

20. Non-MAGI MC Income

Non-MAGI income is considered countable only when it is received by a member of the Medi-Cal (MC) Family Budget Unit (MFBU) and currently available.

[Refer to “Available Income,” page 20-2]

Income is considered to belong to the person who:

- Is named on a check, paystub, income receipt, etc.
- Is given cash
- Receives income-in-kind

Multiple Owners

Payments made in the name of more than one person must be evenly divided among all named individuals unless there is a document that specifies a portion of income for each individual.

Representative Payees

Income received in the name of an applicant/recipient must not be considered available when:

- He/she receives the income as a representative payee, conservator, or guardian on behalf of another person, and
- The payee has no ownership interest in the income or its source.

Trusts

Income from a trust must be considered available as specified in the trust document.



Note:

If not specified in the trust, consider the income available as specified above.

20.1 Income Definitions

20.1.1 Unconditionally Available Income

Unconditionally available income is income that is potentially available to the client if they claim and accept it. The applicant or recipient must, as a condition of MC eligibility:

- Apply for all unconditionally available income, and
- Cooperate with the Eligibility Worker (EW) in providing any necessary verification.

Unconditionally available income types include:

- Disability insurance Benefits.
- Veterans benefits.
- RSDI benefits.
- Other income that is available to the client if they apply for it.
- Unemployment insurance benefits.
- PERS payoff, if client is no longer in PERS employment.



Note:

Applicants/recipients are not required to apply for early retirement benefits as doing so would require their agreeing to a reduced benefit.

Public Assistance benefits (i.e. CalWORKs, SSI/SSP) are not considered unconditionally available income.

Non-Cooperation

Individuals that refuse to apply for and accept unconditionally available income are ineligible for MC. Only their eligibility will be affected; the rest of the MFBU can still be eligible if all other eligibility criteria are met.

20.1.2 Available Income

Income which is actually available to meet the current needs of the MFBU must be considered in the budgeting computations.

Income is considered available in the month it is received. It is considered to be received on the day it becomes available for use by the individual.

**Exception:**

Income apportioned over a period of time is not considered available income. [Refer to apportioned income section 9.2.2]

20.1.3 Unavailable Income

Income which is NOT available to meet the current needs of an MFBU must not be used in the budget computation.

**Exception:**

Garnishments are considered available income.

Federal and state taxes which are withheld monthly from pensions, annuities, and from other types of deferred income must NOT be considered unavailable income. Count the gross amount of pension benefits as unearned income.

Unavailable income includes, but is not limited to:Contributions

The portion of a contribution that is from a person who is living in the household:

- With no legal responsibility to support (for example, an unrelated adult male, adult child, a non-family member, or excluded child) AND,
- Used to meet that person's share of housing, utilities, food and other household costs. If actual costs are unavailable, the generic income-in-kind values will be budgeted in CalWIN.

Board & Care

Unavailable income includes the portion of monthly income of a Medically Needy person who is residing in a licensed board and care facility which is:

- Paid to the facility for residential care and support, AND
- In excess of the appropriate Maintenance Need Level for individuals living in the home.

The amount allowed is only what the client is actually paying the licensed board and care facility. If the cost equals or exceeds the total income, then:

- Documentation must be clear as to how the cost is being met and what amount the client actually pays.
- Do not allow that portion of charges that is paid by someone else (relatives, friends, and so on).



Example:

Mr Ace. resides in a Board and Care facility and pays \$700 per month for his care and support in that facility. He receives \$795 per month in Social Security benefits. The Maintenance Need is \$600 per month. The difference is considered unavailable income when computing the share of cost.

\$700	Paid to the facility
-600	Maintenance Need (effective 6/92)
\$100	Unavailable Income

The income deduction is the higher of Unavailable Income or the Standard Personal Care Services Income Deduction of \$315. [Refer to “Court Orders,” page 40-1]

Advance Earnings

An advance or reimbursement from an employer to cover expenses which are necessary for job performance, to the extent that it does not exceed the actual out-of-pocket costs of the employee, is unavailable income.

Overpayment Adjustments

Amounts deducted from a client's benefit payment by a public or private agency for the purpose of collecting a previous overpayment of the benefit is treated as unavailable income.

Such benefits include:

- Entitlement payments.
- Payments due to a recipient's impairment, disability, or unemployment.
- Retirement, pension or annuity rights.

20.1.4 Exempt Income

Irregular or Infrequent

Unearned Income

The first \$60 of sporadic unearned income per calendar quarter is exempt if either of the following conditions are met:

- The income is received not more than twice per quarter, OR
- The income cannot be reasonably anticipated.

Earned Income

Earned income not exceeding \$30 per calendar quarter is exempt if either of the following conditions are met:

- The income is received not more than twice per quarter.
- The income cannot be reasonably anticipated.

Temporary Census Income

All wages paid to an individual by the Census Bureau for temporary employment related to current or future census activities.

Interest

Interest income from any source, including the client's checking or savings account can usually be estimated and anticipated. However, EWs can exempt the first \$60 of interest which is not received more than twice per quarter.

Use the following chart to determine the treatment of certain interest payments:

Table 60: Treatment of Interest Payments

If the interest is...	Then...
Paid monthly (any amount)	Include in budget as unearned income.
Less than \$60 per quarter and received quarterly	Exempt the entire interest payment as "Irregular or Infrequent" income.
More than \$60 per quarter and received quarterly	Exempt the first \$60 of interest as "Irregular or Infrequent" income. Divide the remainder by 3 and include in the monthly budget as unearned income.

Student Income

Earned income, including earnings from WIA after the initial six months' exemption has expired, of an AFDC-MN or MI child is exempt if the child is either:

- A full-time student (as defined by the school he/she attends) or
- A part-time student with a school schedule that is equal to at least one-half of a full-time curriculum, and who is not employed full-time.

School attendance is defined as enrollment and attendance in a school, college, university, or in a course of technical or vocational training designed to fit the child for gainful employment. It includes participation in the Job Corps program under the Economic Opportunity Act.

Part-time employment is defined as less than 173 hours per month.



Note:

A student, 18-21 years old, applying for or receiving MC on their own behalf, is considered an adult and the student exemption is NOT applicable.

Child Under 14 Years

Earnings of a child under 14 are exempt.

Earned Income Tax Credit

Any Earned Income Tax Credit received is exempt, whether received as an advance payment or as a tax refund.

Property Tax Refunds

Refunds or rebates of taxes on real property are exempt.

Child/Spousal Support Disregard

The first \$50 of each month's child/spousal support, either provided voluntarily or by court order, which is received in the current month and/or paid by the absent parent in the month due, are exempt.

**Note:**

This will allow individuals to keep \$50 from each month's child/spousal support payment in situations where the absent parent is paying timely, but the custodial parent receives a lump sum due to administrative procedures (e.g., the Family Support Division, garnishments, etc.)

Only one \$50 disregard is allowed from the total child support payments received by the MFBU, even though child support is being received from more than one absent parent.

Public Assistance Grants

The following public assistance grants are exempt:

- CalWORKs (including CWES payments received while eligible for CalWORKs)
- CalWORKs Immediate Need Payments
- Refugee Cash Assistance (RCA)
- Entrant Cash Assistance (ECA)
- Resettlement and Match Grants from a Voluntary Agency (VOLAG)
- *King v McMahon* or *Ball v Swoap* payments (\$100 per month compensatory payment when State Hearing Decision is not timely)
- SSI/SSP
- SSI/SSP Special Circumstances payments
- SSI/SSP Emergency Loan payments
- General Assistance payments
- Cash Value of Food Stamps
- Retroactive Court Ordered payments (for example, *WRL v McMahon*, *Lowry v Obledo*).

Social Services Payments

Payments received for social services under Title XX of the Social Security Act, whether provided in-kind or as a direct payment to the individual for purchase of designated services, are exempt. This includes, but is not limited to:

- In-Home Supportive Services (IHSS)

- Child care
- Training and rehabilitation services

Needs-Based Assistance

Payments furnished by the state or any similar political jurisdiction, which meet all the following criteria, are exempt:

- Regularly on a periodic basis at least once a quarter or made to a specific group or class of individuals in similar situations, and
- In cash or any negotiable instrument, and
- In an amount based on the need of the individual.

Exempted by Public Law

Payments made pursuant to public law which are specifically exempted from consideration in eligibility determinations, including:

- Home Energy Assistance
- Disaster Assistance [[Refer to “Disaster Assistance,” page 20-15](#)]
- Payments Distributed Under the Maine Indian Claims Settlement Act of 1980

Payments from the following (and similar sources) are exempt:

- Short-Doyle Funds
- Regional Centers for the Developmentally Disabled
- Probation Departments
- Cash Assistance Program for Immigrants (CAPI).

Federal Housing Assistance

Federal Housing Assistance payments are exempt and may be in the form of rent subsidies, loans, or partial house payments under the:

- U.S. Housing Act of 1937
- National Housing Act
- Title V of the Housing Act of 1949
- Housing and Urban Development Act of 1965.

Training Expenses

Payments for training expenses paid to individuals participating in the Department of Rehabilitation training programs are exempt.

Foster Care Payments

Payments from any source received by a foster parent for the care of a foster child are exempt, except for:

- Payments made to a foster parent when a foster child is temporarily absent from the foster home for a month or more.
- Payments made to ensure availability of a room or rooms for foster children.

Adoptive Assistance Payments

Adoptive Assistance Program (AAP) payments are exempt.

Loans, Grants, Scholarships, and Fellowships

Title III Loans

Loans made under Title III of the Federal Economic Opportunity Act, Special Program to Combat Poverty in Rural Areas are exempt.

