salaries, provided under the Experience Works program (formerly Green Thumb). Count wages and salaries as **earned** income. Experience Works is funded through Chapter 35 of Title 42 U.S. Code, Programs for Older Americans.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

**Federal Department
of Labor Payments**
20 CFR 416.1103 and
20 CFR 416.1104

Exclude cash or in-kind support service payments made by the U.S. Department of Labor payments. Support services are payments such as child care, transportation, medical care, and meals.

Count cash or in-kind financial payments made by the U.S. Department of Labor payments for training. Financial payments include payments for tuition, on-the-job training, stipends, and work experience.

**Food and Shelter
Received During a
Medical
Confinement**

20 CFR 416.1102, 20
CFR 416.1103;
P. L. 103-60

Food and shelter received during a medical confinement are **not considered income**. Medical confinement occurs when a person receives inpatient medical services in a medical facility.

**Food Programs
(Federal)**

20 CFR 416, Subpart
K Appendix

Exclude the value of:

- Food Assistance benefits.
- Food provided under the WIC program.
- Free school lunches or breakfasts.
- Congregate meals.
- Federally donated food.

Verification is not required.

**Foster Care
Payments**

20 CFR 416.1124

Exclude foster care payments from a public or private nonprofit child-placing agency to a foster family.

**Garnishments and
Other Withholdings**

20 CFR 416.1102, 20
CFR 416.1110, 20
CFR 416.1123(b)(1)

A debt that a client is required to pay or that is withheld from the client's income (such as child support, alimony or garnishment) continues to be considered income received by the client. Use the gross amount of income before these deductions.

1. Mr. S, who has Social Security income of \$700, is ordered by the court to pay alimony of \$200 per month to his former spouse. His countable monthly income continues to be \$700, regardless of his legal obligation.
2. Mr. Q has Social Security income of \$300 and earnings of \$400 per month. However, \$100 per month of Mr. Q's earnings is garnished to pay a debt. Mr. Q's total earnings of \$400 are considered to be received and are considered as income.

**General Assistance
Payments**

20 CFR
416.1124(c)(2)

Exclude county general assistance cash payments based on the need of the recipient. See [Assistance Payments](#) for information about other types of state or federal assistance payments. Do not count assistance that is lent to the client.

Gifts

20 CFR
416.1124(c)(6) and 20
CFR 416.1121(g)

Count cash gifts as income in the month received. Exclude gifts that qualify as infrequent or irregular income. See [Infrequent or Irregular Income](#). For gifts used to pay educational expenses, see [Educational Assistance](#).

Count noncash gifts as income in the month received. Determine the value according to the amount the client would get if the gift were sold. Refer to [In-Kind Unearned Income](#).

Exception: The value of any noncash item (other than food or shelter) is **not** considered income if it will be partially or totally excluded as a resource the month after it is received.

**Green Thumb
Income**

20 CFR 416.1124(6)

See [Experience Works Income](#).

**Home Equity
Conversion Plans**

20 CFR 416.1103(f)

Home equity conversion plans are arrangements designed to allow homeowners (commonly elderly people) to convert the equity value of their homes into cash without having to leave the home.

Under these plans, the home is either mortgaged or sold to a financial institution or an individual in exchange for a regular cash payment or a line of credit, which the homeowner receives as long as the homeowner lives in the home. Common arrangements and the income policies that apply are explained below. The actual terms of specific contracts may vary.

Home Equity
Conversion Plans

If you need help to understand the contract or the correct income policy to apply, submit your questions, along with the contract, through the DHS, SPIRS Help Desk.

- Reverse Mortgage

Reverse mortgages allow a homeowner to borrow some percentage of the appraised value of the home. The homeowner then receives regular periodic payments (or a line of credit), which commonly does not have to be repaid as long as the borrower lives in the home.

The payments the homeowner receives from the arrangement are considered as loan proceeds and are **not considered income**. However, if the loan proceeds are retained into the following month, they become a countable resource.

- Sale-Leaseback

Under a sale-leaseback arrangement, the homeowner transfers the title of the home to a buyer in exchange for regular periodic payments. The buyer then allows the former homeowner to remain in the home for life (or some other agreed-upon time period) in exchange for rent. In some instances, the payment made to the former homeowner includes interest.

Consider the noninterest portion of the payments the former homeowner receives as a conversion of a resource, **not as income**. Consider any portion of the payment that is due to interest as unearned income. If the interest portion of the payment is retained into the following month, it becomes a countable resource.

- Time Sale

Under a time sale arrangement, the homeowner signs a contract to sell the home at death but maintains the title and continues to live in the home. The buyer then pays a monthly cash payment to the homeowner.

Home Equity
Conversion Plans
(Cont.)

The payments the homeowner receives from a time sale contract are considered as a conversion of a resource and are **not considered income**. If the payments are retained into the following month, they become a countable resource.

Home Produce for Personal Consumption

Section 1612(b)(8) of the Social Security Act;
20 CFR
416.1124(c)(4)

Exclude home produce used for personal consumption and produce that is traded. When produce is sold, consider net earnings as earned income. When the client is engaged in commercial farming, see [Non-MAGI-Related Self-Employment Income](#).

Housing Assistance

20 CFR 416.1124(b);
U.S. Housing Act of 1937, Section 8; U.S. Housing Act of 1959, Section 202(h);
National Housing Act; Housing Act of 1949, Title V; Housing and Urban Development Act of 1965, Section 101
(12 USC Section 1701,
42 USC Section 1451)

Exclude rent subsidies, cash toward utilities, and indirect assistance (guaranteed loans, mortgages, and mortgage insurance) provided to home buyers by the Department of Housing and Urban Development (HUD) and the Farmer's Home Administration (FMHA).

Exclude any rent reduction to a person in low-income housing when the assistance is under the U.S. Housing Act of 1937, as amended.

Verify the authority for the client's federal or federally assisted housing. If the client cannot get verification, contact the local public housing authority. If HUD and a private owner have entered into a contract directly, contact the owner or manager of the project to verify the nature and authority for the housing assistance payments. Document the findings in the client's case record.

Income Replacement

20 CFR 416.1102, 20 CFR 416.1103;
P. L. 130-60

If a person's income is lost, stolen, or destroyed, then is replaced, the replacement is **not considered income**. For example, if the person loses a January paycheck and receives a replacement check in March, the pay is considered as income only for January.

Income Tax Refunds

20 CFR 416.1102, 20
CFR 416.1103;
P. L. 130-60

Income tax refunds are **not considered income**. An Earned Income Tax Credit is not a refund and is considered income but is excluded as income. See [Earned Income Credit](#) in this chapter.

Indian Assistance

20 CFR 416.1124(b)
and (c)(2), 20 CFR
416.1102, 20 CFR
416.1103;
P.L. 103-66

Count as unearned income payments made through the Bureau of Indian Affairs (BIA) General Assistance program. These payments are federally funded and administered by the BIA through its local agency (usually the tribe). Payments made by the BIA for adult custodial care are excluded.

Some Native Americans may receive other types of funds, such as distribution payments from judgment funds, mineral rights, or tribal trust funds. Numerous types of payments may be made and numerous exclusions may apply to these payments.

If the client has a tribal distribution payment, find out as much as you can about the payment and send the information to the DHS, SPIRS Help Desk for instructions on how to count it. Applicable information might include:

- The name of the Indian tribe or group.
- The name and location of the reservation.
- The reason for the payment.
- A description and location of land if payment involves land conveyance.

Up to \$2,000 per year of income received by a Native American from interests of individual trusts or restricted lands **is not** considered income.

Note: Refer to NJA0094, Income under Native American Payments for the process to enter this type of income in ELIAS.

**Infrequent or
Irregular Income**

20 CFR

416.1112(c)(2), 20

CFR 416.1124(c)(6)

Exclude infrequent or irregular income if the quarterly amount does not exceed \$30 for earned income or \$60 for unearned income.

“Infrequent income” is income that is received (or available on demand) no more than once in a calendar quarter.

“Irregular income” is income that the client cannot reasonably expect to receive. “Irregular income” is unpredictable and cannot be scheduled, so that the client cannot count on it or budget for it.

Income from work performed on an “as-needed” basis for the same employer (not the same as regular part-time work) meets the definition of irregularly received income.

However, if the person works on one or more days each week for the same employer, count the income as regular and frequent, even when that income is less than \$30 per month.

If both members of a couple have infrequent or irregular income, add all the income together before applying this exclusion. See [Projecting Future Income](#) for determining the amount of income to project.

Inheritance Income

20 CFR 416.1121

Exclude the part of a cash inheritance that is spent on the deceased’s last illness and burial. Count any remaining cash inheritances as income in the month of receipt. Refer to [Lump-Sum Income](#).

Count inheritances not received in the form of cash, as in kind income. See [In-Kind Unearned Income](#).

The value of an asset that is not owned, in part, by the client and is received as inheritance is income in the month of receipt. If there is an estate opened, the asset may be available before the estate is closed. Count the inheritance as a resource the month after the month of receipt.

Inheritance Income
(Cont.)

Do not count as income inherited items that were a result of the death of a spouse and that were already counted as a resource.

In Iowa, real and personal property passes to the person who inherits it immediately at the time of death and is not dependent on settlement of the estate unless the terms of the will are being contested.

Insurance
20 CFR 416.1102

▪ Accelerated Life Insurance Payments

Count as income any payments made by a life insurance company or privately owned and operated business that are an early payout of some of the proceeds of a life insurance policy.

Under this arrangement, the life insurance company or private business pays the owner of a life insurance policy money that would ordinarily go to the beneficiary after the owner's death (e.g., during a terminal illness).

The payments may be in one lump sum or monthly. (Any payments not spent in the month of receipt become a resource in the following month.)

20 CFR 416.1103(e)

▪ Credit Life or Credit Disability Insurance Payments

Payments issued to or on behalf of borrowers to cover payments on loans or mortgages in case of death or disability are **not considered income**.

The payments are made directly to the loan or mortgage company, so the money is not available to the person. Although a payment might be used for food or shelter (for example, when an insurance company makes a mortgage payment), do not count the payment as income.

Insurance (Cont.)
20 CFR 416.1123(a),
Youngberg vs. Iowa
DHS,
Polk Co. District Court
No. AA3294
(June 12, 2000)

▪ Income Insurance Policy

Count the proceeds from income insurance policies as income in the month that proceeds are received, regardless of the period they were meant to cover. An income insurance policy is one that pays a flat-rate benefit without regard to the actual charges or expenses incurred. Examples are:

- Indemnity policies that pay a per diem amount without regard to charges or expenses.
- Disability insurance that pays a flat-rate benefit intended to replace lost income.
- Cancer or dismemberment policies that pay a flat benefit.

NOTE: Benefits from insurance policies that pay a flat rate to an individual are not considered income if:

- The policy was purchased to pay for medical care and with regard to anticipated charges,
- The benefit is payable only if the policy holder actually receives the type of medical care for which the policy was purchased, and
- The benefit is actually used to pay for medical care for which the policy was purchased.

See [Third-Party Payments](#).

20 CFR 416.1121

▪ Death Benefits

The part of life insurance and death benefits from Social Security, Veterans Administration, or Railroad Retirement that the beneficiary spends to pay expenses of the insured's last illness and burial that will not be reimbursed by a third party is **not** considered income. Count any remaining proceeds as income. Examples of last illness and burial expenses include:

- Hospital and medical expenses remaining after health insurance payments.
- Funeral expenses.

Insurance (Cont.)

- Funeral-related expenses, such as clothing to wear to the funeral or food for relatives.
- Burial plot.
- Interment.

If death benefits are received in more than one month, assume that the funds first received are the first spent on the deceased's last illness and burial. **Note:** Amounts not spent in the month of receipt become countable resources in the next month.

Mr. B receives death benefits of \$1,000 in April and \$1,000 in May. Funeral expenses are \$1,500. \$500 is counted as income in May.

Interest Income

20 CFR 416.1103, 20 CFR 416.1121(c), and 20 CFR 416.1124(c)(9)

Interest earned on **countable** resources is excluded income when determining eligibility. Interest earned on **excluded** resources is excluded income except for the following, which are countable unearned income:

- Interest earned on unspent tax refunds related to an Earned Income Tax Credit or a Child Tax Credit.
- Interest earned on gifts to children under age 18 who have a life-threatening condition. The gift must be from an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and be exempt from taxation under Section 501(a).
- Interest earned on the proceeds from the sale of the homestead that was excluded for up to three months when the client intends to purchase another home.
- Interest earned on unspent relocation assistance payments.
- Interest earned by SSI or Social Security Disability benefits that are excluded from resources for nine months after receipt.
- Interest earned on unspent victim's compensation payments.

