

30. Earned Income [EAS 44-101.5] [W & I Code 11451.5]

Earned income is income received either in cash or in kind from wages, salary, employer provided sick leave benefits, commissions or profit from business activities. The individual may be either self-employed or an employee.

30.0.1 Inclusions

Earned income also includes the following:

- Earnings over a period of time for which settlement is made at one given time, such as in the sale of farm crops, livestock, etc.
- Returns from real or personal property, such as net income from the rental of rooms or room and board. These returns must result from an effort on the part of the applicant or recipient.
- Earnings under Title 1 of the Elementary and Secondary Education Act, and wages paid under the Workforce Investment Act (WIA). [[Refer to “Room and Board Income or Room Rental,” page 30-2](#) for more information on WIA income.]
- Payments under the Economic Opportunity Act, including payments to beneficiaries of assistance under the act, through such programs as the Neighborhood Youth Corps, New Careers, and Concentrated Employment.
- Training incentive payments and work allowances under ongoing manpower programs, other than Employment Services and WIA.
- Earnings from On the Job Training (OJT).
- Under Federal policy, sick pay is considered to be earned income because it is provided by an employer to an employee during a temporary period of illness. It is a continuation of income at less than, or at the same, rate as regular wages.

30.0.2 Exclusions

Earned income does not include:

- Loans and grants, such as scholarships, obtained and used under conditions that preclude their use for current living costs.
- Benefits (other than those that meet the definition of earned income) accruing as compensation, or reward for service, or as compensation for lack of employment (for example, pensions and benefits, such as veterans benefits).

- The training allowances paid to a recipient in the WIA program. The expense allowance paid to an adult WIA participant is applied against the actual expenses of training in determining net income. Only the amount that exceeds the expenses is counted as income.
- Income received from Public Service Employment, other than earnings.
- Disability based income such as:
 - State Disability Insurance (SDI, DIB)
 - Private Disability Insurance (PDI)
 - Temporary Workers Compensation (TWC)
 - Temporary Disability Indemnity (TDI), and
 - Social Security Disability Insurance (SSDI).

[Refer to “Disability Based Income [W & I Code 11451.51],” page 29-1].]

- United States Census income to temporary workers.

30.1 Room and Board Income or Room Rental

All income from room and board or room rental is considered self-employed income. The actual income received minus any allowable business expenses is counted as earned income to the AU. [Refer to “Self-Employment,” page 31-1].]

30.1.1 Shared Housing

There is no income counted to the AU when:

- The applicant/recipient is in a shared housing situation, and
- The other member of the household pays his/her share of the housing costs directly to the applicant/recipient, and
- It is documented that this is definitely a shared housing situation.

30.2 Earned Income in Kind

If the recipient is employed and a portion of or all of the compensation from the employer is in the form of income in kind, then the income in kind chart value for that size AU or the actual verified value, whichever is less, shall be considered as part of the gross earnings subject to all work related disregards, as applicable.

**Example:**

A customer is the manager of the apartment complex in which she lives. She receives no cash from the owner, but he does not charge her any rent. The average rental cost for the apartments in this complex is \$475. The EW must compare the \$475 to the chart value of housing for her size AU and would count the lesser of the chart value or the \$475 as earned income in the CalWORKs budget.

**Example:**

A customer is the assistant manager of the apartment complex in which she lives. She receives a rent reduction of \$300 monthly; however, she must pay \$250 rent for her apartment. In this case, there is no income in kind as she is receiving a partial item of need and does not receive any cash.

30.3 Employment Services Income

The only payments currently made to customers under the Employment Services program are reimbursements for training related expenses such as:

- Child care
- Transportation
- Special clothing
- Books, etc.

These reimbursements are totally exempt whether paid before or after the fact.

**Note:**

Some customers may be placed in a WIA component. Any income received from WIA will be treated according to the WIA guidelines below.

30.4 WIA Income

On July 1, 2000 the Workforce Investment Act (WIA) of 1998 replaced the Job Training Partnership Act (JPTA). WIA effects many other federally-funded employment and training, literacy and vocational rehabilitation programs, and offers a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided in local communities can benefit job seekers, laid off workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers.

The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills improvement by participants. This, in turn, improves the quality of the workforce, reduces welfare dependency, and improves the productivity and competitiveness of the nation.