Title IV Student Assistance

Educational loans and grants awarded to graduates or undergraduates under Title IV of the Higher Education Act, are exempt as income, including the following student assistance programs:

- PELL Grants (formerly Basic Educational Opportunity Grants (BEOG))
- Federal Supplemental Educational Opportunity Grants (SEOG)
- Perkins Loans (formerly National Direct Student Loans)
- Stafford Loans (formerly called the Federally Insured Student Loan Program; includes subsidized and unsubsidized loans; the latter are also called Federal Unsubsidized Loans.)
- California State Scholarships (Cal Grant A)
- College Opportunity Grants (Cal Grant B)
- Occupational, Educational Training Grants (Cal Grant C)
- College Work Study
- Federal Parent Loan for Undergraduate Students (PLUS) Loans
- Federal Direct Loan Demonstration Program (phase in program, commencing in 1994; will replace Stafford Loan Program)
- Federal Supplemental Loans for Students

- Byrd Honors Scholarships
- Income Contingent Direct Loan Demonstration Program
- Special Programs for Students whose Families are Engaged in Migrant and Seasonal Farm Work (CAMP)
- Bureau of Indian Affairs Educational Assistance
- Upward Bound
- Presidential Access Scholarships
- National Student Savings Demonstration Program
- Federal Consolidation Loans
- Paul Douglas Teacher Scholarship Program
- Special Child Care for Disadvantaged
- Model Program Community Partnership and Counseling Grants

Other

Other loans, grants, scholarships, or fellowships awarded to undergraduate or graduate students, are exempt if:

- The award specifically limits the use of the funds for purposes other than current living needs, and
- The funds would not be available if used for any purpose other than the one specified.

Victims of Violent Crimes Program

Victims Compensation payments made by ANY state are considered exempt property for nine (9) months following the month of receipt.

Clients who report the receipt of a Victim Compensation Program payment must provide verification of the source of the payment.

Relocation Assistance

Exempt payments made by a public agency to a person who has been relocated due to:

- Redevelopment
- Urban renewal
- Freeway construction
- Any other public development involving demolition or condemnation of existing housing.

Indian Claims

The following payments to Indians and to Alaskan natives are exempt:

- Payments made under Public Law 90-507 (these payments are considered personal property rather than income)
- Per capita payments made under Section 6 of Public Law 87-775 and 92-254
- Per capita payments distributed pursuant to any judgment of the Indian Claims Commission or the Court of Laws in favor of any Indian Tribe
- Payments made to Alaskan Natives under the Alaskan Native Claims Settlement Act



Note:

Income obtained from stock investments under the Alaskan Native Claims Settlement Act is not exempt.

Income derived from lands held in trust and distributed by the federal government to members of the following Indian tribes are exempt. There is no limit to the amount of income which may be exempted.

- Bad River Band of the Lake Superior Tribe of Chippewa Indians of Wisconsin
- Blackfeet Tribe, Blackfeet, Montana
- Cherokee Nation of Oklahoma, Oklahoma
- Cheyenne River Sioux Tribe, Cheyenne River, South Dakota
- Crow Creek Sioux Tribe, Crow Creek, South Dakota
- Lower Brule Sioux Tribe, Lower Brule, South Dakota
- Devil's Lake Sioux Tribe, Fort Totten, North Dakota
- Fort Belknap Indian Community, Fort Belknap, Montana
- Assiniboine and Sioux Tribes, Fort Peck, Montana
- Lac Courte Oreilles Band of Lake Superior Chippewa Indians, Lac Courte and Oreilles, Wisconsin
- Keweenaw Bay Indian Community, L'Anse, Michigan
- Minnesota Chippewa Tribe, White Earth, Minnesota
- Navajo Tribe, Navajo, New Mexico
- Oglala Sioux Tribe, Pine Ridge, South Dakota
- Rosebud Sioux Tribe, Rosebud, South Dakota
- Shoshone-Bannock Tribe, Fort Hall, Idaho
- Standing Rock Sioux Tribe, Standing Rock, North and South Dakota
- Seminole Indians, Florida
- Pueblos of Zia and Jemez, New Mexico
- Stockbridge Munsee Indian Community, Wisconsin
- Burns Indian Colony, Oregon

Income derived from lands held in trust and distributed by the federal government to members of any other Indian tribe not listed above are exempt, up to \$2,000 of income per year.

VISTA Payments

Payments made under the Domestic Volunteer Services Act of 1973, to VISTA volunteers are exempt.

WIA Payments

Workforce Incentive Act (WIA) (replaced the former Job Training Partnership Act [JTPA]) payments, which include Job Corps, SPEDY and Targeted Assistance, must be treated as follows:

Adults

Payments to adults specifically identified as incentive payments or training allowances must be considered exempt, as long as such reimbursements do not exceed actual training expenses.

- If these payments exceed actual training expenses, treat the difference as unearned income.
- Earnings under WIA are treated as Nonexempt Earned Income.

Children

All WIA earnings of a child are exempt for up to six months per calendar year.

The child's WIA earnings may continue to be exempt after the six month's exemption if the child is either:

- A full-time student, or
- A half-time student and the child is not employed full-time.

Other WIA payments made to a child are exempt at all times.

Verification/Information

Contact the WIA office for information concerning the program in which the client is participating to determine if criteria is met to exempt all or a portion of the income.

Job Corps In-Kind Income

Job Corps in-kind income must be treated as follows:

- If the individual is receiving a Job Corps training allowance (unearned income), then any in-kind income received is considered unearned income-in-kind.
- If the individual is in the work portion of the program and receiving earned income, then the in-kind income is considered earned income-in-kind.

Executive Volunteers

Exempt payments for supportive services or reimbursement of out-of-pocket expenses made to individuals serving in:

- Service Corps of Retired Executives (SCORE), or
- Active Corps of Executives (ACE).

Senior Citizen Volunteers

Exempt compensation received by individuals who are 60 years of age or older or for volunteer services performed under the:

- Retired Senior Volunteer Program
- Foster Grandparents Program
- Older Americans Assistance Act of 1965 “other payments”

Note:

Compensation from the Older Americans Assistance Act of 1965 that is categorized as “free or reduced price meals” is countable for Non-MAGI. Compensation categorized as “wages” (earned or unearned) is countable for Non-MAGI and MAGI.

If there is a question concerning the funding source, contact the agency paying the individual for further information or clarification.

Senior Citizens Rent Assistance

Rebates issued according to the Senior Citizen's Property Tax Assistance Law to a renter who is 62 or older, blind or disabled is exempt income in the month received. If not used, it becomes property on the first of the following month. The amount of the rebate is based on the renter's household income.

Victims of National Socialist Persecution

Payments received from the Federal Republic of Germany as reparations from the National Socialist (Nazi) Party are exempt.

Verify that the payment is a reparation payment. Some individuals receive other pensions or monies from Germany that are NOT exempt.

Japanese-American and Aleutian Restitution/Reparation/Redress Payments

Restitution/reparation/redress payments made to Japanese-Americans and to Aleuts (or if deceased, to their survivors) who were interned or relocated during World War II are exempt. Interest resulting from these funds is counted as unearned income in the month the interest is posted. Verification is required.

The exemption includes any Japanese Reparation payments made by the Canadian government.

Austrian Social Insurance Payments

Payments made according to the Austrian General Social Insurance Act (GSIA), paragraphs 500-506, are exempt. Paragraphs 500-506 authorize payments to persons who suffered a loss resulting from imprisonment, flight from Austria, or other reasons related to political, religious or ethnic persecution, during the period from March 1933 through May 1945.



Note:

Austrian social insurance payments received for other reasons are not exempt.

Interest

Interest accrued from retained GSIA payments are not exempt, unless another income exemption applies, such as irregular or infrequent income.

Verification

To exempt an Austrian GSIA payment, the client must provide:

- A copy of the check or check stub showing an Austrian pension payor, and
- An award letter from an Austrian pension insurance agency which includes the following or equivalent language, “the regulations which give preferential treatment for persons who suffered because of political or religious reasons or reasons of origin were applied (Section 500FF ASVG)”, or
- If the client is unable to provide an award letter with the above language, obtain an SC 101 from the client stating that he/she was imprisoned or unemployed in, or forced to flee from Austria during the period 1933-1945 because of political or religious reasons, and that the Austrian check represents compensation according to Section 500FF ASVG of the GSIA

Veterans' Aid and Attendance - Not In Long Term Care (LTC)

Veteran's Aid and Attendance (A&A) benefits paid to veterans who are NOT residing in LTC must NOT be treated as income. A&A payments are considered to be a “third party payment” for in-home care and are exempt as a reimbursement. A&A benefits paid to veterans who are not in LTC are not counted when determining the Share of Cost.



Note:

A&A payments which are retained after the month of receipt are considered property.

Post 9/11 GI Bill Books and Supplies Stipend

Under the provisions of the Post 9/11 GI Bill, the annual books and supplies stipend of \$1,000 is paid directly to the veteran based on enrolled units. If the client is eligible for Aged Blind and Disabled Medically Needy program (ABD MN), this income is exempt.

Agent Orange

Payments made to veterans who have illnesses resulting from their exposure to Agent Orange are exempt.

- Verification is required.
- Interest resulting from these funds is nonexempt unearned income.

[Refer to “Property,” page 21-1]

Disaster Assistance

Disaster assistance payments are exempt. Additionally, any interest earned from such payments is exempt. If the exempt funds have been combined with non-exempt funds, interest accruing on the account(s) must be prorated for the Non-MAGI MC budget.

Susan Walker v. Bayer Corporation Payments

Susan Walker v. Bayer Corporation payments are a result of a class action lawsuit and are paid to individuals who received contaminated blood products in the process of medical treatments and are exempt.

- Verification is required.
- Interest resulting from these funds is nonexempt unearned income

[Refer to “Property,” page 21-1]

Quilling v. Belshe Payments

Quilling v. Belshe payments were distributed between July 1, 1992 - June 30, 1994.

Quilling v. Belshe payments are reimbursements (not income) and are treated as property. [Refer to “Property,” page 21-1] for property information.]

Interest resulting from these funds is nonexempt unearned income.

Compensation in Accordance with the National Defense Authorization Act of 1997

Payments made in accordance with the National Defense Authorization Act of 1997 to individuals captured and interned by North Vietnam is exempt as income in the month of receipt. Interest earned from these funds is counted as unearned income in the month the interest is posted. [Refer to Section 46 for treatment of property.](#)

These payments may be made in the form of a check from “The Lost Army Commando Trust Fund” and the recipient should also have a letter from the Office of the Assistant Secretary of Defense that identifies the payment as having been made in accordance with the National Defense Act of 1997.