Interest Income
(Cont.)

Consider interest income when the interest becomes available to the account holder. Interest on bank accounts (savings, CDs, etc.) is available to the account holder when the interest is actually recorded on the account. The frequency with which interest is computed is immaterial. Do not deduct bank service charges when determining countable income.

Interest recorded on an account monthly is countable. Interest that is computed daily but recorded on the account only quarterly is excluded, unless the total amount exceeds \$60 per month.

See [Projecting Future Income](#) for determining the amount of interest to project. If there has been a permanent change in the balance, compute the interest using the current account balance.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

Jury Duty Pay
20 CFR 416.1102

Count jury duty pay as unearned income.

Loans
20 CFR 416.1102, 20
CFR 416.1103, 20
CFR 416.1123;
P. L. 103-60

Money that is borrowed is **not considered income**. If a client has loaned another person money and receives repayment, the principal repayment on the loan is **not considered income**. However, any interest received is considered income.

**Low-Income Home
Energy Assistance
Payments (LIHEAP)**
20 CFR 416.1124

Exempt as income and as a resource energy assistance benefits paid to eligible households under the Low-Income Home Energy Assistance Act of 1981. This program is administered through the Department of Human Rights, Division of Community Action Agencies, and covers costs such as:

- Insulation.
- Home energy assistance.
- Emergency lodging because utilities have been shut off.

Low-Income Home Energy Assistance Payments (LIHEAP) (Cont.)

- Winterizing old or substandard dwellings (neither the cost of the materials nor the cost of labor is counted as income).

Lump-Sum Income
20 CFR 416.1121,

Do not count any lump-sum income received before the month Medicaid eligibility is granted. **Exception:** A lump sum that is self-employment income must be annualized.

- Nonrecurring Lump Sum

Lump-sum payments received on a one-time basis include inheritance and retroactive benefits from Social Security, SSI, certain types of Veterans Administration income (see [Non-MAGI-Related Veterans Affairs Payments](#)), and Railroad Retirement.

If the client receives a lump-sum payment, count it as income in the month of receipt, unless the lump sum is a retroactive SSI payment made while the Medicaid application is pending. If the application is pending the SSI decision, then see [Retroactive SSI Payments](#).

For retroactive lump-sum payments of Social Security or SSI, see [8-D, Retroactive SSI and Social Security Lump-Sum Payments](#), for treatment as a resource. For all other nonrecurring lump sums, count the lump sum as a resource after the month of receipt.

Note: If the lump sum is unearned and is less than \$60 or is earned and is less than \$30, it may be excluded as infrequent or irregular income. See [Infrequent or Irregular Income](#).

Do not count corrective social security payments as income when the income was previously considered for eligibility and client participation. Count lump sums received in the retroactive period as income.

- Recurring Lump Sum

Count recurring lump-sum payments as income and prorate them over the period of time they cover. The prorated amount may be excluded if the exclusion for infrequent or irregular income applies.

Lump-Sum Income
(Cont.)

Lump-sum payments received annually, semiannually, or quarterly on a recurring basis include annual crop-sharing payments and quarterly Medicare reimbursements from a former employer.

**Medical Assistance
Income Trusts
(MAIT)**

441 IAC 75.24(3)“b”

A medical assistance income trust or MAIT is an irrevocable trust established for the benefit of an individual on or after August 10, 1993. It is a trust where:

- Only the beneficiary’s income (both earned and unearned) is assigned to and deposited into the trust, and
- The state is the residuary beneficiary of the trust and will receive all amounts remaining in the trust at the beneficiary’s death, up to the amount of Medicaid paid for the beneficiary.

If the trust meets these requirements, exempt the gross monthly income paid **into** the trust when determining eligibility and client participation. Count only the income to be paid **from** the trust or otherwise made available to the client.

Do not count the direct payments to the nursing facility or other medical provider as income to the client when determining eligibility. See [8-1, Trust Payments](#) for payments to be made from medical assistance income trusts.

Military Pay

20 CFR 416.1111

The service branches issue a single pay slip each month on or after the first of the month. That pay slip shows the gross amount due for the full calendar month and the net amount issued on each payday of the month. Military personnel can access pay slips using the Internet.

Only basic pay and Continental United States (CONUS) cost of living allowance (COLA) constitute wages. All special pay and allowances, except hostile fire pay, imminent danger pay, and, in deeming situations, other kinds of additional pay that may be received by military personnel serving in a combat zone are chargeable unearned income to the service member.

Military Pay (Cont.)

Whenever possible, use the Leave and Earnings Statement to verify the gross pay for a month, including both earned and unearned income. The total base pay shown is earned income for that month. The total allowances shown are unearned income for that month (unless otherwise excluded, such as hostile fire pay).

Noncash Items

20 CFR 416.1102, 20
CFR 416.1103, 20
CFR 416.1123;
P. L. 103-60

The value of any noncash item (other than food or shelter) is **not considered income** if it will be partially or totally excluded as a resource the month after the month of receipt.

Mr. A receives a car worth \$6,000 as a gift from his daughter. He had no car before the gift. Because \$4,500 of value of the car is excluded the month after receipt, the car will be an excluded resource in the month following the month of receipt. Therefore, the gift of the car is not income to Mr. A.

Other Excluded

Federal Payments

20 CFR 416.1124,
P. L. 92-203, P. L.
106-398

- Exclude income from any of the programs established under Public Law 93-103 through the Corporation for National and Community Service (CNCS), unless the director of CNCS determines that the hourly rate is equal to or over the minimum wage.

(The director has never yet made this determination. Central Office will contact workers if that determination is ever made.)

Programs under CNCS include University Year of Action (UYA), Volunteers in Service to America (VISTA), Foster Grandparents, Retired Senior Volunteer Program (RSVP), Senior Companion Program, and the Special and Demonstration Volunteer Program.

- Exclude dividend payments on shares of the **Alaska Native Fund**, and other revenue that originated with the fund. This fund was created by the Alaska Native Claims Settlement Act (Public Law 92-203), enacted on December 19, 1971.

- Exclude **Austrian Social Insurance** payments based partly or completely on wage credits granted under paragraphs 500-506 of the Austrian General Social Insurance Act. Use the award letter to determine how to count the payments.
- Exclude **Department of Defense (DOD)** payments to certain persons captured and interned by North Vietnam as a result of participating in DOD operations (known as OPLAN 34A (or its predecessor) or OPLAN35). Do **not** exclude interest earned on unspent payments.
- Exclude **Department of Defense (DOD)** payments made to or on behalf of certain Vietnam veterans' children, regardless of their age or marital status, for any disability resulting from spina bifida suffered by such children. Do **not** exclude interest earned on unspent payments.
- Exclude **Energy Employees Occupational Illness Compensation Program** payments made to former employees or their families. Beneficiaries will receive one or two lump-sum payments, which are excluded as income and as a resource.

Award letters sent to the recipient from the Department of Labor should verify the amount and source of the payments.

- Exclude **German Reparations** payments made to survivors of the Holocaust under the Federal Republic of Germany's Law for Compensation of National Socialist Persecution, whether they are paid periodically or in a lump sum.
- Exclude **Japanese-American and Aleutian restitution payments** made by the U.S. Government to individual Japanese-Americans (or their survivors) and Aleuts who were interned or relocated during World War II.

- Exclude **Japanese-Canadian restitution payments** from the Canadian Government to individual Japanese-Canadians who were interned or relocated during World War II. Use documents from the client to identify or verify the nature of the payments.

If the client has no documents, ask if the client was imprisoned, relocated, deported, or deprived of other rights in Canada during the period of December 1941 to March 1949 because of Japanese ancestry. If yes, exclude the payment. If no, count the payment as income.

- Exclude assistance except wages or salaries provided under Chapter 35 of Title 42 U.S. Code, **Programs for Older Americans**. Count wages and salaries as earned income. Examples of programs offered include community service employment and the Green Thumb employment services program.
- Exclude as income and as a resource payments made under the **Radiation Exposure Compensation Act Trust Fund payment**. This program compensates people for injuries or death resulting from exposure to radiation from nuclear testing and uranium mining.

After the affected person's death, payments are made to the surviving spouse, children, or grandchildren. Any interest on these funds is counted as income.

Personal Services

20 CFR 416.1102, 20
CFR 416.1103, 20
CFR 416.1123;
P. L. 103-60

Personal services performed for a client, such as lawn mowing, house cleaning, and grocery shopping, are **not considered income**.

Property Tax Refunds

20 CFR
416.1124(c)(1)

Exclude any amount a client receives from any public agency as a return or refund of taxes paid on real property. Verify the amount using the tax statement, or contact the state or local taxing authority. File the statement or a copy of the statement in the case record.

Rebates and Refunds

20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; P. L. 103-60

If a person gets back money the person has already paid (e.g., a property tax rebate), the returned money is **not considered income**. If a rebate is not returning the person's own money, however, it is income.

Recouped Benefits Paid in Error

20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123

Do not count the portion of an unearned benefit that is being recouped if:

- The client received Medicaid under Medically Needy, Medicaid for Employed People with Disabilities (MEPD), HCBS waiver, or nursing facility assistance or received State Supplementary Assistance payments when the overpayment occurred, and
- The income that created the overpayment was included in figuring the amount of the Medicaid or State Supplementary Assistance benefit at the time it was incorrectly paid.

Relocation Assistance

20 CFR 416.1124(b)

Exclude relocation assistance provided to owners, tenants, or occupants who were displaced when real property was acquired by a federal, state, or local government-assisted project. Do not count:

- Moving expenses.
- Losses of tangible property.
- Expenses of looking for replacement business or farm.
- Displacement allowances.
- Amounts required to replace a dwelling.
- Compensation for increased interest costs.
- Closing costs on a replacement dwelling.
- Rental expenses for displaced tenants.
- Amounts for down payments on replacement housing.
- Mortgage insurance through federal programs, waiving requirements such as age, physical condition, or personal characteristics that borrowers must usually meet.

**Rent
Reimbursement
Payments**

20 CFR 416.1102, 20
CFR 416.1103, 20
CFR 416.1123;
P. L. 103-60

Payments received under the Department's Rent Reimbursement Program under Iowa Code Chapter 425 **are not considered income**. These payments are considered a refund of money the client has already paid.

The Department may also make rent reimbursement payments to residents of residential care facilities and nursing facilities. Do not consider the payments for either eligibility or client participation.

**Rental Property or
Life Estate Income**

20 CFR 416.1110(b),
20 CFR 416.1121(d)

Count as unearned income the net income from a life estate, or rental of real property (including a homestead) **unless the client has a business of renting properties**. If the client is in the business of renting property, see [Non-MAGI-Related Self-Employment Income](#).

If more than one person owns the property, count the income based on the ownership interest.

Use the most recent income tax return to determine net income from real property. Appropriate tax forms are:

- Schedule C, Profit or Loss Statement.
- Schedule E, Supplemental Income and Loss.
- Form 4562, Depreciation and Amortization.
- Form 1065, Partnership Return on Income.

Deduct from the gross income any necessary and reasonable expenses needed to produce the income. Examples of deductible expenses are real estate taxes, repairs and maintenance, the cost of advertising for tenants, and interest paid on a mortgage.

Do **not** deduct:

- The cost of capital equipment.
- Depreciation.
- Any portion of a mortgage payment that is attributed to the principal.

Rental Property or
Life Estate Income
(Cont.)

- Any purely personal expenses not associated with production of the income. If the expenses are both personal expenses and business expenses, prorate the expense following IRS policies used on the tax return.

If a tax return is not available, deduct the same expenses that would be used on the tax return, as long as the expenses are reasonable as defined by IRS. The expenses of income are reasonable as long as the expense is ordinary and necessary as defined in the industry. You may need to contact a disinterested real estate agent, banker, farm manager, or other knowledgeable person in the particular industry.

Examples of allowable expenses:	Examples of expenses that are not allowed:
Repair of roof shingles	Replacement of the roof
Replacement of broken light	Replacement of wiring
Replacement of faucet	Replacement of plumbing

NOTE: Refer to NJA0094, Income under Rental Income or Losses for the process to enter this type of income in ELIAS.

