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401.01 Introduction

(Eff.10/01/05)

Supplemental Security Income (SSI) rules are used to determine income eligibility for Medicaid. These rules are explained in the Program Operations Manual System (POMS). This manual provides references to sections in the POMS for detailed explanations of policy and procedures. The information in this chapter is for use with those Medicaid programs that follow strict SSI rules. These include Retroactive SSI Medicaid, Optional State Supplementation (OSS), and Pass-along.

The following sections explain how to treat income in the SSI program.

An individual is eligible for SSI benefits if he or she:

* Is aged, blind, or disabled;
* Meets citizenship and residency requirements; and
* Meets the income and resource limits.

Income is counted on a monthly basis. An individual who has too much income in a particular month is not eligible in that month. Not all income counts in determining eligibility.

401.02 Income Limits

(Eff.10/01/05)

Federal law establishes a limit on the amount of monthly countable income an individual may have and still be eligible for Medicaid. The limits vary according to the category of assistance. (Refer to MPPM Chapter 103, Program Financial Limits.)

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| **Note:** Income limits for poverty level groups change annually, usually in April. All other limits are changed effective January of each year. |

401.03 Strict SSI Income Policy vs. Liberalized

(Eff.10/01/05)

The Social Security Act allows states the option of using more liberal income criteria than SSI in certain instances. Retroactive SSI Medicaid, Optional State Supplementation (OSS), and Pass-along categories do not follow the liberalized policies.

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401.04 What Is Income?

(Eff.10/01/05)

[POMS SI 00810.005](http://policy.ssa.gov/poms.nsf/lnx/0500810005!opendocument)

Income is anything an individual receives in cash or in-kind that can be used to meet his/her needs for food, clothing, or shelter. Income includes the receipt of anything that can be applied, either directly or by sale or conversion, to meet the basic needs of food, clothing, or shelter.

In-kind income is not cash, but is actually food, clothing, or shelter, or something that can be used to get one of these basic needs. (Clothing is not considered in-kind income beginning 03/09/05.)

401.04.01 Relationship of Income to Resources

(Eff.10/01/05)

[POMS SI 00810.010](http://policy.ssa.gov/poms.nsf/lnx/0500810010!opendocument)

Items received in cash or in-kind during a month are evaluated under income rules. If an individual retains the item or a portion thereof in future months, it is considered a resource. All other items are evaluated under resource rules. (Refer to MPPM Chapter 402 for resource rules.)

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| **Example**  Mr. Jones receives his Social Security check in March. It is direct deposited into his checking account. Count the Social Security check as income in March, and subtract the deposit from the checking account to determine how much he has in resources. If he carries all or part of the check into April, you would not subtract the deposit from the checking account, but count the remaining amount as a resource. |

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401.04.02 Types of Income

(Eff.10/01/05)

[POMS SI 00810.015](http://policy.ssa.gov/poms.nsf/lnx/0500810015!opendocument)

Income is either earned or unearned, and different rules apply to each. Both earned and unearned income may be in cash or in-kind.

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| **Earned Income** [POMS SI 00810.015](http://policy.ssa.gov/poms.nsf/lnx/0500810015!opendocument) |
| Earned income consists of the following types of payments:   * Wages * Net earnings from self-employment * Payments for services performed in a sheltered workshop or work activities center * Royalties earned by an individual in connection with any publication of his work and any honoraria received for services rendered. |
| **Unearned Income** [POMS SI 00810.015](http://policy.ssa.gov/poms.nsf/lnx/0500810015!opendocument) |
| Unearned income is all income that is not earned income. Some types of unearned income are:   * Annuities, pensions, and other periodic payments * Alimony and support payments * Dividends, interest, and royalties * Rents * Benefits received as the result of another's death to the extent that the total amount exceeds the expenses of the deceased individual's last illness and burial paid by the beneficiary * Prizes and awards * In-kind support and maintenance. |

401.04.03 Forms of Income

(Eff.10/01/05)

[POMS SI 00810.020](http://policy.ssa.gov/poms.nsf/lnx/0500810020!opendocument)

Income may be received in either of two forms:

Cash -- Currency, checks, money orders or Electronic Funds Transfers (EFT), such as:

* Social Security checks
* Unemployment Compensation checks
* Payroll checks
* Currency

In-kind -- Items such as:

* Real property (including shelter)
* Food
* Clothing (Not after 03/09/05)
* Non-cash wages (such as room and board as compensation for employment)

401.04.04 Effect of Garnishment or Seizure

(Eff.02/01/06)

[POMS SI 00810.025](http://policy.ssa.gov/poms.nsf/lnx/0500810025!opendocument)

A garnishment or seizure is a withholding of an amount from earned or unearned income in order to satisfy a debt or legal obligation. Amounts withheld from earned or unearned income to satisfy a debt or legal obligation is income for SSI purposes.

