

Family Investment Program

Income

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Overview

This chapter describes the types of income that are counted under the FIP program and how to treat the income. The first section gives general guidelines for counting income.

The next section lists most of the types of income alphabetically. Child support income, lump-sum income, income from self-employment, is described in separate sections because the policies on treatment of those types of income are longer and more detailed.

Deductions and diversions that are applied to the income comprise the next section of the chapter, followed by income-related policies for FIP parents and stepparent specific cases.

Legal Basis

The legal basis for this chapter includes the following:

- ◆ Title IV of the Social Security Act, Section 402
- ◆ Iowa Code Section 239B.2
- ◆ 441 Iowa Administrative Code Chapter 41

Income Guidelines

Legal reference: 441 IAC 41.27(1) and (2)

Consider all unearned and earned income when determining initial and continuing eligibility and the amount of the FIP grant except when the income is specifically:

- ◆ Exempted
- ◆ Disregarded
- ◆ Deducted
- ◆ Diverted

Unearned income is any income in cash that is not gained by labor or service.

Examples of unearned income are:

- ◆ Investment income, such as dividends from stocks or bonds.
- ◆ Alimony or child support.
- ◆ Nonrecurring lump-sum payments.
- ◆ Rent from property handled by an agent.
- ◆ Interest income.
- ◆ Worker's compensation.
- ◆ Extended disability payments paid by an insurance company. See [Disability Benefits](#) for more information.
- ◆ Benefits or rewards for service, or compensation for lack of employment, such as Social Security benefits, Railroad Retirement, Veterans Administration pensions, unemployment insurance, and strike pay.

Earned income is income earned by the person's own efforts. Examples of earned income are:

- ◆ The total gross amount of salary, wages, tips, bonuses, or commissions earned as an employee, including vacation and sick-leave pay, regardless of any employment-related expenses.
- ◆ Net profit from self-employment. See [Self-Employment](#).
- ◆ Income from Job Corps.

Earned income includes income from managerial responsibilities, such as the management of capital investments in real estate. However, in a capital investment where the owner carries no responsibility (such as where rental properties are in the hands of rental agencies and the check is forwarded to the owner), the income is classified as unearned income.

Whose Income Is Not Counted

Legal reference: 441 IAC 41.27(6)"m," "n," "x," 41.27(7)"s"

Do not count the income of the following persons:

- ◆ SSI recipients. (NOTE: When an SSI recipient acts as a representative payee for another person, income the SSI recipient receives for the other person is still considered income of the other person, and must be counted as appropriate.)
- ◆ Ineligible or excluded children. (Also exempt their resources.)
- ◆ Minor parents in foster care who receive FIP for a dependent child.
- ◆ Nonparental specified relatives who are not in the eligible group. (When the relative is needy and is included in the eligible group, treat the relative's income the same as the income of a parent.)

Income Under a Shared Living Arrangement

Legal reference: 441 IAC 41.27(3)

When a FIP parent shares the responsibility for paying household expenses with another family or person, consider as income only the funds made available to the FIP eligible group exclusively for their needs. Do not consider as income funds that are combined to meet mutual obligations for shelter and other basic needs.

Obtain a statement from the client that specifies their living arrangement, signed by both the person making the contribution and by the client.

Income Verification Requirements

Legal reference: 441 IAC 41.27(1)"i," 41.27(2)"q"

Verify all earned and unearned income. The client must provide requested verification. The client meets the requirement when the client provides a signed release to a specific individual or organization for specific information that gives the Department permission to obtain the needed verification.

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

If possible, verify income using documentary evidence in the person's possession. For example, use an award letter from the Veterans Administration as verification of Veterans Administration benefits. Examples of documents verifying **earned** income include:

- ◆ Pay stubs
- ◆ Pay envelope
- ◆ Employee's W-2 form
- ◆ Wage tax receipts
- ◆ State or federal income tax return
- ◆ Bookkeeping for a self-employment business
- ◆ Sales and expenditures records
- ◆ Employer's wage records
- ◆ Statement from the employer

If verification is not available from the client, obtain verification from the source of the income. This includes contacting any relatives (other than parents and spouses of the eligible child) who may be contributing to the support of the family.

Verify the potential eligibility for and receipt of Social Security benefits for all applications which include a child whose parent is deceased or disabled when the disability exists or is expected to exist 12 months or longer. Use the TPQ1 screen in the Income and Eligibility Verification system (IEVS).

For participants, verify Social Security benefits via the Bendex. See [14-G](#), [Wire Third-Party Query](#) and [BENDEX](#).

See [4-G](#), [Changes Reported From Automated Sources](#), for information on verifying unemployment insurance benefits.

Dropping the Third Digit

Legal reference: 441 IAC 41.27(9)"d"

Drop the third digit to the right of the decimal point in any computation of income, hours of employment, or work expenses for care costs. EXCEPTION: When an employer's rate of pay contains a third digit to the right of the decimal (e.g., hourly rate of \$3.567), do not drop the third digit until a computation is performed (e.g., \$3.567 x 36 hours = \$128.412, which becomes \$128.41).

Determining Whether Income Has Ended

Legal reference: 441 IAC 41.27(239B)

Use the following guidelines when determining if income has ended:

- ◆ Consider income that was received on a monthly or more frequent basis ended when it will not be received again for the remainder of the current month or the following month.
- ◆ Consider income that is received less often than monthly ended when it will not be received in the month that the next payment would normally be received.
- ◆ Consider income from self-employment ended on the date that the client says self-employment and the income from the business stopped.
- ◆ When a self-employed person changes the nature of a self-employment enterprise (e.g. changing from being a self-employed painter to being a self-employed auto mechanic), consider the first self-employment ended.
- ◆ When a self-employed person makes changes in the self-employment enterprise that do not change the nature of the enterprise (e.g. a farmer continues to farm, but changes from growing grain to raising livestock), consider this a continuation of the same self-employment enterprise.
- ◆ Consider income from an agency (Social Security Administration, Veteran's Administration, etc.) ended on the date the agency says that income or benefits stopped. Obtain verification of the date from the agency.
- ◆ If the source of income is a business that provides the household with sporadic but constant employment, such as on two weeks, off three weeks, do not consider the employment ended during the period the household is off work.
- ◆ When income, including contract income, is annualized or prorated on a monthly basis, consider the prorated amount as if it were received monthly.
 - Consider the last month of proration to be the last month the income is received.
 - When you anticipate that the client will not receive income from the same source again, stop counting the prorated income beginning with the next calendar month.
- ◆ Do not consider income ended when a person is promoted or switches to a different position with the **same** employer.

When a person is working for a temporary agency, the agency is the person's employer. Do not consider income ended when the temporary agency moves the person to a new job assignment. However, consider income from a temporary agency ended if the length of time between placements is long enough that income from the agency:

- Will not be received again for the remainder of the current month or the following month, or
- Will not be received at the next expected date (if less often than monthly).

When a person working for a temporary agency is hired by one of the temporary job assignments, this is a new employer. Consider the income from the temporary agency ended.

Do not consider nonrecurring lump-sum income as ended. When determining the lump-sum amount, do not include income that has ended.

1. In March, Mr. X receives a nonexempt, nonrecurring lump sum from Social Security. Also in March, Mr. X is laid off from his job. He receives his final earnings in that month.

When determining the period of ineligibility based on the lump sum and other countable income received in March, the worker considers only the lump-sum income to determine the period of ineligibility.

2. On January 12, Ms. U receives lump-sum unemployment benefits that cover the month of December and two weeks in January. This ends Ms. U's claim. The worker uses only the lump-sum portion that represents December benefits when determining the period of ineligibility.

When an employee is laid off and later recalled by the same employer, consider the recall as a new job. Consider the previous employment as ended.

Types of Income

Legal reference: 441 IAC 41.27(239B)

This section lists the more frequent types of income alphabetically and tells how to treat them. The following types of income are discussed in depth under separate sections:

- ◆ [Child support](#)
- ◆ [Lump sums](#)
- ◆ [Self-employment](#)

**Achieving a Better
Life Experience
(ABLE) Payments**

Exempt as income payments to FIP applicants or participants from ABLE accounts. ABLE accounts are a type of tax-advantaged account that an eligible individual can use to save funds for the disability-related expenses of the account's designated beneficiary, who must be blind or disabled by a condition that began before the individual's 26th birthday. An eligible individual can open an ABLE account through the ABLE program in any state.

**Adolescent
Pregnancy
Prevention
Payments**

441 IAC 41.27(7)"ab"

Exempt as income payment from state funded-adolescent pregnancy prevention programs, such as the "Dollar-A-Day" program. These programs focus on preventing subsequent pregnancies for mothers who are 18 or younger by providing a monetary incentive.

The participants are required to attend weekly support meetings that concentrate on preventing another pregnancy during the adolescent years, as well as meeting the social and economic needs of the participant. As long as the mother attends the weekly sessions and does not become pregnant, she receives an incentive payment.

Adoption Subsidy

441 IAC 41.27(6)"x"

Do not count the income and resources of a child who is excluded from FIP because the child receives subsidized adoption assistance.

Count subsidized adoption assistance as unearned income if the child is included in the eligible group. Also count the resources of the child.

A subsidized adoption payment for one person may be greater than one person's share of the FIP grant. Consequently, in most cases, a child receiving subsidized adoption payments will not be included in the eligible group. However, if this is the only eligible child in the home, include the child in the eligible group in order to obtain FIP eligibility for the parents.

1. Mrs. A receives an adoption subsidy payment of \$198 for one of her three children, Mary.

If Mary is included in the eligible group, the family will be eligible for a FIP grant of \$297 (\$495 FIP payment standard for four, minus \$198 adoption payment). The total income to the family will be \$495 (\$297 + \$198).

If Mary is excluded from the eligible group, the total income to the family will be \$624 (\$426 FIP payment standard for three, plus \$198 adoption payment). Therefore, Mary is excluded from the eligible group.

2. Mrs. B receives an adoption subsidy payment of \$198 for her son Bob. Bob is the only child in the home, so Mrs. B is not eligible to receive FIP unless he is included in the eligible group.

If Bob is not included in the eligible group, the total family income will be the subsidized adoption payment of \$198.

If Bob is included in the eligible group, the family will be eligible for a FIP grant of \$163 (\$361 FIP payment standard for two, minus \$198 adoption payment). The total family income will be \$361 (\$163 + \$198). Therefore, Bob is included in the eligible group.

3. Mrs. C receives subsidy payments of \$198 for her son Sam and \$300 for her son Tom. To provide the family with the greatest income, Sam is included in the eligible group and Tom is excluded.

When a child who is a FIP participant is approved for subsidized adoption assistance while remaining in the same home, cancel FIP (or begin considering the assistance payments as income) effective the first of the next month following the date the subsidized adoption assistance approval is entered into the computer system.

FIP for the month the subsidized adoption assistance is approved or any retroactive months for which payments are made is not subject to recoupment. If timely notice delays action until the second month after approval of subsidized adoption assistance, recoup FIP for the first month after approval.

1. Mrs. A, who already has a caretaker FIP case for her niece, is approved to receive adoption presubsidy assistance for the niece. The adoption presubsidy is approved on the computer March 2, with a February effective date. The FIP case is canceled effective April 1. No recoupment is necessary.
2. Ms. B, who already has a caretaker FIP case for her grandchild, is approved to receive adoption presubsidy assistance for the grandchild. The adoption presubsidy is approved on the computer March 29. The FIP case is canceled effective May 1 and April FIP benefits are subject to recoupment.

Alimony

441 IAC 41.22(7),
41.27(1)

Count alimony as unearned income. Although alimony is assigned to the Department, CSRU does not pursue enforcement of alimony. Do not allow the \$50 exemption on alimony payments received directly by a FIP applicant or participant. Do exempt the first \$50 when a direct support payment includes both child support and alimony.

AmeriCorps

Public Law 103-82,
441 IAC 41.27(239B)

The National and Community Service Trust Act of 1993 amends the National and Community Service Act of 1990 and establishes a Corporation for National Community Service. The Corporation administers national service programs including AmeriCorps.

AmeriCorps engages Americans in a year or two of national service in exchange for an education award of \$4,725 per year of completed service. It includes three programs:

- ◆ AmeriCorps*USA for participants 17 years and older
- ◆ AmeriCorps*VISTA for participants 18 years and older
- ◆ AmeriCorps*NCCC for participants 16 to 24 years of age

In addition to the educational award, payments to AmeriCorps participants may include a living allowance and a child care allowance, if child care is needed to participate in the program.

AmeriCorps participants may be provided health insurance if not otherwise covered by health insurance. People with disabilities are provided reasonable accommodations, supplies, and services they may need to participate.

Exempt as income and as a resource the living allowance payments made to participants in the AmeriCorps*VISTA program, as long as the director of ACTION (the Agency to the Corporation for National and Community Services) determines the value of all such payments is less than minimum wage. See [VISTA Payments](#).

Count payments made to participants in other AmeriCorps programs as follows:

- ◆ Treat the living allowance (stipend) as earned income. Apply all the usual income deductions and disregards. If the AmeriCorps participant is a child by FIP definition, treat the earnings as described in [Child's Earnings](#).
- ◆ Do not count the child care allowance as income.
- ◆ Exempt the educational award as income and as a resource.
- ◆ Exempt as income and as a resource the health insurance, reasonable accommodations, supplies and services made available for AmeriCorps participants who have disabilities. These are unearned in-kind benefits, and therefore, exempt.

Blind Training Allowance

441 IAC 41.27(7)"n"

Exempt as income a training allowance issued by the Department for the Blind to cover the cost of training, such as tuition, books, transportation, lodging away from home, and other related items.

Blood Plasma

441 IAC 41.27(2)

Count the sale of blood plasma as earned income. The plasma center is considered the employer.

Cafeteria or Flexible Benefit Plans

441 IAC 41.27(2)

Cafeteria or flexible benefit plans use either the employee's or employer's money to pay certain expenses, such as child care, medical expenses, health insurance, annual leave, or sick leave. (These benefits are not displayed in the same way on all pay stubs. The best source of information regarding them is the employer.)

Count as earned income the employee's gross wages, including any amount withheld for these plans, even if the employee loses any money left over at the end of the year.

Count as earned income any cash an employee receives of the employer's money because the employee did not use all of the money for benefits covered by the plan.

Car Pool Payments
441 IAC 41.27(7)"o"

Exempt as income payments to FIP applicants or participants from a passenger in a car pool.

Census Earnings
41.27(7)"b" and "ak"

Exempt as income for eligibility and benefits census earnings received by temporary workers from the Bureau of Census. Exempt as income reimbursements for travel expenses. See [Reimbursements](#) for more information.

Child's Earnings
441 IAC 41.27(239B)

Earnings of a child who is not a full-time student are countable income, subject to applicable earned income exemptions, deductions, or diversions. Count the earnings when determining eligibility or benefits under all three tests. See [Student Earnings](#) for more information.

**Corporation
Income**
441 IAC 41.27(2)

All corporations are separate legal entities. The corporation is responsible for its debts and obligations. The income and resources of a corporation belong to the corporation.

A "closely-held" corporation is one that has only a few shareholders. An owner or employee of a corporation is not a self-employed person. A person who receives a salary from a corporation is an employee of the corporation.

**Crime Victim
Compensation**
Public Law 103-322,
441 IAC 41.27(239B)

Exempt as income and as a resource payments received from a crime victim compensation program that is funded by the Crime Victims fund under Public Law 103-322.

**Department of
Labor Payments**
441 IAC 41.27(239B)

Iowa Workforce Development administers U.S. Department of Labor employment and training programs. These programs may include Workforce Investment Act (WIA) programs, dislocated worker programs, and other on-the-job training and work experience programs.

FIP participants are required to report these payments whether or not the payments are exempt. To determine treatment of these payments, first find out the source of the payment and what the payment represents.

Exempt the payment if it is:

- ◆ A reimbursement (for child care, transportation, meals or any other miscellaneous expenses); or
- ◆ Earnings or compensation in lieu of wages of a person under age 20 and in high school or an equivalent program full time.

Count the payment as income if it is:

- ◆ Earnings or compensation in lieu of wages of an adult; or
- ◆ A needs-based payment made to adults or children for living expenses. These payments represent duplicate assistance.

Whether to consider the payment as earned or unearned income depends on program policy and how the payment is described by the entity issuing it.

Disability Benefits
441 IAC 41.27(1) and
(2)

Count an employee's disability benefits as **unearned** income when the payment comes from an insurance company. Count an employee's disability payments as **earned** income when the payments are paid out of the employer's funds.

**Disaster and
Emergency
Assistance**
441 IAC 41.27(6)"y"

Exempt as income and as a resource disaster and emergency assistance payments as provided under the Disaster Relief Act of 1974, as amended by Public Law 100-707, the Disaster Relief and Emergency Assistance Amendments of 1988. This includes:

- ◆ Payments provided by the Federal Emergency Management Agency (FEMA), including payments from the Individual and Family Grant Program.
- ◆ Disaster and emergency assistance under the 1988 Amendments to the Disaster Relief and Emergency Assistance Act of 1974, and comparable assistance provided by states, local governments, and disaster assistance organizations.

Exempt as income and as a resource vendor payments made under Iowa's Emergency Assistance program. Verify the source of the payments before exempting them.

Dividend Income

See [Interest Income](#).

**Domestic
Volunteer Services
Act**

441 IAC 41.27(6)"i"

Exempt as income and as a resource payments made to volunteers for support services or reimbursement of out-of-pocket expenses from programs under Titles II and III of the Domestic Volunteer Services Act. These programs include:

- ◆ University Year for Action (UYA)
- ◆ Service Corps of Retired Executives (SCORE)
- ◆ Active Corps of Retired Executives (ACE)
- ◆ Foster Grandparents

**Earned Income
Credit**

441 IAC 41.27(7)"g"

Exempt as income an Earned Income Credit, whether received with regular paychecks or as a lump sum included with the federal or state income tax refund.

**Energy Assistance
Support and
Maintenance**

441 IAC 41.27(6)

Exempt as income and as a resource energy assistance support and maintenance when it is based on need and is furnished by a:

- ◆ Supplier of home-heating gas or oil, whether in cash or in kind.
- ◆ Municipal utility providing home energy, whether in cash or in kind.
- ◆ Rate-of-return entity providing home energy, whether in cash or in kind.
- ◆ Private nonprofit organization, but only if the assistance is in kind.

"Support and maintenance" assistance is any assistance designed to meet day-to-day living expenses. This includes home energy assistance to pay for heating or cooling a home.

"Based on need" means that assistance is issued to or on behalf of a person according income limits at or below 150% of the federal poverty level.