Resource
Conversion or Sale
20 CFR 416.1102, 20
CFR 416.1103;
P. L. 103-60

Consider the conversion or sale to be a change in the form of a resource.

The increase in value of a resource is **not considered income**. An example of a resource value increasing when the value of stock increases from \$100 to \$110 in a six-month period.

Resource
Replacement
20 CFR 416.1102, 20
CFR 416.1103;
P. L. 103-60

Any payment to a client to replace a resource that was lost, damaged, or stolen is **not considered income**. Examples include insurance payments and private or public fund payments.

Retirement Funds
20 CFR 416.1121

Retirement funds are annuities or work-related plans for providing income when employment ends (e.g., pension, disability, or retirement plans administered by an employer or union).

A retirement fund owned by an eligible person is a resource if the person has the option of withdrawing a lump sum, even though the person is not eligible for periodic payments. See [8-D, Retirement Funds](#).

If the person can't withdraw the funds but is eligible for periodic payments, the payments are considered income.

Note: Refer to NJA0094, Income under Pension for the process to enter pension income in ELIAS.

Retroactive SSI Payments
20 CFR 416.1123

When the application is held pending a Social Security determination for SSI benefits, count the retroactive SSI benefits for the period that the payments are intended to cover.

When calculating client participation, do not count any part of a retroactive SSI payment that covers a period before the month of eligibility for State Supplementary Assistance or medical institution care, or that is withheld for interim assistance.

January 3	Client applies for SSI.
February 3	Client enters RCF.
June 5	Client applies for State Supplementary Assistance.
August 16	Client approved for SSI. Receives SSI payment for the months of January through August.
August 17	Client approved for State Supplementary Assistance effective June 5.

The amount of the SSI lump sum intended for January through May is not considered in computing client participation for June through August. The amounts for June, July, and August are considered income in determining client participation for each of those months.

Retroactive SSI Payments (Cont.)	When a lump sum of retroactive SSI benefits is received on an ongoing Medicaid case, see Lump-Sum Income for treatment of income and see 8-D, Retroactive SSI and Social Security Lump-Sum Payments , for treatment as a resource.
Sheltered Workshop Earnings 20 CFR 416.1110	Count the income a handicapped person earns at a sheltered workshop as earned income.
Sick Pay 20 CFR 416.1110	Sick pay is payment made to an employee by an employer or third party for sickness or accident disability. (Payments to an employee under a workers' compensation law are not sick pay.) Verify the period of time that sick pay has been paid. Count sick pay as earned income in the first six months of receipt unless the employer considers the income as unearned income. Contact the employer to determine how to consider sick pay. After six months, count sick pay as unearned income.
Social Security Payments	Count the gross amount of Social Security as unearned income. If the person is paying for Medicare Part B, the gross amount of the Social Security payment has been adjusted to allow for an even dollar net amount. For eligibility, count the gross amount of the Social Security that will be received when Medicare buy-in takes place. Round up to the next dollar amount only when buy-in would affect eligibility for a program. For client participation, Medically Needy spenddown calculation, and MEPD premium calculations, count the gross amount of the Social Security as verified by the Social Security Administration. (Do not round.)

Social Security
Payments (Cont.)

Mr. A is an applicant for Medicaid. His gross Social Security benefit is \$1,182.00. His Medicare premium is \$185.00, so Mr. A's net check is \$997.00.

If Mr. A is approved, the state will "buy in" and pay his Medicare premium. Once buy-in occurs, Mr. A's check will increase to \$1,182. ($\$997.00 + \$185.00 = \$1,182.00$).

In determining Medicaid eligibility for Mr. A, the worker considers income of \$1,182, so that Mr. A's eligibility is determined based on the amount of income he will receive once buy-in occurs.

In determining client participation, Medically Needy spenddown, or an MEPD premium, the worker uses Mr. A's income of \$1,182.00 to calculate his benefits until after buy-in takes place.

Social Services

20 CFR 416.1102, 20
CFR 416.1103, 20
CFR 416.1123;
P. L. 103-60

Social services are **not considered income**. They include services to assist handicapped or disadvantaged people to function in society to the level of a person without the handicap, e.g., vocational rehabilitation. The training allowance issued by the Department of the Blind is considered a social service and is not counted as income.

The following items are **not** social services:

- Income from a sheltered workshop (see [Sheltered Workshop Earnings](#)).
- Financial aid for education and training (see [Educational Assistance](#)).
- FIP, SSI, Veterans assistance, or general assistance payments (see [Assistance Payments](#)).

Strike Pay

20 CFR 416.1102

Count strike pay as earned income if a union member is involved in the strike and the duties involve strike activity. Count all other strike pay as unearned income.

Third-Party Payments

20 CFR 416.1102, 20 CFR 416.1103;
P. L. 103-60;
Youngberg vs. Iowa
DHS, Polk Co. District
Court
No. AA3294
(June 12, 2000)

Direct payment of a person's bills by a third party is **not** considered income, unless the bills are for food or shelter. (See [Non-MAGI-Related In-Kind Income](#) for how to treat third-party payments for food or shelter.)

Third-party payments include medical services payments, such as:

- Medical insurance premiums paid directly to the insurance company by someone other than the client.
- Insurance company payments for medical care if the payments are equal to or less than the actual cost of the care.
- Room and board paid by a third party to a medical institution while a person is institutionalized.
- Accident settlement payments to cover medical expenses.
- Benefits from insurance policies that pay a flat rate to an individual if:
 - The policy was purchased to pay for medical care and with regard to anticipated charges,
 - The benefit is payable only if the policy holder actually receives the type of medical care of which the policy was purchased, and
 - The benefit is actually used to pay for the medical care for which the policy was purchased.

When the reason the third party is making a payment is for a cost that SSA or Medicaid may be meeting (i.e., nursing facility or in-home health related care), deduct the third party payment before the Medicaid or SSA payment.

Vacation Pay

20 CFR 416.1110(a)

Count vacation pay as earned income.

**Victims'
Compensation
Payments**

20 CFR 416.1124,
P. L. 101-508

Exclude assistance paid through the Crime Victim Reparation Program. The Iowa Department of Justice administers this program, which compensates victims of crime for expenses incurred or losses suffered as a result of a crime. Expenses paid by the Crime Victim Reparation Program include:

- Medical bills.
- Lost wages.
- Loss of support.
- Clothing held in evidence.
- Counseling.
- Burial.

Wages

20 CFR 416.1110

Count the gross amount of wages prospectively. See [Projecting Future Income](#). See also [Non-MAGI-Related Deductions](#) for deductions that are applied to wages. **Note:** Consider vacation pay as wages, even if paid in a lump sum after the client's employment has terminated.

Winnings

SI 0830.525

Count as unearned income any winnings from a contest, lottery, or game of chance. **Note:** Gambling losses are not subtracted from gambling winnings to determine countable income.

**Workers'
Compensation**

20 CFR 416.1121

Count as unearned income any workers' compensation from state or federal employment that is paid to disabled workers.

Exclude any portion of the income that was paid or deducted for legal or related expenses, if the recipient did not have control of the money before distribution. This information is given in the award letter.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

Mr. O is injured at work in March. He begins receiving workers' compensation of \$500 per month in August. This income is considered unearned and is counted for the time it is intended to cover.

Non-MAGI-Related In-Kind Income

Legal reference: 20 CFR 416.1102

In-kind income is not cash, but is food or shelter, or the receipt of something that can be sold or converted to obtain food, or shelter. **EXCEPTION:** Food is not included in the calculations of in-kind support and maintenance (ISM), which is a type of unearned income that we have special rules for valuing.

If the noncash item is given to the person by that person's spouse, minor child, or parent (if the recipient is a minor child), do not consider it in-kind income to the person.

The three types of in-kind income are:

- [In-Kind Earned Income.](#)
- [In-Kind Unearned Income Other Than Food or Shelter.](#)
- [In-Kind Support and Maintenance \(Unearned Income Received In the Form of Shelter\).](#)

In-Kind Earned Income

Legal reference: 20 CFR 416.1110-416.1111

In-kind earned income is a noncash payment a person receives in place of wages or money from self-employment. In-kind earned income can be food or shelter, or noncash items that could be sold or converted to obtain food or shelter.

An SSI recipient's in-kind earned income is reflected on the SDX in the same way as cash earned income.

Count the full market value of in-kind earned income in the same way as earned income received as cash. If the person is in a coverage group where the \$65 or \$65 and one-half work expense deductions apply for earned income, apply the deduction to the in-kind earned income as well.

Exception: If an in-kind item that is not in the form of food or shelter will be partially or totally excluded as a resource in the month after the month it is received, do not count it as income.

1. Mr. A receives a monthly wage of \$500 to manage an apartment complex and also is provided an apartment to live in at no cost. The apartment that Mr. A lives in would otherwise rent for \$300 per month.

Mr. A receives a noncash item in the form of shelter (free rent) and therefore, receives in-kind income. Because Mr. A receives this in-kind income in place of wages, it is considered earned income. The market value of Mr. A's in-kind earned income (\$300) is considered in the same manner as if Mr. A had been paid \$300 in the form of cash (i.e., if applicable for the coverage group, \$65 plus one-half is deducted). Mr. A's total earned income is \$800 (\$500 + \$300).

2. Mr. B is an employee of an auto dealer. In lieu of wages, Mr. B is given a car worth \$4,000. Mr. B has no other car. Because the car he receives is an excluded resource in the month following the month of receipt, the value of the car is not considered as income to Mr. B.

In-Kind Unearned Income

Legal reference: 20 CFR 416.1123

In-kind unearned income is in-kind income that a person receives that is not in place of wages or self-employment monies. In-kind unearned income can be either:

- Food or shelter. See [In-Kind Support and Maintenance \(ISM\)](#).
- Any item that can be sold or converted to buy food or shelter.

Count the full market value of in-kind unearned income that is not in the form of food or shelter in the same way as unearned cash income. Market value is how much money the item can be sold for, not the retail purchase price. Accept the recipient's estimate of the market value of the gift, unless you have reason to doubt the estimate.

Exception: If a client receives a noncash item (not food or shelter) and that item will be a partially or totally excluded resource in the month after the month it was received, do not consider it as income.

Mr. T received a gift of a boat with a value of \$1,000. The boat may be sold or converted to cash that may then be used to obtain food or shelter. It will not be an excluded resource in the month following receipt. Therefore, the receipt of the boat is in-kind unearned income. The boat's market value of \$1,000 is considered as unearned income to Mr. T.

The income exclusion for infrequent or irregular income may apply to in-kind income. See [Infrequent or Irregular Income](#).

An SSI recipient's in-kind unearned income that is not in the form of food or shelter is reflected on the SDX as unearned income type "S" (other income).

In-Kind Support and Maintenance (ISM)

Legal reference: 20 CFR 416.1130, 20 CFR 416.1132-416.1133

In-kind support and maintenance is in-kind unearned income in the form of shelter. Shelter includes:

- Room rent and mortgage payments.
- Real property taxes.
- Heating fuel, gas, electricity, water, and sewage.
- Garbage collection service.

ISM is valued according to either the value of one-third reduction (VTR) or presumed maximum value (PMV) rule. The VTR rule applies only when a client lives in another person's household.

Note: Food expenses are omitted from ISM calculations. Food expenses would not be included in the actual calculation; they will only be considered in determining whether to apply the VTR or PMV rule.

Determining the Client's Living Arrangement

To determine which rule to use, first establish if the client is living in the client's own household or in the household of another. See [Living in Another Person's Household](#). If a client is living in the household of another, then decide if the person is paying a pro rata share. See [Paying a Pro Rata Share](#).

Living in Another Person's Household

Legal reference: 20 CFR 416.1132-416.1133

A client is **not** living in another person's household if:

- The client has an ownership interest or a life estate interest in the home.
- The client (or any person in the household who could have income deemed to the client) is liable to the landlord for paying any part of the rent. In this context, a landlord and tenant cannot be members of the same household.
- The client pays at least a pro rata share of household and operating expenses.
- All members of the household receive public assistance income-maintenance payments, such as FIP or SSI.
- The client lives in an institution (an establishment which provides food, shelter, and some treatment or services to four or more people). An institution is not a household, and a household cannot exist within an institution.
- The client lives in a noninstitutional care situation, such as a family-life home or a foster care home.

A household must be a personal place of residence. A commercial establishment, such as a hotel or boarding house, is not a household. However, a household can exist within a commercial establishment if the client lives in the household as a roomer or boarder within the hotel or boarding house.

