STATE OF IOWA DEPARTMENT OF
Health AND Human
SERVICES

October 13, 2023

GENERAL LETTER NO. 7-E-123

ISSUED BY: Bureau of Financial, Food, and Work Supports
Division of Community Access

SUBJECT: Employees' Manual, Title 7, Chapter E, ***SNAP Income***, Contents 3, 25, 28, 29, 35, 36, 40-44, 46, 48, revised.

Summary

This chapter is revised to

- Update the 10/1 changes in the Maximum Shelter Deduction, Homeless Standard Deduction, Standard Deduction, Standard Utility Deductions, and Standard Medical Deduction
- Clarify reasonable deductible expenses
- Clarify pass through income between roommates

Effective Date

Upon receipt.

Material Superseded

Remove the following pages from Employees' Manual, Title 7, Chapter E, and destroy them:

Page	Date
Contents 3, 25, 28, 29, 35, 36, 40-44, 46, 48	September 23, 2022

Additional Information

Refer questions about this general letter to your area income maintenance administrator.

Do not count any disbursements from this account as income. Count any interest earned on the account as unearned income. See Interest Income.

Strike Benefits or Picket Pay
(Earned or Unearned)
7 CFR 273.9(b)(2), 273.1(e)

Count strike benefits as unearned income.

If a union on strike considers picket pay to be payment for work performed (such as walking the picket line), count the income as earned. If the union does **not** consider the picket pay to be payment for work performed, it is a strike benefit and is unearned. See 7-C, *Strikers* for more information on strikers.

Taxes Withheld From Unearned Income
(Excluded)
441 IAC 65.29(8) and Public Law 107-171

Do not count taxes (such as FICA, state, and federal income taxes) that are actually withheld from non-government sources of unearned income. Count the net amount of income after the taxes were withheld.

Do count taxes withheld from regular payments from a government source, such as unemployment insurance benefits and Social Security.

Some types of unearned income may be taxable but do not have taxes withheld. Do not allow a deduction when taxes are not withheld.

Tips
(Earned)
7 CFR 273.9(b)(1)

Count tip income as earned income. Household members should keep a calendar record of all tips they receive. Accept verification such as:

- Pay stubs
- Employer's statement
- Employee's statement

Training Allowances
(Earned or Excluded)
7 CFR 273.9(b)(1)(iii)

Count training allowances from vocational and rehabilitative programs recognized by federal, state, or local governments as earned income, as long as they are not a reimbursement. (Reimbursements are excluded.)

Tribal TANF Payments
(Unearned or Excluded)
7 CFR 273.9(b)(2)

Count Tribal TANF payments as unearned income. Exclude any retroactive payments as a nonrecurring lump sum. See Lump Sum (Nonrecurring). See 7-A, *Definitions* for information about other policies that apply to recipients of Tribal TANF payments.

Trust Income
(Excluded or Unearned)
7 CFR 273.9(b)(2)(vi)

If a trust is inaccessible to the household and therefore excluded as a resource, count any money withdrawn from that trust as unearned income.

If trust income is used to pay expenses like rent or mortgage directly to a third-party on behalf of the household, count the payment as unearned income. Do not exclude it as a vendor payment. If such payments cover what would otherwise be a deductible expense, allow the household a deduction since you are counting the payment as income.

If the payment from a trust that is inaccessible and therefore excluded as a resource is a reimbursement, exclude the money that is a reimbursement. See Reimbursements.

Welfare Reform Evaluation Payments
(Excluded)
7 CFR 273.9 (c)(5)

See Reimbursements and Focus Group, Survey or Study Income.

Welfare to Work Payments
(Earned, Unearned and Excluded)
7 CFR 273.9(b)(2)(i)
DPL 00-03-Att. 3
DEM 10-31-00

Count payments for work as earned income. Exclude payments for work related expenses as reimbursement. See Reimbursements.

Count the assistance payments that are not for work or reimbursements as unearned income unless the payment is excluded under a specific policy.