“Rate-of-return” means that revenues are primarily received from charges to the public for goods or services, and the charges are based on rates regulated by a state or federal governmental agency.

There may be other assistance for home energy costs provided to FIP households. When other assistance meets the criteria above, that assistance is also exempt.

Family Self-Sufficiency Grants

441 IAC Chapter 47
Division II

Exempt as income PROMISE JOBS payments through Family Self-Sufficiency Grants. These are intended to help PROMISE JOBS participants with employment-related expenses. Assistance is intended to enable participants overcome barriers to employment and become self-sufficient.

While the payments are not PROMISE JOBS expense allowance payments, they are considered in the same way. They are exempt as income, including when in the form of cash payments made directly to the family. See [4-J](#) for more information.

Family Support Subsidy

441 IAC 41.27(6)“p”

Exempt as income and as a resource payments made through the Iowa Family Support Subsidy Program to families with children who have special educational needs due to physical or mental disabilities. The purpose of the program is to reduce the need for out-of-home placements or to facilitate the return of the child from an out-of-home placement.

The Department’s Division of Adult, Children and Family Services administers the program, and DHS issues the payment.

Federal Payments

441 IAC 41.27(6)“w”

Various specialized type of federal payments are excluded. Exempt as income and as a resource:

- ◆ Payments received through the **Agent Orange Settlement Fund** or any other fund established because of the settlement in the In re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.).

NOTE: This settlement fund is now closed as all funds have been distributed.

- Public Law 92-203,
441 IAC 41.27(6)"k"
- ◆ Distributions by a Native Corporation established under the **Alaska Native Claims Settlement Act** when distributed to an Alaskan Native or a descendent of an Alaskan Native. The exemption applies to the following:
 - Cash payments up to \$2,000 per year. Count any excess.
 - Stock (including stock issued or distributed by the corporation as a dividend or distribution on stock).
 - A partnership interest.
 - Land or any interest in land (including land received as a dividend or distribution of stock).
 - An interest in a settlement trust.
- 441 IAC 41.27(6)"l"
- ◆ **Experimental Housing Allowance** program payments under annual contribution contracts entered into before January 1, 1975, under Section 23 of the U.S. Housing Act of 1936, as amended.
- 441 IAC 41.27(6)"z"
- ◆ **Wartime Relocation of Civilians** payments made under Public Law 100-383 to:
 - Certain United States citizens of Japanese ancestry (Section 105).
 - Certain eligible Aleuts (Section 206).
- 441 IAC 41.27(6)"aa"
- ◆ Payments made under the **Radiation Exposure Compensation Act**, Public Law 101-426. The program compensates people for injuries or deaths 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.
- 441 IAC 41.27(6)"g"
- ◆ **Relocation Assistance** payments received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the Federal-Aid Highway Act of 1968.

Financial Assistance for Education or Training

441 IAC 41.27(6)"r"

Exempt as income and as a resource all earned and unearned financial assistance received for education or training such as loans, grants and work study.

Focus Group, Survey or Study Income

44 IAC 41.27(6)"o,"
41.27(7)"a"

Count as income payments received for participating in a focus group, survey, or study unless the payment is a reimbursement or a gift certificate. Whether it is considered earned or unearned income depends on how the payment is described by the entity providing it.

Food Programs

441 IAC 41.27(6)"b-e"

Exempt as income and as a resource the value of:

- ◆ SNAP.
- ◆ Commodities donated by the U.S. Department of Agriculture.
- ◆ Supplemental food assistance received under the Child Nutrition Act of 1966 and the special food service program for children under the National School Lunch Act (Public Laws 92-433 and 93-150).
- ◆ Benefits received under Title III-C, Nutrition Program for the Elderly, of the Older Americans Act of 1965, such as the Congregate Meals Program administered through the Iowa Department of Elder Affairs.

Foster Care Payments

441 IAC 41.27(7)"d"

Exempt as income foster care payments, including therapeutic foster care payments, made to a FIP family operating a licensed foster family home. "Therapeutic foster care" payments are higher payments made on behalf of special needs foster children. See [4-C, Foster Care](#), for policies regarding foster children.

Gambling Winnings

441 IAC 41.27(1)

Count recurring winnings from gambling (such as winnings from casino gambling) as unearned income in the budget month received. Do not offset the winnings with any amount lost. See [Nonrecurring Lump Sum](#) for treatment of one-time winnings (e.g., lottery winnings).

General Assistance

441 IAC 41.27(7)"h"

Exempt general assistance from county funds as income if it:

- ◆ Does not duplicate any basic need under FIP, or
- ◆ Is a duplication of a FIP basic need but is made on an emergency basis, not as ongoing supplementation.

Gifts

441 IAC 41.27(7)"f"

Exempt as income a nonrecurring monetary gift (for Christmas, birthdays, etc.) not to exceed \$30 per person per calendar quarter. A calendar quarter is a period of three consecutive months, ending on March 31, June 30, September 30, or December 31.

When a gift from a single source exceeds \$30, count the entire amount as unearned income. When monetary gifts from several sources are each \$30 or less, but the total of all gifts exceeds \$30, count only the amount in excess of \$30 as unearned income.

When a gift is given to the entire eligible group, the gift may be divided among the members of the group in the most advantageous way to the client. When a gift is given to one member of the group, the gift may be divided among the members of the group if the participant claims the gift is intended for the entire group.

Verify gifts over \$30 per person per calendar quarter. Allow the \$30 exemption for any person whose income must be counted, regardless if that person is on the grant (e.g., excluded parents, ineligible stepparents).

1. Ms. A receives \$50 from her mother in December as a Christmas gift. Since this exceeds \$30 from a single source, the entire \$50 is considered unearned income to Ms. A.
2. Bobby, a FIP child, receives \$25 in October for his birthday and \$25 in December as a Christmas gift. The \$25 that Bobby received in October is exempt. Since \$25 had already been exempted for Bobby for the quarter ending December 31, only \$5 of the gift he received in December is exempt. \$20 is considered unearned income to Bobby in December.
3. Ms. C and her three children received a Christmas gift of \$100. As the gift was intended for the entire family of four, \$25 is considered to be a gift to each person. If no other gifts were received during the quarter, the entire gift is exempt.

**Grants Precluded
From Use for
Current Living
Costs**

441 IAC 41.27(6)"q"

Exempt as income and as a resource grants obtained and used under conditions that preclude their use for current living costs.

**Home Produce for
Personal
Consumption**

441 IAC 41.27(6)"a"

Exempt as income and as a resource the value of home-produced garden products, orchards, domestic animals, etc., that are eaten by the household. When home produce is raised for sale or exchange, consider it a business operation and treat it as self-employment income.

**Housing
Supplements**

441 IAC 41.27(7)"I"

Exempt as income housing supplements received from any federal, state or local governmental agency as a result of an urban renewal or low-cost housing project. The most common housing supplements are issued by Low-Rent Housing and Housing and Urban Development (HUD).

Housing supplement payments or subsidies may be issued to help meet the costs of shelter and utilities. Those payments are exempt as income regardless of whether they are paid to a vendor or directly to the client.

**Income Tax
Refunds**

441 IAC 41.27(7)"c"

Income tax refunds are considered a nonrecurring lump sum, and are exempt as income.

**Indian Tribe
Judgment Funds**

441 IAC 41.27(6)"h"

Exempt as income and as a resource Indian tribe judgment funds that have been or will be distributed to each member or held in trust for members of any Indian tribe. When all or part of the payment is converted to another type of resource, also exempt that resource. See 4-D, [Resources](#), for details.

**Individual
Development
Accounts**

441 IAC 41.27(6)"ab"

Exempt as income and as a resource deposits to an Individual Development Account (IDA) when determining FIP eligibility or benefits.

An IDA is an optional, interest-bearing account much like an IRA (but it is not a pension plan).

IDAs encourage FIP clients to save for long term goals without the savings affecting eligibility or benefit amount.

IDAs are opened in financial institutions and are set up in an individual's name. Any Iowan whose family income is below 200% of the federal poverty level and who lives in an area where there is an IDA project can open an IDA.

Withdrawals are allowed for approved purposes only and must be authorized by the operating organization. "Approved purposes" are for post secondary education or job training, buying a home or home improvement, starting a small business, or medical emergencies.

Withdrawals may be in the form of a two-party check (in the name of the vendor and the client) or solely in the vendor's name. Either way, consider the withdrawals as an unavailable resource (not income).

The account holder, another household member (regardless of the person's FIP status), or a source outside the household can make deposits. Deposits can be from earned or unearned income.

Allow a deduction to income only when the deposit is made from income of the particular household member who is the account holder and whose income must be counted.

EXCEPTIONS: Do not deduct the deposit from:

- ◆ Income that is exempt.
- ◆ FIP grant.
- ◆ The client's *assigned* child support.

However, allow a deduction from child support received while the application is pending, when an assignment is not yet in effect.

Request the client to provide verification of the amount and date of the deposit. To allow the deduction, the county office must receive verification of the deposit by the end of the report month or the extended filing date, whichever is later. See [4-G, Providing Information and Verification](#).

Accept the client's word with respect to whose income was deposited. If the client's statement appears questionable, obtain further information or verification. If the client fails to provide needed information or verification, do not allow a deduction.

Deduct the deposit from nonexempt earned or unearned income, or the net profit from self-employment received in the budget month in which the deposit is made. If the client has both nonexempt earned and unearned income, subtract the deposit from the nonexempt unearned income first.

The ABC system cannot make this deduction. You must manually subtract the deposit **before** you enter the remaining income on the BCW2 screen.

Mrs. A, a FIP participant, deposits \$500 into her IDA in March. She has \$850 gross earnings, \$50 in-kind income, and \$200 unearned income in March.

The worker first subtracts \$200 of the IDA deposit from the unearned income and then subtracts the remaining \$300 from the earnings. Income entered on the BCW2 is \$550 earnings. The IDA deposit is not subtracted from the in-kind income, because it is exempt income.

Allow applicable earned income deductions to the client's nonexempt earnings from employment or the net profit from self-employment that remain *after* subtracting the amount of the deposit.

Apply allowable deductions to any nonexempt unearned income that remains after subtracting the amount of the deposit. See [Deductions](#) later in this chapter.

If the client receives a deduction for a deposit in error, recoup any excess assistance.

1. Mr. and Mrs. A and their children are FIP participants. Mrs. A has an IDA. Mr. A is employed, and Mrs. A has no income. In March, Mr. A deposits \$200 into his wife's IDA. Mrs. A states she also made a \$50 deposit.

Mr. A is not allowed a deduction from his earnings received in March, because he is not the account holder. Mrs. A is not allowed a deduction, as she has no income other than the FIP grant.

2. Ms. B and her son are on FIP. Ms. B is employed. Her son has an IDA, and receives social security benefits from a deceased parent. In April, Ms. B deposits \$100 from her earnings plus \$20 from her son's social security benefits into her son's IDA. Only a \$20 deduction is allowed from the family's income received in April.
3. Mr. and Mrs. G receive FIP. Mr. G receives social security disability income. He has an IDA. In March, Mr. G receives a \$5,000 nonrecurring lump sum from social security and deposits the entire amount into his IDA. The entire \$5,000 is exempt.
4. Mrs. E and her children are on FIP. Mrs. E has an IDA. In March, she receives \$100 direct child support from the absent parent. Rather than refunding the support, she deposits the \$100 into her IDA.

A deduction is not allowed, as child support is assigned to DHS while Mrs. E is on FIP. (The same would be true if the absent parent had properly sent the support payment to CSRU but CSRU released the payment to the client in error.)

If Mrs. E fails to refund it, the nonexempt portion is considered as unearned income in the month received. Any overpayment that results is subject to recoupment. (See [4-C, When a Participant Fails to Refund Direct Support](#), for more information.)

5. Mrs. T and her child receive FIP. Also in the home is Mr. T, a stepparent. Mr. T is employed, and he has an IDA. In April, he has \$500 gross earnings and deposits \$300 into his IDA. Mr. T is allowed a \$300 deduction from his earnings. If Mrs. T were the account holder, Mr. T would not be allowed a deduction from his earnings.
6. Mr. D, a FIP participant, is employed and has an IDA. In April, the children's grandmother deposits \$100 into Mr. D's IDA. The deposit is exempt as income. Mr. D does not get a deduction for the deposit, because it was not made from his income.

7. Mrs. K, a FIP participant, has an IDA. In late March, she gets a \$100 birthday gift. In early April, Mrs. K deposits the \$100 gift into her IDA and provides verification to that effect.

Mrs. K cannot get a deduction, as she received the gift in March but did not deposit it until April.

In-Kind Earned Income

441 IAC 41.27(6)"o"

Exempt earnings in kind as income and as a resource. "In-kind" earnings means:

- ◆ The client performs a service and, in exchange, receives a noncash benefit for which the client would normally have to pay, and
- ◆ The person for whom the service is provided would normally have to pay for the service.

1. Mrs. T works in a restaurant and receives meals as part of her salary. Her paycheck stub lists the value of the meals as \$10 per week. Exempt the \$10 as earned income in kind.
2. Mr. K receives reduced rent in exchange for managing an apartment building. His apartment would normally rent for \$350, but Mr. K pays only \$200. Exempt the difference of \$150 as earned income in kind.

In-Kind Unearned Income

441 IAC 41.27(6)"o"

Consider monies paid to a third party on the client's behalf as unearned income in kind. Exempt them as income and as a resource.

1. Ms. A's mother pays Ms. A's rent directly to Ms. A's landlord. This is unearned income in kind and is not considered in determining eligibility or benefits for Ms. A.
2. Ms. B's mother gives Ms. B \$200 to use to pay her rent. Ms. B pays this money to her landlord. However, since this money passed through Ms. B's hands, count it as a gift when determining her eligibility and benefits.

Interest Income

441 IAC 41.27(7)"ae"

Exempt as income interest and dividend income such as:

- ◆ Interest from savings.
- ◆ Interest on payments from property sold on contract.
- ◆ Interest payments from conservatorships and trusts.

Ms. A has a savings account that pays \$5 interest per month. This interest is exempt as income.

Ms. B receives \$400 each month from property sold on contract. Of the payment, \$250 is interest income. The remaining \$150 is payment on the principal. Both the principal and the interest part of the payment are exempt as income (but not as a resource). See [4-D](#) for information on treatment of the installment contract.

Exempt any amount that is **identifiable** as interest or dividend income. If the interest portion is not identified separately, but the client indicates that the payment includes interest, ask the client to provide verification of the interest portion. Unless the interest portion is identified, count the entire payment as income.

Job Corps

441 IAC 41.27(2),
41.27(9)"c"(1)

Job Corps participants may work toward a GED or high school diploma or be involved in postsecondary education or vocational pursuits.

Participants receive room and board, and a monthly salary. Part of the salary is received when it is earned, and part of it withheld until the participant completes or otherwise leaves the program after at least a six-month stay. In addition, participants may receive a bonus based on their performance in the program.

Exempt the value of the room and board. Count the ongoing part of the salary as earned income in the month in which the participant receives it.

Count both the lump-sum salary payout and the performance bonus as earned income in the month in which the payments are received. (See [Other Recurring Lump Sum](#) for details.)

Job Corps participants also receive a clothing allowance. However, Job Corps makes payment directly to the stores. Thus, exempt the clothing allowance as a vendor payment.

NOTE: Job Corps participants are considered full-time students. They may be in high school or post-secondary education. Accept the client's word as to which it is.

If the client's statement is questionable, require the client to obtain verification from Job Corps. Exempt only the earnings of participants 19 or younger who are in high school education. See [Student Earnings](#) for more details.

Jury Duty Pay
441 IAC 41.27(2)

Count compensation for jury duty as earned income unless it is a reimbursement for expenses (transportation, meals, or lodging).

Kinship Caregiver Payments
441 IAC 41.27(7) "d"

Exempt as income kinship caregiver payments, these payments are considered the same as foster care. See 4-C, Foster Care, for policies regarding foster children.

Loans
441 IAC 41.27(6)"v"

Exempt as income bona fide loans from any source, including undergraduate and graduate student loans. Check that the loan is from an institution or person engaged in the business of making loans and that there is a written agreement to repay the money within a specified time.

When the loan is from a person not normally engaged in the business of making loans, use at least one of the following criteria to establish that the loan is legitimate or bona fide:

- ◆ There is a borrower's acknowledgment of obligation to repay (with or without interest).
- ◆ The borrower expresses intent to repay the loan when funds become available.
- ◆ There is a timetable and a plan for repaying the loan.

For money received to be considered a bona fide loan, there must be an agreement between the person making the loan and the borrower that the money is a loan. This agreement may be oral or in writing, but there must be an intent to repay the money.

**Low Income Home
Energy Assistance
Payments
(LIHEAP)**

441 IAC 41.27(6)"f"

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 includes the Affordable Heating Program, administered through the Department of Human Rights, Division of Community Action Agencies. It covers costs such as:

- ◆ Insulation
- ◆ Home energy assistance
- ◆ Emergency lodging because utilities have been shut off
- ◆ Winterizing old or substandard dwellings (neither the cost of the materials nor the cost of labor is counted as income)

**Medical Expense
Settlement**

441 IAC 41.27(7)"c"

Exempt as income and as a resource settlements for payment of medical expenses.

An insurance settlement may also include an amount for the repair or replacement of a resource or for pain and suffering.

When a client receives a lump sum with no specific amounts designated for the damage settlement and the pain and suffering settlement, exempt as income only the amount of the settlement actually spent for medical expenses or the repair or replacement of the resource. See also [Nonrecurring Lump Sum](#).

When a specific amount for the replacement of the resource is identified, also exempt that portion of the settlement, whether or not it is actually used to replace the resource.

**Preparation for
Adult Living (PAL)
Stipends**

441 IAC 41.25(2)

Do not count the income or resources of a parent who is excluded from FIP because the parent receives a PAL stipend. See [4-C, Foster Care](#).

**PROMISE JOBS
Payments**

441 IAC 41.27(7)"l"

Exempt as income payments from the PROMISE JOBS program for child care, transportation or other expenses that are incurred as a result of participating in PROMISE JOBS.

However, PROMISE JOBS payments paid to a FIP participant who provides child care services for a PROMISE JOBS participant are considered self-employment earned income to the child care provider.

See the [PROMISE JOBS Provider Manual](#) for a description of the payments made by this program.

**Property Sold on
Contract**

441 IAC 41.26(4),
41.27(1)"f"

Exempt as income payments from property sold under an installment contract. The part of any payment received that represents principle is a resource upon receipt.