1. Mr. A lives in a boarding house and pays \$200 per month to the owner for room and board. Several other people also live in the boarding house. Mr. A is not considered to be living in another person's household.
2. Mr. B lives with Mr. A. Mr. B does not have rental liability to the boarding household owner and does not pay a pro rata share of the expenses. Mr. B is considered to be living in the household of another (Mr. A).

Paying a Pro Rata Share

Legal reference: 20 CFR 416.1132-416.1133

If the client pays a pro rata share of household operating expenses, consider the client to be living in his or her own home and not receiving in-kind support and maintenance from anyone else in the household.

The pro rata share of household operating expenses is the average monthly household operating expenses (based on a reasonable estimate, if exact figures are not available) divided by the number of people in the household, regardless of age.

The household operating expenses are the total monthly expenditures for rent, mortgage, property taxes, heating fuel, gas, electricity, water, sewage, and garbage collection service.

When to Apply the Value of One-Third Reduction (VTR) Rule

Legal reference: 20 CFR 416.1131

Apply the “value of one-third reduction” (VTR) rule to in-kind support and maintenance received when a client lives the whole month in another person’s household and others within the household pay for or provide them with all their meals. If the client is living in the client’s own household, use the “presumed maximum value rule.”

Under the VTR rule, the value of in-kind support and maintenance is one-third of the SSI benefit rate (currently \$322.33). If a married couple lives in another person’s household, use one-third of the SSI benefit rate for a couple (\$483.33).

The VTR amount always applies in full. Count this amount in the same way as if it were unearned income received in cash. Do not apply the \$20 general income exclusion to in-kind support and maintenance valued according to the VTR rule.

An SSI recipient who receives in-kind support and maintenance valued according to the VTR method will have that income reflected on the SDX as income type “J.”

1. Mr. G, a Medicaid member, lives with his friend, Mr. F, in a home owned by Mr. F. Mr. G has Social Security income of \$500 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with all of his meals.

Mr. G is not paying a pro rata share of the monthly household operating expenses, so he is considered to be living in the home of another. Since Mr. F provides all Mr. G's meals, he is receiving ISM income that should be valued according to the VTR method. The IM worker determines that Mr. G has countable in-kind support and maintenance income of \$322.33 (one-third of the SSI benefit rate).

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. Mr. S's pro rata share of the household's operating expenses is \$200. However, Mr. S contributes only \$100 per month towards the household's operating expenses.

Although Mr. S is contributing towards the household expenses, he is not paying a pro rata share. Therefore, he is considered to be living in another person's household. His son also provides Mr. S's meals.

Mr. S is receiving the in-kind support and maintenance that is valued according to the VTR method. This means that he has countable in-kind support and maintenance income of \$322.33.

3. Same as Example 2, except that Mr. S's son **does not** provide his meals. Because his son is not providing his meals, the VTR method does not apply. Mr. S's in-kind support and maintenance is valued according to the PMV method.

When to Apply the Presumed Maximum Value Rule (PMV)

Legal reference: 20 CFR 416.1140

Whenever a person receives in-kind support and maintenance that must be counted, but the one-third-reduction rule does not apply, use the presumed maximum value (PMV) rule. Under the PMV method, the maximum in-kind support and maintenance amount is presumed to be \$342.33 (one-third of the SSI benefit rate plus \$20).

Situations in which the PMV method is used include:

- A client living in another person's household, but the household does not pay for or provide all their meals.
- A client living in the client's own household and receiving in-kind support and maintenance.

Give clients an opportunity to show that the actual market value of their support and maintenance is less than the presumed maximum value. The actual market value is the client's pro rata share of household expenses minus the client's actual contribution. If the client verifies that the actual market value is less than \$342.33, use the actual market value as the monthly income.

In-kind support and maintenance received by an SSI recipient that is valued according to the PMV rule is reflected under unearned income as income type "H."

1. Mr. G, a Medicaid member, lives with his friend, Mr. F. Mr. G has Social Security income of \$700 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with shelter, but Mr. G provides his own food. The household's expenses, other than food, total \$700.

Because Mr. F does not pay for or provide all of Mr. G's meals, the in-kind support and maintenance income received is valued according to the PMV method and not the VTR method. (Mr. G's pro rata share of the household's operating expenses (not including food) is \$350.)

The difference between Mr. G's pro rata share (\$350) and his contribution (\$0) is greater than the presumed maximum value amount of \$342.33. The IM worker uses countable in-kind support and maintenance income of \$342.33 (one-third of the SSI benefit rate + \$20) to determine Mr. G's Medicaid eligibility.

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. Mr. S purchases and eats his meals separately from his son. Mr. S's pro rata share of the household's \$400 operating expenses is \$200. Mr. S's actual contribution towards the household's operating expenses is \$75 per month.

Although Mr. S is not paying a pro rata share of the household expenses, his son is not paying for or providing his meals. Therefore, Mr. S's ISM is valued according to the PMV method. The actual value of Mr. S's ISM is \$125 (\$200 minus \$75). Because this is less than the presumed maximum value, the countable ISM income is \$125.

3. Ms. L, a Medicaid member, lives alone in her own home. Her father helps her by paying her gas and electric bill of \$80 per month. (Payments are made directly to the utility company.)

Because Ms. L lives in her own home, the PMV method of determining in-kind income (for the payment of utilities) is used. Because the actual value of the in-kind support and maintenance received is less than the presumed maximum value, the countable in-kind support and maintenance income is \$80.

Non-MAGI-Related Self-Employment Income

This section describes:

- [How to determine whether a client's employment is self-employment.](#)
- [How to consider income from self-employment.](#)

Determining if a Client is Self-Employed

Legal reference: 20 CFR 416.1110, 20 CFR 416.1111

"Self-employment" is defined as providing income directly from one's own business, trade, or profession.

If it is unclear whether a person's employment is self-employment, ask if the person files an income tax return as a self-employed person on form **SE, Social Security Self-Employment Tax** or if the person is subject to a self-employment tax.

If the person files form SE or is subject to self-employment tax, consider the person's self-employment verified, unless the situation has changed.

If the person does **not** file form SE, but claims to be self-employed, determine if the person would be subject to the self-employment tax if the person filed an income tax return. Consult the IRS or another knowledgeable source to determine if the person is self-employed. Ask if the person materially participates in the management decisions. If the person does, this may be self-employment.

Renting out one or two properties or leasing farmland to someone is not necessarily self-employment. In such cases, determine whether the person's business is renting those properties by requesting a complete copy of the person's federal tax return. See also [Rental Property or Life Estate Income](#).

1. Mr. X rents out his life estate on the farm that he previously owned. He does not manage a business. Therefore, Mr. X does not engage in self-employment.
2. Mr. J files a Medicaid application for his daughter. He states that he is a self-employed salesman. The IM worker gets a release of information and contacts his distributor, who confirms that Mr. J is self-employed.
3. Ms. E babysits in her home. She does not file an income tax return. She is responsible for all expenses and makes her own management decisions. She is self-employed.

Determining Income from Self-Employment

Legal reference: 20 CFR 416.1110, 20 CFR 416.1111

"Self-employment income" is the gross income from a trade or business minus allowable deductions for that trade or business.

Annualize self-employment income on a taxable year basis by totaling all self-employment income received or projected to be received in the calendar year, then dividing the total by 12 to determine the monthly amount.

Divide the entire taxable year's self-employment income equally among the number of months in the taxable year, even if the business:

- Is seasonal.
- Starts during the year.
- Stops operating before the end of the taxable year.
- Stops operating before the application for assistance.

Use the person's federal income tax return from the previous year to project self-employment earnings in the following tax year. The following schedules may be used:

- Schedule SE, *Computation of Social Security Self-Employment*. For net earnings, use Section A, line 4 or Section B, line 4.C. For net loss, use Section A, line 3, or Section B, line 4.C.
- Schedule C, *Profit or Loss from Business or Profession*. Use the line entitled "Net Profit or Loss."
- Schedule F, *Farm Income and Expenses*. Use the line entitled "Net Profit or Loss."

If the client indicates that the last tax return is not an accurate indicator of future income, or if a change occurs, project self-employment income for the taxable year based on the best available information.

If the business has not been in operation long enough to have income tax records, project income based on the client's records. If the client's records are not available and no other evidence can be obtained, ask the client to provide a signed statement of projected self-employment earnings. Make a new determination of net income when a more accurate projection can be made, but no later than six months from the determination of eligibility.

Apply a 15.3% deduction to net profit to determine countable self-employment earnings if:

- The net profit exceeds or is expected to exceed \$400, and
- The client has filed or expects to file a federal income tax return and therefore will pay the self-employed social security tax.

This deduction recognizes a portion of the additional Social Security taxes that a self-employed person must pay as a business expense. If the Social Security tax will be paid, multiply the net profit by 15.3% then subtract this amount from the net profit to determine countable self-employment income.

If the profit is expected to be less the \$400, or the client does not anticipate filing a federal income tax return, do not allow the 15.3% deduction.

If you are making a self-employment income projection based on a client's business records, assume that any deductions taken on the business records are allowable by the IRS, absent evidence to the contrary. However, do not allow the following:

- Deduction for purchases of capital equipment. Capital equipment usually has a life span in excess of one year.
- Payment for a mortgage to buy capital resources used in self-employment. The portion of the payment applied toward the principal is not an allowable deduction, but the portion that is interest is an allowable deduction.

When an expense is for both personal and self-employment purposes, such as expenses of a home that is also used for self-employment, divide the expense according to the percentage that the client uses the item for self-employment.

Mr. O operates a self-employment business from his home. He deducts one-third of the home rent and one-third of the utilities on his income tax return as a business expense. One-third of the rent and utilities is an allowable deduction from gross self-employment income.

Calculate self-employment income as follows:

	Gross self-employment earnings
-	<u>Allowable business expenses</u>
=	Net profit
-	<u>15.3% Social Security deduction (net profit x 0.153) if applicable</u>
=	Countable self-employment income

Divide any verified loss from self-employment over the taxable year in the same way as net earnings. Deduct a verified loss from self-employment from income of other self-employment businesses or from earnings of the client or the client's spouse.

Consider changes in self-employment income when they occur. Continue annualized income from self-employment throughout the year, even if the person does not expect to earn any more income from self-employment.

Mr. A earned \$3,000 in self-employment income from January through June. Mr. A does not expect to earn any self-employment income from July through December. Mr. A's countable self-employment income for July through December is \$250 per month (\$3,000 divided by 12 months).

Note: Refer to NJA0094, Income under Rental Income or Losses for the process to enter this type of income in ELIAS.

Non-MAGI-Related Veterans Affairs Payments

Legal reference: 20 CFR 416.1121

The Veterans Administration (VA) makes many types of payments to clients and their families. The chart that follows is a summary of VA benefits and treatment of benefits. After the chart is a more detailed explanation of each type of benefit.

Type of VA Benefits	Treatment of VA Benefit
Compensation	Countable unearned income.
Pension	Countable unearned income.
Aid and Attendance	Third-party medical payment, count for client participation only. Do not divert to community spouse.
Housebound Allowance	Third-party medical payment, count for client participation only. Do not divert to community spouse.
Clothing Allowance	Not considered income.
Dependent Allowance (Augmented Benefit)	Countable income to the dependent unless the exception under Payments for Dependents applies.
Educational Benefit	Countable unearned income. Exception: Do not count the portion that is the veteran's contribution or the portion for social services such as vocational rehabilitation. Exclude the cost of tuition and educational expenses and fees.
Adjustments for Unusual Medical Expenses	Not considered income. Do not divert to community spouse.

Use Authorization for Release of Information, form 470-0461 or 470-0461(S) to request income verification from the VA. Include the following on the form:

- What type(s) of benefits is the person receiving?
- What is the gross monthly amount?

- What is the net monthly amount?
- Are there any deductions? If so, list type and amount.
- Are dependent benefits included? If so, how much?
- What portion is attributed to Aid and Attendance?
- What would the benefit be with Unusual Medical Expenses (UME)?
- What would the benefit be without UME?

Note: Refer to NJA0094, Income for the process to enter VA income in ELIAS.

Compensation Payment

Legal reference: 20 CFR 416.1121

A VA compensation payment is based on a service-connected disability or death and may be based on need. Count as unearned income any portion not attributable to aid and attendance or unusual medical expenses. The portion of a VA compensation payment that is for VA aid and attendance and housebound allowance or is attributable to unusual medical expenses is not considered income. See [Aid and Attendance and Housebound Allowance](#) and [Payment Adjustment for Unusual Medical Expenses](#).