Workers' Compensation
(Unearned)
7 CFR 273.9(b)(2)

Count workers' compensation payments as unearned income, excluding any fees withheld. See Costs Withheld From Unearned Income.

Workforce Innovation and Opportunity Act
(Earned or Excluded)
7 CFR 273.9(b)(1)(iii) and 373.9(b)(1)(v)
DPL 00-04 Att 6

The Workforce Innovation and Opportunity Act (WIOA) was formerly known as the Workforce Investment Act (WIA) and the Job Training Partnership Act (JTPA). Payments include:

- On-the-job training earnings *(Earned)*

  Count WIOA on-the-job training earnings received as earned income. These earnings include monies paid by WIOA and monies paid by the employer. WIOA sets the definition of these programs.

  EXCEPTION: Exclude WIOA on-the-job-training earnings of household members under age 19 who are under the parental control of an adult household member. Apply this exclusion regardless of school attendance or enrollment.

- Other WIOA allowances *(Excluded)*

  Exclude all payments for living allowances, education, or other purposes that participants get for participating in WIOA programs.

Deductions

This section deals with the expenses a household can deduct from its countable income. Allow deductions only for the household expenses listed in this section.

The following sections explain:

- Deduction verification requirements
- Handling deductions
- Child and dependent care deduction
- Child support payment deduction
- Earned income deduction
- Medical expense deduction

- Shelter deduction
- Standard deduction
- Standard utility allowance

Deduction Verification Requirements

Legal reference: 7 CFR 273.2(f), 441 IAC 65.22(i)

Households must verify deductible expenses in order to receive the deduction. Accept reasonable verification provided by the household to verify the expenses. Verify these expenses:

- At application,
- At recertification, unless unchanged from previously verified,
- When a change is reported.

Verification of deductible expenses is only **required** at the times listed above, however, it may be necessary to request updated verification if the deduction has reportedly remained unchanged for multiple recertifications. For example, it is uncommon for rent or mortgage expenses to remain the same year after year, therefore it may reasonable to request updated verification if the client continues to report the same expense amount without an explanation. Use prudent person to determine if it is necessary to request updated verification and document the reason for your decision.

If verification of a deductible expense is requested and the household fails to provide it, determine eligibility without allowing the household a deduction.

Handling Deductions

Legal reference: 7 CFR 273.9(d), 273.10(d)(1)(i) and (ii), 273.11(d)

The household does not actually have to make a payment to get a deduction, but it must be responsible for the expense. NOTE: The household must actually make child support payments to get a deduction for that expense.

If the household shares deductible expenses with nonmandatory household members, deduct only the household's share. (See 7-C, *Nonmandatory Members*.) If the deductible expense cannot be separated, prorate the expense evenly among the people responsible for or paying the expense. Deduct only the eligible household's pro rata share. EXCEPTION**:** If a household member shares utility expenses with a non-household member, allow the household the entire utility standard.

When a household has an ineligible member, see 7-I, *Income and Deductions of Ineligible Household Members* for treatment of deductible expenses.

Standard Medical Deduction

Legal reference: 7 CFR 273.9(d), 441 IAC 65.8(7)

Households choosing the standard medical deduction will receive a deduction of $140. To be eligible for the standard medical deduction:

- At initial application, the household must **verify** that it has qualifying medical expenses in excess of $35 per month.
- At recertification, the household must **declare** that it still has medical expenses in excess of $35 per month. Declaration is a verbal statement, or written statement on a desk RRED, and no further verification is required. Document the household's statement in the case file.

Although the standard medical deduction is not mandatory, households with qualifying medical expenses between $35.01 and $175 monthly are likely to choose the standard due to the ease of verification. Any household that chooses the standard and verifies $35.01 in monthly qualifying expenses will receive the $140 deduction.

Households with medical expenses in excess of $175 have the option of verifying and claiming actual medical expenses or taking the standard deduction.