Ricky Ray Hemophilia Relief Fund Act Payments

This act provides for compassionate payments with regards to individuals with blood-clotting disorders such as hemophilia and those who contracted the human immunodeficiency virus due to contaminated blood products in the process of medical treatment.

Payments made from this fund are exempt as income in the month of receipt. Interest earned from these funds is counted as unearned income in the month the interest is posted. [\[Refer to “Property,” page 21-1\]](#)

Gifts to Children With Life-Threatening Conditions

In-kind gifts of any amount or cash gifts up to \$2,000 in a calendar year are exempt as income in the month of receipt if given by a tax-exempt organization to a child under 18 who has a life-threatening condition. For purposes of this exemption, a child under 18 is a child who has not yet reached his/her 18th birthday at the time of gift issuance. [\[Refer to Section 46 for treatment of property.\]](#)

To verify the life-threatening condition, clients statement is sufficient. If the information is questionable the EW may request verbal or written corroboration from a physician.

To verify if the organization making the gift meets the requirements of a tax-exempt organization, the EW must obtain a copy of the organization’s IRS 501(c) exemption certification.

Radiation Exposure Compensation Payments

The Radiation Exposure Compensation Act of 1990 provides payments to some individuals who were exposed to radiation during nuclear testing in Nevada.

Payments from this fund are treated as exempt lump-sum income in the month of receipt. Interest income from these payments is counted as unearned income in the month the interest is posted. [\[Refer to Section 46 for treatment of property.\]](#)

Compensation for Participating in Clinical Trials

The first \$2,000 per year of compensation received by the client and/or his/her spouse for participating in clinical trials must not be counted as income and property.



Note:

Any compensation over \$2,000 per year should be treated as unearned income. Interest income earned from these payments is counted as unearned income in the month the interest is posted.

The trial must meet ALL three criteria in order for the income to be exempt:

- It must be reviewed and approved by an Institutional Review Board (IRB)
- It must involve research and testing of medical treatments
- It must target a rare disease or condition

Verification

Individuals participating in the trial will receive an informed consent form which provides most of the information needed to determine whether the income exclusion applies. The informed consent form must be requested from the clinical trial participant. If the participant does not have the informed consent form, instruct him or her to obtain a copy from the clinical trial administrator.

Some clinical trial participants may submit an official letter from the administrator of the clinical trial which provides all the relevant information of the informed consent in a summarized format. This letter can be used in lieu of the informed consent form.

If the informed consent form is unavailable, request any of the following information from the clinical trial participant:

- Name and location of the clinical trial,
- Name of disease or condition, or
- Name, phone, and address of the clinical trial administrator.

Use the information provided by the participant to locate the clinical trial in the <http://clinicaltrials.gov> website, a registry of federally and privately supported clinical trials conducted in the United States and around the world. It provides information about a trial's purpose, who may participate, locations, and phone numbers.

If the clinical trial appears in the website, assume it is IRB approved. All clinical trials in the United States, involving human subjects, must meet federal regulations by having an IRB review and approve the research.

Once it is established that clinical trial is approved by IRB, look for the following details in the clinical trial information to determine if the clinical trial meets the other two exclusion requirements:

- Name of the condition, and
- Type of clinical trial, which is usually listed under the primary purpose, the title, or stated in the purpose summary.

In-Home Care Payments

Wages paid to a household member is exempt income and property when both of the following conditions are met:

- The caregiver is being paid for providing the in-home care to his/her spouse or minor child (i.e., under 21) living in the home, and
- The spouse or minor child is receiving those in-home services through any federal, state or local government program.

IHSS Plus Waiver Payments

The IHSS Plus Waiver program is a federal waiver that provides in-home services to federally funded full scope MC recipients that were previously provided through the IHSS Residual program.

Payments made under the waiver are exempt as income for all MC programs. The exempt payments include:

- Caretaker wages paid to a parent for providing in-home services to a minor child under age 21
- Wages paid to a spouse who provides in-home services to his/her spouse
- Restaurant meal allowances made to the IHSS Plus Waiver recipient
- Advance payments made to the IHSS Plus Waiver recipient to pay the caregiver directly

Medicare Set-Aside Accounts

A Medicare Set-Aside Account (MSA) is a financial agreement that allocates a portion of a workers compensation settlement to pay for future medical services related to the workers compensation injury, illness or disease.

MSA funds are considered unavailable income for Non-MAGI.

Interest and Dividend Income

Exempt

Interest or dividends paid to an individual from his or her MC countable property is exempt income for MC programs that uses SSI methodology such as:

- ABD-MN
- TB program
- 250% Working Disabled Program
- Pickle (including DAC, Disabled Widower, etc.)
- Medicare Savings Program (QMB, SLMB, QI-1)
- Aged and Disabled Federal Poverty Level (A&D FPL) program.

Nonexempt

Interest or dividends paid to an individual using any other methodology are counted as unearned income.

20.1.5 Nonexempt Income

Nonexempt income includes:

- Wages (including amounts designated for meals provided by the employer or business), salaries, bonuses, and commissions from an employer or business.
 - Businesses that employ eight or more individuals in positions that normally receive tips are to allocate eight percent of the gross receipts of the restaurant as tip income. This eight percent amount is to be disregarded.
 - Tips ARE to be counted when actually received.
 - The client must attempt to get a statement from the employer verifying the actual amount of tips received. If the employer cannot or will not provide this information, the client's sworn statement will be accepted.
- Earnings under Title I of the Elementary and Secondary Education Act.
- Earnings of an adult under the Workforce Incentive Act (WIA).

Note:

Payments to adults specifically identified as incentive payments or training allowances are considered exempt, as long as such reimbursements do not exceed actual training expenses. If payments exceed actual training expenses, treat the difference as unearned income.

[Refer to WIA Payments section 25.4.17] for treatment of WIA payments to a child.]

- Training incentive payments and work allowances under ongoing manpower programs other than WIA.
- Payments under the Economic Opportunity Act.
- Income received for providing In Home Supportive Services.
- Net income from real or personal property including:
 - Room and board. (Use 10% of gross income as net income.) [Refer to “Self-Employment Income,” page 20-22].]
 - Room rent requiring daily work on the part of the recipient. (Use 10% of gross income as net income.)
 - Business enterprises. (Use self-employment procedures.) [Refer to “Self-Employment Income,” page 20-22].]
 - Sale of livestock, produce, dairy products, or other items. (Use self-employment procedures.) [Refer to “Self-Employment Income,” page 20-22].]
- Earned Income In-Kind
- Temporary Worker's Compensation (TWC) or Temporary Disability Indemnity (TDI) payments when:
 - Received by an AFDC-MN/MI recipient whose income is counted in the MC budget, and
 - The individual continues to be employed by the employer for whom they were working when the injury incurred.

Note:

TWC and TDI become unearned income when:

- The person was notified in writing by the employer that they will no longer be able to offer employment to that person or that employment was being terminated, or
- The person notified the employer that the person does not intend to resume employment with that employer, or
- There is other evidence indicating that the employer-employee relationship no longer exists, or
- The TWC/TDI becomes Permanent Worker's Compensation.

- State Disability Insurance (SDI) Benefits are counted as earned income for AFDC-MN/MI individuals only. Eligibility for the work related disregards must be explored. This includes the \$90 Work Related Expenses (WRE), and dependent care. If the client is eligible for any of these disregards, they must be allowed as deductions to the SDI income.

SDI is considered unearned income for ABD Individuals. [\[Refer to Unearned Income\]](#)

When there is both an AFDC-MN/MI person and an ABD-MN person in the MFBU, the EW must look at the of the individual who is receiving the benefit to determine how to treat the SDI.

Note:

Enter all SDI income in the **Display Unearned Income Summary** window. CalWIN is programmed to treat the income as earned unless the client is aged, blind, or disabled.

- Retirement, Survivors, and Disability Insurance (RSDI) payments from the Social Security Administration.
- Annuities; an amount received at regular intervals (usually monthly or quarterly) based upon an initial investment by the recipient. Example: The client invests \$8,986.00 with a brokerage firm. In return she will receive \$70.81 per month for the remainder of her life. This amount (\$70.81) is considered unearned income.

The annuity must be evaluated for a property determination. [\[Refer to “Trusts and Annuities,” page 21-59\]](#)

- Pensions and Retirement Payments. The gross amount of monthly unearned income must be budgeted. There is no deduction allowed for federal or state taxes.
- Veteran's payments, including:
 - Pensions based on need (The flat \$90 pension benefits of a single veteran or their surviving spouse in LTC is exempt income.)
 - Compensation payments
 - Educational assistance, except for the veteran's contribution to the Veterans' Educational Assistance Plan. [\[Refer to “Veterans Educational Benefits,” page 20-32\].](#)
 - The monthly housing allowance paid under the Post 9/11 GI Bill. [\[Refer to “Veterans Educational Benefits,” page 20-32\].](#)
 - Aid and Attendance (A&A) payments to individuals residing in LTC facilities.

**Exception:**

A&A payments to a veteran NOT residing in LTC are exempt.

The entire A&A payment to a veteran in LTC who has a spouse and/or minor child(ren) at home is exempt.

Only the first \$90 of an A&A payment to a veteran in LTC who does NOT have a spouse and/or minor child(ren) at home is exempt.

20.2 Self-Employment Income

A self-employed person has direct control over their work and the services they provide. Generally, Social Security taxes and income taxes are paid by the self-employed person, and there is no Worker's Compensation coverage.

Typically, the following are indicators of self Employment:

- The person or entity paying the individual for his/her goods or services does not deduct Social Security taxes or federal withholding from the compensation payment.
- The individual determines the scope and nature of his or her work and daily work activities, including work duration; and such activities are not supervised or determined by another person.
- The individual or entity files an income tax return declaring that they are self-employed (i.e. files a Tax Form Schedule C).