The portion of VA compensation that is due to a dependent's needs is called an augmented payment and is usually counted as income to the dependent. See [Payments for Dependents](#).

A VA compensation or pension payment may also contain any of the other VA benefit types. Make sure to verify what is included in the VA compensation or pension payment. Verify what types of benefits are included in the VA payment.

Pension Payments

Legal reference: 20 CFR 416.1121

A Veterans Affairs (VA) pension payment is a combination of service and non-service-connected disability or death payment and is commonly based on need. Count as unearned income any portion of the VA pension payment that is not attributable to aid and attendance or unusual medical expenses.

Exception: A veteran (or the surviving spouse of a veteran) who does not have a spouse or dependent and is entitled to a VA pension may receive a \$90 income exclusion after entering a medical institution.

Exclude \$90 of the VA pension as income when determining eligibility and client participation, beginning the month after the month of entry into the institution. See **8-I, [Veterans or Surviving Spouses of Veterans](#) and [Residents of Iowa Veterans Home](#)**.

Any portion of the pension attributable to aid and attendance or housebound allowance is not considered income. In most cases, the portion of the VA pension attributable to unusual medical expenses is not considered income. See [Aid and Attendance and Housebound Allowance](#) and [Payment Adjustment for Unusual Medical Expenses](#).

The portion of a VA pension that is attributable to a dependent's needs is called augmented payment and is usually counted as income to the dependent. See [Payments for Dependents](#).

A VA compensation or pension payment may also contain any of the other VA benefit types. Make sure to verify what is included in the VA compensation or pension payment.

Aid and Attendance and Housebound Allowance

Legal reference: 20 CFR 416.1103, 20 CFR 416.1121

VA pays an allowance to some veterans, spouses of disabled veterans, and surviving spouses who are in regular need of the aid and attendance of another person or who are housebound. This allowance is combined with the person's pension or compensation payment and is paid while the person is at home, in a medical institution, or (in rare circumstance) in a residential care facility.

A payment for aid and attendance or housebound allowance **is not income** but is a third-party medical resource.

When the reason an applicant receives aid and attendance or housebound allowance is for costs which the Medicaid program or State Supplementary Assistance program will be meeting (such as nursing facility or in-home health related care), deduct the aid and attendance or housebound allowance to determine the amount of the Medicaid or State Supplementary Assistance payment.

If a member is in a nursing facility, add the aid and attendance or housebound allowance to the client participation to determine the total client participation owed. If a member receives in-home health-related care to meet the same need for which the member gets aid and attendance or housebound allowance, add the aid and attendance or housebound allowance to the client participation to determine the total client participation owed.

If a member is on two or more programs where aid and attendance is considered, such as waiver and in-home health-related care, allow the member to choose the program to which the VA aid and attendance payment would be applied.

If the client cannot verify the amount for aid and attendance or housebound allowance, request verification from the Department of Veterans Affairs. A client who provides a signed release to the Department of Veterans Affairs has met the requirement for supplying requested information or verification. The general release does not meet this requirement unless the client asks for help. Add the VA file number to a specific release.

Clothing Allowance

Legal reference: 20 CFR 416.1103, 20 CFR 416.1121

A lump-sum allowance is payable in August of each year to a veteran with a service connected disability who has a prosthetic or orthopedic appliance, including a wheelchair. This VA clothing allowance is to defray the increased cost of clothing due to wear and tear caused by these appliances and **is not income**.

Payments for Dependents

Legal reference: 20 CFR 416.1121

In some instances, the VA considers the number of dependents to determine the amount of the veteran's or surviving spouse's benefit. Payments for dependents are augmented payments. The augmented payment may be included in the same payment made to the veteran or widow or may be made in a separate payment to the dependent.

The portion of a VA payment that is augmented because of a dependent is income to the dependent, not the veteran. **Exception:** Count an augmented payment as income of the veteran or surviving spouse if **all** the following criteria are met:

- The dependent lives apart from the veteran or surviving spouse, and
- The dependent applies to have the augmented payment paid to the dependent separately from the veterans payment (apportionment), and
- The VA denies the dependent's request for separate payment, and
- The veteran or surviving spouse does not send the augmented benefit to the dependent.

If the VA denies apportionment and the veteran makes no payment to the dependent, count the augmented benefit as the veteran's income the month following the month of the VA's response.

If the client is a veteran or surviving spouse receiving a VA payment, and the client has a living spouse, dependent parent, child, or disabled adult child, verify whether any of the VA benefit is augmented. If the client indicates that the VA payment is not augmented (or does not know) and alleges no living spouse, dependent parent, child, or disabled adult child, assume that the benefit is not augmented.

If the client is a child or spouse living with a veteran receiving a VA payment, determine whether any of the VA payment is augmented and is income to the client.

If the client is a child or spouse living apart from a veteran who receives VA payments, determine whether any of the VA payment is augmented and is income to the client. Ask if the client receives any payments directly from the VA (i.e., by apportionment) or through the veteran.

If a surviving spouse or a child or spouse living apart from the veteran alleges that the augmentation amount was not given, ask if apportionment has been requested. If the dependent has already requested apportionment, obtain a copy of the VA response.

If the dependent has not applied for apportionment, refer the dependent to the appropriate VA office. Explain that the augmentation amount will continue to be considered the dependent's income unless the VA refuses to make the payment to the dependent by apportionment.

If the VA denies apportionment and the veteran makes no payment to the client, do not consider the augmentation amount as the client's income in the month following the month of the VA's response date.

Educational Benefits

Legal reference: 20 CFR 416.1121

Count a VA educational benefit as unearned income, unless it is for a rehabilitation payment or a withdrawal of the veteran's own contribution. The portion of a VA educational benefit that is a withdrawal of the veteran's contribution is a conversion of a resource and is not income.

Some VA educational benefits are for vocational rehabilitation, which is considered a social service and not counted as income. Training for a specific job skill or trade (vocational training) is not a social service; however if it is part of the vocational rehabilitation, treat it as a social service and do not count as income.

VA educational benefits that are counted as unearned income can be excluded if they are used to pay the cost of tuition, fees, or other necessary educational expenses. See [Educational Assistance](#).

Payment Adjustment for Unusual Medical Expenses

Legal reference: 20 CFR 416.1103(a)(7)

VA defines "unusual medical expense" as unreimbursed medical expenditures that exceed five percent of the person's annual applicable maximum VA payment rate. If the person receives a needs-based VA pension or compensation payment, the unusual medical expenses are deducted from the countable income used to compute the VA benefit amount. This may result in a higher VA payment amount.

The portion of a VA payment that is attributable to unusual medical expenses (UME) is **not considered as income** in determining eligibility or client participation.

EXCEPTION: The portion of a VA payment that is attributable to UME is considered as income in determining client participation for veterans or surviving spouses of veterans who do not have a spouse or dependents and reside in the Iowa Veteran's Home.

A person with no countable income for VA purposes is already receiving the maximum VA benefit, so none of that person's VA benefit is attributable to unusual medical expenses.

To determine the amount of VA benefits attributable to UME, contact the Department of Veterans Affairs or use the VA award letter. When sending a release to the VA, specify on the release that the information needed is the amount of the VA benefit that is attributable to UME (difference in what the benefit would be with and without UME) and not merely the amount of UME.

To determine the amount of VA benefits attributable to UME from an award letter, calculate the benefit amount with and without consideration of the UME deduction.

1. Mr. A receives a veteran's pension of \$500 and has social security income of \$300. The IM worker sends a release form to the Department of Veterans Affairs. The VA indicates that \$100 of the \$500 VA benefit is attributable to UME. Only \$400 of the VA benefit is considered to determine SSA and Medicaid benefits.

2. Mr. B receives a monthly veteran's pension of \$698.00. Mr. B provides the IM worker with a copy of his VA benefit award letter. The letter indicates that the computation of Mr. B's VA benefit amount used the annual social security income of \$5,497, annual "other" income of \$353.00, and annual medical expenses of \$9,700.00.

The IM worker determines that \$488.00 of the \$698.00 VA pension is attributable to UME. Only \$210.00 of the VA pension is considered to determine SSA and Medicaid benefits.

\$	Maximum annual VA payment rate for Mr. B's pension type
8,376.00	Annual Social Security income used to compute VA benefit
- 5,497.00	Annual "other" income used to compute VA benefit
- <u>353.00</u>	Annual VA benefit without UME deduction
\$	
2,526.00	

\$2,526 divided by 12 months = \$210.00 monthly benefit (rounded down to the nearest dollar) without UME deduction. This is the countable VA benefit amount for Medicaid and SSA purposes.

\$ 698.00	Monthly VA benefit with UME income deduction (actual benefit
- <u>210.00</u>	amount)
\$ 488.00	Monthly VA benefit without UME income deduction
	Monthly VA benefit attributable to UME

Non-MAGI-Related Deductions

Legal reference: 20 CFR 416.1112, 20 CFR 416.1124

After determining countable nonexcludable income, apply the following deductions (except as noted) in the order listed. Some deductions do not apply for all coverage groups and all income types. See the corresponding subsection for a complete explanation of when to apply the deduction.

1. From unearned income, subtract a general income deduction of up to \$20. See [\\$20 General Income Deduction](#).
2. From earned income, subtract any remaining balance of the \$20 general income deduction that was not used for unearned income. See [\\$20 General Income Deduction](#).
3. From earned income, subtract a work expense deduction of \$65. See [\\$65 Plus One-Half Deduction](#).
4. From earned income, subtract any impairment-related work expenses. See [Deduction for Impairment-Related Work Expenses](#).
5. From remaining earned income (after the \$65 deduction), subtract one-half. See [\\$65 Plus One-Half Deduction](#).
6. From earned income, subtract any work expenses of the blind. See [Deduction for Work Expenses for the Blind](#).
7. From earned or unearned income, subtract any income that is to be used for the Plan for Achieving Self Support. See [Deduction for Plan for Achieving Self-Support](#).

\$20 General Income Deduction

Legal reference: 20 CFR 416.1124(c)(12) and 20 CFR 416.1112(c)(4)

When determining eligibility for SSI-related programs, allow a \$20 general income deduction per eligible unit, except as listed below. Apply the deduction first to unearned income, then to earned income if unearned income is less than \$20.

Mr. and Mrs. W live at home with total unearned income of \$800. Countable income is: \$800 - \$20 deduction = \$780 countable income

Do **not** apply the \$20 general income deduction for the following coverage groups:

- 300% group.
- State Supplementary Assistance recipients applying for or receiving in-home health-related care, or residential care facility services.
- Home- and community-based services waiver recipients.

Do **not** apply the \$20 deduction to:

- Income based on need, such as unearned income for support and maintenance (veteran's compensation, for example).
- Income of an applicant in a medical institution. **Exception:** Allow the \$20 deduction when determining eligibility for QMB, SLMB, or Medically Needy.
- In-kind support and maintenance valued according to the value of one-third reduction rule.

\$65 Plus One-Half Deduction

Legal reference: 20 CFR 416.1112

Deduct \$65 plus one-half of the balance from a person's earned income, except as listed below. Apply the deduction of impairment-related work expenses **before** deducting the one-half of the balance.

When both spouses are employed, add together their total earned income then subtract the earned income deduction of \$65 plus one-half from the total. If the recipient is a child who has earned income, give the \$65 plus one-half deduction to the child's earnings also.

Do **not** apply the \$65 plus one-half deduction for the following coverage groups:

- 300% group in a facility or home- and community-based waivers.
- Dependent person. Deduct only \$65 for the dependent. The aged, blind, or disabled client gets \$65 plus one-half.

Deduction for Impairment-Related Work Expenses

Legal reference: P.L. 100-508, 20 CFR 416.976

Deduct impairment-related work expenses from the earned income of clients who are disabled (**but not blind**) and under age 65, or were determined to be disabled before age 65. If the client is blind, see [Deduction for Work Expenses for the Blind](#).

Deduct expenses for items or services that enable the impaired person to work, and that are incurred by the person because of a physical or mental impairment. Examples include a one-handed typewriter, typing aids such as page-turning devices, and telecommunications devices for the deaf.

Deduct payments for residential modifications for a person employed outside the home that permit the person to get to work. This deduction also applies to residential modifications for a person who works at home to create a work space that accommodates the person's impairment and to provide access to that work space. Other changes in the home are not deductible as impairment-related work expenses.