30.4.1 Types of Payments

The WIA of 1998 provides for several types of payments for participants, as follows:

- **Wages for Work Experience Programs.** Wage rates must not be less than the higher of the federal, state or local minimum wage, or the prevailing rate of pay for individuals employed in similar occupations by the same employer.
- **Need Based Payments, (sometimes called “living allowance”).** Where necessary, need based payments may be provided in accordance with a locally developed formula or procedure to enable individuals to participate in a training program.
- **Payments for Supportive Services.** Cash or in kind assistance may be provided to cover supportive services which are necessary to enable an individual, who is eligible for training but who cannot afford to pay for such services, to participate in a training program. Such payments cover transportation, health care, child care, meals, etc.
- **Compensation in Lieu of Wages.** Compensation in lieu of wages must be provided for participants in tryout employment at private for profit work sites or at public and private nonprofit work sites when private for profit work sites are not available. Individuals in tryout employment may not participate more than 20 hours per week during the school year or 250 hours per assignment.



Note:

If there is some question as to the type of compensation or payment the customer receives, the EW must contact the WIA provider for clarification.

30.4.2 Treatment of WIA Income Received by a CalWORKs Child

When a CalWORKs child receives wages from WIA, the wages are earned income (i.e., Summer Youth Employment {SPEDY}) and exempt for both income eligibility (including the recipient net income test) and grant determination.

When the CalWORKs child's income from WIA is training allowances or reimbursements from WIA, they are exempt for both income eligibility (recipient net income test) and grant determination.

30.4.3 Treatment of WIA Income Received by an Adult

If an adult in the CalWORKs AU receives wages from WIA, the wages are to be considered earned income and the Earned Income Disregard are applied along with the earned income sanctions, if appropriate.

When an adult in a CalWORKs AU receives training allowances or reimbursements, these will be exempt as income to the extent that the payment does not exceed the actual cost of the expense. These include need based payments (sometimes called “living allowance”) and supportive payments.

- Actual training-related expenses are deducted.
- Any remainder is unearned income.
- Expenses must be verified.



Example:

A customer receives a training allowance of \$250 monthly to cover the cost of child care. The actual cost is \$275 per month, so there is no income to the AU. However, if the actual cost was \$200 per month, the remainder (\$50) would be counted as unearned income.

If the adult receives income in kind, it shall be treated as any other income in kind provided to an CalWORKs recipient.



Note:

Persons in the residential Job Corps are considered temporarily absent from their homes. Their home is still being maintained; they usually go home on weekends. They only receive two meals a day. The in kind benefits that they receive are partial and therefore exempt.

30.5 Job Corps

30.5.1 Treatment as Income

Job Corps participants who are adults receiving payments which meet the definition of earned income are allowed the Earned Income Disregard.

Job Corps payments which meet the definition of earned income and are paid to a dependent child are exempt from consideration of income in the recipient net income test.

Payments from Job Corps other than wages, which are intended for and used to cover non-need items, such as child care, supplies, etc., do not meet the definition of income. These payments are exempt from consideration as income because they are unavailable to meet the current needs of the customer.

30.5.2 Income In Kind

Any need item provided for a Job Corps participant who is absent for the entire month is considered exempt as a partial item of need, unless the need item is provided in full for the entire AU.

30.5.3 Readjustment Allowance

The readjustment allowance paid at the end of the training is considered unearned lump sum income. Count the amount remaining after taxes and any other Job Corps deductions.

30.6 Targeted Assistance

Targeted Assistance is funds received by refugees who are participating in the Targeted Assistance Program.

- Policies regarding the WIA income of the CalWORKs child also apply to Targeted Assistance for refugee children.
- Policies regarding the WIA income of the CalWORKs adult also apply to Targeted Assistance for refugee adults.

30.7 Contract Earnings

Generally, contract earnings are counted as received. However, when a recipient has an annual contract of employment and receives income from that contract in fewer than 12 months but more than 8 months, that income is to be prorated over the entire period of the contract.



Note:

This usually occurs with teachers. The contract runs from September through the following August. The teacher is paid in the months of September through June. Take the annual amount, divide by 12, and count the result as earned income each month.