**Note:**

Self-employed individuals can have contractual agreements to complete work for other companies, but still be considered self-employed. Example: A landscaper holds contracts to complete work for several companies, but he is still considered self-employed because he is solely responsible for determining his own schedule and the companies do not deduct Social Security taxes or federal withholding.

Verification

Self-employment income can be verified using the following IRS Forms:

- 1040, U.S. Individual Income Tax Return
- Schedule C, Profit or Loss from Business or Profession

- Schedule D, Capital Gain or Loss
- 4797, Supplemental gains (or losses)
- 1065, U.S. Partnership Return of Income
- Reports of rents, royalties, estates, trust, etc.
- Schedule F, Farm income

Follow these guidelines when using tax return forms in determining self-employment income:

Table 61: Self Employment Income

If the business was...	Then...
Operating throughout the previous year,	The EW may use the previous year’s net self-employment income to estimate the current year anticipated income by dividing the previous year’s net self-employment amount by 12.
Not operating throughout the entire previous year but it is expected to be operational for the entire current year,	<p>The EW must divide the previous year’s net self-employment income by the number of months the business was operating from the previous year to get the net monthly self-employment income for the current year.</p> <p>Example: The individual provided a tax return from the previous taxable year 2016. The EW determined that the previous net self-employment income is \$12,000. The EW was informed that the business was operational for eight months in the year 2016.</p> <p>To estimate monthly net business income for the current taxable year (assuming the business is expected to be operational for the entire year of 2017,) divide \$12,000 by eight months. The resulting amount is \$1,500 (12,000 divided by 8) which becomes the anticipated net monthly self-employment income for the current year (2017).</p>

No Tax Information Available

Where there is no tax return for the previous year, or there is evidence that using the tax return would give an inaccurate estimation of income, compute the budget using:

- Current business records,
- Documents and forms,
- Any other clear and accurate record-keeping statement provided by the client.



Note:

A client must not be required by the EW to file a tax return and to provide copies of such.

If none of the above are available, or last year's taxes do not accurately reflect the current year's income, the client must provide verification of the previous three months worth of Income and Expenses. The EW must average the three months and use the resulting amount as Income and Expenses in CalWIN.

Allowable Expenses

To determine net profit, subtract any allowable business expense from the gross business income. Allowable business expenses are as follows:

- Federal and State Income Taxes Withheld for Employees—The actual amount paid is deductible as a mandatory business expense. Taxes are paid quarterly on the calendar quarter.
- Social Security—A deduction is allowed for the amount actually paid.
- State Disability Insurance—A deduction is allowed for the paid amount.
- Union Dues/Association Fees—When membership in a labor union or association is a requirement for self-employment, the actual cost is allowed as a business expense.
- The cost of all licenses required for business operation.
- The cost of business advertising.
- The cost of providing business-related surety and performance bonds is allowed as a deduction.
- Equipment and supplies.
 - Principal and interest payments
 - Sales tax
 - Interest or finance charges

Note:

If a capital-asset item is commonly used for both business and non-business purposes (for example, an automobile), the household must provide adequate information to determine what portion of the expense is allowable to the business.

- The cost of business-related maintenance and repairs (i.e. janitorial supplies, janitorial services, mechanical repairs of equipment, periodic servicing of machinery, etc.).
- The actual amount of all business-related taxes are allowed, including (but not limited to) sales taxes, property taxes, etc. Those taxes collected from customers (federal excise tax, sales tax) and forwarded to government agencies are a business expense.
- The cost of insurance for business property, including fire, theft, public liability and workman's compensation.

- The expense of operating motor vehicles for business-related transportation (not including transportation to and from work).

Note:

Follow the IRS guidelines in determining the allowable per mileage cost. The client must own or be purchasing the motor vehicle. It cannot be leased or borrowed.

- The actual cost of business-related legal or professional services (i.e. attorney's fees, tax preparation or consultant fees, etc.)
- The cost of merchandise, stock, or raw materials, plus interest or finance charges (if any).
- The cost of renting or leasing land, office, shop or warehouse space, equipment, automobiles/trucks, furniture, etc., used exclusively for the business is allowed. The lease, rental agreement or mortgage payment for space for the business must be reviewed. In order for this expense to be allowed this space must have been initially rented or purchased for the business.
- The prorated share of rent/mortgage payment for a room in the recipient's home specifically intended to be used for self-employment.

Example: The client owns a 4 bedroom house and has a \$1600 mortgage payment. One of the bedrooms is used specifically for manufacturing items related to their self-employment. The client is allowed a \$400 deduction.

- Rental property expenses (see below for exceptions and rules)

Rental Income Expenses

If the income is from the rental of real property, subtract the following expenses:

- Taxes and assessments
- Interest on encumbrances (the principal portion is not an allowable deduction)
- Insurance
- Utilities
- Upkeep and repairs, using the greater of:
 - The actual amount expended during the month (not a yearly average), or
 - Fifteen percent of the gross monthly rental plus \$4.17 per month.

If the income is from a deed of trust or a mortgage:

- The principal portion must be treated as property, and
- The interest portion must be unearned income.

If the income is from the rental of a multiple unit dwelling or other dwellings on property that is exempt as the principal residence and the applicant or recipient is living in a portion of the property, the expenses must be prorated as follows:

1. Determine the number of rooms in the building. If more than one building, determine the total number of rooms. Include any room other than bathrooms, hallways, closets, unfinished basements, lofts, or attics.
2. Determine the number of rooms producing the rental income. Based upon the number of rooms, determine the percentage of the property which is producing the rental income.
3. Apply the percentage determined in step 2 to the expenses which are common to the property as a whole. This is the amount which must be subtracted from the gross income.

Income received for rental of rooms, room and board, or board and care must be determined by one of the following methods.

Ten Percent of Gross

This method is used when:

- A business license is not required, and
- The individual who receives the income routinely provides lodging, board, etc. to non-family members for additional income.

Example: Mr. and Mrs. A are Medi-Cal applicants. They live near a college and routinely rent their spare room to students. They do not have a business license and do not report the income as self-employment. At time of application, however, their adult daughter (considered to be not a family member under the Medi-Cal eligibility determinations) is using the room and is paying them \$80 per month. The A's state that if the daughter were to leave, they would try to find someone else to rent the room.

The net monthly income in this instance is \$8.00 (10 percent of \$80).

Net Profit from Self-Employment

This method is used when:

- The individual who receives the income has a business license, or

- The individual reports the income for tax purposes as self-employed, or considers the income as income from self-employment.

Example: Mrs. B has converted her house into a boarding home. She has a business license, but her yearly total income is so low that she has never bothered completing an income tax return. Her annual gross receipt from the boarding home is \$7,000; her annual allowable expenditures are \$5,800.

The net monthly income in this instance is \$100 ($\$7,000 - \$5,800 = \$1,200/12$).

Income in Excess of Contributor's Share of Actual Costs

This method is used when:

- A business license is not required, and
- The individual who receives the income does not routinely provide lodging, board, etc., to non-family members for additional income.

Example: Mr. and Mrs. C apply for Medi-Cal on behalf of themselves and their one minor child. Mr. C's mother lives with them and gives Mr. C \$100 per month to use toward meeting those household costs which directly benefit her. If the mother were not in the home, the C's would not seek another person to move into the home. The C's monthly costs are as follows:

Rent	\$250
Utilities	50
Food	200
Total	\$500

Since there are four individuals in the home, the mother's share of the actual costs is \$125 ($\$500/4$). Since her \$100 contribution is less than her share of the actual costs, there is no net income to the C's.

If she instead were contributing \$130 per month, then the net income to the C's would be \$5.

If the mother lived in a room with its own kitchen, and bought and prepared all her own food, then the mother's share of actual costs would be 1/4 of \$300 (rent and utilities) or \$75. If the mother were contributing \$100/month to the C's, the C's net income would be \$25.

Non-Allowable Expenses

Certain expenses, although connected to business activities, are not considered to be directly related to the production of goods or services, and cannot be subtracted from business income for purposes of determining net business income. These non-allowable expenses include:

- Entertainment costs
- Depreciation
- Personal expenses such as income tax payments, meals and transportation **to** and **from** work.

20.3 Workers' Compensation

Permanent Workers' Compensation is considered to be unearned income.

Temporary Workers' Compensation (TWC) and Temporary Disability Indemnity (TDI) become unearned income when the EW discovers that:

- The person receiving TWC/TDI was notified in writing by the employer that they will no longer be able to offer employment to that person or that employment was being terminated, or
- The person notified the employer that the person does not intend to resume employment with that employer, or
- There is other evidence indicating that the employer-employee relationship no longer exists, or
- The TWC/TDI becomes Permanent Workers' Compensation.

Otherwise, TWC/TDI are considered earned income.

Unavailable Workers' Compensation

A portion of Workers' Compensation is considered unavailable when it:

- Is designated for legal or medical expenses,
- Is not controlled by the applicant, recipient, or person acting on their behalf,

20.4 State Disability Insurance

State Disability Insurance (SDI) is considered unearned income for ABD-MN individuals only.

SDI is considered earned income for AFDC-MN/MI individuals. All SDI income must be entered in the **Display Unearned Income Summary** window. When there is both an AFDC-MN/MI person and an ABD-MN person in the MFBU, CalWIN will count it as earned income for the AFDC-MN/MI individuals and unearned for ABD individuals.

Disability Benefits Other than State

Disability payments from any source, other than State Disability Insurance Benefits (SDI/DIB) are to be considered unearned income. This includes private disability plans, Social Security benefits, etc.

20.5 Veterans' Benefits

The County Veterans Service Office (CVSO) provides information and assistance for filing with the Veterans Administration claims for:

- Pension
- Compensation
- Educational benefits
- Aid and Attendance
- Payments for Unusual Medical Expense (UME)

For information on who is considered a Veteran or Veteran's dependent, [refer to CP HB Section 8.4](#)

Aid and Attendance

Aid and Attendance (A&A) is provided to veterans and their dependents who are in LTC or who are unable to care for themselves at home. These benefits are:

- Cash benefits (counted as unearned income)
- Medical devices
- Medical equipment

Treatment of A&A Income

A&A cash benefits received by a veteran NOT in LTC are:

- NOT treated as unearned income in the month of receipt.
- Property if retained after the month of receipt.