Expenses may involve payment for the purchase, installation, maintenance, and repair of an impairment-related item or payment for an impairment-related service. In order for an impairment-related expense to be deducted, the following criteria must be met:

- The type of expense and the charge must be verified.
- The client must pay for the item. Payment can be cash, check or credit card, installment payments, or rentals or leases.
- The item cannot be reimbursable or payable through another source.
- The cost of the expense must be the reasonable cost based on going rates in the community.
- The cost cannot be a deductible self-employment expense.
- The expense would not be incurred by someone without the impairment. For example, everyone must have clothing but the client may need a certain type of shoes solely because of employment and the client's disability.

Impairment-related work expenses are not deductible in determining client participation for people in medical facilities.

Deduct impairment-related payments according to one of the following methods:

- **Down payment.** A person may make a down payment on an impairment-related item or service, then make regular monthly payments. Either deduct the down payment entirely in one month, or allocate it over a 12-consecutive-month period beginning with the month of purchase. The client chooses the method.

- **Annualized payment.** The down payment and the monthly payment must be divided into uniform monthly payments if:
 - The monthly payments do not begin immediately after the month in which the down payment is made, or
 - The regular monthly payments extend for less than 12 months.

To calculate uniform monthly payments:

- Establish the 12-month proration period beginning with the month of purchase.
- Add together the down payment and all the monthly payments that will be paid in the 12-month proration period.
- Divide the sum by 12.

Mr. G purchases a deductible item in July 1994, paying \$1,450 down. However, the first monthly payment of \$125 is not due until September. The worker calculates a uniform monthly deduction as follows:

Step 1. Establish the 12-month proration period as July 1994 through June 1995 (12-months beginning with month of purchase)

Step 2. Add the down payment and monthly payments

\$ 1,450	Down payment in 7/94
+ <u>1,250</u>	(\$125 x 10)
\$ 2,700	Sum of monthly payments during proration period (July 1994 - July 1995)

Step 3. Divides \$2,700 by 12 = \$225

In this situation, a \$225 monthly deduction, the down payment prorated amount plus the regular monthly payment, is allowed beginning in July 1994, and ending in June 1995. After June 1995, the deduction amount would be the regular monthly payment of \$125.

- **Nonrecurring payment.** If the impaired person pays the full amount all at once, either deduct it entirely in one month, or prorate it over a 12-consecutive-month period, beginning with the month of purchase. The client chooses the method.
- **Recurring payments.** Some impairment-related work expenses are paid on a recurring basis. When durable equipment is purchased by installment over a period of time, the cost of the item, interest, and sales tax are deductible. Prorate the payments over the time period between payments.

- **Rentals or leases.** Deduct the actual monthly rental or lease charge.

When a person has impairment-related work expenses, and the IABC system is determining the eligibility and client participation, subtract the impairment-related expenses before entering the earned income onto the system for eligibility.

Attendant Care Services

Legal reference: 20 CFR 416.976(c)(1)

Deduct payments made for attendant care services if those services are needed in the work setting or to help the impaired person travel to and from work. “Attendant care services” are types of physical assistance that help an impaired person meet essential personal needs at home or at work.

Deduct the payments made for attendant care services in the home only when the services relate to preparations for going to or returning from work. Examples include services relating to bathing, dressing, cooking, eating, administering medications, or arranging medical devices right before or after the impaired person’s workday. The services generally require no more than one or two hours each morning or evening.

Do **not** deduct payments made to family members for attendant care services unless:

- The client can show that the family member has suffered economic loss by reducing or terminating employment to provide the care, and
- The payment to the family member is made in cash.

A family member is anyone related by blood, marriage, or adoption, whether or not the person lives with the impaired person.

An attendant assists a client in getting ready and traveling to work for approximately one hour per day and assists the client with laundry, housecleaning, and other non-work-related services for approximately three hours per day. The worker deducts only one-fourth of the total payment to the attendant as an impairment-related work expense.

Routine Drugs and Medical Supplies and Services

Legal reference: 20 CFR 416.976(c)(5)

Deduct payments for routine drugs, medical supplies, and services if they are necessary for controlling the disabling condition and are not payable by Medicaid or another source. Examples include payments for physical therapy and medical supplies such as incontinence pads, catheter, bandages, elastic stockings, face masks, irrigating kits, and disposable sheets and bags.

Durable Medical Equipment and Prostheses

Legal reference: 20 CFR 416.976(c)(2) and (3)

Deduct the costs of durable medical equipment and prostheses that are not payable by Medicaid or another source. The prostheses must be used primarily for functional, rather than cosmetic purposes in order to be a deduction.

“Durable” medical equipment is medical equipment that:

- Can withstand repeated use.
- Is primarily used to serve a medical purpose.
- Is generally not useful to a person who does not have the illness or injury.

The following types of equipment are **not** deductible unless a physician verifies that the equipment is necessary to control the disabling condition:

- Portable room heater.
- Air conditioner.
- Humidifier or dehumidifier.
- Electric air cleaner.
- Posture chair.
- Physical fitness equipment, such as an exercise bicycle.

If the expense was incurred within 11 months before receiving the earned income (i.e., because of a different job) and has not already been deducted as an impairment-related work expense, the client can choose either to:

- Prorate the expense over 12 months after receiving earned income, or
- Use the deduction in the first month of earned income.

Modified Vehicles

Legal reference: 20 CFR 416.976(c)(6)

Deduct the cost of modifying an impaired person's vehicle. A physician must verify that the person is unable to use public transportation and requires the special modifications in order to get to and from work. Also, the person must pay the cost of the modification before it can be deducted.

Deduct the actual cost paid to make structural or operational modifications to a vehicle in order to drive it, or be driven in it, to work. Do not deduct the cost of the vehicle.

Deduct mileage allowance for operating costs based on the weight of the empty vehicle according to the chart below. Operating cost includes gas and oil, maintenance, parts, tires, tolls, parking, insurance, and state and federal taxes.

Cost of Owning and Operating Automobiles, Vans, and Light Trucks - 2001 Cents Per Mile *

Size	Cost **	Characteristics ***
Subcompact	32.2	4 cylinder, Avg MPG = 32
Compact	42.3	4 cylinder, Avg MPG = 23
Intermediate	46.9	6 cylinder, Avg MPG = 20
Full-Size Vehicle	51.1	6 cylinder, Avg MPG = 19
Compact Pickup	40.2	4 cylinder, Avg MPG = 18
Full-Size Pickup	47.7	8 cylinder, Avg MPG = 13
Compact Utility	45.6	4 cylinder, Avg MPG = 15
Intermediate Utility	51.4	6 cylinder, Avg MPG = 15
Full-size Utility	52.9	8 cylinder, Avg MPG = 13
Mini-Van	50.7	6 cylinder, Avg MPG = 17
Full-Size Van	52.0	6 cylinder, Avg MPG = 13

* Total costs over 5 years, based on 70,000 miles.

** Includes depreciation, financing, insurance, registration fees, taxes, fuel maintenance, and repairs.

*** Average MPG reflect city, excluding highway. Source: Federal Highway Administration estimates based on the 2001 editions of **The Complete Car Cost Guide** and **Complete Small Truck Guide** from Intellichoice, Inc., and sales figures from **Automotive News**.

Multiply the number of round trip miles to work by the rate per mile. Multiply that times the number of trips per month to determine the monthly deduction.

A person who uses a modified vehicle to get to work may be entitled to a mileage allowance and modification cost allowance even if the person is able to use public transportation to get to work.

Driver Assistance, Taxicab or Other Hired Vehicles

Legal reference: 20 CFR 416.976(c)(6)

If a person's impairment requires the person to use driver assistance, taxicabs, or other hired vehicles in order to get to and from work, deduct the fee paid to the driver. If the impaired person's own vehicle is used, allow a deduction for both the driver cost and the vehicle operating costs. Use the same mileage allowance rates for vehicles operating costs that are used for [Modified Vehicles](#).

A deduction for driver assistance, taxicabs, or other hired vehicles is allowable only if:

- Public transportation is not available in the person's community or if
- Public transportation is available but the person is unable to use it because of the person's impairment.

Ms. S is employed as a computer technician. She cannot take public transportation. The cost of a driver of \$70 per month and the rate allowed for her type of vehicle are deducted. The rate is \$.295 per mile because her car is a 1989 compact.

The worker allows the charge for the driver and the mileage to and from Ms. S's home. The round-trip mileage is 5 miles per day. In a month with 20 working days, Ms. S is allowed \$99.50 in transportation expenses [\$70 for the driver and \$29.50 for mileage (\$.295 x 5 x 20)].

Own Unmodified Vehicles

Legal reference: 20 CFR 416.976(6)

Allow a deduction for vehicle operating costs if:

- The impaired person drives the person's own unmodified vehicles to and from work and

- Public transportation is unavailable in the person's community or the impaired person is unable to use public transportation because of the person's impairment.

Use the same mileage allowance rates for vehicle operating costs that are used for [Modified Vehicles](#).

Deduction for Work Expenses for the Blind

Legal reference: 20 CFR 415.1112(c)(8)

A person who qualifies for SSI because of blindness is **not eligible** for the deduction for impairment-related expenses but may deduct the ordinary and necessary expenses of earning income. If the blind person's spouse is also eligible because of blindness, each spouse is eligible for this deduction.

Blind people who are 65 or over are **not** eligible for this exclusion unless they were either:

- Receiving SSI payments because of blindness in the month before they turned 65, or
- Converted to SSI from the Aid to the Blind program in effect in 1974.

Examples of ordinary and necessary work expenses include those related to:

- Transportation to and from work such as the actual cost of bus or cab fare, cane travel instructions, a seeing eye dog and the dog's expenses, or private automobile (15¢ per mile).
- Actual cost of job improvement training such as computer programming training.
- Job performance items such as:
 - Braille instruction and translation of material into Braille, readers.
 - Child care costs (if not otherwise provided).
 - Equipment needed on the job or tools used in the trade (e.g., for homebound work) due to blindness.
 - Instructions in grammar.
 - Meals.
 - Professional association dues that are work-related, licenses, union dues.
 - Prostheses needed for work even though not related to blindness.
 - Optical aids.

- Safety shoes and uniforms and the care of them.
- Income taxes (federal, state, local) and FICA self-employment taxes.
- A wheelchair if necessary due to other disabilities.

The amount deducted cannot be more than the amount of earned income for the period. Do not carry unused deductions over to another quarter.

The client must keep records of work expenses and verify the expenses. If transportation and meal expenses appear reasonable, accept them without verification.

Deduction for Plan for Achieving Self-Support

Legal reference: 20 CFR 416.1112, 20 CFR 416.1180, 20 CFR 416.1181,

Deduct the income of a blind or disabled client under the age of 65 if that income is needed to fulfill a Plan for Achieving Self-Support (PASS). People 65 or over get this deduction only if they were receiving SSI-related eligibility because of blindness or disability in the month before they turned 65.

Check the SDX when a client states that a plan for achieving self-support exists. When other clients have a plan, it is verified by the social worker.

Subtract the income deduction for a PASS from a client's countable income after all other applicable deductions, such as the \$20 general income deduction and the \$65 and 1/2 deduction.

Income Policies for MAGI-Related Coverage Groups

Legal reference: 42 CFR 435.603, 441 IAC 75 (Rules in Process)

Definitions

Legal reference: 441 IAC 75 (Rules in Process)

“Modified Adjusted Gross Income” means the tax-based methodology to determine income eligibility and household size for family-related and other coverage groups. It is also known under the acronym “MAGI.”

“Reasonable Compatibility” means the standard by which the total attested countable income for each person’s household size is compared with the total amount from available Electronic Data Sources used by DHS. In order for attested income to meet the standards for ‘reasonable compatibility’ it must meet one of three criteria:

- Both the total attested income and the total income from the Electronic Data Sources are above, at, or below the applicable income limit for Medicaid or HAWK-I, or
- The total attested income is within 10% of the total income from Electronic Data Sources, or
- The total attested income exceeds the total income from electronic data sources.

If the attested income meets any of the reasonable compatibility criteria, the income is considered to be verified. “Reasonably compatible” is another term used in place of “reasonable compatibility” and carries the same meaning as “reasonable compatibility”.