The interest portion of the payment is a resource the month following the month of receipt. See [4-D, DETERMINING NET MARKET VALUE OF A COUNTABLE RESOURCE](#), for more information.

**Refunds from Rent
or Utility Deposits**

441 IAC 41.27(7)"c"

Exempt as income refunds of security deposits on rental property or utilities.

Reimbursements

441 IAC 41.27(7)"b"

Exempt as income reimbursements from the employer for **job-related** expenses including travel expenses and uniform allowances.

441 IAC 41.27(7)"a"

Exempt as income **third-party** reimbursements when the payment is to pay or repay the client for an expense that was billed to the client, but owed by the third party.

Third-party payments are exempt whether the third party is living in the home or out of the home. Examples include reimbursement for long distance calls made by a friend using the client's phone, and payments on utilities by a person in a shared living arrangement.

Exempt as income payments received from other public and private assistance programs when the payments represent reimbursement for expenses incurred for participating in these programs. Reimbursable expenses may include travel, child care, meals, and lodging.

Verify the purpose of the program with the source of the payments before applying the exemption. Document your action in the case record.

**Representative
Payee Income**
441 IAC 41.27(6)"t"

Exempt any income restricted by law or regulation which is paid to a representative payee living outside the home (other than a parent who is the applicant or recipient), unless the representative payee actually makes the income available to the applicant or recipient.

Social Security and other federal benefits are sometimes required by law or regulation to be paid to a representative payee (for example, when the beneficiary is a minor).

The representative payee is to use the funds in the best interest of the beneficiary. The payee may decide to save the money for future use or may make only a part of the funds available for the current needs of the eligible group.

When such income is paid to a representative payee who lives outside the home, consider only the amount actually made available to the applicant or participant. Obtain a signed statement from both parties to verify the amount of income the payee makes available.

When the representative payee is a parent, count the total income, even if the parent is temporarily absent from the home. If the representative payee is living with the FIP household, count the total income when determining eligibility and the amount of the grant.

If the source of the income is child support, apply the \$50 support exemption.

1. Ms. A, who is 15 and lives with her aunt, applies for FIP for herself and a baby. The aunt receives a \$250 monthly Social Security payment for Ms. A. She keeps \$150 each month in an emergency account in the aunt's name and gives Ms. A \$100.

Because Ms. A is living with her representative payee, consider the total \$250 Social Security per month as available to Ms. A.

2. Ms. B, who is 17 and lives alone, applies for FIP for herself and a baby. Ms. B's grandmother receives \$200 a month Social Security for Ms. B. The grandmother keeps \$100 each month in an account for Ms. B's college education and gives Ms. B \$100. This \$100 is countable income to Ms. B.
3. Ms. C is 18 years old. She and her child live with her self-supporting mother, who is the payee for child support for Ms. C. Ms. C's mother receives \$200 child support for Ms. C. Only \$150 (\$200 - \$50) is counted as income to Ms. C. (The same would hold true if Ms. C were under age 18.)

**Retirement
Benefits**

441 IAC 41.27(1)

Treat retirement payments received on a monthly or more frequent basis as unearned income to determine eligibility and benefit amount. See [4-C, Benefits From Other Sources](#), for information on client responsibility to apply for and accept benefits from other sources.

Medicare premiums are withheld from Black Lung and Railroad Retirement benefits but are not taken out of civil service pensions. These benefits may also be reduced due to recovery of an overpayment. Count only the actual income received (plus the Medicare premium, if applicable).

When the client receives an early lump-sum payment from a retirement fund, determine what portion of the payment represents the client's contribution plus accumulated interest, and what portion represents the employer's contribution. Consider the employer's portion as nonexempt nonrecurring lump-sum income. For more information, see [Nonrecurring Lump Sum](#).

When a client who leaves public employment covered by IPERS is under age 55, the **employer's** contribution to the IPERS fund reverts to the employer when the employee requests an early withdrawal of the benefits.

When a client who leaves public employment covered by IPERS is age 55 or over and has 4 years or more of service, the person **must** apply for early retirement to be eligible for FIP (unless the funds have been withdrawn).

**Retroactive
Corrective
Payments**

441 IAC 41.27(7)"j"

Exempt as income retroactive corrective FIP payments.

Retroactive SSI Payments

441 IAC 41.27(6)"m"
441 IAC 41.27(7)"c"

A retroactive SSI payment is considered a nonrecurring lump sum. It is exempt as income and as a resource, whether or not the client is an SSI recipient when the lump sum is received.

Sick Pay

441 IAC 41.27(2)

Count sick pay as earned income if the person gets it while employed. Count payments for sick leave time donated by coworkers the same as the person's own sick pay.

See [Other Recurring Lump Sum](#) for information on treatment of unused sick leave payout after employment has ended.

SNAP Employment and Training Allowance

441 IAC 41.27(7)"a"

Exempt as income the SNAP Employment and Training (E&T) component allowances.

Social Security Benefits Extended for Education

441 IAC 41.27(6)"r"

A person aged 18 can receive extended Social Security benefits based on a parent's disability or death if the person is attending high school full time.

The benefits stop at the end of the fourth month after the month the person turns 19 or completes high school, whichever occurs first. If the person's birthday falls on the first day of the month, the person is considered to have reached age 19 in the previous month.

Exempt any extended Social Security benefits received by a parent or nonparental needy relative. When a child in the eligible group receives extended Social Security benefits, consider the entire amount of the benefits as unearned income available to meet the needs of the eligible group.

1. Bob, an 18-year-old child on a FIP grant, receives \$95 a month in extended benefits while in high school. Because he is a child, the \$95 is counted against the needs of the entire eligible group.
2. Susan, age 18, has a child and is payee for her own FIP grant. She is receiving \$150 a month in extended Social Security benefits while she attends high school. The entire \$150 is exempt.

**Social Security
Income**

441 IAC 41.27(1)"a"

Count social security benefits as unearned income when determining eligibility and the amount of the grant.

Consider social security benefit amounts reported on the Bendex as verified. (You must enter the correct social security claim number into the system to get a Bendex report.)

When a social security recipient is enrolled in Medicare Part B, the premium is deducted from the person's entitlement. Use the amount of the entitlement before a Medicare premium is withheld.

If the Department pays the Medicare premium ("buys in"), the participant receives the full social security entitlement and a refund for the months the participant was included in the FIP eligible group and paid the premium. Do not count the refund as income.

Mr. Z's Social Security payment decreased when he enrolled in Medicare, Part B. His total entitlement is applied toward the grant while the buy-in procedure is in process.

When the buy-in takes place, his Social Security check increases, and he receives a refund for the number of months he was in the eligible group and paid his own premium. The refund is not considered as income, since his total entitlement was applied toward the grant during the buy-in process.

If the Social Security Administration is recouping for a prior overpayment, count only the amount the client actually receives (plus the Medicare premium, if applicable).

Amounts may be deducted from Social Security disability payments for a child support arrearage. The gross and net Social Security payment on IEVS reports may not reflect the correct Social Security payments in these cases. Determine the correct amount to consider.

See [Diversion for Child Support](#) and [14-G, BENDEX](#), for more information.

Student Earnings
441 IAC 41.27(7)"y"

Exempt earnings of an applicant or participant aged 19 or younger who is a full-time student in high school or in an equivalent program. NOTE: A person who has completed high school and is in postsecondary education is not eligible for this exemption.

Exempt the earnings when determining eligibility or benefits under all three income tests. Apply the exemption regardless if the student is considered a child or is a parent on a case, and regardless of the student's living arrangement.

Employment does not alter a student's status. The person may be employed during school vacation periods. If the person qualified as a full-time student in the term preceding the vacation period, exempt the earnings.

When a full-time student completes high school or an equivalent curriculum, drops out of school, or begins attending less than full time, consider the person a student for that entire month. Exempt the earnings through the month in which the person completes high school, drops out, or decreases attendance.

Likewise, when a person under age 20 who has earnings **becomes** a full-time student, exempt the earnings beginning with the first **payment** month after the person becomes a full-time student.

Apply the student exemption for the entire month of the person's twentieth birthday unless it falls on the first day of the month.

The particular school defines "Full-time" student status. See [4-C, School Attendance](#), for more information.

Taxes

441 IAC 41.27(1)

Do not count taxes (FICA, state, and federal income taxes) that are actually withheld from unearned income. Count the net amount of income after the taxes were withheld. Do not count taxes when determining eligibility and the amount of the grant.

Some types of unearned income may be taxable but do not have taxes withheld. Do not allow a deduction for this type of tax.

Tips

441 IAC 41.27(2)

Count tip income as earned income.

Any reasonable form of verification is acceptable. Examples of documents verifying tip income include:

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

Tribal TANF Payments

441 IAC 41.25(2),
45 CFR 286

Exempt as income Tribal TANF payments that are made to members of certain tribes. Tribal TANF is duplicate assistance. See [4-C, Duplicate Assistance](#).

Trust Payments

441 IAC 41.26(8),
41.27(1)

Count payments from trusts or conservatorships that are available for basic or special needs as unearned income in the month received.

Unemployment Insurance Benefits

441 IAC 41.27(1)

Count unemployment insurance benefits as unearned income. If unemployment insurance benefits are reduced due to recoupment, count only the actual amount the client receives.

Vacation Pay

441 IAC 41.27(2)

Count vacation pay for taking vacation while the person is employed as earned income in the month received. See [Other Recurring Lump Sum](#) for information on vacation payout instead of taking vacation or payout of unused vacation after employment has ended.

Vendor Payments

441 IAC 41.27(6)"o"

Exempt as income and as a resource vendor payments made to a third party on the client's behalf.

Veterans' Benefits
441 IAC 41.27(1)

Count veteran's benefits as unearned income. However, exempt as income payments made under the Aid and Attendance program or the housebound allowance. If a VA benefit is reduced due to recoupment, count only the actual amount the client receives.

Veterans' Benefits for Education or Training
441 IAC 41.27(6)"r"

A person eligible for financial assistance under the GI Bill may also receive additional assistance for each dependent.

Exempt the amount designated for the veteran's education.

Count the amount for the dependents who are included in the FIP grant as nonexempt, unearned income to determine eligibility and amount of the FIP grant.

VISTA Payments
441 IAC 41.27(6)"i"

Exempt Title I VISTA volunteer payments, as income and as a resource as long as the Director of ACTION determines the value of all such payments is less than the federal or state minimum wage when dividing payment by the hours of service.

To date, the Director of ACTION has determined no VISTA payments to equal or exceed the minimum wage. Central office will notify field offices when these payments are no longer exempt.

VISTA payments are considered as unearned income. This is because participants are considered volunteers rather than employees. When VISTA payments exceed the minimum wage limit, count the entire amount.

Vocational Rehabilitation Training Allowance
441 IAC 41.27(7)"k"

Exempt as income a training allowance issued by the Division of Vocational Rehabilitation Services of the Department of Education. The vocational rehabilitation counselor establishes an allowance amount that meets the client's needs for items relating to the rehabilitation program, such as tuition, books, transportation, lodging away from home, and similar items.

Wages

441 IAC 41.27(2)

Count all wages and salaries as earned income. Consider earnings received on the date the employer distributes payroll.

The employer determines payday. When the employer distributes payroll to the employees on a date other than the regular payday, consider the date distributed as the date of receipt.

For example, regular payday is on January 1. The employer distributes payroll on December 31 because January 1 is a holiday. Consider December 31 as receipt date.

If the employer merely grants an exception for a particular employee to pick up the paycheck early, consider the **regular** payday as the date of receipt.

When an employer **holds** wages at the employee's request, count the wages as income in the month the employer would normally pay the wages. However, when the employer holds wages as a general practice, count the wages as income in the month the household actually receives them.

Count wage **advances** as income in the month received only if the household has asked for or expects to ask for and receive an advance on wages.

**Work Force
Investment Project
Incentive
Allowances**

441 IAC 41.27(7)"ad"

Exempt as income incentive allowance payments received from the Work Force Investment Project, a state-funded program administered by the Department of Economic Development.

The purpose of the program is to provide support services to pregnant teens and teen parents. It serves people who are traditionally underrepresented in the labor force, and people who usually have great difficulty entering the labor force. Participants attend high school, GED classes, workshops, and training at work experience sites.

When participants successfully achieve the objectives of their training program, they receive an incentive allowance. For example, a participant can receive an incentive allowance for perfect attendance at school and program workshops during a 15-day period.

Worker's Compensation
441 IAC 41.27(1)

Count worker's compensation payments as unearned income.

Child Support

Legal reference: 441 IAC 41.27(1)"h," 41.27(6)"o"

Policy:

Child support is money that a legally responsible person pays for the support of a child. "Legally responsible person" means either:

- ◆ A parent of the child (whether or not the parent has been ordered to pay support), or
- ◆ A person who is ordered to pay support for the child.

A person may pay child support voluntarily or may be obliged to pay support under an order established through a judicial process or through an administrative process by the Child Support Recovery Unit (CSRU). The "monthly obligation" is the monthly amount payable under the terms of either an administrative order or a court order.

When an absent parent makes payments to a third party for a family's current basic or special needs, the payments are exempt as unearned income in kind. The payments are exempt even when made in compliance with a court order for support. See [In-Kind Unearned Income](#).

FIP participants have assigned to the Department rights to support payments made for members of the eligible group. The assignment remains effective for the entire period for which assistance is paid. The Collection Services Center (CSC) collects support that is assigned to the Department. See [4-C, Assignment of Support](#).

Procedure:

Treat payments as a gift, rather than as child support, when the payments are:

- ◆ Gifts from friends or relatives who are not legally responsible to pay support, or
- ◆ Gifts from the absent parent or other legally responsible person that are intended for special occasions (like graduation, prom, birthdays, Christmas, or Easter).

See [Gifts](#) in this chapter.

Contact the Child Support Recovery Unit if you have questions about the amount of support ordered.

The following sections give more information on:

- ◆ [The \\$50 exemption for cash support income](#)
- ◆ [Treatment of support for applicants](#)
- ◆ [Treatment of support for participants](#)
- ◆ [Participants who leave FIP to receive support](#)
- ◆ [Support for the first month of ineligibility](#)
- ◆ [Support for an ineligible or excluded child](#)

\$50 Exemption

Legal reference: 441 IAC 41.27(6)"u"

Policy:

The first \$50 of a current monthly support obligation or a voluntary support payment made by a legally responsible person is exempt. Regardless of how many absent parents pay support, the maximum exempt amount is the lesser of:

- ◆ \$50, or
- ◆ The amount paid, or
- ◆ The monthly obligation.

The \$50 exemption does not apply to back support due for past months.

Procedure:

Apply the \$50 exemption when an applicant or participant receives and keeps current month's cash support.

When a support payment includes both the current month's payment and payment for past months, allow the exemption of up to \$50 only from the support due for the current month.

1. \$200 is the monthly obligation
\$100 is paid to the client for the current month
\$50 is exempt.
2. \$40 is the monthly obligation
\$50 is paid to the client, including \$10 for delinquent support
\$40 is exempt
3. \$200 is the monthly obligation
\$45 is paid to the client for the current month
\$45 is exempt

When a legally responsible person pays support for dependents who are in different FIP eligible groups, allow each eligible group an exemption up to \$50 of the current monthly support payment.

1. \$200 is the monthly obligation for two children. One child lives with the mother and the other child lives with the grandmother. Both the mother and the grandmother apply for FIP for the children on separate cases. The absent parent pays \$100 support to the mother and \$100 to the grandmother. Each eligible group is entitled to a \$50 exemption.
2. Same as Example 1, except the father is ordered to pay \$50 per month support for both children. \$50 is exempt; the grandmother and the mother are entitled to a \$25 exemption each from the support payments they receive.

Treatment of Support for Applicants

Legal reference: 441 IAC 41.27(1)"h," 41.27(6)"u"

Policy:

Any nonexempt cash support payment for a member of the eligible group that is made while the application is pending is countable as income when determining eligibility and the amount of the grant for the applicants.

Support the Department collects through the date of the FIP eligibility decision and distributes to the family is considered unassigned and is due the family.

One-time payment of support for past months is treated as a nonrecurring lump sum. Court-ordered support paid for future months is considered as unearned income in the month received.

Procedure:

When determining eligibility and the amount of the grant for applicants, count as income all nonexempt support payments received through the date of the eligibility decision, regardless whether the support payment:

- ◆ Is for current or past support or a combination of the two, or
- ◆ Exceeds the monthly obligation.

Apply the \$50 exemption to the month in which the applicant received the support. (See [Establishing the Date of Receipt](#) for details.) Manually deduct the exempt amount before entering the countable support on the system.

Mr. G files a FIP application on May 1. On April 28, CSC receives a \$100 child support payment, which is mailed to Mr. G. He receives the payment on May 2. Although the \$100 represents an April payment, \$50 is exempted for May, because Mr. G received the payment in that month. The remaining \$50 is counted as income for the May FIP grant.

Consider payments the FIP applicant receives through the date of decision as unassigned support. Because the support is considered unassigned:

- ◆ Do not require the family to refund the payments to the Department.
- ◆ Count the nonexempt amount of the support as unearned income.

Do not count as income nor enter onto the system support expected to be received after the date of decision. This is because support is assigned to the Department when FIP is approved. The participant must refund any assigned cash support payment the participant receives after the date of decision.

1. On June 15, Mrs. A applies for FIP. Before entering the FIP eligibility decision on July 3, the worker checks the VPAYHIST screen on ICAR. VPAYHIST shows three payments of \$70 each, distributed to Mrs. A on June 18, June 25, and July 2. All three payments are considered unassigned, even though Mrs. A will not actually receive the July 2 payment until after her FIP approval is processed on July 3.

The worker enters \$90 income (\$140 minus \$50 exemption) for eligibility and the amount of the grant for June, and \$20 income (\$70 minus \$50 exemption) for eligibility and the amount of the grant for July.

NOTE: Current-month support payments the Department anticipates to collect after the date of decision are considered assigned and will be retained by the Department. The worker enters \$0 support for August and ongoing.

2. Mrs. D applies for FIP on May 2. Mr. D is ordered to pay \$50 support per week, which Mrs. D receives every Friday. There are four Fridays in the month of application (May 6, 13, 20, and 27). It is anticipated that Mr. D will pay the total \$200 in May.

On May 23, the IM worker approves the application with an effective date of May 9. Through the date of decision, Mrs. D has received \$50 support payments on May 6, 13, and 20. Therefore, the worker enters \$100 income (\$150 received - \$50 exemption) for eligibility for May and to determine the May FIP grant amount.

Ms. D is required to refund the entire payment she will receive on May 27. The payment will not be entered onto the system for eligibility, because support is assigned. The worker enters \$0 support for June and ongoing.