Unusual Medical Expenses

Veterans may apply for and be eligible to receive payments for Unusual Medical Expense (UME). Payments for UME are not treated as unearned income. Verification of UME may include a VA award letter issued at the time the UME are awarded or by completing the MC 05 Procedures. See [\[“MC eligibility must be granted while the MC 05 is being processed, as long as the client meets all other eligibility criteria. When the MC 05 is returned from the CVSO, eligibility can be re-evaluated as necessary.” page 20-30\]](#)

Client Responsibility

Veterans Benefits are considered unconditionally available income. If an individual identified as a Veteran fails to apply for these benefits, he/she would be denied/discontinued for failure to apply for unconditionally available income.

EW Responsibility

The EW must complete a “Military Verification and Referral Form” (MC 05) when:

- The client indicates (verbally or on their application) they may be eligible for or have applied for veteran’s payments.
- The veteran or veteran’s dependent enters LTC.

MC eligibility must be granted while the MC 05 is being processed, as long as the client meets all other eligibility criteria. When the MC 05 is returned from the CVSO, eligibility can be re-evaluated as necessary.

MC 05 Procedures

1. The EW must manually generate the MC 05 in CalWIN from the **Print a Form/Other Correspondence Manually** window.
2. The EW will email the MC 05 to the CVSO at vets@vets.sccgov.org with the subject “MC 05” and send a copy to IDM.

Important: The MC 05 must no longer be faxed, mailed, or hand-delivered.

3. The CVSO will use VA resources or contact the veteran to confirm VA benefit eligibility (if any), complete Section B of the MC 05, and email it to the verifications inbox (verifications@ssa.sccgov.org).
4. Designated staff will monitor the verifications inbox and create a TMT for processing when the CVSO returns the MC 05.
5. The EW will review the form to determine MC eligibility. Any income reported should be budgeted and the Share of Cost (SOC) should be adjusted, if applicable.

If the MC 05 has not been returned by the time the case is transferred out of Intake, the Continuing worker will be responsible for processing once the form is received from the CVSO. If the form is not returned, it must be sent again at Redetermination.

Follow-Up Procedures

1. If the MC 05 is returned by the CVSO indicating a claim has been initiated, the EW must follow-up within 90 days.
2. If no disposition is received after 90 days, the EW will:
 - Contact the CVSO to determine what, if any, communication has been received from the VA regarding the claim, or
 - If the CVSO has no information regarding the claim, contact the recipient to determine if they have received a determination from the VA.
3. If there is evidence that the client had not complied with the VA in providing necessary information or verification, then the client must be denied or discontinued due to failure to apply for unconditional income until the necessary action has been completed.
4. If neither the CVSO or the recipient has received any information regarding the claim, set up a case alert for follow-up again in 30 days.
5. Repeat the steps in this section as often as necessary until a decision has been received.
6. Once the decision on the claim has been received, verified and documented on the **Maintain Case Comments** window, the EW can take appropriate action.

When an MC 05 Referral is Not Necessary

The MC 05 does not have to be completed when:

- The person is currently on active duty in the Armed Forces, or if his/her only service was in the Merchant Marine or National Guard.
- The divorced spouse does not have the veteran's legal dependent in his/her custody.
- The veteran's Social Security Number and date of birth, Military Serial Number or Veterans Administration Claim Number is not available.
- There is no legal relationship between the claimant and the veteran, and it has been determined that paternity cannot be established.



Note:

California is not a “common-law” state. An alleged wife must produce a marriage certificate to support her claim. An alleged widow who does not have a marriage certificate must provide evidence that a marriage was established in a “common law” state.

An illegitimate child can be recognized as a dependent or surviving child of a veteran only if the veteran acknowledged paternity in writing or if paternity was established by a court order. In the case of a deceased veteran, paternity can be established by secondary evidence. A referral to CVSO for assistance in developing secondary evidence should be completed.

Budgeting Information

- A retroactive payment (except A&A) is considered a nonrecurring lump sum and must be counted as property.
- Recurring monthly payments are unearned income.
- Aid and Attendance payments are treated differently depending on the veterans' situation. [[Refer to "Aid and Attendance," page 20-29.](#)]

Veterans Educational Benefits

The Veterans Administration (VA) currently provides educational benefits under three educational assistance programs; GI Bill, the Post 9/11 GI Bill and Veterans Educational Assistance Program (VEAP).

GI Bill

Veterans who served on active military duty prior to 1/1/77 may receive up to 45 months of educational assistance through the GI Bill.

Educational benefits received through the GI Bill are treated as unearned income for educational purposes. The educational expense deduction may be applied. [[Refer to "Educational Expenses," page 20-43.](#)]

Post 9/11 GI Bill

Veterans who served on active duty after 09/10/01 are eligible for the Post-9/11 GI Bill if the veteran:

- Served for a cumulative period of at least 90 days.
- Served at least 30 continuous days and received a disability discharge.

There are three payments associated with the Post 9/11 GI Bill:

- **Tuition and fees** are paid directly to the educational institution and, therefore, these payments are not counted as income to the veteran.

- **The monthly housing allowance** is paid directly to the veteran on a monthly basis. The monthly housing allowance is treated as unearned income.
- **The annual books and supplies stipend of \$1,000** is paid directly to the veteran based on enrolled units.
 - If the client is eligible for AFDC-MN, the annual books stipend used for educational expenses other than tuition is exempt income. [Refer to “Educational Expenses,” page 20-43]]
 - If the client is eligible for ABD-MN, the annual books stipend is excluded as income.

The VA award letter is used to verify type, amount, and frequency of payments.

Veterans’ Educational Assistance Program (VEAP)

Veterans who have voluntarily contributed to the VEAP educational fund while on active duty after 12/31/76 may receive up to 36 months of educational assistance.

Benefits received from VEAP are treated as follows:

- The portion of VEAP benefits provided by the VA (two-thirds of the benefit) is unearned income for educational purposes (educational expenses may be deducted). [Refer to “Educational Expenses,” page 20-43].]
- The portion of VEAP benefits contributed by the veteran (one-third of the benefit) is exempt income.

These regulations apply while the veteran is pursuing an education, even if the veteran is not currently in school or training.

- The veteran may elect to withdraw his/her contribution, and forfeit entitlement to matching funds from the VA. The veteran’s contribution to VEAP is considered non-exempt property upon withdrawal.

20.6 Unemployment Insurance Benefits/Disability Insurance Benefits

Unemployment Insurance Benefits (UIB) and Disability Insurance Benefits (DIB) are both considered unconditionally available income.

EW Responsibility

The EW must follow these procedures:

- Explain to the client that failure to apply for and accept UIB/DIB, will result in their ineligibility for Medi-Cal.
 - Refer for UIB, all individuals who:
 - Have a work history in the past 19 months, and
 - Are currently unemployed, and
 - Earned at least \$1200 in a 12-month period, or at least \$900 if accumulated in at least 8 separate weeks of at least \$20 each.
 - Refer for DIB, all individuals who:
 - Have a work history in the last 19 months, and
 - Are currently disabled or unable to work due to pregnancy/childbirth, and
 - Earned at least \$300 in a 12-month base period.
 - Do not refer to UIB/DIB an individual who:
 - Is currently receiving UIB/DIB.
 - Has exhausted their benefits for current claim period (must be verified).
 - Is currently employed full-time.
 - Has not worked in employment covered by the UI Compensation Law in the last 19 months.
 - Is only eligible for or requesting restricted MC.

UIB/DIB can be verified by a Notice of Computation, Denial of Benefits letter, current benefit check, letter from UI/DI office stating client has pending application, or any other communication from the appropriate UI/DI office showing the application status.

20.7 Retirement Survivors Disability Insurance (RSDI)

Retirement, Survivors, Disability Insurance (RSDI) is only available from the Social Security Administration (SSA) to individuals with the required work history and/or their dependents. These may

be in the form of primary benefits for the wage earner, or auxiliary and survivors benefits available to the dependent. There is also a burial benefit paid upon the death of the primary wage earner, if there is a surviving spouse and/or a dependent or disabled child.

RSDI is only considered unconditionally available income when the individual reaches their full retirement age.

Table 62: Full Retirement Ages for RSDI

Birth Year	Full Retirement Age
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

EW Responsibility

The EW must:

- Refer the client to the Social Security Administration website to apply for benefits online.
- Explain to the client that failure to apply for and accept RSDI will result in their ineligibility for MC.
- Complete the “Social Security Information Request and Referral” (SCD 1955) when referring individuals to apply for potential RSDI benefits. The client will be given a copy of the SCD 1955 completed by the Social Security Office showing an application for RSDI benefits was made.
- The SSA information can also be viewed on the MEDS [INQT] screen.
- Verify the application for RSDI by:
 - SCD 1955 completed by the SSA.
 - Current RSDI benefit check.
 - Letter from SSA stating client has a pending application.
 - Notice for Approval or Denial of RSDI benefits.
 - MEDS [INQT] screen.

- Any other communication from SSA showing the status of the RSDI application.

Budgeting

A nonrecurring RSDI lump sum payment is treated as exempt property for a period of nine (9) months following the month of initial receipt for Pickle, Disabled Adult Child, Disabled Widow and MN/MI programs.

An RSDI overpayment adjustment amount is to be treated as unavailable income.

An individual may be employed and still receive RSDI. The maximum yearly earnings amount varies depending upon the age of the recipient. SSA should be contacted when more information or clarification is needed.

20.7.1 Supplemental Security Income (SSI)

An individual may be eligible for SSI if they are:

- Age 65 or older, or
- Legally blind at any age, or
- Disabled at any age when the impairment:
 - Is expected to last at least 12 months and prevents any substantial work, or
 - Is expected to result in death.

Individuals are not required to apply for SSI as a condition of MC eligibility, however, if the individual meets any of the above requirements, the EW can refer the person to the nearest Social Security Office using a “Referral to/from Social Security” (SCD 169).