MAGI-Related Income Limits

Legal reference: 441 IAC 75 (Rules in Process)

Effective January 1, 2014, the following income limits apply to the MAGI-related Medicaid coverage groups specified below, as identified by the legal references provided:

Coverage Group	Legal Reference	Household Size (persons)	Income Limit (per month)
Family Medical Assistance Program	441 IAC 75.3(1); 42 C.F.R. Part 435.110 and 435.118; Title XIX of the Social Security Act, Section 1931	1	\$447
		2	\$716
		3	\$872
		4	\$1,033
		5	\$1,177
		6	\$1,330
		7	\$1,481
		8	\$1,633
		9	\$1,784
		10	\$1,950
		over 10	\$1,950 plus \$178 for each additional person
Mothers and Children, for pregnant women	441 IAC 75.3(2); 42 C.F.R. Part 435.116 and 435.118; Title XIX of the Social Security Act, Section 1902	215% of the federal poverty level for the household	
Mothers and Children, for infants under one year of age		300% of the federal poverty level for the household	
Mothers and Children, for children aged 1 through 18 year	441 IAC 75.3(2); 42 C.F.R. Part 435.118; Title XIX of the Social Security Act, Section 1902	167% of the federal poverty level for the household	

Coverage Group	Legal Reference	Household Size (persons)	Income Limit (per month)
Medicaid for Independent Young Adults	441 IAC 75.3(13); Title XIX of the Social Security Act, Section 1902(a)(10)(A)(ii)(VII)	254% of the federal poverty level for the household	
Iowa Health and Wellness Plan (IHAWP)	441 IAC 74.4	133% of the federal poverty level for the household size, as of the date of a decision on initial or ongoing eligibility	

Self-Attested Income

Legal reference: 42 CFR 435.603(h)(3), 42 CFR 435.945

Enter all self-attested income, earned and unearned, using the amount and frequency as reported by the client, unless otherwise directed.

Deductions that are not allowed:

Add back the following income to determine countable income:

- Non-taxable Social Security benefits
- Tax-exempt interest
- Foreign earned income & housing expenses for Americans living abroad

View the Income Verification Detail page to see if Title II income verification results were returned from EDS. The worker will need to enter the amount of Title II income returned from EDS, if different then the self-attested amount. The Title II income from EDS is considered verified. Title II income must be entered on a separate income record for each person receiving it. Do not combine multiple individual's Title II income amounts under one person. If one person receives more than one type of Title II income, they should be combined and entered on one income record.

For long term disability, the income that is equal to the percentage of the premium paid by the employer is countable for MAGI and Non-MAGI. The income equal to the percentage of the premium paid by the employee is not countable for MAGI but will be counted for Non-MAGI.

Income verification received that was not requested by the IM worker needs to be processed as a reported change.

After running EDBC for all available eligibility months and an over income denial is received for any applicant or household member for the month of application or the first month of a new review period, workers need to review the entered income for subsequent months. If eligibility may potentially occur due to a lower income amount, rescind the first month as ineligible and run EDBC.

When income verification is received in a frequency other than monthly, add all income in the time period being used together and divide by the number of pay periods in the time period

For both applications and reviews:

- If the client does not complete any part of an income section, assume there is no income of that type.
- When the client provides a monthly amount but the rest of this section is left blank, you can use this as the self-attested amount.
- When the client states they work a certain number of hours a week at a certain rate of pay, they have provided a self-attested amount.
- If the client leaves the income section blank and provides verification of that income type, you can use the verification provided as a self-attested amount.

When information provided at application, review or when a change is reported is not enough to reasonably determine a self-attested amount, clarification is needed. Clarification will need to be requested when:

- The client states they work a range of hours a week (e.g. 20-30 hours per week) and make a certain rate of pay per hour and does not provide a gross amount.
- The client states they work a certain number or a range of hours a week and the hourly rate varies based on job type (e.g. \$7.50 an hour when hosting, \$4.50 an hour when serving) and does not provide a gross amount.
- The client reports beginning employment and is unsure of the hours and rate of pay.
- The client provides the employers name and does not complete the rest of the income section.

- The client states they are receiving a type of unearned income (e.g. Unemployment, Social Security etc.) and does not list an amount.

When self-attested income cannot be determined based on information provided at application, review, or when a change is reported and the requested information is not provided, a non-compliance of 'failure to provide information' will be used to complete the negative action.

For clients attesting to Tips/Commissions via an e-App, assume the amount provided is consistent with the pay frequency listed for earnings, unless questionable.

When self-attested income is questionable and prudent person concept does not apply, reach out to the client for verification. Clearly document if prudent person was used.

When an application from the FFM lists an income frequency as irregular or infrequent, the worker must contact the household to obtain a self-attested income.

When the client has filled out the income/employment section on an application or review, or has submitted a change report and has self-attested income that cannot be determined, attempt to call the client to resolve/clarify a self-attested income amount that is indicative of future months. Document in WISE the reason for the call and the outcome. If the self-attested income is not indicative of future income, the income may need to be flattened. (See [Flattening Income](#) later in this chapter.)

Income Considered

Legal reference: 441 IAC 75.70, 441 IAC 75 (Rules in Process)

Income eligibility under MAGI-related Medicaid shall be determined using "modified adjusted gross income" (MAGI) for a coverage group that is subject to MAGI methodology, including the imposition of any premiums or cost sharing.

The total countable earned and unearned income of the applicant or member household shall be considered when determining initial and ongoing Medicaid eligibility for coverage groups that are subject to MAGI methodology. For eligibility to exist, the total countable monthly income of the applicant's or member's household must be at or below the income limit for the applicable coverage group.

MAGI-Related Household Member Income Exclusions

Legal reference: 441 IAC 75 (Rules in Process)

The income of a household member that meets the requirements of paragraph (a) or (b) below is excluded from the household's total countable income.

a. Income of children under age 19.

(1) The income of a child under age 19 who are:

- Included in the household of his or her parent (natural, adopted or step), and
- Not expected to be required to file a federal tax return for the taxable year in which Medicaid is being determined, whether or not the child files a tax return.

(2) Income of a child under age 19 with income of less than the threshold determined annually by the Internal Revenue Service is considered not to be expected to file.

b. Income of tax dependent other than spouse or child.

(1) The income of a tax dependent other than a spouse or a child (natural, adopted or step) who is not expected to be required to file a federal tax return for the taxable year in which Medicaid is being determined is not included whether or not the dependent files a tax return.

(2) A dependent with income of less than the threshold determined annually by the Internal Revenue Service is considered not to be expected to file.

(3) Any cash support provided to the claimed dependent by the tax-filer.

Countable Income Under MAGI

Legal reference: 441 IAC 75 (Rules in Process)

For the purpose of determining initial and ongoing MAGI-related Medicaid eligibility, countable income is the amount that remains after allowable expenses and deductions have been subtracted from gross countable income.

The worker will not make this calculation outside of the system. When the self-attested income, allowable expenses, and deductions are entered into the system, the system will calculate the countable income.

Gross Countable Income

Gross countable income under MAGI includes income types that are considered as gross income for federal tax purposes except as specified under [Income Types Excluded from Gross Income](#) below. Gross income for the purpose of Medicaid eligibility under MAGI includes but is not limited to the following income types:

- Earned income, including salaries, wages, tips and other compensation for services, including fees, bonuses, commissions, fringe benefits such as sick pay, vacation pay, severance pay, and similar items. Also includes AmeriCorps income used for living expenses*, census earnings, child student earnings*, foreign earned income and housing expenses of a U.S. citizen or resident who lives abroad even though these types of income may not be taxable.
- Gross profit derived from a self-employment trade or business;
- Capital gains derived from dealings in assets or property;
- Interest (taxable and non-taxable);
- Rental income*, including room and board;
- Royalties, residuals;
- Taxable Dividends;
- Alimony and separate maintenance payments;
- Taxable annuities, pensions*, IRA distributions or withdrawals;
- Income from life insurance and endowment contracts;
- Retirement – Military, IPERS;
- Income from discharge of indebtedness;
- Distributive share of partnership or S-corporation gross income;
- Income in respect of a deceased person;
- Income from an interest in an estate or trust;
- Deemed sponsor income;
- Social security benefits (taxable and non-taxable);
- Disability payments, including government, private, temporary and permanent payments;
- Unemployment Insurance Benefits (UIB);
- Gambling winnings;

- Survivor's benefits;
- Strike pay;
- Blood/Plasma;
- Educational assistance used for general living expenses;
- Deferred comp;
- Court awards;
- Job Corps;
- Jury duty;
- Railroad retirement, disability, or survivors benefits;
- Senior Community Service Employment Program (SCSEP);
- Tribal gaming distributions;
- College work study;
- Youth Corps;
- Civil Service annuity or pension.*

*Refer to NJA0094, Income for additional process information.

Income Types Excluded from Gross Income

Income that meets the following criteria is not considered when determining countable gross income under MAGI-related Medicaid despite the fact that the income may be considered for federal tax purposes.

- An amount received as a non-recurring lump sum from a source that is considered in determining adjusted gross income for federal tax purposes (See **Countable Gross Income** above) is counted only in the month received for determining MAGI-related Medicaid eligibility. A non-recurring lump sum received from a source that is not considered in determining adjusted gross income for federal tax purposes is entirely excluded.
- Scholarships, awards, or fellowship grants used for education purposes and not for living expenses are excluded from income.
- American Indian/Alaska Native distributions.
- Student financial assistance provided under the Bureau of Indian Affairs education programs are excluded from income.
- Any other type of income that is not identified as countable (See [Gross Countable Income](#) above) and is not otherwise included in "adjusted gross income" for federal tax purposes.

Allowable Expenses

Expenses that are allowed as deductions from gross income when determining a person's adjusted gross income for federal tax purposes are subtracted from gross income as defined in [Gross Countable Income](#) and [Income Types Excluded From Gross Income](#) when determining countable income under MAGI-related Medicaid. These expenses can be claimed by individuals whether or not they plan to file a tax return.

Allowable expenses include:

- Educator expenses;
- Certain business expenses of reservists, performing artists, and fee-based government officials;
- Health savings account contributions;
- Moving expenses;
- Deductible part of self-employment tax;
- Contributions to self-employed Simplified Employee Pension (SEP), Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) and Qualified Plans;
- Self-employed health insurance contributions;
- Amount of penalty for early withdrawal of savings;
- Alimony payments;
- Certain Individual Retirement Account (IRA) contributions;
- Student loan interest expense;
- Qualified domestic production activities deduction;
- Expenses directly related with the conduct of a self-employment trade or business, including but not limited to depreciation and capital losses;
- Pre-tax contributions.

MAGI Income Deduction

An amount equal to 5 percent of the federal poverty level for the applicable household size shall be subtracted from the total monthly countable MAGI income amount when:

- An applicant's monthly MAGI income exceeds the highest income limit of all of the MAGI-related Medicaid coverage groups for which the applicant meets the categorical requirements, **and**
- Deducting the 5 percent results in the applicant's income being within the income limit of this MAGI-related Medicaid coverage group.

MAGI-Related Self-Employment

A person is considered self-employed if:

- The person carries on a trade or business with the goal of making a profit and the person is the sole proprietor of the trade or business, or
- The person is an independent contractor and the person paying for the work has the right to control or to direct only the result of the work and not how the work will be done.

Reported income losses allowable by the IRS must be subtracted from other income if indicative of current income. These losses can be used to offset any other type of income such as wages or pensions. Self-employment losses are allowable for both tax filers and non-filers.

ELIAS will not accept a negative amount on the Income page. If there is a loss, enter the self-employment amount as zero on the Income page and enter the loss on the Expense page as MAGI Moving Expenses. Make a Journal entry stating that the client has an allowable income loss of \$XX.XX from (allowable type of loss).

If tax forms are provided, enter the business income or loss found on the tax form. **Note:** Also consider capital gains or losses and other gains or losses. If using ledgers to determine the business income or loss, use the net amount of income or losses provided.

If the self-employment has been in existence for less than a year, the net profit shall be averaged over the period of time the self-employment has been in existence and the monthly amount projected for ongoing eligibility.

If the self-employment has been in existence for such a short time that there is very little income information, the worker shall work with the household to establish a reasonable estimate that will be projected for ongoing eligibility.

When there is a change in the nature of the self-employment business or a permanent change in operating expenses, net profit must be recalculated based on the change.

Income Verification

Legal reference: 441 IAC 75 (Rules in Process)

The department shall consider an applicant's or member's attestation of their income as verified and use the attested income to determine eligibility when the attested amount is reasonably compatible with electronic data sources.