If the amount received up through the date of decision includes a one-time payment of support ordered for **prior** months, treat the retroactive amount as a nonrecurring lump sum. To determine the retroactive portion, deduct the amount of the current support obligation from the total support payment the applicant received.

The \$50 exemption applies only to current support.

- ◆ If there is a court order, consider the amount of the obligation as current support.
- ◆ If there is no court order, consider the entire support payment the applicant receives as current support.

1. The FIP applicant gets a \$350 support payment. There is no court order. Thus, the entire payment is considered as voluntary support. The first \$50 is exempt. The remaining \$300 is counted as unearned income in the month the applicant receives the payment.
2. The FIP applicant gets a \$650 support payment that includes a one-time payment for past-due support. There is a court order for \$200 monthly support. Therefore, \$200 of the \$650 payment is considered as **current** support, and the \$50 exemption is applied to that portion. The remaining \$450 is considered as past support and treated as a nonrecurring lump sum.

If support the applicant receives represents court-ordered support for future months, apply the \$50 exemption and consider the remainder of the payment as unearned income in the month received.

Establishing the Date of Receipt

Policy:

A support payment is considered as income in the month in which the applicant receives the payment.

Procedure:

To determine the date of receipt for support distributed to an applicant by the Collection Services Center (CSC), check the dates recorded under the DISTR DATE column on the ICAR VPAYHIST and VPAYREC screens.

The date under DISTR DATE field reflects the date CSC processed the payment (and is not the date the applicant received it). Add four working days to the DISTR DATE on ICAR to determine when the applicant may have received the payment.

NOTE: Although the VPAYHIST screen provides more information about the distribution of payments, you should view both screens, as payments from some sources appear only on the VPAYREC screen.

If the applicant disputes your calculated date, accept the applicant's statement as to the date of receipt if that date appears plausible.

1. A \$400 payment shows on VPAYHIST with a 5/28 DISTR DATE. Unless the applicant states otherwise, the payment is considered as received in June. The payment is considered as June income to the applicant regardless to what month CSC applies the payment.
2. A \$400 payment shows on VPAYHIST with a DISTR DATE of 5/20. The payment is considered as received in May, unless the applicant states otherwise. The payment is considered as May income to the applicant regardless of what month CSC applies the payment.

When the applicant receives support payments from another source, such as directly from the absent parent or from a clerk of court, ask the applicant for verification of receipt dates and amounts.

Treatment of Support for Participants

Legal reference: 441 IAC 41.27(6)“u” and “ac”

Policy:

Assigned support received and retained by the Department is exempt as income.

Participants must report and refund to the Department the entire amount of assigned support payments received directly from the absent parent or any other source.

Participants are not required to report and refund support released by CSC in the following circumstances:

- ◆ **Overages.** Overages are released when the assigned support collected and retained by CSC exceeds the entire amount of FIP assistance paid out to the family.
- ◆ **Unassigned support.** Unassigned support owed for a period when FIP was not received is released to the family.
- ◆ **Support for an ineligible or excluded child.** Support collected for a child who is not in the eligible group is released to the family.

Procedure:

Exempt as income assigned support that is collected and retained by the Department.

1. Mrs. K. is employed and has \$400 monthly countable earnings. She receives \$26 FIP for herself and her two children. In March, the children’s father starts to pay \$150 per month child support to CSC. The entire \$150 retained by CSC is exempt and is not used to determine Ms. K’s FIP eligibility.
2. Mr. T receives \$361 FIP for himself and one child. The child’s mother pays \$200 child support per month to CSC. Mr. T gets a new job, and his monthly countable income is \$350. The \$200 support amount retained by CSC is exempt and is not used to determine Mr. T’s FIP eligibility.

When a participant refunds direct support, instruct the participant to refund the payment to the local Child Support Recovery Unit office rather than to CSC, to ensure the payments are properly credited.

If the client returns the support payment to you, forward it to the Child Support Recovery Unit. See [Direct Support Not Refunded](#) for instructions when a participant receives direct support and fails to refund it.

Consider any **countable** support payment released to the family as income in the month in which the participant receives the payment. See [Establishing the Date of Receipt](#).

Depending on the family's other countable income, release of countable child support may result in FIP cancellation. However, do not project child support income that is not expected to continue to be released.

The participant is not required to report receipt or to verify the amount of a payment issued by the CSC because it was issued by the Department. CSC will notify you of the date and the amount released to the participant.

To determine how to treat the payment, it is important to know the reason CSC released it. Confer with the assigned child support recovery officer if you have questions on the reason CSC released the support to the participant.

Direct Support Not Refunded

Legal reference: 441 IAC 41.22(6)"f"

Policy:

Failure to refund direct support may result in a sanction.

Procedure:

If a participant fails to refund direct support:

- ◆ On the **first** failure:
 - Inform the participant in writing of the requirement to refund direct support and that a second violation will result in a 25% reduction of the FIP grant.
 - Talk to the assigned child support recovery officer about the participant's failure to refund support and provide details on the support payments.

- ◆ On the **second** or subsequent failure, initiate a 25% grant reduction.
 - Manually deduct the exempt amount from the direct support and begin to consider the countable amount as unearned income prospectively, effective the next month.
 - Recover any excess FIP issued for months following the first month the direct support was received and retained by the participant.
 - Do not stop the grant reduction until the parent has proven cooperation by refunding a future direct support payment, or the parent has expressed willingness to cooperate and a change in the circumstances indicate that the client is unlikely to get direct support payments in the future.
 - Once cooperation is proven, remove the child support effective the next month.

1. In September, Ms. B, FIP participant receives \$100 direct support that is released by CSC in error. Ms. B fails to refund the support. The IM worker informs the client in writing of the requirement to refund direct support and the penalty for not refunding it.

The IM worker contacts CSC about the support. CSC adjusts the account to stop support from being released.

2. In October, Ms. C receives the \$100 in direct support from the absent parent and fails to refund it. Ms. C had previously been informed in writing of her responsibility to refund direct support. The IM worker imposes the 25% grant reduction. The IM worker exempts \$50 and counts \$50 as unearned income effective November and ongoing.

Ms. C receives and refunds direct support received in November. Because Ms. C has proven cooperation to refund support, the IM worker lifts the 25% penalty and removes the unearned income effective December.

Overages

Legal reference: 441 IAC 41.22(7)

Policy:

The Department keeps assigned support collected up to the total amount of FIP assistance paid out from the time a family began receiving FIP, even if the amount of support collected during a given month is more than the family's FIP grant for that month.

At the point that the support collected and retained by CSC exceeds the entire amount of FIP assistance paid out to the family, CSC will release the overage to the family the following month.

Procedure:

If an overage payment represents current month's support, exempt the first \$50 of an overage payment and consider the remainder as unearned income in the month received.

However, if the absent parent has a history of paying support only sporadically, and overage payments are not likely to continue, do not project countable child support income for future months.

Ms. B has received \$1,500 FIP benefits over the past several months. When CSC receives the February child support payment from the absent parent, the total support collected and retained comes to \$1,600. In March, CSC sends the \$100 overage to Ms. B.

The child support is expected to continue at the same rate and the \$100 overage will be sent to Ms. B monthly. Only \$50 of the \$100 overage is counted when determining Ms. B's FIP eligibility and benefit amount beginning in April.

If the child support overages were not expected to continue, no child support income would be projected for April and ongoing.

Consider an overage amount that represents support collected for a past month as a nonrecurring lump sum.

March support collections exceed the participant's FIP payout by \$250. \$100 of this is expected to continue. However, the monthly court-ordered obligation showing on ICAR is only \$100.

When CSC issues the \$250 overage to the client in April, allow the \$50 exemption and use \$50 as income beginning in May. The remaining \$150 is considered as nonrecurring lump-sum income.

Unassigned Support

Legal reference: 441 IAC 41.22(7)

Policy:

Unassigned support owed for a period when FIP was not received is released to the family. See [4-C, Assignment of Support](#).

Procedure:

Consider a one-time payment of unassigned retroactive support owed for a period when the family was not on FIP as a nonrecurring lump sum when it is released to the family. See [Nonrecurring Lump Sum](#).

Ms. A is approved for FIP in November. The absent parent has been ordered to pay \$100 per month in child support and is \$1,200 behind on the payments when FIP is approved. In January, the absent parent makes a payment of \$800.

The Department retains \$300 of the payment as it is considered assigned support for the months of November through January when the family received FIP. The remaining \$500 is considered unassigned support for the period when FIP was not received. The \$500 released to the family is considered as a countable nonrecurring lump sum.

Consider regularly recurring payments of unassigned support owed for a period when the family was not on FIP as a recurring lump sum. See [Other Recurring Lump Sum](#).

Ms. B is a FIP participant. The absent parent is ordered to pay \$100 per month in current child support. He is current on payments owed since FIP was approved, but owes back support for a period when Ms. B was not on FIP. In addition to the current support, he has been ordered to pay \$50 per month on the arrears and is making the payments regularly.

The \$100 per month in current support is retained by the Department and not counted as income for the case. The \$50 payment on the arrears is released to Ms. B each month and is considered as unearned income in the month as it is a recurring lump sum. The \$50 exemption is not allowed, as the payments being released are not current months support.

Consider the current month's support payments as unearned income in the month when they are released because:

- ◆ The support was collected before the date of the FIP approval and is due to the family.
- ◆ The release of the payment could not be prevented due to the timing of the FIP reinstatement.

Support for an Ineligible or Excluded Child

Legal reference: 441 IAC 41.27(6)"n"

Policy:

Child support is considered income of the child. The income and resources of an ineligible or excluded child are exempt for FIP.

Procedure:

When the FIP parent receives child support for a child who is not in the FIP eligible group, consider the support payment as follows:

- ◆ If the ineligible or excluded child **lives in the home** with the eligible group, do not count the support payment as income or as a resource toward the eligible group, even if the FIP parent has access to the payment.
- ◆ If the child is **not** living in the home with the eligible group and the FIP parent uses the support for the needs of the eligible group, then count the support as unearned income to the eligible group. Do not allow the \$50 support exemption, because it applies only to current support paid for a member of the eligible group.
- ◆ If the FIP parent claims to make the support payment available to meet the needs of the child, obtain written verification from both the FIP parent and the person receiving the payment. Do not count the support if both parties substantiate the client's claim in writing.

Participants Who Leave FIP to Receive Support

Legal reference: 441 IAC 7.7(2)"b," 41.22(7)

Policy:

Participants may request to have their FIP canceled at any time and receive child support instead. The cancellation request need not be in writing, unless the timely notice requirement cannot be met.

Procedure:

Cancel FIP at the participant's request. Allow timely notice, or allow adequate notice if the request for cancellation is in writing. See [4-A, When Timely Notice Is Not Required](#).

Mrs. A and her two children have been receiving \$426 FIP each month. The children's father starts to pay \$500 monthly support to CSC. Mrs. A can request FIP cancellation and receive child support instead.

Even though the monthly support exceeds the FIP grant, Mrs. A may continue on FIP if she wants. If she chooses to stay on FIP, the \$500 support is not counted when determining her ongoing FIP eligibility so long as it is received and retained by the Department. When the amount of support collected and retained exceeds the total amount of FIP received, CSC will begin to issue overages.

The family is entitled to receive direct support the Department collects on or after the effective date of the requested FIP cancellation.

If a client requests FIP cancellation to receive child support instead, but it is too late in the month to stop the FIP benefits for the next month:

- ◆ Cancel FIP assistance effective the second month.
- ◆ Inform the client that support collected by the Department for the first month after the client's request (state the month) will be released to the client if the payment is returned in the month for which it is issued (state the month).
- ◆ Document your actions in the case record. If you issue instructions to the client in writing, make a copy for the case record.

If the client returns the FIP assistance in the month for which it is issued, send an E-mail to the assigned child support recovery officer. Keep a copy for the case record. Briefly explain in the note the circumstances of the client's delayed FIP cancellation, including:

- ◆ The date the client requested cancellation;
- ◆ The date of the system cancellation;
- ◆ The date the client returned the FIP benefits issued for the first month (state the month);
- ◆ That the support assignment is considered terminated as of the first of that month; and
- ◆ That support collected for that month (state the month) must be released to the former client.

A client who does not return the assistance issued for the first month is not entitled to receive the child support that was collected for that month. However, if the client is otherwise eligible for the month, there is no overpayment.

Make FIP participants aware of the importance of keeping track of the support the absent parent pays to CSC, so that they can make an informed decision whether they are better off to stay on FIP or to go off FIP and receive child support instead. Discuss these policies and procedures during the application interview and whenever indicated by the client's circumstances.

Encourage participants to check the quarterly report CSRU issues to them listing child support collections. Also inform participants that they can use the CSRU Web site or call 1-888-229-9223 at any time to get information on the support the absent parent paid to CSC.

There is no limit on the number of times a participant may request to be canceled from FIP in order to receive child support instead. Families may reapply and be reconsidered for FIP eligibility at any time.

Support for the First Month of Ineligibility

Legal reference: 441 IAC 41.27(7)"p"

Policy:

When the support assignment is not terminated effective the same date as the family's FIP eligibility is canceled, support payments may be made to CSC in error. CSC must refund these payments to the client.

Procedure:

Exempt as income support refunded for the first month of ineligibility if the family remains off FIP for the entire month. The refunds are exempt as income regardless of when the family receives the support, as long as the family remains off assistance for the month.

1. Ms. A's FIP case is canceled effective July 1. CSC receives support payments of \$15 on July 10 and \$25 on July 25. Ms. A reapplies for FIP on August 5. She receives the \$40 July support refund on August 10. This \$40 is exempt as income because it is support for the first month of ineligibility and the family remained off FIP for the entire month.

2. Ms. B is canceled from FIP effective July 1. CSC continues to receive support payments in July (\$60) and August (\$120). Ms. B reapplies for FIP September 7. She receives a payment of \$180 from CSC on September 12.

The \$60 portion for July is exempt as income because it is support for the first month of ineligibility and the family remained off FIP for the entire month. The \$120 portion for August is countable income because it was not intended for the first month of ineligibility, and it is received in the month of application for FIP.

This exemption applies only to cases that are canceled from FIP. Do not apply the exemption to families who are still considered participants but who do not get a grant due to rounding down or due to the limit on payments of less than \$10.

Do not apply this exemption when the family reapplies and is found eligible for all or part of the first month following the termination. Determine benefits prospectively as in any other situation.

Lump-Sum Income

Discussion of lump sums is divided into the following sections:

- ◆ [Income from contract employment](#)
- ◆ [Other recurring lump-sum income, which may be earned or unearned](#)
- ◆ [Nonrecurring \(one-time\) lump sums, which are always unearned income, in the nature of a windfall or a retroactive payment of benefits](#)

Income From Contracts

Legal reference: 441 IAC 41.27(9)"c"(1)

If income from a contract is received on a recurring lump-sum basis, determine the period covered by the contract. Calculate the total amount payable under the contract and prorate it over the number of months the contract covers. Count the prorated monthly amount as part of the income projection.

- ◆ If the contract income is timely reported, begin using the prorated amount in the month following a ten-day notice.
- ◆ If the income is not reported timely, begin using the prorated amount in the month after the month in which the lump sum is received. Recoup any assistance that was paid in error.

1. Ms. A, a FIP participant, is employed under contract. In August, she timely reports receiving \$300, which covers the months of July, August, and September. \$100 prorated income (\$300 divided by 3) is counted for the September, October and November months.
2. Mr. B is employed under contract and receives \$600 in January. The contract period is January through June. On April 5, Mr. B applies for FIP. On April 26, the FIP application is approved. \$100 prorated income (\$600 divided by 6) is counted in the income projection for the months of April, May, and June.

Treat income from contractual employment that is received on a regular basis (weekly, biweekly, etc.) in the same manner as the earnings of a regular, noncontractual employee.

Consider recurring lump-sum contract income if it is received at any of the following times:

- ◆ During the month of decision.
- ◆ Any time during the receipt of assistance.
- ◆ Before the month of decision when the income is anticipated to recur.

NOTE: If the income will not continue, do not consider any lump sum received before the month of application.

If the initial month of eligibility precedes the month of decision, treat a recurring lump-sum contract payment received during this time as if it were received in the month of decision. In this context, "month of decision" includes the month in which the date of decision occurs and any prior months. (See [4-F, Determining Eligibility for a Prior Month.](#))

NOTE: Do not apply these policies to contract income from self-employment.

Other Recurring Lump Sum

Legal reference: 441 IAC 41.27(9)"c"(1)

Consider other recurring lump-sum earned and unearned income as income in the month received, if you can predict the month it will be received. If you can predict the month the recurring lump sum will be received but the amount is uncertain, count only the amount that is certain.

If the lump-sum payment represents earned income, apply applicable deductions and diversions. Examples of recurring lump-sum income are:

- ◆ Vacation pay in lieu of taking vacation
- ◆ Payout for unused vacation upon termination of employment
- ◆ Sales commission
- ◆ Bonus
- ◆ Profit-sharing
- ◆ Payout for unused sick leave upon termination of employment

Count these lump-sum payments as earned income in the month received regardless:

- ◆ If received while the client is employed.
- ◆ If received after termination of employment.
- ◆ Of the number of months over which the lump-sum income was gained.

1. Ms. A, a participant, reports in April that she will receive a \$240 semiannual bonus in addition to her regular earnings in May. Both the \$240 bonus plus Ms. A's regular May earnings are considered as income in May.
2. In May, Ms. B timely reports she received a \$240 semiannual bonus in May. Ms. B reports that she is unsure if she will receive the bonus in the future. The IM worker verifies with the employer that the semi-annual bonus is not guaranteed. The worker will not anticipate the bonus for October because it is uncertain if Ms. B will get a bonus in that month.

NOTE: Do not apply these policies to self-employment income.

Court-ordered retroactive child support payments received on a regular basis are a recurring lump sum. Count these lump-sum payments as unearned income in the month received.

Ms. E is an applicant. She receives child support of \$425 a month on an ongoing basis. \$350 is for current support and \$75 is for delinquent support. Allow the \$50 exemption from the current support. The \$75 for delinquent support is a countable recurring lump sum that is used as unearned income in the month received. Total countable child support for Ms. E is \$375 (\$350 - \$50 + \$75).

Nonrecurring Lump Sum

Legal reference: 441 IAC 41.27(9)"c"(2)

Issue the pamphlet Comm. 24, *One-Time Payments*, when a participant reports receipt or possible receipt of a nonrecurring lump sum, or when you believe the participant may receive such sums.