Receipt of SSI may be verified by:

- The award letter
- MEDS [INQX] Screen
- A statement from financial institution clearly indicating SSI direct deposit
- Completed SCD 169 from SSA

Budgeting

- Retroactive SSI lump sum payments are considered exempt for a period of nine months following the month of initial receipt for Pickle, Disabled Adult Child, and Disabled Widow(er)s programs.
- Retroactive SSI lump sum payments are exempt without a time limit and not considered income or property for Medically Needy/Medically Indigent (MN/MI) programs and other programs following MN/MI rules.

20.7.2 Other Unearned Income

- Railroad Retirement and any other payments made by the Railroad Retirement Board.
- Unemployment Insurance Benefits. (Disaster Unemployment Insurance Benefits are **exempt** for MC)
- Proceeds from a life insurance policy in excess of the lesser of:
 - \$1,500, or
 - The amount expended on the insured person's last illness and burial expense.
- Loans which require no repayment. [[Refer to "Exempt Income," page 54-1 for listing of exempt loans.](#)]
- Gifts.
- Nonexempt child/spousal support, whether provided voluntarily or by court order.
- Inheritances which are in the form of cash, securities or other liquid assets.
- Contributions from any source.
- Prizes and awards.
- Net income from the rental of real property which does not meet the definition of earned income.
- Net income from personal property which does not meet the definition of earned income; for example, the interest portion of income from a deed of trust.
- Dividends paid to the owner of a life insurance policy. Dividends accruing to the policy must be counted in the cash surrender value of the policy.
- Interest payments from any source (i.e., interest bearing checking and savings accounts, trust deeds, sales contracts, etc. unless it can be exempted as Irregular or Infrequent Income). [[Refer to "Irregular or Infrequent," page 20-5.](#)]

- Royalties which include, but are not limited to, payments received by:
 - The owner of a patent or a copyright.
 - A person for the use of their invention.
 - The owner of a mine, oil well, or other similar holdings, for the extraction of the product or other use.
- The portion of a Public Assistance recipient's income which was NOT used to determine their own grant.
- That portion of incentive payments or training allowances made to an adult under WIA which exceeds actual training expenses.

20.8 PARIS Federal Match

The Public Assistance Reporting Information System (PARIS) Federal Match is a quarterly report which identifies discrepancies in unreported income. Information from the report is to be treated as verified federal income as it is taken directly from the U.S. Department of Defense (DOD) and the U.S. Office of Personnel Management (OPM). DHCS will send a quarterly list sorted by income amount, eligibility status, and aid code. The EW will compare the federal income on the list to the income the client reported and record the findings on the spreadsheet provided with the listing. If the income information does not match then eligibility must be reevaluated and appropriate NOA(s) should be sent. [\[Refer to MC HB 7.2.4 for PARIS Interstate Match\]](#).

20.9 PG&E Settlements

Payments received from PG&E's settlements may or may not be included as income or property depending on the terms of the settlement. These payments may be in the form of an insurance payment, a settlement payment, or payments dispersed through a Fire Victims Trust that was established to assure the claims of individual wildfire victims. The terms of the settlement must be discussed with the applicant/recipient to determine whether or not the payment is countable.

Payments or funds intended to be used for replacement of lost, damaged, or stolen excluded resources.

These payments or funds are exempt as property for a nine-month initial period plus any applicable extension periods.

For example, if the applicant/recipient has good cause when circumstances beyond their control prevents the repair or replacement of the exempt property, the initial nine-month period can be extended for up to an additional nine-months, for a total of eighteen-months, only if the applicant/recipient intends to use the funds for the designated purpose.

Settlement payments in multiple disbursements

Each payment must have its own initial nine-month exemption period that will begin from the month of receipt.

Payments or funds received for Non-exempt property damage

Payments are considered property in the month of receipt

Lump Sum Income or Property

Lump sum payments, such as payments for pain and suffering, or for basic needs, are considered income in the month received, and, if not spent down before the end of the following month, the payment would be countable property in that following month.

20.9.1 Reported Non-exempt PG&E Settlement Payments

When an applicant/recipient reports the receipt of a nonexempt payment, the EW must take the following actions with the applicant/recipient:

- Ask them what they plan to do with the payment,
- Advise them that their case may be terminated for excess property at the end of the following month,
- Explain options for them to maintain eligibility by spending down, transferring or taking actions to make the payment unavailable,
- Inform them that they need to provide receipts or other verifications such as bank and credit card statements to establish what they did with the payment (payment of any legal debt is considered a transfer for adequate consideration), and
- Inform them that if the spend-down or allocation sufficiently reduces the household's non-exempt property below the property limit before the end of that following month, then the Medi-Cal benefits will be rescinded and that there will be no break in coverage.

20.10 Income In-Kind

Income In-kind is any support or maintenance received from a person other than a responsible relative specifically for:

- Housing
- Utilities
- Food

If the client pays any portion of item it is not considered income in-kind.

Income In-kind may be earned or unearned and is subject to all appropriate income exemptions and deductions.

Treatment of Income In-Kind

For earned or unearned income in-kind, use the actual cost or net market value of the item, or value per chart, whichever is less.

[Refer to “Income In Kind,” page 25-46 for verification instructions of income in-kind.]

If the item of need is shared with individuals who are not in the MFBU and who are not responsible for members of the MFBU, then the value of the item to MFBU member is their share of actual cost or net market value of item, or value per chart whichever is less.



Example:

Adult client and her sister share an apartment and their parents pay the rent. Total rent is \$600 and client's share is \$300. The actual cost to client is \$139 and this amount is compared to the chart value of \$300.00.

Use \$139.00 in budget computation as it is the lesser amount.

Exceptions

Income in-kind is not to be considered as income in the following situations:

- When board and lodging is received during a temporary absence from the home of one month or less
- When income in-kind is received from a parent and:
 - The child has applied for Minor Consent Services
 - The unmarried minor parent's child is a part of the MFBU for which the SOC is being determined
 - The child is an unborn, unless the mother (over 21) is receiving income in kind and then there would be income in kind to the unborn.

- The child (age 20 or under) is living in the home.
- When income in kind is received as a loan, the loan agreement is verified in writing, and the provider agreement is on file in the case record.

Value of Income In-Kind

[Refer to Chart Book, “Current Income In-Kind Values [50511, 50511, MEPM 10 F-1],” page 5-27.]

20.11 Income Verification

20.11.1 Earned Income

Earned income can be verified using:

- One pay stub (most current pay stub available to the client; not required to have been issued within the last 30 days but must accurately reflect the amount reported on the application).
- Copy of federal tax return that accurately reflects current income. For self employment, last years tax documents are sufficient. For all other income, the tax documents must have been filed within 90 days to be used as verification
- Signed letter from employer showing the gross amount and date of paycheck
- Receipts showing gross earnings and expenses
- Business records (Profit and Loss Statements)

Earned income must be verified prior to approval and at redetermination, restoration or reapplication. If there is a discrepancy between the pay stub submitted and the amount reported on the application, the EW may request additional pay stubs to determine the correct monthly income.

If the client receives income and items listed above are not available, EW must obtain a “Sworn Statement” (SCD 101) from the individual (as a last resort).

Individuals Paid in Cash

Individuals who are paid in cash often cannot provide proof of income. If all other options are exhausted (i.e. attempt to get employer statement, verification through the Federal Hub, etc.), the signature on an application is sufficient verification of income for clients paid in cash. Additionally, clients can complete an SCD 101 as verification.

The Work Number

The Work Number is not to be utilized to obtain verification of income for MC only cases. It may however be used for combination CalFresh/CalWORKs and MC households. Additionally, if one individual is on CalFresh on one case, and Medi-Cal in another, the Work Number may be used to verify income on the Medi-Cal only case.



Example:

Daisy is on a CalFresh only case, because her and her roommate purchase and prepare food together, however, they file taxes separately, so Daisy is on her own Medi-Cal case. Because Daisy is active on both CalFresh and Medi-Cal (despite the fact that it is on two different cases) the Work Number can be used as verification on the Medi-Cal only case. Document the circumstances thoroughly in the Maintain Case Comment window.

20.11.2 Unearned Income

Unearned income can be verified using:

- Award letter or most recent cost-of-living increase notice
- IEVS/PVS abstract or printout
- Current bank statement if the applicant has direct deposit or copy of the applicant's current benefit check

Note:

The deposit or check may not reflect gross income if Medicare premiums are being deducted or an overpayment is being collected from the client's check.

- Signed statement from the person or organization providing the income.

If the client receives income and items listed above are not available, EW must obtain a "Sworn Statement" (SCD 101) from the individual (as a last resort).

Unearned income must be verified prior to approval, and at each reapplication, restoration, or redetermination.

20.11.3 Zero Income

When a client reports zero income at Application or Redetermination, the sworn statement on the Application/Redetermination forms is sufficient verification of income.

If the client reports zero income, but there is an open employment record in CalWIN for that individual, the EW must request verification that the job has ended.

20.12 Income Deductions

20.12.1 Deductions from Unearned Income

Educational Expenses

Expenses incurred by an individual attending college or a similar training course must be deducted from:

- Any income received for educational purposes, including but not limited to:
 - Exempt student loans, grants, scholarships or fellowships.
 - Nonexempt student loans, grants, or fellowships which do not require repayment.
 - Payments to a child attending school which are based on a deceased or disabled parent's entitlement (i.e., Social Security, Veterans' Benefits).
 - Veterans' Educational Assistance Plan payments or the GI Bill.
- Any loans received for educational purposes which require repayment and are not exempt loans, grants, scholarships or fellowships.

These verified educational expenses must be apportioned over the period of time they are intended to cover to determine the monthly deduction.

Example 1:

Client attends San Jose State University, which is on the semester system. He paid \$475 in verified educational expenses, for the entire semester, which lasts from 8/17 through 12/17. His monthly deduction would be $\$475 / 5 = \95 monthly.