It is important that households understand that the more deductions they have, the more benefits they will receive. However, some households may still choose the standard due to the ease of the verification process. Work with households to ensure that they receive the most beneficial medical expense deduction for their situation.

Document in the case file the household's choice of actual medical expenses or the standard medical deduction. This is especially important in cases where the standard is chosen even though verification of actual expenses would entitle the household to more benefits.

Households may switch between using actual expenses or the standard medical deduction at any time. Although not required to report changes in medical expenses during the certification period, a household may report new medical expenses that would make them eligible for the standard or make the use of actual expenses more beneficial. When this happens, act on the changes.

1. Household A applies for SNAP on October 15. A disabled member of the household has medical expenses of $33 per month. Since the expenses do not exceed $35, no medical expense deduction is allowed.

   In December, Household A calls and reports that the disabled member now has monthly prescriptions costs of $50. As long as the household provides verification that the monthly expenses are at least $35.01, the household can receive the standard medical deduction for the remainder of the certification period.

2. Household B applies for SNAP on December 10. A disabled member of the household has medical expenses of $75 per month. Since the expenses exceed $35, the household chooses to receive the standard medical deduction of $140.

   In February, Household B reports that the disabled member now has monthly medical expenses of $235. If the household verifies this information, the household can receive a deduction for actual expenses of $200 ($235 - $35) for the remainder of the certification period.

Allowable Medical Expenses

Legal reference: 7 CFR 273.9(d)

Allow the following medical expenses:

- Medicare premiums, Medicaid premiums, and any cost-sharing or spenddown expenses incurred by Medicaid members.
- Medical and dental care, including psychotherapy, rehabilitation services, and acupuncture provided by a licensed practitioner authorized by state law or another qualified health professional.
- Hospitalization or outpatient treatment, nursing care, and nursing home care provided by a facility recognized by the state.
- Prescription drugs when prescribed by a licensed practitioner authorized under state law. Use an average of anticipated cost, a per-dose method, or other reliable method to determine the cost of prescription drugs. Be sure to document the method you used in the case file.
- Mailing costs associated with the filling of prescriptions.
- Over-the-counter medication (including insulin and vitamins) that cannot be purchased with SNAP, when approved by a licensed practitioner or another qualified health professional.
- Medical supplies and prescribed equipment (including rental equipment).
- Dentures, hearing aids, and prosthetics.
- Eyeglasses prescribed by a physician skilled in eye disease or by an optometrist.
- Reasonable cost of transportation and lodging to get to and from medical treatment or services. This includes transportation to the dentist and to fill prescriptions, including eyeglass prescriptions.

  If the person uses a car owned by a household member or a relative, allow the state employee reimbursement rate. Use the rate per mile that is in effect at the time of certification. If the amount changes during the certification period, change it at the next certification.
- Securing and maintaining service animals like a seeing-eye or hearing dog, including the cost of dog food and veterinarian bills.
- The cost of a medic alert or lifeline system.

Allow insurance premiums as a medical expense in addition to the spenddown amount in Medically Needy cases where premiums are subtracted from spenddown to determine the spenddown amount entered into the ABC system. Remember that the ABC system adds in the standard Medicare premium for SNAP medical expenses.

Shelter Expenses

Legal reference: 7 CFR 273.9(d)(6)

Households receive a deduction for monthly shelter costs that are more than 50% of their income after all other deductions. The maximum monthly shelter deduction, including utilities, is $672 for households that do not include an elderly or disabled member. If a household includes an elderly or disabled member, there is no maximum amount.

The Automated Benefit Calculation (ABC) system allows the appropriate shelter deduction based on coding entered on the TD02 screen, SNAP TEST field. Enter code "N" if the household includes at least one elderly or disabled member. When code "N" is entered, ABC does not limit the amount of monthly shelter deduction.

See 7-I, *Income and Deductions of Ineligible Household Members* for how to treat shelter costs for households whose only elderly or disabled person is an ineligible member. When a client is living in a residential care facility and the facility can separate out the charges for room cost, allow this cost as a shelter expense. If the facility cannot separate out the room cost, subtract the maximum SNAP allotment from the facility's total monthly charge for that household. Allow the difference as the household's monthly shelter cost.