When a client reports receipt of a lump sum, document in the case record:

- ◆ The date you issued the pamphlet.
- ◆ The date the lump sum was received.
- ◆ How the receipt was reported.
- ◆ The amount of the sum.
- ◆ The source of verification.
- ◆ How you determined that the income is a lump sum.
- ◆ How you informed the client of the effect of receiving the lump sum.

Count the nonrecurring lump-sum income if received by:

- ◆ Any person in the eligible group.
- ◆ A parent in the home who is otherwise ineligible (e.g., ineligible alien).
- ◆ A parent who is in the home but is excluded from the eligible group due to sanction.

Do **not** count the lump-sum income of a person who is receiving SSI. However, when an SSI recipient acts as a representative payee for another person in the home, income the SSI recipient receives for the other person is considered income of the other person, not income of the SSI recipient. If the other person is a member of the FIP assistance unit, count the income as appropriate.

1. Ms. A receives SSI for herself and FIP for her child. Ms. A is in an accident and receives a lump-sum insurance settlement as a result. The lump sum is exempt because Ms. A is an SSI recipient.
2. Same situation as Example 1, except it is Ms. A's child who is in an accident, and Ms. A receives a lump-sum insurance settlement for the child. The lump sum is countable. Although Ms. A receives the lump sum as representative payee for her child, the lump sum is intended for the child's needs.

Consider nonrecurring lump sums received by the following persons as income in the month of receipt only.

- ◆ An ineligible stepparent
- ◆ A self-supporting parent
- ◆ A spouse of a self-supporting parent

Refer to [Stepparent Income](#) and [FIP Parent Under Age 19](#) for more information.

Exempt Lump Sums

Legal reference: 441 IAC 41.27(7)"c"

Exempt as income the following types of nonrecurring lump sums:

- ◆ State or federal income tax refunds (including earned income credit).
- ◆ Retroactive SSI benefits.
- ◆ Settlements for payment of medical expenses (also exempt as a resource).

- ◆ Refunds of security deposits on rental property or utilities.
- ◆ The part of the lump-sum payment that is both received and spent on funeral and burial expenses.
- ◆ That part of the lump-sum payment that is both received and expended for a replacement of a resource.

NOTE: When a part of a lump sum is designated for the repair or replacement of a resource, that part of the payment is exempt as income whether or not the client actually uses it to repair or replace the resource.

When the amount of the damage and pain and suffering settlements are not designated, only the amount actually expended for repair or replacement of the resource is exempt as income.

- ◆ Sums received by people whose income is not considered (nonparental specified relatives not in the eligible group, SSI recipients, etc.).
- ◆ The employee's share of a lump-sum retirement payout (if produced by payroll deduction; consider it a resource upon receipt).

See [4-D, Lump Sum \(Nonrecurring\)](#), for treatment of these nonrecurring lump sums as a resource. Also see [4-D, Property Settlements](#), for treatment of property settlements as a resource rather than income.

Nonexempt Lump Sums

Legal reference: 441 IAC 41.27(9)"c"(2)

Nonrecurring lump sums that are **not** exempt include:

- ◆ Inheritances.
- ◆ Insurance settlements for pain and suffering.
- ◆ Insurance death benefits.
- ◆ Lawsuit settlements.
- ◆ Countable gifts.
- ◆ One-time winnings (such as lottery winnings). Deduct the cost of the ticket, bingo card, etc., but do not deduct prior losses.

- ◆ One-time retroactive payment of benefits such as job insurance, workers' compensation, social security, veterans' benefits, and child support.
- ◆ Severance pay (the amount received is unearned income).
- ◆ The employer's share of a lump-sum retirement fund that is paid to the employee.

When Lump Sum Is Not Considered

Legal reference: 441 IAC 41.27(9)"c"(2)

The date a nonrecurring lump sum is received determines whether the lump sum is considered. The lump sum does not affect eligibility if:

- ◆ It is received **before** the month of application.
- ◆ It is received in the month of application, but the effective date of assistance falls in another month because of the **seven-day delay** in payment. For example, if Ms. A receives a lump sum on March 15 and applies for FIP on March 28, the lump sum is not considered because assistance begins April 4.
- ◆ The assistance issued for the month the lump sum is received is **subject to recoupment** because the person receiving the lump sum is ineligible for other reasons. Consider the lump sum if at least one person was eligible in the month of receipt and the ineligible person is a parent remaining in the home.
- ◆ A period of ineligibility was established by **another state** because of the receipt of a lump sum. (Check on resources due to receipt of the lump sum.)
- ◆ The participant requests cancellation **before** the first day of the month that the lump sum will be received.

If the cancellation is requested so late that you cannot stop the FIP warrant, the participant must return the payment **in the month for which it is issued**.

However, a period of ineligibility results if the participant reapplies in that month and the effective date of assistance falls within that month.

Budgeting the Lump Sum

Legal reference: 441 IAC 41.27(9)"c"(2)

Consider a nonrecurring lump sum as unearned income in the month received, and count it in computing eligibility unless the income is exempt. See [Exempt Lump Sums](#).

Count the lump sum as income in the month it becomes available to the client, unless the terms of the lump sum stipulate otherwise. Reduce the lump sum by the cost of producing the income (attorney fees, taxes, etc.).

Add the countable lump-sum income and other countable income received in the month. (Do not consider assigned support collected and retained by the Department. Divide the total income by the standard of need (including special needs) for the eligible group for that month.

If the lump sum was not timely reported, complete an overpayment for any months it was not used to determine benefits, beginning with the month the lump sum was received.

1. Ms. A is receiving FIP. On June 14, she timely reports that she received a nonexempt, nonrecurring lump-sum payment on June 8. The IM worker determines that there is a three-month period of ineligibility, beginning with the month of June (the month the lump sum was received) and running through August.

The worker cancels the case effective July 1 (the month following a notice of adverse action). Because the lump sum was timely reported, there is no overpayment for June.

2. Same as Example 1, except that Ms. A doesn't report the receipt of the lump sum until July 10. The three-month period of ineligibility still runs from June through August. The IM worker cancels Ms. A's FIP effective August 1 (the month following a notice of adverse action) and recoups the FIP benefits issued for June and July.

3. Ms. B applies for FIP on June 8. On June 17, she receives a nonrecurring lump-sum payment of \$5,000. On July 1, the worker determines Ms. B eligible effective June 15.

On July 6, Ms. B reports the lump-sum payment. The worker must determine the period of ineligibility, cancel the case effective August 1, and recover assistance for June and July.

For purposes of the lump-sum policy, the “eligible group” is defined as all eligible persons and any other person whose lump-sum income must be counted in determining the period of ineligibility. This policy affects cases where the parent is in the home but is excluded from the eligible group (e.g., the parent is sanctioned or is an ineligible alien).

If the **excluded parent** receives a nonrecurring lump sum, consider that parent as if included in the eligible group. That is, count the parent in the standard of need figure when determining the period of ineligibility.

However, if **another person** in the assistance unit receives the lump sum, do not count the excluded parent in the standard of need figure when determining the period of ineligibility.

1. Ms. A has two children for whom she receives FIP. Her needs have been excluded from the eligible group for failure to apply for benefits from other sources. Ms. A receives a \$5,000 nonrecurring lump sum. The worker divides \$5,000 by \$849, the three-person standard of need figure, to determine the children’s eligibility.
2. Same as Example 1, except one of Mrs. A’s children receives the lump sum. The worker computes the period of ineligibility based on a two-person standard of need figure.
3. Mr. and Mrs. T receive FIP for their three children. Mr. and Mrs. T are excluded from the grant because they are ineligible aliens. Mr. T receives a nonexempt nonrecurring lump sum.

Mr. T is included in the standard of need figure in determining the period of ineligibility. Mrs. T cannot be included in the standard of need figure, as she is an excluded parent and is not the receiver of the lump sum.

If countable income, including the countable lump-sum income, is less than the needs of the eligible group, consider the lump sum as a one-time change in income. Remember that a one-time change in income is not used in the projection of income since it is not representative of future income.

If countable income is equal to or more than the needs of the eligible group, reduce benefits, cancel the active case, or reject the application.

A FIP household receives a \$100 nonrecurring lump-sum payment in July and reports it within ten days. The lump sum combined with other countable income received in July does not exceed the standard of need for the eligible group.

Since the lump sum is a one-time change in income and is not indicative of future income, it does not affect the projected amount of income.

Period of Ineligibility

Legal reference: 441 IAC 41.27(9)"c"(2)

The first month of the period of ineligibility is always the month in which the lump sum is received. To determine the number of months the case remains ineligible (the period of ineligibility), divide the total countable income in the month by the standard of need (that is, need according to the schedule of living costs plus special needs) for the same month.

After determining the period of ineligibility, apply any excess to the first month after the period of ineligibility ends. If the excess exceeds need for this first month, the case remains ineligible. However, disregard any balance remaining after this first month.

NOTE: When the case is determined ineligible because of lump-sum income, the *Notice of Decision* must include the date eligibility may be regained.

If the nonrecurring lump sum was reported timely, do not recoup assistance for the months of the period of ineligibility in which a portion of the lump sum could not be used due to timely notice requirements.

1. Ms. X receives FIP for herself and her two children. On February 10, she reports receiving a \$1704 nonrecurring lump sum on February 2. She also has \$200 in other unearned income for the month of February.

$\$1704 + \$200 = \$1904$ divided by \$849 (the three-person standard of need) = 2 months of ineligibility and \$206 remaining to count against the third month. The worker cancels FIP effective March 1.

Ms. X is ineligible for March. If she reapplies and is otherwise eligible for April, the worker will apply the \$206 to April. There is no lump-sum income left to consider for May and subsequent months.

2. Ms. Y receives FIP for herself and her two children. She receives a \$2200 nonrecurring lump sum in February, which she timely reports. She has no other income for February. $\$2200 \div \849 (the three-person standard of need) = 2 months of ineligibility and \$502 remaining to count against the third month.

The worker cancels FIP effective March 1. Ms. X is ineligible for March. Since \$502 exceeds the three-person payment standard, Ms. X will also remain ineligible for April. There is no lump-sum income left to consider for May and subsequent months.

3. Ms. T receives FIP for herself and three children. Ms. T receives a \$3,000 nonrecurring lump sum April 9 and timely reports the receipt on April 14.

The worker requests additional information and Ms. T supplies it by the due date of April 24. The first month of the period of ineligibility is April. Timely notice is issued April 26 effective June 1. Because the lump sum was timely reported, no recoupment will be established for April or May.

The first month in which a prorated portion of the lump sum is used to determine eligibility will be June, the third month of the period of ineligibility.

If the nonrecurring lump sum was reported untimely, establish recoupment for the months of the period of ineligibility in which the portion of the lump sum could not be used due to timely notice requirements.

Ms. T receives FIP for herself and three children. She receives a \$3,000 nonrecurring lump sum on May 9. Ms. T reports receipt of the lump sum May 21. The worker requests additional information and Ms. T supplies it by the due date of May 31.

The first month of the period of ineligibility is May. Timely notice is issued June 2, effective July 1. Because the lump sum was not timely reported, FIP issued for the months of May and June is subject to recoupment.

If the applicant withdraws an application (or is denied assistance for a reason other than the lump sum), establish a period of ineligibility if the lump sum is received in the **same** month as the withdrawal or denial, even if that is the application month.

However, do not establish a period of ineligibility if the application is withdrawn (or denied for another reason) before the first of the month when the lump sum is (to be) received.

1. Mrs. A applies for assistance on March 14. On March 20, she requests withdrawal of her application because she expects to receive a nonrecurring lump sum on March 27. A period of ineligibility is still established, because the request did not occur before the first day of the month in which Mrs. A anticipates receiving the lump sum.
2. Ms. B applies for assistance on March 14. On April 2, she requests withdrawal of her application because she expects to receive a nonrecurring lump sum on April 8. A period of ineligibility is still established, because the request did not occur before the first day of the month in which Ms. B anticipates receiving the lump sum.
3. Mr. H applies for assistance on March 14. On March 28, he withdraws his application because he expects to receive a nonrecurring lump sum on April 2. If the worker has all needed information to approve the case on March 28, the worker should inform Mr. H that the case can be approved for March only and canceled for April.

In either case, a period of ineligibility is not established, because the request occurred before the first day of the month in which Mr. H anticipates receiving the lump sum.

Assistance may be denied or canceled for another reason, delaying denial or cancellation due to the lump sum. When enough information is available, send a letter specifying the period of ineligibility.

If there is insufficient information available because the lump-sum income was not verified, send a letter to warn the client about the period of ineligibility due to receipt of lump-sum income.

When either letter is sent, enclose Comm. 24, *One-Time Payment*. Document in the case record that you sent the letter and the pamphlet. In addition, make an entry in the system to flag the prior receipt of lump-sum income if the client reapplies.

The household will not receive a FIP grant during the period of ineligibility even if:

- ◆ The eligible group's income increases or decreases;
- ◆ Shelter or living costs change; or
- ◆ A person leaves the home (unless the lump sum is no longer available to the group; see [Conditions for Shortening Period of Ineligibility](#)).

If a client receives subsequent lump sum in a month when the client is receiving or applying for FIP, determine a second period of ineligibility (depending on the amount of the second lump sum). The two periods of ineligibility may run concurrently. This may happen if the client:

- ◆ Receives another lump sum in the month following receipt of the first lump sum, before the case is canceled for the period of ineligibility; or
- ◆ Reapplies for FIP during the period of ineligibility and receives another lump sum in the month of application.

Ms. G receives a lump sum in January, which she timely reports. Timely notice requirements delay the cancellation until March 1. A period of ineligibility is imposed for the months of January through July.

In February, before the case is canceled for the period of ineligibility, she receives a second lump sum. The lump sum received in February plus her other February income is used to determine a second period of ineligibility that is imposed for the months of February through October.

If a client receives another lump sum **during** the period of ineligibility, consider all of the following in determining the second period of ineligibility:

- ◆ The standard of need figure from the first lump sum (which is being considered as income for each month of the original period of ineligibility),
- ◆ The subsequent lump sum, and
- ◆ Any other income received in the same budget month as the subsequent lump sum.

Ms. H receives FIP for herself and one child. She receives a \$6,500 lump sum in January, which she reports timely. A period of ineligibility is imposed for the months of January through September. In July, while still in the period of ineligibility, she reapplies for FIP. She also receives a \$3,000 lump sum in July.

To calculate the second period of ineligibility, the worker considers the \$719 standard of need figure that is considered as income in each month of the first period of ineligibility, the \$3,000 lump sum, and \$200 in other unearned income she received in July. $\$719 + \$3,000 + \$200 = \$3,919$ divided by $\$719 = 5$ months with a remainder of \$324.

The second period of ineligibility is imposed for the months of July through November, with the \$324 remainder to apply to December, should Ms. H reapply and be otherwise eligible for that month.

Members Entering Household During Period of Ineligibility

Legal reference: 441 IAC 41.27(9)"c"(2)

New members entering the household who were not in the eligible group when the lump-sum income was received may be eligible for FIP as a separate eligible group. (Persons who were in the eligible group when the lump sum was received remain ineligible.)

The new members must meet all program requirements. For example, there must still be at least one child in the new eligible group, unless the only eligible child is receiving SSI.

Apply all three income tests to determine initial eligibility. Count the nonexempt income of the new members and the income of the parent or other legally responsible person in the home, but do not count the lump sum that resulted in the period of ineligibility. Allow all appropriate deductions and diversions.

1. Ms. A is receiving FIP for herself and one child when she receives a lump sum. The lump sum makes her and the child ineligible for 12 months beginning in June. In September, a baby is born. Ms. A applies for FIP for the baby. She has no income except the lump-sum income. The baby is eligible for a \$183 FIP grant.

2. Ms. B is receiving FIP for her daughter and herself. She is employed and receives a lump sum that creates ineligibility for ten months beginning in September. In November, she applies for FIP for her son, who has come to live with her.

Ms. B's earnings are considered available to her son. Her gross earnings are used in the 185 percent eligibility test. Her gross earnings minus applicable work expense deductions are considered available to her son in any other eligibility test and in determining the amount of her son's FIP grant. There is no diversion of income to meet Ms. B's needs, because the lump sum is for this purpose.

3. Mrs. C is receiving FIP for herself and one child. Mrs. C receives a nonrecurring lump sum that makes them ineligible for FIP for 12 months beginning in October. She has a second child in the home who is not included in the eligible group because he receives SSI.

Mr. C, the children's father, enters the home in December and applies for FIP. When determining Mr. C's eligibility and benefits, the worker considers his income and any income Mrs. C has other than the lump sum. There is no diversion for Mrs. C's needs, because the lump sum is for this purpose.

The worker determines that Mr. C meets all eligibility requirements. There is no child in Mr. C's eligible group, but he can receive FIP as a separate one-person eligible group because he has an eligible child who receives SSI.

Conditions for Shortening Period of Ineligibility

Legal reference: 441 IAC 41.27(9)"c"(2)

The period of ineligibility can be shortened when:

- ◆ The standard of need increases. Recalculate based on the new standard.

Note: This example is for a period when lump sums were subject to retrospective budgeting.

A family of two with no other income receives a retroactive lump-sum benefit of \$3,000 in April 1991. The standard of need amount for a family of two is \$421. The family is ineligible for seven months, June through December; \$53 would be counted as income in January.

In July 1991, the standard of need for a family of two increases to \$719. The recalculation is done with the presumption that \$2,579 of the lump sum is still available, since the family should have budgeted \$421 for June.

The \$2,579 is divided by the increased standard of need amount of \$719. The family is ineligible for July through September; \$422 is counted as income in October. However, since the remainder exceeds the payment standard for two persons (\$361), the family will actually be ineligible for October also.

- ◆ All or a part of the lump sum is lost or stolen. The client must provide documentation of the loss or theft. Filing a report with law enforcement officials is acceptable documentation.

Ms. B and her child are ineligible for assistance for five months due to the receipt of a \$3,595 lump sum. Ms. B reports and documents that \$1,200 was stolen. The period of ineligibility is reduced to three months with \$238 remaining. ($\$3,595 - \$1,200 = \$2,395$; $\$2,395$ divided by $\$719 = 3$ months with \$238 remaining)

- ◆ The person controlling the lump sum no longer lives with the eligible group and the lump sum is no longer available to the group.

Recalculate the period of ineligibility and disregard any amount taken by the person who left the home. However, use the same standard of need figure for the recalculation that was used to calculate the original period of ineligibility.

1. Mr. and Mrs. C and their two children are FIP participants. On May 8, they report receiving a \$4,032 lump-sum payment on May 1. They are ineligible for four months, May through August ($\$4,032$ divided by $986 = 4$ with a remainder of $\$88$ to be applied against September should the family reapply).