The department will not require the applicant or member to provide verification when attested income is reasonably compatible with electronic data sources or verification is available to the department from other sources.

When attested income is not reasonably compatible with electronic data sources, the applicant or member must provide verification of the income or provide a statement that reasonably explains the discrepancy between the attested income and electronic data sources.

Whether the income is self-employment or another income source, an attempt to verify self-attested through Electronic Data Sources is always done before using documentation provided by the applicant/member to verify income.

When Eligibility Determination and Benefits Calculation (EDBC) results require verification of income or expenses follow the applicable income verification process:

- No aid code verifications means the individual's self-attested income did not result in eligibility when running EDBC. The income must be worker verified.
- Deferred verifications means the individuals reported change in income or expenses did not result in eligibility when running EDBC. The income must be worker verified.
- When EDBC results in all household members being 'Denied Over Income' and there are **NO** expenses with a Not Verified status, accept the EDBC results and Save & Continue.

- When EDBC results in all household members being 'Denied Over Income' and there are expenses with a Not Verified Status, **do not** accept the EDBC results and cancel out prior to attempting to verify the expenses.
- Complete WAGE/DBRO/WISE Look Ups to assist you in determining what income sources require verification when an individual on the case is denied/discontinued for No Aid Code - Verification or Deferred Verifications. A look up is not to be completed before EDS and EDBC is completed.
- Electronic Data Look Up functionality available in ELIAS is only to be used as listed below under WAGE, DBRO, and WISE-SSA/SSI benefits when attempting to verify income for Medicaid ONLY.
- When an individual self-attests to zero income and income is found when completing WAGE/DBRO/WISE Look Ups, follow up with the individual to clear up the discrepancy. If the individual continues to self-attest to zero income the worker must verify and run EDBC. If the individual self-attests to an amount other than zero income, attempt to verify the new amount by running electronic data sources (EDS).
- When requesting self-employment income information, provide the client with examples of acceptable types of verification. Some examples are ledgers or income statements. A Federal Tax Return may be suggested along with another type of acceptable verification. Since providing a Federal Tax Return is only a suggestion, a client **cannot** be denied or discontinued if the form is not returned.
- When EDBC results require verification of income or expenses, complete the following look ups to complete the MAGI Income Verification process:
 - WAGE – earned income. WAGE provides gross wages for an individual. The information found on this screen is not considered verified information. The information should be used only as an indicator that an individual may have wages that may require verification.
 - DBRO – unemployment insurance benefits (UIB). DBRO provides information on unemployment insurance benefits. The information found on this screen is considered verified information. The countable monthly amount is determined by taking the remaining balance as of the 1st day of the month of application and new certification period or the first day of the month that the change can be acted on, if reported timely and acted on timely, and dividing by 12.

When UIB is received in retroactive months, the remaining balance as of the first month of application is considered indicative for all months when UIB is received. Use it as of the month UIB began if in the retroactive period. Request actual income for retroactive months where UIB was not received.

Review payments to determine issued UIB payments that should be included in the remaining balance. To determine the date of receipt of a UIB payment for the individual, if the Pay Code column displays an issuance code of:

- W – Warrant; add 2 workdays to the number of calendar days listed in the ‘P’
- D – Direct Deposit; add 4 workdays to the Issue Date
- DC – Debit Card; add 3 workdays to the Issue Date

When UIB ends in the month of application, the first month of a new certification period, or in the month of change, use the balance divided by 12 for the first month of the application, new certification period, or the month the change becomes effective (i.e. The first month change can be acted on if reported timely and acted on timely) and \$0 UIB for ongoing months.

- WISE – SSA/SSI benefits. Completing a look up in WISE provides SSA/SSI information, if available, for an individual and includes the amount of disability or retirement benefits or Supplemental Security Income. The SSA/SSI benefit amount information returned from a WISE look up is considered verified.

Refer to the WISE User Guide found on the Field IM SharePoint for more information on completing look ups.

UIB or SSA/SSI

Use this option when UIB or SSA/SSI has been worker verified using DBRO or completing a WISE look up.

Client Self-Attests to Zero Income

Use this option whenever zero income is self-attested.

Other Income – Options 1-4

Other Income – Option 1

Use this option only if acceptable income verification is submitted with the application, review, or change report.

- “Acceptable” means it is consistent with other information provided by the client and indicative of future income.
- Use the prudent person concept to determine if the verification is acceptable.

Other Income – Option 2

Use this option only if income verification is not submitted with the application, review, or change report or is not acceptable and a Generic Release is on file.

NOTE: The Generic Release is not required when completing an Electronic Data Look Up in WISE.

If the Generic Release is not on file, see **Other Income - Option 3**.

Other Income – Option 3

Use this option only if income verification is not submitted with the application, review, or change report, or submitted information is not acceptable, or a Generic Release is not on file, or Electronic Data Look Up was not successful, or 3rd party did not verify.

Other Income – Option 4

If none of the three previous Other Income options result in verification of income or apply to your situation, as a last resort, request income verification from the individual as follows:

- Create and send a request for information using WISE Forms. Prior to creating the request for information, determine if expenses need to be included in the request.
- Upload the request for information to catalog.
- Narrate and track in WISE.

- Reassign case in ELIAS, if applicable.
- Upload and catalog any documents.
- End.

Refer to NJA0069, Verifying Income and Expenses for the steps on how to enter each source of Other Income.

MAGI-Related Budgeting Procedures for Determining Financial Eligibility

Legal reference: 441 IAC 75 (Rules in Process)

Initial and ongoing financial eligibility under MAGI-related Medicaid is based on current monthly household income and family size with consideration given to any anticipated changes or fluctuation in income or expenses. Total countable earned and unearned income of all persons in the applicant or member household after applicable expenses and deductions is considered in determining financial eligibility under MAGI-related Medicaid.

Current Monthly Household Income

Both initial and ongoing eligibility shall be based on current monthly income when current income and any applicable expenses is a good indicator of future income except when the income is unemployment insurance benefits as described below.

Change in Current Month's income

If the household indicates that current countable income is not indicative of future income due to a change that is reasonably expected to occur in the current or next month, the amount of monthly income used for initial and ongoing eligibility shall be calculated based on the change. When the anticipated change is with unemployment insurance benefits, income shall be budgeted as described below.

Unemployment Insurance Benefits (UIB)

When current income includes unemployment insurance benefits (UIB), the monthly amount of UIB income used for initial and ongoing eligibility shall be determined by annualizing the remaining balance according to the applicable item below:

- For applicants, the monthly amount is determined by using the remaining balance as of the 1st day of the month in which the application was filed and dividing the balance by 12. If the UIB will end in the application month, the annualized amount will be used for the application month only and no UIB income will be used for months thereafter.
- For members in the review process, the monthly amount is determined by using the remaining balance as of the 1st day of the month of the new certification period and dividing the balance by 12. If the UIB will end in the first month of the new certification period, the annualized amount will be used for the first month and no UIB income will be used for months thereafter.
- For members reporting a change and not due for review, the monthly amount is determined by using the remaining balance as of the 1st day of the month in which the change can be acted upon.

Recurring Lump-Sum Income

Recurring lump-sum earned and unearned income, except for the income of the self-employed, shall be prorated over the number of months for which the income was received and applied to the eligibility determination for the same number of months.

- Income received by an individual employed under a contract shall be prorated over the period of the contract.
- Income received at periodic intervals or intermittently shall be prorated over the period covered by the income and applied to the eligibility determination for the same number of months. EXCEPTION: Periodic or intermittent income from self-employment shall be treated as described in **Self-employment income** below.
- Applicable expenses and deductions shall be applied to the monthly prorated income. Income is prorated when a recurring lump sum is received at any time.

Projecting Future Income

When income received weekly or biweekly (once every two weeks) is projected for future months, it shall be projected by adding all income received in the time period being used and dividing the result by the number of instances of income received in that time period. The result shall be multiplied by four if the income is received weekly, or by two if the income is received biweekly, regardless of the number of weekly or biweekly payments to be made in future months.

Change in Circumstances

When a change in circumstances that is required to be timely reported by the client is not reported as required, eligibility shall be re-determined beginning with the month following the month in which the change occurred. All other changes shall be acted upon when they are reported or otherwise become known to the department, allowing for a ten-day notice of adverse action, if required.

Adding/Removing a Person

In any month for which a person is determined eligible to be added to a currently active MAGI-related Medicaid household, the person's needs and income shall be considered as of the date the change is reported. When it is reported that a person is anticipated to enter the home, the date to add the person shall be no earlier than the date the person actually begins to live in the household or the date of report, whichever is later.

A person who is a member of a Medicaid household and who is determined to be ineligible for Medicaid shall be discontinued prospectively effective the first of the next month in which the timely notice requirements can be met.

Self-Employment Income

Countable self-employment income is the gross income less allowable expenses. Apply the policies in the following paragraphs when self-employment income is received before the month of decision and is expected to continue after Medical assistance is approved.

Countable income from self-employment not received on a regular weekly, biweekly, semimonthly or monthly basis that represents a person's annual income shall be annualized to arrive at the monthly amount to be used to determine eligibility. Countable self-employment income is the gross income less allowable expenses.

When a self-employment enterprise which does not produce a regular weekly, biweekly, semimonthly or monthly income has been in existence for less than a year, income shall be averaged over the period of time the enterprise has been in existence to arrive at a projected monthly amount to be used to determine eligibility. If the enterprise has been in existence for such a short time that there is very little income information or income in the period of time is not a good indicator of future income, the worker shall establish, with the cooperation of the applicant or member, a reasonable estimate of the projected monthly income to be used for eligibility.

Self-employment income and/or the cost of producing self-employment income (expenses) may change. A change in self-employment income and expenses are defined as follows:

- Change in self-employment income is a change that will result in a significant change in the person's annual income.
- Change in self-employment expenses is an established, permanent, ongoing change in the operating expenses of a self-employment enterprise that will result in a significant change in the person's annual net income.

When an applicant or member reports that a change in self-employment income or expenses has occurred and the person's self-employment income has been annualized, the department shall recalculate the countable self-employment income on the basis of the change.

A change in operating expenses or income that occurs as a result of seasonal business fluctuations is not considered a change for this purpose.

Rounding Procedures

The following rounding procedures apply when determining countable MAGI income.

- In any calculation of income, drop to the nearest cent.
- When the monthly countable income is converted to a percentage of the federal poverty level and the resulting percentage is not a whole number, the federal poverty level percentage is always rounded up to the nearest percentage if the remainder is greater than zero.

Shared Living Arrangements

When an applicant or member shares living arrangements with another family or person, funds combined to meet mutual obligations for shelter and other basic needs are not income. Funds made available to the applicant or member exclusively for the applicant's or member's needs are considered income except any cash support provided to the claimed dependent by the tax-filer.

Flattening Income

When point-in-time income is not a good indicator of future income due to fluctuations in income or expenses, adjust the monthly self-attested income to a flattened/annualized amount.

This would include any countable income such as self-employment, wages, etc. Handle fluctuating income and expenses as follows:

- Annual income shall be prorated over 12 months.
- Income that fluctuates, such as income that is seasonal, shall be flattened by averaging the anticipated annual amount over 12 months.
- Self-employment income may be annualized using the flattening income process.
- In order to use an anticipated tax expense for self-employment to determine MAGI countable income, the applicant/participant will need to provide verification of the anticipated expense.

Prudent person can be used to determine if the verification is sufficient.
Tax expenses can be claimed by individuals whether or not they plan to file a tax return.

- Allowable tax expenses include:
 - Car and truck expenses (for travel during workday, not commuting)
 - Depreciation
 - Employee wage and fringe benefits
 - Property, liability, or business interruption insurance
 - Interest (including mortgage paid to bank, etc.)
 - Legal and professional services
 - Rent or lease of business property or utilities
 - Commissions, licenses, taxes, and fees
 - Advertising
 - Contract labor
 - Repairs and maintenance
 - Certain business travel and meals
 - Deductible self-employment taxes
 - Cost of self-employed health insurance
 - Contributions to self-employed SEP, SIMPLE, or qualified retirement plan

Give the client the opportunity to clarify why income is not a good indicator of future income. Document in WISE the reason for the call and the response. Send a request for information if no response from the client. The request should also inform the client that they may also provide verification of anticipated income. However, verification cannot be required at this point.

If clarification of income is requested but not provided a non-compliance of 'failure to provide information' will be used to complete the negative action.