Example 2:

Client attends De Anza College, which is on the quarter system. She paid \$183 in verified educational expenses for the Winter quarter from 1/18 through 3/18. Her monthly deduction would be $\$183 / 3 = \61 monthly.

Educational expenses include any of the following items or services necessary for school attendance:

- Tuition
- Books
- Fees
- Equipment and supplies
- Special clothing needs
- Child care services
- Transportation costs to and from school.

Note:

If it is determined that a personal car meets this criteria, all actual transportation costs will be prorated based on the percentage of miles driven to and from school, compared to the total miles driven each month. Allowable transportation costs include, but are not limited to car payments, car insurance, vehicle registration and gasoline.

The verified educational expenses must first be deducted from any totally exempt loans or grants. Any remaining educational expense must next be deducted from other educational loans which require repayment and are not exempt, and finally from other income received for educational purposes.

ABD-MN MFBUs

These deductions must be subtracted from the nonexempt income of MFBUs which include ABD-MN individuals. These deductions are applied only if a member of the MFBU applied and is found eligible as aged, blind, or disabled. Each deduction applies only to the income specified. [\[Refer to “Budgeting,” page 9-1\]](#)

Support Payment from an Absent Parent

One-third of any payment made by an absent parent for the support of a disabled or blind child shall be deducted from the total payment.

“Any Income” Deduction—Unearned Income

1. Twenty dollars must be deducted from the combined nonexempt unearned income of all ABD-MN individuals and the spouse or parents of these individuals.
2. Any portion of the twenty dollar deduction which may remain after the subtraction above must then be subtracted from the combined nonexempt earned income.

**Example:**

Mr. Abbott is disabled and receives \$15 monthly in Veteran's Benefits. He is also employed and earns \$930 monthly. He would receive the \$20 deduction on the VA Benefits and the \$5 remaining (\$20-\$15) would then be deducted from his earned income.

Court-Ordered Spousal or Child Support

Court-ordered spousal or child support, or child support paid pursuant to an agreement with the district attorney, must be deducted from the income of an MFBU which includes an ABD-MN individual when it is actually paid by someone in the MFBU.

The amount deducted must be the lesser of the amount:

- Actually paid.
- Specified in the court order or agreement with the district attorney.

Voluntary support payments are not an allowable deduction.

Income Necessary to Achieve Self-Support

This deduction applies only to a blind or disabled person's earned or unearned income.

- Deduct all the earned or unearned income if the plan for self-support:
- Is in writing, and
- Was initiated and approved while the person was receiving SSI/SSP, and
- Has not been subsequently abandoned.

IHSS for ABD-MN and Substantial Gainful Activity (SGA)

The amount actually paid for IHSS services provided to any ABD-MN person or to a SGA-disabled person must be deducted from the combined nonexempt income of the SGA-disabled or ABD-MN person.

**Note:**

The amount paid to IHSS can change monthly so the deduction must not be allowed as an ongoing expense but entered when verification of the amount paid for a particular month is provided.

The cost of in-home supportive services can only be a deduction when the services are:

- Provided by a person other than a family member living in the home and,
- Determined necessary based on the IHSS needs assessment.

For ABD-MN individuals, the provisions of this section must be limited to individuals who, without IHSS, would require 24-hour-a-day care in a health facility or community care facility verified by a signed physician's statement.

Guardian and Conservator Fees

Fees paid to a court-appointed guardian or conservator are allowable deductions from unearned income provided all the following conditions are met:

- The fees are paid to a court-appointed guardian or conservator of an individual who has been declared by a court to be incapable of handling his/her own financial affairs and then only to the extent that the fees are actually owed in the month in which the payment is made.
- A court-appointed guardian or conservator is **required** by the agency/entity paying the unearned income as a condition of rendering payment to incompetent individuals.
- The guardian or conservator provides a signed statement from the agency/entity making such payment verifying the requirement as set forth above.



Example:

Mr. Singh is a comatose, disabled individual. His representative applies for retirement benefits from ABC Corporation on Mr. Singh's behalf. The ABC Corporation requires a court-appointed conservator prior to awarding the benefits to Mr. Singh's representative. Mr. Singh's representative also applies for MC benefits on Mr. Singh's behalf. He provides our Agency with a letter from ABC Corporation stating the requirement of a court-appointed conservator. If the representative is appointed as Mr. Singh's conservator by the court, and monthly fees are charged, these fees would be allowed.



Example:

Santa Clara County Public Guardian's Office is the court-appointed conservator of an individual who receives MC benefits under the ABD Program. This individual also receives RSDI disability benefits payable to the Public Guardian. The Public Guardian collects a monthly conservator fee. As the Social Security Administration does not require a court-appointed guardian or conservator as a condition to pay disability benefits, these fees would not be allowed as a deduction. The guardian or conservator must be informed of the above requirements when submitting guardian/conservator fees for processing.

AFDC-MN, MI, or Ineligible Members of the MFBU

Court-ordered spousal or child support, or child support paid pursuant to an agreement with the district attorney, must be deducted from the income of an AFDC-MN or MI individual when it is actually paid by that individual. The amount deducted must be the lesser of:

- The amount actually paid.
- The amount specified in the court order or agreement with the district attorney.

**Note:**

Voluntary support payments are NOT an allowable deduction.

All MN or MI Programs

The following deductions must be subtracted from any nonexempt income that remains after the application of all preceding exemptions and deductions.

- That portion of income of an MN or MI individual or an individual responsible for the MFBU, which is counted in determining the eligibility of a spouse, parent, or child as a public assistance (PA) or other PA recipient must be deducted.
- Income of a stepparent and the value of income in-kind provided by a stepparent which is counted in determining the eligibility of a spouse or stepchildren as PA or other PA recipients must be deducted.

**Note:**

This computation must also be done when one or more family member receives an SSI/SSP grant or IHSS. These individuals are not included in the MFBU, but the computation must be done to determine how much of the family's income was used to compute their SSI/SSP grant or IHSS eligibility. This amount of income is called an "Allocation to SSI/SSP or IHSS recipient" and is deducted from the nonexempt income of the MFBU. The actual computation is completed by CalWIN.

Health Insurance Premiums

Health insurance premiums must be deducted if paid by and purchased for any family member. If the premium is paid less often than monthly it must be averaged on a monthly basis.

Example: \$66.00 premium paid quarterly
 $\$66.00 / 3 = \22.00 per month is the allowable deduction.

Health insurance premiums paid for by a nonfamily member (e.g., absent parent) are not an allowable deduction.

Medicare Premium, Part B, must be deducted when actually paid by the client.

Allocation to Excluded Children

The rules for allocation income deduction to excluded children apply to any MC program.

This deduction is applied only when children who have separate income and/or property have been excluded from the MFBU.

The amount of the deduction is equivalent to the difference in the maintenance need with the children in or out of the MFBU, minus any income of the excluded child/children.

Example: The family consists of a stepfather, his wife and wife's two separate children. The family decides to exclude the eldest child from the MFBU because the child receives \$165 gift from his natural father each month. If the income standard for 4 is \$1571 and \$1306 for 3 (excluding the eldest child). The difference (\$265) less the child's own income of \$165 is equal to the child's unmet need of \$100, which is allowed as an "income allocation" deduction for the excluded child, towards the MFBU's budget.

If the children have enough income to meet their own needs based on this computation there is no allocation.

20.12.2 Deductions from Earned Income

ABD-MN MFBUs

The following deductions must be subtracted from the nonexempt earned income of MFBUs which include ABD-MN individuals. Each deduction will apply only to the income specified.

Student Earned Income Exclusion

The Student Earned Income Exclusion (SEIE) applies to all individuals in the MFBU who are working students under the age of 22, including those that meet the Supplemental Security Income program's definition of a child.

Deductions must be taken from the earned income of each student who is under the age of 22, who is regularly attending school, and who is in the MFBU of an ABD individual. SEIE will apply to the earnings from an ineligible spouse or parent(s). It will also apply to the joint earned income of eligible couples who are both working students and under age 22.

The amount of the student income deductions increased in accordance with the table below.

Table 63: Student Earned Income Exclusion Amounts

For Year	Monthly Exclusion	Maximum Exclusion for Calendar Year
2001	\$1,290	\$5,200
2002	\$1,320	\$5,340
2003	\$1,340	\$5,410
2004	\$1,370	\$5,520
2005	\$1,410	\$5,670
2006	\$1,460	\$5,910
2007	\$1,510	\$6,100
2008	\$1,550	\$6,240
2009	\$1,640	\$6,600
2010	\$1,640	\$6,600
2011	\$1,640	\$6,600
2012	\$1,700	\$6,840
2013	\$1,730	\$6,960
2014	\$1,750	\$7,060
2015	\$1,780\$	\$7,180
2016	\$1,780	\$7.180
2017	\$1,790	\$7,200
2018	\$1,820	\$7.350

ABD-MN Student Deduction

A maximum of \$1,620 per calendar year is deducted from the nonexempt earned income of a blind or disabled person who is:

- Under age 22, and
- Not currently married, and
- Not a parent, and
- Enrolled or will be enrolled in a school for at least 8 hours per week during one month of either:
 - Current calendar quarter, or

- Next calendar quarter.

The deduction of \$1,620 is be applied beginning at the end of each year until exhausted.

“Any Income” Deduction

That portion remaining from the “any income” deduction noted in the unearned income section, is the amount of the deduction. (It could be \$20, if there is no unearned income.)

This applies to the combined nonexempt earned income of the parent /spouse of the ABD-MN individual.

Court-Ordered Spousal or Child Support

Court-ordered spousal or child support, or child support paid pursuant to an agreement with the district attorney, must be deducted from the income of an MFBU which includes an ABD-MN individual when it is actually paid by someone in the MFBU.

The amount deducted must be the lesser of the amount actually paid or specified in the court order or agreement with the district attorney.



Note:

Voluntary support payments are not an allowable deduction.

Sixty-Five Plus One-Half

The first \$65 plus 1/2 of the remainder must be deducted from the combined nonexempt earned income of all aged, blind or disabled individuals and the spouse or parents of those individuals.