In June, Mrs. C leaves the home and takes \$800 with her. The period of ineligibility is shortened by subtracting \$800 from \$4,032. The remaining \$3,232 is divided by \$986 to determine the new period of ineligibility ($\$3,232$ divided by $986 = 3$ months with a remainder of $\$274$).

The new period of ineligibility is May through July. \$274 will be applied against the August grant if the family reapplies.

2. Same as Example 1, except that Mrs. C does not take any of the lump sum with her when she leaves, because it is all spent by that time. The period of ineligibility remains unchanged.

- ◆ The client uses the lump sum for one of the following expenditures (unless there is insurance to cover the expense):
 - To pay for medical services for the former eligible group or their dependents that are allowable under Medicaid at the time the expense is reported. (Dependents are individuals who are or could be claimed as such for federal income tax purposes.)
 - To pay the cost of repairs to the homestead exceeding \$25 per incident which are necessary to keep the house habitable.
 - To replace exempt resources due to fire, tornado or other natural disasters.
 - To pay funeral or burial expenses. (Allow the expenditure whether or not the expenditure is for a person who could be claimed as a dependent.)

Verify these expenditures. "Expenditures" means the amount actually spent on the items, rather than the amount owed. Determine availability of insurance. Insurance must be used before applying the prorated funds.

Obtain and record your supervisor's approval of the expenditures and the new period of ineligibility. Document in the case record the calculation of the new period of ineligibility.

A two-member eligible group receives a \$4,050 lump sum (with no other income). ($\$4,050$ divided by $719 = 5$ months ineligible with $\$455$ to apply to next month) Allowing a medical expense of $\$850$ results in the ineligible period being reduced to four months with $\$324$ left over. ($\$4,050 - \$850 = \$3,200$ divided by $\$719 = 4$ months with a remainder of $\$324$)

If there was insurance available to pay $\$200$ of the expense, this would be used first, reducing the cost of medical to $\$650$. ($\$4,050 - \$650 = \$3,400$; $\$3,400$ divided by $\$719 = 4$ months with a remainder of $\$524$)

Self-Employment

Treat countable income (net profit) from self-employment the same way as earnings of an employee. Do not offset the loss from one self-employment enterprise against the profit of another one.

After establishing that the client is self-employed (see [Determination of Self-Employment](#)), calculate net profit by allowing the standard deduction of 40% or allowing actual allowable expenses (see [Determination of Net Profit](#)). How you apply the net profit depends upon when the income is received and allowable expenses are incurred. (See [How to Treat Self-Employment Income](#).)

Determination of Self-Employment

Legal reference: 441 IAC 41.27(2)"d"

Based on federal and state revenue department guidelines, consider a person to be self-employed when that person:

- ◆ Is not required to report to the office regularly except for specific purposes, such as sales training meetings, administrative meetings, or evaluation sessions.
- ◆ Establishes the person's own working hours, territory, and methods of work.
- ◆ Files quarterly reports of earnings, withholding payments, and FICA payments to the Internal Revenue Service.

Frequently a new employee is considered to be in an employee-employer relationship until that employee gains sufficient experience and knowledge of the company's mode of operation. The employee may then move to the status of a self-employed person.

A self-employed person may not file quarterly reports or an income tax return, but that does not change the person's self-employed status. For example, a person who baby-sits in the person's own home is considered self-employed, even though the person may not file any reports.

If it is difficult to identify whether a person is an employee or self-employed, you can:

- ◆ Ask the client to provide a written statement from the person or agency for whom the client works. If the person or agency considers the client to be self-employed, compute the income as self-employment income.
- ◆ Contact the Internal Revenue Service to determine if the IRS would consider the person to be self-employed or an employee.

If a person has income from self-employment, document your income calculation in the case file. Also evaluate all self-employment enterprises in terms of resource limits.

Determination of Gross Self-Employment Income

Policy:

Count all nonexempt income when determining gross self-employment income.

Gross income from providing child care in the client's own home includes the total payment received for the service, plus any payment received under the Child Nutrition Amendments of 1978 for the cost of providing meals to children.

NOTE: INCOME received from the Child Nutrition Amendments of 1978 must be reported and verified. Tell the client about this responsibility. Exempt as income and as a resource any portion of the payment for the client's cost of providing meals to the client's own children in the home.

Determination of Net Profit

Legal reference: 441 IAC 41.27(2)"e"

Policy:

"Net profit" means gross earnings minus:

- ◆ The standard deduction of 40% (see [Standard Deduction](#)), or
- ◆ Actual allowable business expenses (see [Actual Expenses](#)).

Procedure:

Households have the option to receive a standard deduction of 40% to cover the costs of producing the self-employment income or receive a deduction for the actual allowable expenses of producing the income. Work with the household to determine which method is the best for the household.

Determine the net profit of self-employment income through a review of past books or through records of the previous year's federal income tax report. If neither books nor tax records showing allowable expenses are available, allow the standard deduction when determining net profit.

Apply allowable earned income deductions to the net profit figure. Do not deduct a loss from self-employment from other income.

FIP policy does not follow all Internal Revenue Service (IRS) regulations in determining whether a given expense is deducted as an expense in the production of self-employment income. (Not all the expenses listed below can be claimed as deductions when a self-employed person files an income tax return.)

Document in the case record the method used to determine the net profit. After you have determined the net profit, enter the income figure into the ABC system.

Page 69 is reserved for future use.

Page 70 is reserved for future use.

Standard Deduction

Legal reference: 441 IAC 41.27(2)"e"

Policy:

When a client requests to have the standard deduction used, determine net profit from self-employment income by deducting 40% from the gross self-employment income received to cover the cost of producing the income.

NOTE: The client must state there are some allowable business-related expenses in order to get the 40% deduction.

Comment:

Ms. A is a self-employed child care provider who does not file tax returns. Ms. A provides verification of gross self-employment income of \$15,000 per year. Ms. A states she has expenses related to her child-care business.

The worker gives Ms. A the option of using the standard deduction or providing actual expenses to calculate net self-employment income. Ms. A requests to have the standard deduction used to calculate her net income. Her net self-employment income is calculated as follows:

\$ 15,000	
- 6,000	Standard deduction of 40%
\$ 9,000	$\$9,000 \div 12 = \750 per month net self-employment income

Actual Expenses

Legal reference: 441 IAC 41.27(2)"e" and "f"

Policy:

When the client requests to have actual expenses deducted, determine the net profit from self-employment income by deducting only the following expenses that directly relate to the production of such income:

- ◆ The cost of inventories and supplies purchased that are required for the business, such as items for sale or consumption, and raw materials.
- ◆ Wages, commissions, and costs (including cost for health insurance) relating to the wages for employees of the self-employed person. When the employee is a member of the eligible group, allow the person's wages paid as a deduction for the self-employed person, but also count the employed person's wages as income.
- ◆ The cost of shelter in the form of rent, the interest on mortgage or contract payments, taxes, and utilities.
- ◆ The cost of machinery and equipment in the form of rent, or the interest on mortgage or contract payments.
- ◆ Insurance on the real or personal property involved.
- ◆ The cost of any needed repairs.
- ◆ The cost of any required travel (other than the cost of travel from the home to the business).
- ◆ Any other expense that is directly related to producing income for the client.

Do not allow a deduction for:

- ◆ The purchase of capital equipment.
- ◆ Payment on the principal of loans for capital assets and durable goods.
- ◆ Any cost of depreciation on equipment, vehicles, or property.

NOTE: If the client fails to provide verification of actual allowable expenses, allow the standard deduction of 40% if you have verification of the client's gross self-employment income.

How to Treat Self-Employment Income

The following sections address treatment of:

- ◆ [Self-employment income and expenses that are received regularly](#)
- ◆ [Irregular income that can be annualized](#)
- ◆ [Income received irregularly for less than a year](#)

Income and Expenses Received Regularly

Legal reference: 441 IAC 41.27(9)"h"

Treat countable income (net profit) received on a regular basis from self-employment in the same way as the earnings of an employee.

Self-employment received on a regular basis is any income that is anticipated to be received on a daily, weekly, biweekly, semimonthly, or monthly basis. Some types of self-employment income that may be received on a regular basis are income from:

- ◆ Collecting bottles and cans for deposit refunds
- ◆ Sporadic spot labor (such as mowing lawns, shoveling snow, etc.)

Expenses must be incurred on the same regular basis as the income. That is, if the income is received monthly, the expenses must also be incurred monthly. If expenses are incurred less often than the income (for example, insurance, license fees, etc.), annualize the self-employment income.

Annualizing Income Received Irregularly

Legal reference: 41.27(9)"i"

Average annual self-employment income that is received on an irregular basis over a 12-month period, even if the income is received only within a short period in that 12 months.

Apply this policy when the income is received:

- ◆ Before the month of decision and expected to continue. (If it is not expected to continue, do **not** consider any self-employment income received before the month of application.)
- ◆ In the month of decision.
- ◆ After assistance is approved.

Annualize self-employment income over 12 months, even if income is received from other sources in addition to self-employment. The annualized self-employment income is used for a specific 12-month period of time that is called the "annualized period."

To determine the annualized income, either:

- ◆ Average the past 12 months of income, ending with the month before the month of decision, **or**
- ◆ Use the client's income tax return, if:
 - The return covers a full year of self-employment **and**
 - The return covers the calendar year before the year in which the computation is being done.

If you use the income tax form, establish the annualized period to coincide with the filing of the tax return. Filing of a tax return is not a change in earned income as defined. It is your responsibility to follow up and request a copy of the new tax return when the previously determined annualized period is about to expire.

For an **applicant**, an annualized period can be established to begin before the application. When a participant becomes subject to annualizing, you can make the initial "annualized period" for less than a full tax year, so that from then on the end of the annualized period coincides with the filing of the tax return.

1. Mr. X is a farmer. He applies for FIP in July 2006. The eligible group is within resource limits. The worker uses the income tax return covering the previous year to determine the income to be considered for the month of decision and prior days of eligibility (if applicable) and to establish the amount of the ongoing grant for Mr. X and his children.

Mr. X's income tax form was filed in February, and he anticipates filing in February each year. There are several options for establishing the annualized period, such as February 2006 through January 2007, March 2006 through February 2007, or beginning with a later month.

If the annualized period is established as March 2006 through February 2007, income prorated and applied to these months is applied to the FIP grant for the payment months of July 2006 through February 2007. If Mr. X is eligible, the monthly amount established is considered accurate until the annualized period ends.

2. Mr. Y terminates his self-employment on October 15 and applies for FIP on October 28. The worker does not count any self-employment income because the earliest effective date of FIP eligibility is November 4 (seven days after application), so October income is not counted.

If the household experiences a significant increase or decrease in business income, the tax return will not provide a good projection. In these cases, work with the household to arrive at the best estimate of future income.

Income Received Irregularly for Less Than a Year

Legal reference: 441 IAC 41.27(9)"i"(1)

If a client is self-employed in a business that does not produce a regular income, and the business has been in existence for less than a year, average the income over the period the business has been in existence. Project the monthly amount for the same period of time that the business has been in existence.

If the business has been in existence for only a short time and there is little income information, establish a reasonable estimate of income and expenses (either actual allowable expenses or the standard 40% deduction) with the client's help. Use this estimate for the first three months.

Average the actual income from the first three months and use that amount for the second three months. Average the actual income from the first six months, and use that amount for the next six months, then start annualizing for the next year.

Use the projected monthly income prospectively to determine eligibility and benefit level

Self-employment begins in February for an active FIP case. The projected income is used to compute the grant amount for March, April, and May.

Change in the Cost or Nature of Self-Employment

Legal reference: 441 IAC 41.27(9)"i" (3), (4) and (5)

Recalculate expenses when there is an established, permanent, ongoing change in operating expenses, such as an increase or decrease in rent payments, or in the cost of supplies.

When the cost for supplies increases, recalculate only if the client does not increase the cost of the service or product, thereby experiencing a loss in profit. There is no need to recalculate if the client increases the cost of the product or service because of increased costs in supplies.

Recalculate income and expenses when there is a change in the nature of the business, such as a salesman switching from selling one company's product to selling another company's product, or an insurance salesman decreasing or increasing the types of policies offered.

A change from full time to part time could be a change in the nature of the business. Normal fluctuations in income do not reflect a change.

Deductions

Discussion of deductions is divided into:

- ◆ [Those that apply to unearned or earned income](#)
- ◆ [Those that apply to unearned income only](#)
- ◆ [Those that apply to earned income only](#)
- ◆ [How deductions are applied](#)

Unearned or Earned Income Deductions

Legal reference: 441 IAC 41.27(4)

Allow from **either** unearned or earned income:

- ◆ Applicable diversions for persons not in the home (such as child support and alimony payments).
- ◆ Diversions for an ineligible or excluded person's needs, if appropriate.

See [FIP Parent's Income](#) for more information on diversions.

See [Earned Income Deductions](#) and [Unearned Income Deductions](#) for information on deductions allowed only for those types of income.

See [Applying Deductions](#) for information on how to apply the deductions.

Unearned Income Deductions

Legal reference: 441 IAC 41.27(1)

Deduct reasonable income-producing costs from the gross unearned income to determine net unearned income. Consider the income left after this deduction as gross income available to the eligible group.

"Cost" means the amount actually spent to produce the income, rather than the amount owed. Examples of income-producing costs are attorney fees, brokerage fees, a property manager's salary, and maintenance costs for rental property that is not owner operated. Also allow a deduction for taxes withheld, as described under [Taxes](#) earlier in this chapter.

See [Unearned or Earned Income Deductions](#) for information on deductions allowed for either unearned or earned income.

Earned Income Deductions

Legal reference: 441 IAC 41.27(2)

Two deductions allowable for earned income only:

- ◆ [20% earned income deduction](#)
- ◆ [58% work incentive deduction](#)

See also [Unearned or Earned Income Deductions](#) for information on deductions allowed from either earned or unearned income.

Do not allow a deduction for wages that are garnished. See [Diversion for Child Support](#) when wages are withheld for child support.

20% Earned Income Deduction

Legal reference: 441 IAC 41.27(2)"a"

Apply a 20% deduction to the gross nonexempt monthly earned income of each person whose income must be considered when determining eligibility and benefits.

The 20% deduction is intended to include work-related expenses, such as:

- ◆ Taxes
- ◆ Transportation
- ◆ Meals
- ◆ Uniforms

Persons eligible for the 20% deduction are:

- ◆ Persons in the eligible group.
- ◆ Parents who are ineligible because of their alien status.
- ◆ Parents who are excluded from the grant because they failed to:
 - Apply for or furnish a social security number for themselves, or
 - Apply for benefits from other sources.
- ◆ Parents who are ineligible because they are fleeing felons or probation or parole violators.
- ◆ Parents who are disqualified because they are convicted of having misrepresented their place of residence to get benefits from two or more states at the same time.
- ◆ Ineligible stepparents.
- ◆ Self-supporting parents of the minor parent.

58% Work Incentive Deduction

Legal reference: 441 IAC 41.27(2)"c"

After deducting the 20% earned income deduction and applicable diversions, deduct 58% of the total remaining monthly nonexempt earned income of each person whose income must be considered in determining eligibility and the amount of the grant. The 58% deduction is not time-limited.

Persons eligible for this deduction are:

- ◆ Persons in the eligible group.
- ◆ Parents who are ineligible because of their alien status.
- ◆ Parents who are ineligible because they are fleeing felons or probation or parole violators.
- ◆ Parents who are excluded from the grant because they failed to:
 - Apply for or furnish a social security number for themselves.
 - Apply for benefits from other sources.
- ◆ Self-supporting parents of the minor parent.

- ◆ Parents who are disqualified because they are convicted of having misrepresented their place of residence to get benefits from two or more states at the same time.
- ◆ Ineligible stepparents.

Ms. A receives FIP for herself and two children. Also in the home is another child who is not on the grant due to lack of a social security number. Mrs. A has \$700 gross earnings and \$100 unearned income per month.

\$ 700.00	Gross earnings
- <u>140.00</u>	20% earned income deduction
\$ 560.00	
- <u>69.00</u>	Diversion for the ineligible child ($\$495 - \$426 = \$69$)
\$ 491.00	
- <u>284.78</u>	58% work incentive deduction
\$ 206.22	Countable earnings
+ <u>100.00</u>	Unearned income
\$ 306.22	Combined earned and unearned countable income

Do not apply the 58% deduction in the 185% test (Test 1).

Do not apply the 58% deduction in the standard of need test (Test 2) when determining initial eligibility, regardless whether the person with the countable earnings is included in the eligible group.

See [Unearned or Earned Income Deductions](#) for information on deductions allowed for both earned and unearned income. See [Applying Deductions](#) for information on how to apply the deductions.

See [FIP Parent's Income](#) for information on diverting income. Also see [Stepparent Income](#) for specific instructions on stepparents' income.

Applying Deductions

Legal reference: 441 IAC 41.27(2) and (4)

The following chart states what income is subject to comparison for the three income tests:

Test 1 (applicants and participants):

Gross income (Include nonexempt earnings of a child who is less than a full-time student. If the person is self-employed, use the net profit figure. For income of stepparents, see [Stepparent Income](#). For income of self-supporting parents, see [Self-Supporting Parent's Income](#).)

Test 2 (applicant cases):

Gross earnings (Include earnings of a child who is less than a full-time student.)
Minus the 20% earned income deduction
Minus applicable diversions for persons **not** in the home
Minus applicable diversions for persons **in** the home
Plus any unearned income
Do not allow the 58% work incentive deduction

Test 3 (applicants and participants):

Gross earnings (Include earnings of a child who is less than a full-time student.)
Minus the 20% earned income deduction
Minus applicable diversions for persons **not** in the home
Minus applicable diversions for persons **in** the home
Minus the 58% work incentive deduction
Plus any unearned income

Apply allowable deductions in the following order:

1. 20% earned income deduction
2. Applicable diversions for persons not in the home (for example, child support and alimony payments)
3. Diversions for an ineligible or excluded person's needs, if appropriate
4. 58% work incentive deduction

Subtract these deductions in the order listed from earned income first. NOTE: Do not allow the 58% deduction when determining initial eligibility under the standard of need test.

When the person whose income must be considered has both nonexempt earned and unearned income, and the earnings are less than the allowable deductions, subtract any unused portion of deductions 2 and 3 from the unearned income. Consider the balance to be countable income.

When the person whose income must be considered has both nonexempt earned and unearned income, and earnings remain after applying the allowable deductions, add the unearned income to the remaining earned income. Consider the total as countable income.

Ms. B applies for FIP. She has two children. Her gross monthly earnings are \$1,000.