If a shelter expense is covered by reimbursement or vendor payment that is excluded as income, do not allow the expense as a shelter deduction. If the reimbursement or vendor payment excluded as income is only for a portion of the shelter expense, allow the portion not covered by the payment as a shelter expense.

The following sections discuss allowable shelter deductions related to maintaining the dwelling. This includes information on the homeless standard deduction, available to households in which all members are homeless. (The utility component of shelter costs is discussed under Standard Utility Allowances.)They include:

- Tax and insurance costs.
- Rent, mortgages, and continuing charges.
- Condominium or association fees.
- Repair or replacement costs.
- Shelter costs for two residences.
- Costs of an unoccupied home.
- Separate costs for a shared living arrangement.
- Homeless standard deduction

See 7-I, *Self-Employed Households: Deductions* for information on shelter deductions for self-employed households.

Taxes and Insurance

Legal reference: 7 CFR 273.9(d)(6)

Deduct property taxes and state and local assessments.

Allow the cost of insurance on the structure itself, if the insurance policy separates the costs of the structure from its contents. This includes things such as fire and flood insurance. If the insurance policy does not separate these costs, allow the entire amount. Do **not** allow renters insurance or liability insurance as a deduction, as these do not insure the **structure**.

When insurance, property taxes, and any other allowable expenses are separately itemized as part of closing costs, allow the expenses as a shelter cost.

Allow service charges such as a fee added to bills for monthly billing of an expense like insurance as a deduction. Do **not** allow late fees as a deduction.

Rent, Mortgage, and Continuing Charges

Legal reference: 7 CFR 273.9(d)(6)

Deduct the costs of rent or mortgage and other continuing charges that lead to the ownership of the dwelling occupied by the household. This includes:

- Both first and second mortgages.
- Payments to buy a mobile home in which the household lives.
- The interest on these payments.
- Fees **included** in rent for expenses like furniture, garage, and storage.

Do not allow:

- A "mechanic's lien" or similar lien as a shelter deduction.
- Costs due to discounts for early payment or late fees as a shelter cost.
- Down payments on the purchase of a home as a shelter deduction.
- Any Housing and Urban Development (HUD) or similar program charges added to the rent to recoup for prior overpayments as a shelter deduction.
- Identifiable fees charged in addition to rent for things such as a garage or pets, unless mandatory to live there.

To decide if an additional fee is an allowable deduction, determine whether the tenant is able to rent the dwelling without paying the extra fee. If the person cannot live there without paying the charge/fee, it is allowable.

1. Britta, who has a pet dog, rents a house. Base rent is $850 and the landlord allows pets, but you must pay an additional $50 if you have one. This is clearly spelled out in the lease. Even though Britta pays $900 to her landlord each month, she is only entitled to a deduction for $850. She is not allowed a deduction for the $50 she is charged for choosing to have a dog.

2. Abed reports rent of $785. The lease specifies that rent is $700 plus $50 for a garage, which is optional. He also pays an additional $35 mandatory service fee charged to all tenants to cover incidental costs, such as light bulbs in the hallways or damage to the common areas.

   Even though the $35 is a separate fee that is specified in the lease, Abed cannot rent the apartment without agreeing to pay this fee. This is allowable. However, because the garage is optional and he could rent the apartment without it, the $50 he spends on that is not allowable. Abed is allowed a shelter deduction of $735.

3. Troy has a lease verifying monthly rent is $450, but "discounted" to $425 if paid by the 5th of the month. While it appears to be a perk for paying early, this is just another way of saying rent is $425 and a $25 late fee will be assessed if not paid by the 5th. Allow Troy a shelter deduction of $425.

4. Annie rents an apartment for $660 per month. When you receive the lease, you see that the rent is broken down as $600 for rent and $60 for her garage. However, the lease shows that every unit comes with a garage and tenants do not have the choice to decline it. Even though the landlord breaks down the charges, she has no choice and must pay the full $660 in order to live there. Allow $660 as a deduction.