30.8 Profit Sharing Income

In most situations, profit sharing is earned income.

- It is included in the gross earnings when received.
- The client receives the Earned Income Disregard.

30.8.1 Retirement Plans

With a few employers, profit sharing is used as a retirement plan.

- The employees make a voluntary contribution to the plan out of their wages and employer provides matching funds.
- When the employee retires, the funds received must be separated by the percent of employee contribution (counted as converted property) versus the percent of employer contribution (counted as unearned retirement income).

30.9 Salary Advances [44-101.5]

Salary advances are counted as earned income in the month received and are entitled to the Earned Income Disregard.

In the month the advance is deducted from the recipient's check, deduct the advance before applying any Earned Income Disregard.

30.10 Tips

Tips are earned income and entitled to all Earned Income Disregard.

- Tips must be counted as received, whether or not they are shown on the check stub or taxed for IRS purposes.
- The customer must report the tips received based on the payroll period, e.g., if paid weekly, then tips would be reported on a weekly basis.



Note:

The “Daily Tip Statement” (CSF 34) is available for customers to keep track of their monthly tips.

**Exception:**

A recent law requires employers of waiters and waitresses to report 8% of the employee's gross income as tips, and to make that amount subject to withholding. There are discrepancies in the interpretation of this law, so the state has adopted the following policy:

- While other occupations may also receive tips, when the customer is employed as a waiter/waitress, and receives tips, accept the customer's statement concerning the amount received in tips. This may be in conflict with the amount shown on the pay stub. **THIS IS THE ONE AND ONLY CIRCUMSTANCE WHERE IT IS ACCEPTABLE FOR AN AMOUNT REPORTED BY THE customer TO DIFFER FROM WRITTEN EVIDENCE.**
- There must be complete documentation on the SC 163, stating why a different amount is being accepted. It is the customer's responsibility to substantiate his/her claim.

**Note:**

Waiters and waitresses must report the total amount of tips for each pay period on their SAR 7, not just the difference between what they actually receive and what is shown on the pay stub (e.g., customer's pay stub shows \$18 in tips, the customer states that the actual amount received is \$25, the customer must report \$25 on the SAR 7, not the \$7 difference).

30.11 Meals

When a waitress or waiter receives meals from the employer, this is considered partial income in kind and is exempt unless the customer receives all meals free of charge.

**Example:**

If the customer spends anything for food for himself/herself, income in kind is not counted.

The cost of the meals must be shown by the employer on the check stubs for tax purposes.

- Meals are usually included in the gross amount.
- When meals are included in the gross amount, do not include that amount as gross earnings.

30.12 Vacation Pay [44-101.5]

Most vacation pay is counted as earned income when received.

If the recipient has accumulated vacation pay through mandatory deductions on the regular pay check (truckers, electricians, plumbers and others who are paid vacation by a union rather than by an employer) do not allow the Earned Income Disregard. The EW will follow the procedures to register the U-Parent with Employment Services. [Refer to "Employment Services Referrals," page 55-1.]

- When meals are included in the gross amount, do not include that amount as gross earnings.

30.13 Treatment of Excluded Persons Income [44-133.5]

Under CalWORKs, there is only one budgeting method, regardless of why certain persons are excluded from the AU. Sanctioned persons (excluded for cause) are not considered a Non-AU member. The income of the sanctioned individual is used in the budgeting process allowing the appropriate disregards, but the needs of the sanctioned person are not allowed.



Important:

Current Income Disregard and MAP values must be used in calculations. Income Disregard and MAP values below may not be current values.



Example:

The family consists of a mother and her two children. She has been deleted from the AU for failing to cooperate with Employment Services. She has a part time job babysitting for \$700.00 monthly. She has no dependent care expenses. Her budget computation is as follows:

Income to AU:		
Gross earned income		\$700
Less Income Disregard		<u>- 500</u>
Income to AU		\$200
Less 50% Disregard		<u>- 100</u>
Net Income to AU		\$100
Grant Determination:		
MAP for AU (10/19)		\$696
Less Income from Excluded Parent		<u>- 100</u>
Potential Grant		\$596
MAP for AU (10/19)		\$696

Comparison of potential grant of \$596 and MAP of \$696, issue the lesser of the two. The AU is eligible for \$596.