Test 1: \$1,000 gross income is less than \$1,570.65, the 185% of the standard of need for three persons. The household is eligible under Test 1.

Test 2:

\$ 1,000.00	Gross income
- 200.00	20% earned income deduction
<u>\$ 800.00</u>	Below the \$849 standard of need for three persons

The household is eligible under Test 2.

Test 3:

\$ 1,000.00	Gross income
- 200.00	20% earned income deduction
<u>\$ 800.00</u>	
- 464.00	58% work incentive deduction
<u>\$ 336.00</u>	

Countable income is less than \$426, the payment standard for three persons. The household is eligible under Test 3.

\$ 426.00	Payment standard
- 336.00	Countable income
<u>\$ 90.00</u>	FIP grant

FIP Parent's Income

The following sections explain:

- ◆ [Diversion of a parent's income for child support](#)
- ◆ [Diversion for the needs of an ineligible child](#)
- ◆ [Treatment of income when the FIP parent is under age 19](#)
- ◆ [Treatment of an excluded parent's income](#)

Diversion for Child Support

Legal reference: 441 IAC 41.27(4)"b"

When the parent is actually making payments, divert nonexempt earned and unearned income of the FIP parent to permit payment of court-ordered support to children (of the parent) who are not living with the parent. Allow the diversion for back child support as well as current child support.

Allow the diversion regardless whether the parent is on the grant (e.g., for an excluded parent, the ineligible companion in the home). NOTE: Child support may be deducted directly from Social Security disability income. The gross and net IEVS information may not reflect the child support payment. Verification other than IEVS is necessary in these cases.

Diversion for the Needs of an Ineligible Child

Legal reference: 441 IAC 41.27(11)

Divert nonexempt earned and unearned income of the FIP parent to meet the unmet needs (including special needs) of that parent's ineligible dependent children who live in the family group.

Ineligible children for whom a FIP parent may divert income include children who are ineligible aliens and children without social security numbers. Do **not** divert income to meet the needs of a child who is:

- ◆ Participating in a strike (see [4-C](#)).
- ◆ Sanctioned for refusing to participate in a mandatory PROMISE JOBS referral (see [4-J](#)).
- ◆ Required to be in the eligible group (see [4-C](#)) but has failed to cooperate, e.g., failed to apply for benefits from other sources such as unemployment benefits.

1. The household consists of Mrs. C and her two children, Bob and Tom. Tom is ineligible because he does not have a social security number. Mrs. C is employed. Mrs. C's income from her earnings is diverted to meet Tom's needs.
2. The household consists of Mrs. A; her two daughters, Jane, age 14, and Mary, age 17; and Mary's baby. Mary is sanctioned for failing to apply for all other benefits for which she may qualify. Mrs. A is employed. Income is not diverted from Mrs. A to meet Mary's needs.
3. The household consists of Mrs. B, her son Jim, age 5, and her son Tony, age 17. Tony is not in school and he refuses to participate in PROMISE JOBS. Mrs. B is employed. Income is not diverted from Mrs. B to meet Tony's needs.

The maximum income that may be diverted to meet the unmet needs of the dependent ineligible children is the difference between:

- ◆ The needs of the eligible group with the ineligible children **included**, and
- ◆ The needs of the eligible group with the ineligible children **excluded**.

A child is considered dependent until the child reaches age 18, as long as the child is in financial need according to FIP standards. A child is considered dependent at age 18 when the child:

- ◆ Is in need according to FIP standards, and
- ◆ Is a full-time student in a secondary school or the equivalent level of vocational or technical training, and
- ◆ Is reasonably expected to complete the program before reaching age 19.

Also divert the FIP parent's nonexempt income to meet the unmet special needs of the ineligible child (in both eligibility tests and in calculating the FIP grant).

Determining Needs of a Common Ineligible Child

This section applies to two-parent households with a common ineligible child and a parent who has one or more children from a previous relationship.

The household consists of Ms. A and Mr. B, their common child, and Ms. A's child from a previous relationship. The common child is not eligible for FIP because he does not have a social security number. Mr. B is not eligible for FIP because he does not have an eligible child. Only Ms. A and her child are eligible for FIP.

The FIP parent can divert income to the common child **only** when the income of the companion and the common child pass all three income tests for the ineligible companion and the ineligible common child. Also, the countable resources of the companion and the common child must be within limits.

Do not consider the income and resources of the companion's other ineligible children in the home. Use the income of each ineligible child to meet only that child's needs.

If the income and resources of the companion and the common child are within limits, determine the common child's needs.

- ◆ If income of the companion and the common child is sufficient to meet the needs of the common child, the FIP parent cannot divert.
- ◆ If the income of the companion and the common child is not sufficient to meet the common child's needs, the FIP parent can divert income toward the common child's **unmet needs**.

1. Ms. M applies for FIP for herself and her two children. Also in the home is her companion, their common child, and the companion's child from another relationship, who are not eligible for FIP.

Ms. M has \$300 per month unemployment income and wants to divert toward the common ineligible child. The common child has no income or resources. There are no special needs.

The companion has \$850 gross earnings per month and \$200 in a savings account. His child gets \$300 per month social security benefits, and he has \$1,000 in a savings account.

Step 1:

Determine the gross nonexempt income of the eligible group under the 185% test. Do not allow deductions or diversions in this test. Deny the application if gross income is above the limit.

Ms. M's gross income of \$300 is below the \$1,570.65 limit for the three-person eligible group.

Step 2:

Determine the nonexempt income of the ineligible companion and the ineligible common child under the 185%, standard of need, and payment standard tests. Do not include the income of the companion's other ineligible child in the home.

The companion cannot divert income to his other ineligible child in the standard of need and payment standard tests, because that child has enough income to meet the child's needs. (\$300 is more than the difference between a three-member group and a two-member group.)

\$ 850.00	Companion's gross earnings. Passes the 185% test (\$1,330.15 for two persons: the companion and the ineligible common child)
- 170.00	20% work expense deduction
\$ 680.00	Passes standard of need test (\$719 for two persons)
- 394.40	58% work incentive deduction
\$ 285.60	Passes the payment standard test (\$361 for two persons)

If the income of the companion and the common child had not passed one of the three income tests, the FIP parent could not divert income toward the needs of the ineligible common child.

Step 3:

Determine the common child's needs in relation to the eligible group.

\$ 986	Needs of the eligible group with the common child included
- 849	Needs of the eligible group with the common child excluded
\$ 137	Needs of the common child

Step 4:

Determine if the common child has unmet needs under the standard of need test.

\$ 850	Companion's gross income
- 170	20% earned income deduction
\$ 680	
- 419	(\$719 need for the companion and his child minus the child's \$300 income)
\$ 261	Available to meet the common child's needs

The \$261 exceeds the common child's needs of \$137. Thus, none of Ms. M's income can be diverted under the standard of need and the payment standard tests when determining FIP eligibility for her and her two children. Stop the calculation of diversion at this point.

2. Same as Example 1, except the companion has only \$200 monthly unearned income, and his child gets \$400 social security benefits per month. The common child has no income.

Repeat the procedures through Step 3 from the previous example, using the different income.

Step 4:

Determine if the common child has unmet needs under the standard of need test.

\$ 200	Companion's countable income
- 365	Diversion for the companion's needs only. The \$400 income of the companion's other child is sufficient to meet that child's needs of \$354 (\$719 diversion for companion and child minus \$365 diversion for companion equals \$354).
\$ 0	Available to meet the common child's needs of \$137

\$137 is the amount of Ms. M's income that can be diverted toward the common child's unmet needs when in determining FIP eligibility for Ms. M and her two children under the Standard of Need Test.

Step 5:

Determine the common child's needs using the eligible group's payment standard.

\$ 495	Needs of the eligible group with the common child included
- <u>426</u>	Needs of the eligible group with the common child excluded
\$ 69	Needs of the common child

Step 6:

Determine if the common child has unmet needs under the payment standard test.

\$ 200	Companion's countable income
- <u>183</u>	Companion's own needs
\$ 17	Available to meet the common child's needs

Step 7:

Determine the amount the FIP parent can divert toward the common child.

\$ 69	Needs of common child
- <u>17</u>	Available income from the companion
\$ 52	Unmet needs of the common child

\$52 is the amount of Ms. M's income that can be diverted toward the common child's unmet needs in determining FIP eligibility for Ms. M and her two children under the payment standard test.

3. Same as Example 1, except the companion's child has only \$60 social security income, and the common child has \$20 social security income.

Step 1:

Ms. M's \$300 gross income passes the 185% test for the three-person eligible group (\$1,570.65 for three persons).

Step 2:

Determine the nonexempt income of the ineligible companion and the ineligible common child under the 185%, standard of need, and payment standard tests. Do not include income of the companion's other ineligible child in the home.

\$ 850	Companion's gross earnings
+ <u>20</u>	Common child's social security income
\$ 870	Total gross income of the companion and the common child passes the 185% Test (\$1,330.15 for two persons)
\$ 850	Companion's gross earnings
- <u>170</u>	20% earned income deduction
\$ 680	
- <u>70</u>	Diversion for the companion's child under the standard of need test (difference between a three- and two-member group minus the child's income: \$849 - \$719 = \$130 - \$60 = \$70)
\$ 610	
+ <u>20</u>	Common child's social security income
\$ 630	Passes the standard of need test (\$719 for two)
\$ 850	Companion's gross earnings
- 170	20% work expense deduction
- <u>5</u>	Diversion for the companion's child under the payment standard test (difference between a three-member and two-member group minus the child's income: \$426 - \$361 = \$65 - \$60 = \$5)
\$ 675	
\$ 675.00	
- <u>391.50</u>	58% work incentive deduction
\$ 283.50	
+ <u>20.00</u>	Common child's social security income
\$ 303.50	Passes the payment standard test (\$361 for two)
Step 3:	
Determine the common child's needs in relation to the eligible group.	
\$ 986	Needs of the eligible group with the common child included
- <u>849</u>	Needs of the eligible group with the common child excluded
\$ 137	Needs of the common child
Step 4:	
Determine if the common child has unmet need under the standard of need test.	
\$ 850	Companion's gross income
- <u>170</u>	20% earned income deduction
\$ 680	Diversion for the companion and his child (\$719 - \$60 = \$659)
- <u>659</u>	
\$ 21	Available to meet the common child's needs

\$ 137	Common child's needs
- 21	Available from companion
- <u>20</u>	Common child's social security income
\$ 96	

\$96 is the amount Ms. M can divert toward the common child's unmet needs when you are determining FIP eligibility for Ms. M and her two children under the standard of need test.

Step 5:

Determine the common child's needs under the eligible group's payment standard.

\$ 495	Needs of the eligible group with the common child included
- <u>426</u>	Needs of the eligible group with the common child excluded
\$ 69	Needs of the common child
- <u>20</u>	Common child's social security income
\$ 49	Common child's needs

Step 6:

Determine if the common child has **unmet needs** under the Payment Standard Test.

\$ 850.00	Companion's gross earnings
- 170.00	20% work expense deduction
- <u>301.00</u>	Diversion for the companion and his child (\$361 - \$60 = \$301)
\$ 379.00	
- <u>219.82</u>	58% work incentive deduction
\$ 159.18	Available to meet the common child's needs

The \$159.18 exceeds the common child's needs of \$49. Thus, Ms. M cannot divert income toward the common ineligible child, when you are determining FIP eligibility for Ms. M and her two children under the Payment Standard Test.

FIP Parent Under Age 19

Legal reference: 441 IAC 41.27(5)"a"

When a minor parent (under age 18, never married or marriage was annulled) is living independently or with a nonparental specified relative, treat the minor parent's income as if that person had turned 18 years old.

When a parent under age 19 lives with that person's adult parent, treatment of the household's income depends on whether the adult parent receives FIP benefits or is self-supporting.

The following sections give more information on:

- ◆ [Income of an underage parent living with a parent who receives FIP](#)
- ◆ [Income of a minor parent living with a self-supporting parent](#)
- ◆ [Income of the minor parent's self-supporting parent](#)
- ◆ [Income of the spouse of the minor parent's self-supporting parent](#)

Underage Parent Lives With a Parent Who Receives FIP

Legal reference: 441 IAC 41.27(5)"a"

Treat the income of a parent under age 19 who is also an eligible child on the grant of the adult parent in the same way as the income of any other eligible child on the adult parent's grant. See [4-C, Age](#), for a definition of "child."

The same policy applies when the underage parent lives with a nonparental specified relative who assumes a parental role over the underage parent. If needy, the nonparental specified relative may be included in the eligible group.

Sue is 17 years old. She and her baby live with her mother, Mrs. Y, who receives FIP. The needs of Sue and her baby are included in Mrs. Y's eligible group. The income of both Sue and the baby is given the same consideration as that of any other eligible child.

This would be true if Sue was 18, was in secondary school or its equivalent full time, and was expected to complete the program before turning 19.

When the underage parent is subject to a sanction, remove that parent and child from the adult parent's case. If there are no other eligible children in the home, cancel the adult parent's case for that reason.

Once the underage parent and child are removed from the adult parent's case, the underage parent can apply for FIP for the baby only. A new application is required and a separate case established. The underage parent remains ineligible until the sanction is fixed.

Treat the underage parent's income the same as any other excluded parent's for determining eligibility and benefits for the baby. Consider any income of the underage parent the same as any other excluded parent, whether or not the adult parent remains FIP-eligible.

Ann is 16 years old. She has a baby and lives with her mother, Mrs. Z, who receives FIP for Ann and the baby. In December, Ann fails to apply for benefits from other sources. Even though both Ann and the baby are on the grant, only Ann is the child of Mrs. Z.

Therefore, when Ann becomes ineligible for FIP, Mrs. Z no longer has an eligible child in the home. Mrs. Z's case is canceled effective January 1. A new case is opened with Ann as the payee for her child. Ann's income is treated the same as any other excluded parent.

If the adult parent has other children and remains FIP-eligible, do not consider the adult parent's income on the minor parent's FIP case for the baby.

If the underage parent is a minor and continues to live with the adult parent who is no longer eligible for FIP, consider the underage parent as living with a self-supporting parent until the underage parent turns 18. See [Minor Parent Lives With Self-Supporting Parent](#) for details.

Minor Parent Lives With Self-Supporting Parent

Legal reference: 441 IAC 41.27(5)"b"

When a minor parent (under age 18) lives with one or both self-supporting parents (who do not receive FIP benefits), consider the income of each self-supporting parent in the household to be available when determining eligibility and benefits for the minor parent and the minor's child. See [Self-Supporting Parent's Income](#).

Treat the income of the minor parent in the same way as any other parent. Treat the income of the minor parent's child in the same way as the income of any other child receiving FIP.

Exempt the self-supporting parent's income when the minor parent turns 18 or marries, regardless of the minor parent's school attendance. See [4-G, When a Minor Parent Turns 18 or Marries](#).

Ms. B is 17 years old, and she lives with her self-supporting parents. Ms. B has a baby, age 2. Ms. B is employed and earns \$400 a month.

Because Ms. B is the parent of the dependent child, she is included in the eligible group with the child. In addition, her income and the income of her self-supporting parents are considered in determining eligibility and benefits for her and the child.

Remember that restricted income (social security, veterans benefits, etc.) paid to a self-supporting parent on behalf of the minor parent is considered unearned income to the minor parent, unless the representative payee is living outside the home. See [Representative Payee Income](#).

1. Ms. X is minor parent who lives with her self-supporting parents. Her parents receive Social Security retirement benefits that include \$150 a month for Ms. X.

The \$150 paid to Ms. X's parents on her behalf is considered as income when determining eligibility and benefit amount for the eligible group, regardless of the amount actually made available to the eligible group.

2. Ms. Q is minor parent who lives with her self-supporting father. Ms. Q's mother, who is not in the home, receives Social Security benefits of \$126 for Ms. Q. Ms. Q's mother gives \$100 to Ms. Q each month. She puts the rest of the money in a bank account for Ms. Q's education.

Because Ms. Q's mother is the representative payee and is living outside the home, only the amount of Social Security that she actually makes available (\$100) is considered as income when determining eligibility and benefit amount for the eligible group.

Consider child support payments received by a self-supporting parent on behalf of the minor parent as unearned income of the minor parent, and subject to the \$50 support exemption.

Ms. A is 17-year-old parent who lives with her self-supporting mother, who is the payee for child support. Ms. A's mother receives \$200 child support for Ms. A. Only \$150 (\$200 - \$50) is counted as income to Ms. A.

(The same would be true if Ms. A were 18 years old, because child support is income to the person for whom the support is paid, regardless of that person's age.)

Exempt the income of a minor nonparental caretaker living with self-supporting parents when the minor caretaker is not on the FIP grant.

Ms. D is 17 years old and earns \$400 a month. She lives with her self-supporting parents. In December, a nephew moves into the home. Ms. D applies for a nonparental caretaker case for the child. She will not be on the grant. Because Ms. D is not a parent of the nephew, her income and the income of her self-supporting parents are exempt.

Self-Supporting Parent's Income

Legal reference: 441 IAC 41.27(8)"c"

When a minor parent under age 18 lives with one or both self-supporting parents, treat the income of each self-supporting parent according to stepparent policies.

Apply the same deductions to the gross income that are applicable to stepparents' income except as otherwise specified. When a minor parent lives with both self-supporting parents, the self-supporting parent can divert income to meet the needs of the other self-supporting parent.

Treat nonrecurring lump-sum income the same way as if received by a stepparent. Also, do not divert income to meet the needs of a person living in the home who has been sanctioned under PROMISE JOBS, or who is required to be in the eligible group but has failed to cooperate. See [Stepparent Income](#).

1. Ms. A is a minor parent who receives FIP for herself and her baby. She lives with her self-supporting parents, Mr. and Mrs. A. Neither Ms. A nor her mother has any income. Mr. A has \$1,300 gross monthly earnings.			
\$ 1,300.00	Mr. A's gross income		
- 260.00	20% deduction		
\$ 1,040.00			
- 719.00	Diversion for Mr. and Mrs. A		
\$ 321.00			
- 186.18	58% deduction		
\$ 134.82	Attribute as unearned income to the FIP eligible group		
2. Ms. Z is 17 years old and is receiving FIP for herself and her baby. Ms. Z lives with her self-supporting parents, Mr. and Mrs. Z, and her two younger brothers.			
Ms. Z and her brothers have no income. Mr. Z has gross earnings of \$1,200 and Mrs. Z has gross earnings of \$500. Mr. Z pays \$250 in child support for a child not in the home.			
\$ 1,200	Mr. Z's gross income	\$ 500	Mrs. Z's gross income
- 240	20% deduction	- 100	20% deduction
\$ 960		\$ 400	Net income
- 250	Child support		
\$ 710	Net income		

\$ 710.00	Mr. Z's net income
+ <u>400.00</u>	Mrs. Z's net income
\$ 1,110.00	
- <u>986.00</u>	Diversion for Mr. and Mrs. Z and the other two children
\$ 124.00	
- <u>71.92</u>	58% deduction
\$ 52.08	Attribute as unearned income to the FIP eligible group

NOTE: Mr. and Mrs. Z and their two sons constitute one unit. It is not appropriate to split the diversion for their needs. Thus, their respective income that remains before the diversion is combined, and the 58% deduction applied to the remainder.