**Exception:** Optional State Supplementation counts the actual amount received.

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| **Example**  Ms. Jones receives $900 monthly from Social Security. You determine Social Security is withholding $100 to pay back an overpayment. The amount withheld would be added back into her check, and her countable gross income would be $1,000.  **Exception:** OSS would count Ms. Jones’ income as $900. |

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401.04.05 When Income Is Counted

(Eff.10/01/05)

[POMS SI 00810.030](http://policy.ssa.gov/poms.nsf/517e83681a5eb8b28525688d0058721c/134327a55c3ddce085256e310077a38d!OpenDocument)

Generally, count income in the earliest month it is:

* Received by an individual;
* Credited to an individual's account; or
* Set aside for an individual’s use.

Income is determined monthly and counted in the month it is received.

Occasionally, a regular periodic payment (like wages, Title II, or VA benefits) is received in a month other than the month of normal receipt. As long as there is no intent to interrupt the regular payment schedule, the funds are considered to be income in the normal month of receipt.

The most common situations where this would apply are when:

* A payor advance dates a check because the regular payment date falls on a weekend or holiday – there is no intent to change the normal delivery date or to disrupt the existing relationship between check receipt and SSI benefits.
* An advance dated check is received – it is considered income to the recipient in the month of normal receipt.
* An individual's money goes to a bank by direct deposit, the funds may be posted to the account before or after the month they are payable. Whenever this occurs, the electronically transferred funds are treated as income in the month of normal receipt.

In addition, when a third-party payment results in an individual's receipt of In-kind Support and Maintenance (ISM), the eligibility worker must determine the month in which the individual received the ISM.

401.04.06 Income Determinations Involving Agents

(Eff.10/01/05)

[POMS SI 00810.120](http://policy.ssa.gov/poms.nsf/lnx/0500810120!opendocument)

Monies received by an individual in his/her capacity as an agent (such as a representative payee) are not income to him/her. Regular income rules apply for charging income that an SSI recipient receives which is not paid on behalf of another.

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| **Example**  Mr. Jones is receiving a Social Security check as the payee for his disabled child. This check is counted as income for the child, not Mr. Jones. |

401.04.07 Income Derived from Joint Bank Accounts

(Eff.10/01/05)

[POMS SI 00810.130](http://policy.ssa.gov/poms.nsf/lnx/0500810130!opendocument)

When an applicant/beneficiary has a joint bank account with another individual, deposits made to the account by other account holders are income to the applicant/beneficiary.

When an applicant/beneficiary and an ineligible individual who is not a deemor hold a joint bank account, income to the applicant/beneficiary includes the full amount of any deposit made by a third party or by the ineligible bank account holder unless the SSI recipient is acting as an agent

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| **Example 1**  Mr. Jones has a bank account with his daughter. His daughter makes regular deposits into the account, but the daughter is not eligible for SSI. These deposits are counted as income for Mr. Jones. |

When two or more applicants and/or beneficiaries are joint account holders, deposits made by one individual are not income to the other.

If an applicant/beneficiary successfully rebuts ownership of a portion of funds in a joint account, deposits made by the other account holder are not income to the SSI recipient.

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| **Example 2:**  Mr. Jones has a bank account with his daughter. His daughter makes regular deposits into the account, but the daughter is not eligible for Medicaid. She successfully rebuts Mr. Jones ownership to any of the funds by demonstrating the account was opened solely with her funds, and that the only deposits into the account are from her weekly paycheck. None of the deposits into the account is countable as income to Mr. Jones. |

If an applicant/beneficiary successfully rebuts ownership of all the funds held in a joint bank account, deposits by the other account holders are not income to the applicant/beneficiary. (Refer to MPPM 402.27.03A for steps required to rebut ownership.)