   In addition, she pays $360 annually to her insurance carrier for renters insurance. She is not allowed a deduction for that charge, as it does not lead to her ability to rent this dwelling.

Condominium or Association Fees

Legal reference: 7 CFR 273.9(d)(6)

Deduct the cost of condominium or association fees.

Repair Costs

Legal reference: 7 CFR 273.9(d)(6)

Do **not** allow repair or replacement costs, unless they resulted from a natural disaster such as fire or flood.

Allow a deduction for the costs of repairing a home that was substantially damaged or destroyed due to a natural disaster, such as a fire or flood. Allow only the costs that will **not** be reimbursed. Do **not** allow a deduction for any of these costs that have been or will be reimbursed from any source.

Shelter Costs for Two Residences

Legal reference: 7 CFR 273.9(d)(6)

When a person who is away due to employment or training chooses to be part of the household in the main home, allow shelter costs of both residences.

When the person who is away chooses to be a separate household, allow that person a deduction for shelter costs for both residences when:

- That person is paying the costs or is responsible but has not paid, and
- The occupants of the main home do not claim those costs for SNAP purposes.

EXCEPTIONS: Allow only one standard utility allowance to cover both residences.

If a household moves in the middle of a month and has shelter expenses for two residences, allow the costs of both residences only for the month of the move. If a household claims utility expenses of two residences due to a move, allow the highest applicable utility standard for the expenses at either home.

> Mr. R moves in the middle of the month and provides information for the shelter and utility expenses at both his old and new residences. He is responsible for $500 rent for the old residence and $275 half month's rent at the new residence. Mr. R is responsible to pay his heat expense at the old residence and phone only at the new residence.
>
> For the month of the move, Mr. R receives $775 as a rent expense and the big standard utility allowance of the old residence. For the month after the move, Mr. R receives $550 full month's rent for the new address and the phone standard.

Unoccupied Shelter Costs

Legal reference: 7 CFR 273.9(d)(6)

Deduct the shelter costs of an unoccupied home if all of the following criteria are met:

- The home is temporarily unoccupied by the household because of:
  - Work or training away from home, or
  - Illness, or
  - A disaster or casualty loss.
- No one else living there is claiming shelter costs for SNAP purposes.
- The household plans to return to the home.
- The home is not leased or rented during the household's absence.

If a household claims expenses for an unoccupied home and a current home, allow the highest applicable utility standard for the expenses at either home.

Shared Living Arrangements

Legal reference: 7 CFR 273.9(d)(6)

When separate SNAP households share rent, and one household gives its share of the rent to the other who then pays the landlord, give each household a deduction for its part of the rent. Do not count the pass-through rent payment as income unless the payment is more than the full rent charged for the residence. Any excess would be considered unearned income to the household receiving the payment.

Aaron and Ben share rent and are two different SNAP households. Total rent is $500, each pays $250 and each gets a $250 shelter deduction.

Aaron gives Ben his $250 to turn in to the landlord for him. Aaron's $250 is not countable as income to Ben.

Homeless Standard Deduction

Legal reference: 7 CFR 273.9(d)(6)(i)

A household in which all members are homeless, as defined in 7-A, is eligible for a homeless standard deduction. A household is not entitled to this deduction if they are receiving free shelter throughout the month. To be eligible for the homeless standard, the household must be responsible for shelter or utility expenses related to their current living arrangement. A household that chooses the homeless standard deduction:

- Is not required to verify their shelter-related expenses
- Is not also eligible to receive a shelter or utility deduction

The homeless standard deduction is $179.66. The homeless standard is treated differently than a shelter expense deduction when calculating benefits. It is a standard amount directly deducted from net income, unlike shelter and utility deductions which are only realized if costs exceed 50% of net income. See 7-F, *Net Income Limit.*

Homeless households that have qualifying shelter expenses must be made aware of their option to choose between the standard deduction and actual shelter expenses. Remember that they cannot receive a shelter or utility deduction if opting to use the homeless standard.