3. Ms. B is 16 years old. Ms. B is applying for FIP for herself and her one-year-old child. Ms. B lives with her self-supporting mother, Ms. A, who has gross earnings of \$1,000, and her younger sister, Ms. C, who gets \$300 in child support.

Self-supporting parent's income:

\$ 1,000.00	Ms. A's gross income
- <u>200.00</u>	20% deduction
\$ 800.00	
- <u>365.00</u>	Diversion for Ms. A
\$ 435.00	
- <u>104.00</u>	Diversion for Ms. C (* See calculation that follows.)
\$ 331.00	
- <u>191.98</u>	58% deduction
\$ 139.02	Attribute as unearned income to the FIP-eligible group

* Calculation of Ms. C's unmet needs:

\$ 300	Ms. C's child support
- <u>50</u>	Exemption
\$ 250	Countable child support
\$ 719	Diversion for household of two
- <u>365</u>	Minus Ms. A's needs
\$ 354	Ms. C's needs
- <u>250</u>	Ms. C's countable child support
\$ 104	Ms. C's unmet needs

Spouse of the Self-Supporting Parent

Legal reference: 441 IAC 41.27(8)"c"

A self-supporting parent's self-supporting spouse is the stepparent of the minor parent. When the self-supporting spouse is also living in the home, treat the spouse's income in the same way as a stepparent's income.

Consider the self-supporting parent and any dependents of that parent as one unit. Consider the self-supporting spouse and any dependents of the spouse (other than the self-supporting parent) as one unit.

Attribute the spouse's income to the self-supporting parent in the same way that the income of a stepparent is determined. Allow the same deductions as for a stepparent.

Treat nonrecurring lump-sum income in the same way as nonrecurring lump-sum income received by a stepparent.

Determine the unmet needs of the self-supporting spouse's ineligible dependents the same as you treat the dependents of a stepparent. Although the income of an ineligible dependent of the spouse is not attributable to the self-supporting parent, consider the income of the dependent in determining if the dependent has unmet needs.

Do not divert income of the spouse to meet the needs of the self-supporting parent. However, you may divert income of the self-supporting parent to the spouse, if the parent claims or could claim the spouse for federal income tax purposes.

Perform a double stepparent calculation to determine the income that is attributable to the eligible group.

Ms. B is 17 years old and receives FIP benefits for herself and one child. She lives with Mrs. Y, her self-supporting mother; Mr. Y, her stepfather; her two younger sisters; and her stepbrother. Mr. Y has \$1,150 gross monthly earnings. He pays \$100 per month child support for a child not in the home. Mrs. Y has gross earnings of \$1,080 per month.

Step 1. Determine the income of Mr. Y that is attributable to Mrs. Y.

\$1,150.00	Mr. Y's gross income
- 230.00	20% deduction
\$ 920.00	
- 100.00	Child support
\$ 820.00	
- 719.00	Diversion for Mr. Y and his child
\$ 101.00	
- 58.58	58% deduction
\$ 42.42	Attribute as unearned income to Mrs. Y

Step 2. Determine income of Mrs. Y to be attributed to the FIP group.

\$1,080.00	Mrs. Y's gross income
- 216.00	20% deduction
\$ 864.00	
- 849.00	Diversion for Mrs. Y and her two children
\$ 15.00	
- 8.70	58% deduction
\$ 6.30	Mrs. Y's countable income
+ 42.42	Income attributed from Mr. Y
\$ 48.72	Total unearned income attributed to the FIP group

Excluded Parent

Legal reference: 441 IAC 41.27(8)"a"(1), 41.27(11), and 41.28(1)

A parent who is living in the home with an eligible child but whose needs are excluded from the eligible group is eligible for the same work expense deductions as a parent who is included in the eligible group. This policy applies to parents who are:

- ◆ Excluded from the eligible group because they are ineligible aliens.
- ◆ Required to be in the eligible group but failed to cooperate.
- ◆ Ineligible because they are fleeing felons or probation or parole violators.
- ◆ Disqualified because they are convicted of having misrepresented their place of residence to get benefits from two or more states at the same time.

If the ineligible parent's income, along with any other income of the eligible group, passes the 185% eligibility test for the size of the eligible group, proceed as follows:

1. Deduct the 20% earned income deduction.
2. Allow diversions for the needs of an ineligible child and for verified court-ordered child support, if appropriate.
3. Allow a diversion to meet the needs of parents who are excluded from the eligible group because they are ineligible aliens. Do not consider these excluded parents as sanctioned.

The parent's need is defined as the difference between the needs of the eligible group with the parent included, and the needs of the eligible group with the parent excluded. Remember: Use the "Schedule of Living Costs" for the standard of need test and the "Schedule of Basic Needs" for the payment standard test. (See [4-F](#)).

Do not divert any income to meet the needs of a parent who is excluded because the parent:

- ◆ Is required to be in the eligible group as specified in [4-C](#) but has failed to cooperate, by not applying for:
 - A social security number for the parent, or
 - All other benefits for which the parent may be eligible.
- ◆ Is ineligible because the parent is a fleeing felon or probation or parole violator.
- ◆ Is disqualified because the parent has been convicted of misrepresenting the parent's place of residence to get benefits from two or more states at the same time.

Consider parents who are excluded for any of the preceding reasons as sanctioned.

NOTE: In two-parent households, when one or both parents are excluded, neither parent can divert income to meet the needs of the other. However, unless excluded due to sanction, each parent may divert income toward the parent's own needs.

4. Apply a 58% work incentive deduction from earnings that remain after deductions 1 through 3 have been subtracted from the earnings. EXCEPTION: Do not allow the 58% work incentive deduction when determining initial eligibility under the standard of need test for the eligible group.

When the excluded parent has both nonexempt earned and unearned income, and the earnings are less than the allowable deductions, subtract any unused portion of deductions 2 and 3 from the unearned income. Consider the balance to be countable income.

When the excluded parent has both nonexempt earned and unearned income, and earnings remain after applying allowable deductions, add the unearned income to the remaining earned income.

Apply all remaining income of the ineligible parent against the needs of the eligible group, using the gross income of the ineligible parent in the 185% eligibility test, in the standard of need eligibility test, in the payment standard eligibility test, and in determining the amount of the FIP grant.

1. Mr. A receives FIP for his two children. Mr. A is sanctioned for failure to apply for a social security number for himself. He has \$800 gross monthly earnings and pays \$200 per month child support for a child not living in the home.

\$ 800.00	Gross earnings
- 160.00	20% earned income deduction
\$ 640.00	
- 200.00	Child support
\$ 440.00	Countable earnings
- 255.20	58% work incentive deduction
\$ 184.80	Countable income
\$ 361.00	Payment standard for two
- 184.80	
\$ 176.00	FIP grant (rounded)

Mr. A is not allowed to divert income for his own needs due to the sanction.

2. The FIP household is composed of Mrs. E and her three children. Mrs. E is employed. Her deceased husband was a veteran, but Mrs. E refuses to apply for veterans benefits. Mrs. E's needs are removed. Her income cannot be diverted to meet her needs, because she has failed to cooperate.

3. The household composition on application is Mr. and Mrs. F and Mrs. F's four children by a previous marriage. Mrs. F is excluded because she is an ineligible alien. She is employed and has gross monthly earnings of \$1,000. The family has no other income and there are no special needs. Mrs. F applies for FIP on June 24, so the earliest effective date of eligibility is July 1.

Step 1: 185% eligibility test

Mrs. F's \$1,000 monthly gross earned income is less than the gross income limit of \$1,824.10 for a four-person eligible group. Income passes this test.

Step 2: Standard of need eligibility test

\$1,000.00	Mrs. F's monthly gross earnings
- <u>200.00</u>	20% earned income deduction
\$ 800.00	
- <u>106.00</u>	Diversion for Mrs. F's needs: the difference between the schedule of living costs for a five-member group (\$1,092) and a four-member group (\$986)
\$ 694.00	Countable income

The household's income passes this test. Countable income is \$694 and the standard of need for four persons is \$986.

Step 3: Payment standard test and grant calculation

\$1,000.00	Mrs. F's monthly gross earnings
- <u>200.00</u>	20% earned income deduction
\$ 800.00	
- <u>53.00</u>	Difference between the schedule of basic needs for a five-member group (\$548) and a four-member group (\$495)
\$ 747.00	
- <u>433.26</u>	58% work incentive deduction
\$ 313.74	Countable income.

The four children are eligible, since \$313.74 countable income is less than the payment standard for four persons (\$495)

\$ 495.00	Needs for a four-member eligible group
- <u>313.74</u>	From Mrs. F's income
\$ 181.00	Monthly grant (rounded down)

Stepparent Income

Legal reference: 441 IAC 41.27(8)"b"

When a stepparent is not included in the eligible group but is living with the parent **in the home of the eligible children**, treat the stepparent's income as you would the income of a natural parent except as otherwise specified.

When the stepparent enters an existing FIP household, treat the ineligible stepparent's income as described in [4-G, How to Treat the Income of a Returning Parent](#).

Similarly, when the FIP parent marries the companion who is in the home, start counting the stepparent's income received on or after the date of the marriage. This is because the stepparent relationship does not begin until that date.

When the stepparent living in the home is *not* included in the eligible group, consider the eligible group and any dependent, but ineligible children of the parent as one unit. Consider the stepparent as a separate unit. The common ineligible child is part of the stepparent's unit.

Count a nonrecurring lump sum received by a stepparent as income in the month received. Any income remaining after the stepparent's deductions are subtracted is considered unearned income available to meet the needs of the eligible group beginning the month after the change.

Consider any part retained by the stepparent in the month following the month of receipt to be a resource to the stepparent. (See 4-D, [Resources](#).) Do not calculate a period of ineligibility due to receipt of the lump sum unless the stepparent is included in the eligible group.

The following sections explain:

- ◆ [Income deductions allowed for stepparents](#)
- ◆ [Treatment of the parent's income in a stepparent case](#)

Deductions Allowed for Stepparents

Legal reference: 441 IAC 41.27(8)"b"

Allow the following deductions from the stepparent's monthly nonexempt gross earned income earned as an employee or the net profit from self-employment:

1. A 20% earned income deduction.
2. Any verified amounts the stepparent pays to persons who are not living in the home, but who are claimed (or could be claimed) by the stepparent as dependents for federal income tax purposes.
3. The stepparent's verified alimony and child support payments, made to persons not living in the home. The payments do not have to be court-ordered.
4. From the income that remains after deductions 1-3, allow a diversion for the needs of the stepparent and the stepparent's ineligible dependents living in the home whom the stepparent claims or could claim for federal income tax purposes (including the ineligible common child).

NOTE: Do not consider the stepparent's spouse (the FIP parent) as a dependent of the stepparent.

Determine the need of the stepparent and the stepparent's ineligible dependents in the home according to the Standard of Need for that size family.

EXCEPTION: Do not divert income to meet needs of a person living in the home who:

- ◆ Has been sanctioned for failing to cooperate with PROMISE JOBS, or
 - ◆ Is required to be in the eligible group but failed to cooperate.
5. Apply a 58% work incentive deduction to earnings that remain after deductions 1-4 have been subtracted from earnings. EXCEPTION: Do not allow the 58% work incentive deduction when determining initial eligibility under the 185% test or standard of need test for the eligible group.

Mrs. M and her two children apply for FIP. Also in the home is Mr. M, a stepparent who has \$800 gross earnings. He has no diversions except for his own needs. The family has no other income.

185% test: Compare the gross figure for a three-person FIP eligible group to \$800 earnings, minus 20%, minus \$365 diversion for Mr. M's needs.

Standard of need test: Compare the standard of need for a three-person FIP eligible group to \$800 earnings, minus 20%, minus \$365 diversion for Mr. M's needs.

Payment standard test: Compare the payment standard for a three-person FIP eligible group to \$800 earnings, minus 20%, minus \$365 diversion for Mr. M's needs, minus 58%.

When the stepparent has both nonexempt earned and unearned income and the earnings are less than the allowable deductions, subtract any remaining portion of deductions 2 through 4 from the unearned income. Apply any income that remains as unearned income to the eligible group.

If the stepparent has earned income that remains after allowable deductions, add any unearned income to the remaining earnings.

Apply the total remaining income of the stepparent after allowable deductions as unearned income to the eligible group. Except as noted in item 5, this is also the income that is applied to the eligible group for the determination of eligibility under the 185% standard, initial eligibility, continuing eligibility, and the amount of the FIP grant.

1. Mrs. A receives FIP benefits for herself and two children. She is married to Mr. A, a stepparent. Mrs. A has no income. Mr. A has gross earnings of \$850 per month.

\$ 850.00	Mr. A's gross income
- 170.00	20% deduction
\$ 680.00	
- 365.00	Diversion for the stepparent
\$ 315.00	
- 182.70	58% work incentive deduction
\$ 132.30	Countable income

\$ 426.00 Payment standard for three persons
 - 132.30 Countable income
 \$ 293.00 FIP grant (rounded)

\$132.30 is within the 185% limit for the three-person eligible group (\$1,570.65).

2. Mrs. B receives FIP benefits for herself and one child. Also in the home are her husband, Mr. B, and his child. Mr. B and his child do not receive FIP. They have no common children. Mr. B has gross earnings of \$1,000 per month. Mrs. B has \$500 gross earnings per month.

\$1,000.00 Mr. B's gross income
 - 200.00 20% deduction
 \$ 800.00
 - 719.00 Divert to Mr. B and his child
 \$ 81.00
 - 46.98 58% deduction
 \$ 34.02 Mr. B's countable income*

\$ 500.00 Mrs. B's gross income
 - 100.00 20% deduction
 \$ 400.00
 - 232.00 58% deduction
 \$ 168.00 Mrs. B's countable income

\$ 361.00 Payment standard
 - 168.00 Mrs. B's countable income
 - 34.02 Mr. B's countable income
 \$ 158.00 Mrs. B's FIP grant (rounded)

*\$ 34.02 Countable income from Mr. B
 + 500.00 Gross earnings from Mrs. B
 \$ 534.02 Countable income. Meets the 185% test for the two-person eligible group (\$1,330.15)

3. Mrs. D receives FIP benefits for herself and one child. Also in the home are her husband, Mr. D, and his child. Mr. D and his child do not receive FIP. They have no common child. Mr. D has gross earnings of \$500 per month and a VA pension of \$350 per month. Mrs. D has no income.

\$ 500 Mr. D's gross earnings
 - 100 20% deduction
 \$ 400
 - 719 Divert to Mr. D & his child
 \$ 319 Unmet diversion

\$ 350	Mr. D's VA income
- <u>319</u>	Remainder of diversion
\$ 31	Countable income. Meets the 185% test for the two-person eligible group.

\$31 countable income from Mr. D will be deducted from Mrs. D's FIP grant.

Do not consider the income of the stepparent's dependents to be available to the eligible group. However, consider their income when determining the amount of a dependent's unmet need. When determining unmet needs, treat the income of the stepparent's dependents in the same way that the income of a person in the eligible group is treated.

A mother and one child receive FIP. Also in the home are the stepparent and an ineligible common child. The stepparent receives unearned income of \$350 each month; the common child has unearned income of \$356 each month.

The common child's needs are \$354 (\$719 - 365). However, the child's excess income of \$2 cannot be used to meet the needs of the FIP eligible group. None of the stepparent's income is used to meet the needs of this child, since there is no unmet need.

Determine the needs of the stepparent's unit in all calculations based on the standard of need schedule.

1. The household consists of the stepparent, the stepparent's child (not in the eligible group), the parent, and the parent's child who receive FIP.

The stepparent and the stepparent's child comprise one unit with needs of \$719. The parent and the parent's child comprise a separate unit with needs of \$361.

2. The household consists of the stepparent, the stepparent's child (not in the eligible group), the common child, the parent who receives FIP and the parent's three children (one in the eligible group and two not in the eligible group).

The stepparent, the stepparent's child, and the common child comprise one household unit with needs of \$849. The parent and the parent's three children comprise a separate household unit with needs of \$495.

To determine the needs of any person (or group of persons) in either household unit, take the difference between the unit's needs with those persons included and the unit's needs with those persons excluded. Determine the needs of the common child in a stepparent case according to the standard of need.

1. The stepparent and an ineligible common child comprise the ineligible household unit. The common child's needs are \$354 (\$719 needs of a two-member group according to the standard of need, minus \$365 needs of a one-member group = \$354).
2. The parent and her three children comprise the parent's household unit. The parent and one child receive FIP. The needs of the parent's excluded children are \$134 (\$495 needs of four-member group according to the Payment Standard, minus \$361 needs of a two-member group = \$134).

Parent's Income in Stepparent Cases

Legal reference: 441 IAC 41.27(8)"b"(9)

When the income of the stepparent who is not in the eligible group is not enough to meet the needs of the stepparent and the dependent but ineligible children living in the home, divert income of the parent to meet the unmet needs of the children of the current marriage, i.e., the common ineligible children.

See [Diversion for the Needs of an Ineligible Child](#) for exceptions when the FIP parent cannot divert income to an ineligible common child.

The household consists of the stepparent, an ineligible common child, the parent, and the parent's child. The stepparent has countable income of \$500. The parent's income after allowable work expenses is \$248. The worker diverts from the parent's income to meet the needs of the common child.

\$ 719	Needs of the stepparent and the ineligible common child
- 500	Stepparent's income
\$ 219	Unmet needs of the common child
\$ 248	Parent's net income
- 219	Diverted to meet the unmet needs of the common child
\$ 29	Use for needs of eligible group
\$ 361	Needs of the eligible group
- 29	Parent's countable income
\$ 332	FIP grant amount

Do not divert the parent's income to meet the needs of the ineligible stepparent or the stepparent's dependent children living in the home.

The household consists of the stepparent, stepparent's child (not in the eligible group), parent, and parent's child. The stepparent has \$250 countable income. The parent has \$100 income after work expenses. None of the parent's income can be diverted to meet the unmet needs of the stepparent and the stepparent's child.