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| **Example 3**  Mr. Jones has a bank account with his daughter. The daughter is eligible for Medicaid. Social Security checks for Mr. Jones and his daughter are deposited into the account. Mr. Jones’s check is counted as income for him, and his daughter’s check is counted as income for her. |

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401.04.08 Counting Income and Income Verification

(Rev.01/01/24)

[POMS SI 00810.300](http://policy.ssa.gov/poms.nsf/lnx/0500810300!opendocument)

An individual's monthly income is one of the factors used to determine eligibility for benefits. Countable Income (CI) is the amount of income that remains after eliminating all amounts that are not income and applying all appropriate exclusions.

Countable income includes both earned and unearned income and the Value of the one-Third Reduction (VTR). The VTR is countable In-kind Support and Maintenance (ISM) valued at one-third the individual's or couple's Federal Benefit Rate (FBR).

To compute countable income:

The income receipt date, not the pay period ending date, is used to determine the countable income. If a DHHS 1233 ME, Medicaid Eligibility Checklist, is used to request income verification, request the income received four (4) weeks prior to the application/review receipt date. In instances where check stubs and/or the DHHS Form 1245 are not available, a declaratory statement of income can be used. The statement must clearly identify the employee and be signed by the employer. For decisions made on or after August 1, 2013, the following procedures for verifying income must be used.

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| **Procedure – Earned Income Verification of Reported Income**  If an applicant/beneficiary reports earned income on an application or review form, the reported income must be accepted. If the electronic data source matches the reported income, take the following steps:   1. If the reported income is below the income eligibility standard    1. Evaluate the reported income and the electronic verification to determine if it is below the income eligibility standard for the family size    2. Use the reported income received as verified income. Do not request additional paper documentation. 2. If the reported income is below the income eligibility standard and the electronic data source displays an income above the income eligibility standard, request additional paper documentation. 3. If the reported income is above the income eligibility standard and cannot be verified by electronic means, request additional paper documentation. 4. If both the reported income and the electronic verification are above the income eligibility standard, deny the application.   Sources of Electronic Verification:   1. South Carolina Department of Revenue (SCDOR) 2. Person Composite Service (PCS) Wage Verification 3. Employment Security Commission (ESC) Wage Match 4. Verify Direct 5. CHIP Data (SNAP/TANF)   **Acceptable Sources of Paper Documentation:** To be requested only if an electronic verification source and/or income does not match the reported source and/or income.   1. DHHS Form 1245, Wage Verification 2. Pay Stubs 3. Employer’s Records 4. Federal Income Tax records (Self-employment only)   All electronic verifications must be virtually printed in OnBase or if you are unable to access OnBase, you must print the electronic verification and place it in the case file. You must also document in the MEDS Notes screen or in OnBase which means of verification was used for the determination. |

* Disregard certain kinds of payments, property, or services that are not income for SSI purposes. If deeming applies, refer to [Appendix B](#Appendix_B) of this chapter for items that are excluded from deeming.
* Deduct income excluded under other Federal statutes.

In evaluating whether an item meets the definition of income, determine if it is:

* Food, shelter, or clothing (**Note:** clothing cannot be counted after 03/09/05); or
* Something the individual can use to obtain food, shelter, or clothing.

If the item is neither of the above, it is not considered income.

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| **Procedure to Convert to Monthly Average**  **(Do not round the answer and drop any number after the penny.)**   * For **weekly** amounts, average the last four pay stubs, multiply by 52, and divide by 12.   Do not round the answer, drop any numbers after the penny.  **Ex:** Mr. Jones received the following pay stubs:  $250.70 + $300.60 + $275.50 + $265.90 = $1,092.70 ÷ 4 = $273.175 = $273.17  $273.17 x 52 = $14,204.84 ÷ 12 = $1,183.737 = $1,183.73 (monthly countable income)   * For **bi-weekly** amounts, average the last two pay stubs, multiply by 26, and divide by 12.   **Ex:** Mr. Jones received the following pay stubs:  $650.26 + $725.25 = $1,375.51 ÷ 2 = $687.755 = $687.75  $687.75 x 26 = $17,881.50 ÷ 12 = $1,490.125 = $1,490.12 (monthly countable income)   * For **semi-monthly** amounts, add the two pay stubs together and use the total. |

401.04.09 Income Break-Even Points

(Eff.10/01/05)

[POMS SI 00810.350](http://policy.ssa.gov/poms.nsf/lnx/0500810350!opendocument)

An income break-even point is the earned or unearned income amount an individual can have so that countable income equals the applicable Federal Benefit Rate (FBR.)