There is no additional deduction for WRE or mandatory deductions. These are included in the \$65 plus 1/2.

Work Expenses of the Blind

In addition to the \$65 plus 1/2 deduction, a blind individual is allowed a deduction for the actual cost of work related expenses from the nonexempt earned income.

This includes child care, clothing, tools, materials, licenses, personal incidentals, food, lodging, union or employee association dues, employment agency fees and transportation when required for employment.

Income Necessary to Achieve Self-Support

This deduction only applies to a blind or disabled individual's earned or unearned income. Only the amount necessary to implement and maintain the plan for self support is deducted.

The deduction may equal the amount of earned or unearned income if the plan for self-support:

- Is in writing (a copy of the plan must be obtained), AND
- Was initiated and approved while the person was receiving SSI/SSP, AND
- Has not been subsequently abandoned. Current receipts and a sworn statement are necessary to show active participation.



Note:

A plan is drawn up between SSA and the SSI recipient. If the person continues to follow this plan after SSI discontinuance, the income spent on the plan can be deducted.

IHSS for ABD-MN and Substantial Gainful Activity Disabled (SGA)

The amount actually paid for IHSS provided to any ABD-MN person or to a SGA-disabled person must be deducted from the combined nonexempt income of the SGA-disabled or ABD-MN person and the responsible relative. The cost of in-home supportive services is a deduction only when the services are:

- Provided by a person other than a family member living in the home, and
- An IHSS needs assessment determined the services to be necessary.

For ABD-MN individuals, the provisions of this section is limited to individuals who, without IHSS, would require 24-hour-a-day care in a health facility or community care facility verified by a signed physician's statement.

AFDC-MN, MI, or Ineligible Members of the MFBU

The following deductions must be subtracted from the nonexempt gross earned income of each AFDC-MN or MI person, or individuals who are ineligible members of the MFBU. An AFDC-MN or MI person, or an ineligible member of the MFBU, cannot receive these deductions if they are included in the same MFBU as their aged, blind or disabled spouse or child.

Deduction for Work-Related Expenses (WRE)

Effective October 1, 1989, ninety dollars (\$90) for mandatory deductions and work-related expenses must be deducted from the earned income of each AFDC-MN or MI person.

Dependent Care

An individual is eligible for a deduction for dependent care when:

- The person has reasonable and necessary costs of obtaining child care for a child in the MFBU or care for an incapacitated person in the MFBU, AND
- The EW determines that adequate dependent care cannot be provided by another member of the MFBU.



Note:

This deduction will generally not be applicable against Disability Insurance Benefits (DIB) because the DIB recipient will be available to care for the children. It is allowable only if there is no other family member able to care for the child(ren) and the DIB recipient is too disabled to care for the chil(dren).

The amount deducted is the actual amount paid as limited by the following:

- A maximum of \$200 per child under two years old.

Note:

The EW will need to set a case alert for the month prior to the child's second birthday, in order to change the deduction for dependent care.

- A maximum of \$175 per child two years of age or older.
- A maximum of \$175 per incapacitated person.

This deduction also applies when the care is provided by a member of the MFBU, other than a spouse or parent, who terminated employment specifically to provide the necessary care.

Spousal or Child Support

Court-ordered spousal or child support, or child support paid pursuant to an agreement with the district attorney, must be deducted from the income of an AFDC-MN or MI recipient when it is actually paid by that individual

The amount deducted is the lesser of the amount:

- Actually paid.
- Specified in the court order or agreement with the district attorney.



Note:

Voluntary support payments are not an allowable deduction.

All MN or MI Programs

The following deductions must be subtracted from any nonexempt income that remains after the application of all preceding exemptions and deductions.

1. Income of an MN or MI individual used to determine public assistance eligibility of another family member.
 - a. That portion of income of an MN or MI person or a person responsible for the MFBU, which is counted in determining the eligibility of a spouse, parent, or child as a public assistance (PA) or other PA recipient must be deducted.
 - b. Income of a stepparent and the value of income in-kind provided by a stepparent which is counted in determining the eligibility of a spouse or stepchildren as PA or other PA recipients must be deducted.



Note:

This computation must also be done when one or more family members receives an SSI/SSP grant or IHSS. These individuals are not included in the MFBU, but the computation must be done to determine how much of the family's income was used to compute their SSI/SSP grant or IHSS eligibility. This amount of income is called an "Allocation to SSI/SSP or IHSS recipient" and is deducted from the nonexempt income of the MFBU. The actual computation is completed in CalWIN.

Health Insurance Premiums

Health insurance premiums are deducted if paid by and purchased for any family member.



Note:

If the premium is paid less often than monthly it must be averaged on a monthly basis.

\$66.00 premium paid quarterly
 $\$66.00 / 3 = \22.00 per month is the allowable deduction.

Health insurance premiums paid for by a non-family member are not an allowable deduction; (i.e., absent parent).

Medicare Premium, Part B, must be deducted when actually paid by the client.

Allocation to Excluded Children

The rules for allocation income deduction to excluded children apply to any MC program.

This deduction is applied only when children who have separate income and/or property have been excluded from the MFBU.

The amount of the deduction is equivalent to the difference in the maintenance need with the children in or out of the MFBU, minus any income of the excluded child/children.

Example: The family consists of a stepfather, his wife and wife's two separate children. The family decides to exclude the eldest child from the MFBU because the child receives \$100 gift from his natural father each month. If the maintenance need for 4 is \$1,100 and \$934 for 3 (excluding the eldest child). The difference (\$166) less the child's own income of \$100 is equal to the child's unmet need of \$66, which is allowed as an "income allocation" deduction for the excluded child, towards the MFBU's budget.

If the children have enough income to meet their own needs based on this computation there is no allocation.

20.13 Special Circumstances Income

20.13.1 Stepparent Income

Income Deemed Available from the Stepparent

If there is a stepparent living in the home and only the parent and the parent's separate children are included in the MFBU, the income deemed available from the stepparent is determined as follows:

- The stepparent's gross earned income less the deduction for work expenses are combined with the stepparent's nonexempt unearned income.
- Deduct from the above, the following amounts:
 - Amounts actually paid by the stepparent to individuals not living in the home but who are claimed as dependents for purposes of determining the stepparent's federal personal income tax liability.
 - Voluntary or court-ordered spousal and child support payments made by the stepparent to individuals not living in the home.
- The maintenance need for the stepparent unit which includes:
 - Stepparent
 - Mutual children

- Stepparent's children

The remainder, if any, is income available to the MFBU. This computation is completed by CalWIN.

Treatment of Income: Stepparent Cases

If there is a stepparent living in the home and only the parent and the parent's separate children are included in the MFBU, the income considered in determining the share of cost must be:

- The income of the children, plus
- The income of the parent, plus
- The income available from the stepparent as determined above.

20.14 Child Support Payments

Current Child Support Payments (Not Arrearages)

A current month child support payment that is received timely is considered income to the child.

- A \$50 disregard is allowed from current child support payments.
- One-third of the current child support payment made to a disabled child must be disregarded.

Delayed Past Month Payments Paid Timely But Received In A Subsequent Month (Not Arrearages)

Past month child support payments that were paid timely but received in a subsequent month for a child under 18 years of age are considered income to the child.

In order for a disregard to be applied for past month payments, both of the criteria listed below must be met:

- The payments for past months are received by the MFBU family member in the current month, and
- The past month payment was made by the absent parent in the month the payment was due.

**Example:**

In June a family member receives a child support payment for May. The absent parent made a direct payment to the LCSA on May 25th; however, the payment was not sent to the family by the LCSA until June 3rd. This is considered a delayed, past month payment, not arrearages; therefore, the disregard would be allowed.

Disregards are not to be allowed on delayed past month payments unless the following criteria are met:

- The agreement or court order specifies a payment schedule which requires annual, semi-annual, quarterly or other multiple month payments for reasons other than payment of past due amounts.
- Payment is made but not received due to circumstances beyond the control of both the absent parent and the MFBU family member. Such circumstances include, but are not limited to the following:
 - Payment is made timely to the LCSA or court and not passed on to the MFBU family member until a subsequent month.
 - Payment is made through payroll deduction or garnishment of wages and is not forwarded to the MFBU family member until a subsequent month.

Child 18 or Older

For a child over 18 years of age, whether living with a parent or not, child support payments are treated as follows:

- Any amount of the payment that the parent receives and does not give to the child is considered income to the parent.
- Any amount of the payment that the parent gives to the child is considered income to the child in the month given, and is not income to the parent.
- When a child receives a delayed, past month child support payment directly from the absent parent, the past month payment is income to the child.
- A \$50 child support deduction would apply, unless the child is disabled, then one-third of the child support payment may be disregarded.

20.14.1 Arrearage Payments

All current, delayed, and arrearage non-exempt child support payments provided either voluntarily or by court order are considered unearned income. Child support is not considered to be a nonrecurring lump sum social insurance payment.

Treatment of Arrearage Payments for a Child 18 or Older

Child support payments paid on behalf of a child 18 years of age or older that are not paid on time are treated as follows:

- Any amount of the payment that the parent receives and does not give to the child is income to the parent.
- Any amount of the payment that the parent gives to the child is income to the child in the month given, and is not income to the parent, unless given to the child in a later month.
- When a child receives a child support arrearage payment directly from the absent parent, the arrearage payment is income to the child.
- The \$50 or one-third child support deduction does not apply.



Example:

A non-custodial father pays child support arrearages to his ex-wife, on behalf of their 19 year old son who still lives with his mother. She receives a \$300 child support arrearage payment in July 2017. The arrearage payment was supposed to have been paid in January 2016. The mother keeps \$100, and gives her son \$200 of the child support payment in the same month she receives the payment. The \$100 the mother keeps is counted as income for her, and the \$200 given to the son is counted as income for the child. Because the payment was made in July 2017 instead of January 2016, this was not a current or delayed, past month payment, therefore NO disregard amount would be allowed.

Arrearages paid on behalf of a child UNDER 18 years of age are considered income when received by the parent or child and NO disregard is allowed.