Work with the household to determine which option is most beneficial. In some situations, this may require you to run a SPAD if the answer is not clear. However, some homeless households may choose the standard simply to ease the verification requirements. Document the household's choice in the case file.

NOTE: There is no expectation that you ask clients if they consider themselves homeless. The homeless standard only needs to be discussed if the household has indicated homelessness.

Remember that if a household chooses to use actual expenses, verification is required in order to get the deduction. If you document that they chose actual expenses, but they fail to provide the requested verification, they do not receive a deduction and they do not get the homeless standard. If they later contact you and want the homeless standard, document the change and allow the homeless standard following normal guidelines for acting on changes.

Standard Deduction

Legal reference: 7 CFR 273.9(d)(1)

Allow a standard deduction for the applicable household size by using the following chart:

Household Size	Standard Deduction
1	$198
2	$198
3	$198
4	$208
5	$244
6+	$279

Standard Utility Allowances

Legal reference: 7 CFR 273.9(d)(6), 441 IAC 65.8(234)

Households who are responsible for utility expenses are eligible for a standard utility allowance. EXCEPTION: Households choosing the homeless standard deduction are not entitled to a utility allowance. There are three standard utility allowances:

- The "big" standard utility allowance (with heating or air conditioning).
- The "little" standard utility allowance (no heating or air conditioning).
- The telephone standard utility allowance.

Any one household can have only one standard utility allowance. Households may have their utility bills placed under non-household members' names for a variety of reasons. Allow these bills as an expense to the SNAP household as long as the household verifies that it is responsible for the bills.

The following sections explain:

- Big standard utility allowance
- Little standard utility allowance
- Telephone standard utility allowance

For handling utility expenses of ineligible members, see 7-I, *Deductions*.

Big Standard Utility Allowance

Legal reference: 7 CFR 273.9(d)(6), 441 IAC 65.8(1)

The big standard utility allowance is $530 per month, per household. A household can get the big standard utility allowance when the household:

- Is responsible for paying any portion of the heat or air-conditioning costs either directly to the utility provider, to a landlord, or to someone with whom the household shares these expenses (including excess or flat fees for these costs); or
- Receives energy assistance payments through the Low Income Home Energy Assistance Program (LIHEAP), such as the Affordable Heating Program, or

Reimbursements from Other Energy Assistance Programs

Legal reference: 7 CFR 273.9(d)(6)

Energy assistance payments cover the period October through September of each year. If the household received reimbursements from energy assistance programs other than LIHEAP:

1. Decide if the household's utility costs were more than the reimbursement.
2. Divide the payment received (October through September) by 12.
3. Compare the results with the actual utility costs the household had for each month throughout that same October-through-September period.

If the actual costs exceeded the prorated amount of payment in any of those months, the household is eligible for the standard utility allowance.

Little Standard Utility Allowance

Legal reference: 7 CFR 273.9(d)(6), 441 IAC 65.8(5)

The little standard utility allowance is $277 per month, per household.

A household can get the little standard utility allowance when it is responsible for paying any portion of the following utility costs either directly to the utility provider, to a landlord, or to someone with whom the household shares these expenses:

- Water
- Sewer
- Electricity for other than heating or air-conditioning
- Cooking fuel
- Garbage disposal

This includes excess or flat fees for these costs. Use this allowance for the entire year if the household is entitled to it.

Telephone Standard Utility Allowance

Legal reference: 7 CFR 273.9(d), 441 IAC 65.8(3)

The telephone standard utility allowance is $33 per month, per household.

A household can get the telephone standard utility allowance when it is responsible for any portion of the basic service fee for a telephone (including cellular phone) and it is the household's only utility expense. The telephone expense is already included in the other standard utility allowances.

For cellular phones, the cost is deductible whether the household pays a monthly fee or buys a prepaid card with a certain dollar value or number of minutes.