Use the following formulas to determine monthly amounts.

2 x FBR + $85 = monthly earned income break-even amount

* FBR + $20 = monthly unearned income break-even amount

401.04.10 Exclusions from Income

(Rev.04/01/07)

[POMS SI 00810.400ff](http://policy.ssa.gov/poms.nsf/lnx/0500810400!opendocument)

For this exclusion to apply, income must be received either infrequently or irregularly.

* Infrequent - An individual receives income on an infrequent basis, if it is received no more than once in a calendar quarter from a single source. Effective September 8, 2006, income cannot be considered infrequent if a payment is received from the same source either the month before or the month after, even if the payments occur in different calendar quarters.
* Irregular - An individual receives income on an irregular basis, if it is not a reasonable expectation to receive it.

This exclusion is applied as follows:

* The first $30 per calendar quarter of earned income, and
* The first $60 per calendar quarter of unearned income.

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| **Note**   * A single source of earned income is an employer, a trade or a business. * A single source of unearned income is an individual, a household, an organization, or an investment. * Effective September 8, 2006, if an individual begins receiving a recurring payment (like, a social security check) in the third month of a quarter, the payment does not meet the definition of infrequent because it will be received in the following month, even though the following month is in another quarter. The same would be true if the recurring payment ended in the first month of a quarter, but had been received in the prior month in another quarter. |

| **If someone receives unearned income...** | **And…** | **Then its receipt is...** |
| --- | --- | --- |
| No more than once in a calendar quarter from a single source | ——— | Infrequent |
| No more than once in a calendar quarter from each of several sources | It is the same type of income in each instance | Infrequent |
| No more than once in a calendar quarter from each of several sources | It is a different type of income in each instance | Infrequent |
| More than once in a calendar quarter from the same source | It is a different type of income in each instance | Infrequent |
| More than once in a calendar quarter from the same source | It is the same type of income in each instance | **Not** infrequent |
| Any number of times in a calendar quarter | The individual could not reasonably have expected or budgeted for it | Irregular |
| Any number of times in a calendar quarter | The individual could reasonably have expected or budgeted for it (even if the individual did not know the exact amount) | **Not** irregular |

The exclusion can apply to both earned and unearned income in the same month provided the total of each does not exceed the limits stated above. Thus, it is possible to exclude as much as $90 in a quarter under this provision.

| **When someone receives infrequent or irregular…** | **Then this exclusion…** |
| --- | --- |
| Unearned income | Applies to the first $60 of infrequent or irregular unearned income received in a calendar quarter |
| Earned income | Applies to the first $30 of infrequent or irregular earned income received in a calendar quarter |
| Unearned and earned income | Applies to the first $60 of infrequent or irregular unearned income and the first $30 of infrequent or irregular earned income |

The dollar amount of the exclusion does not increase even if both an eligible individual and spouse (eligible or ineligible) have infrequent or irregular income.

The exclusion is applicable to income received infrequently or irregularly by an eligible individual, eligible or ineligible spouse, ineligible parent, and ineligible child.

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| **Example #1**  Mr. Jones receives $500 rent in October each year for land he rents to a local farmer. The money is infrequent income; $60 is excluded, and $440 is counted as unearned income in the month received. |

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1. **$20 Per Month General Income Exclusion**

[POMS SI 00810.420](http://policy.ssa.gov/poms.nsf/lnx/0500810420!opendocument)

Exclude the first $20 per month of any unearned income other than in-kind support and maintenance received in the household of another valued at one-third the FBR (that is, the VTR), and Income Based on Need (IBON).

Do not increase the dollar amount of this exclusion when both an eligible individual and his eligible spouse have income. An eligible couple receives one $20 exclusion per month.

Income based on need is a benefit that uses financial need as measured by income as a factor to determine eligibility. The $20 exclusion does not apply to a benefit based on need that is totally or partially funded by the Federal Government or by a non-governmental agency.

If an individual (or couple) has less than $20 of unearned income (other than the VTR and IBON) in a month and has earned income in that month, the remainder of the $20 exclusion reduces the amount of the earned income.

1. **Plan for Achieving Self-Support (PASS) as an Income Exclusion**

[POMS SI 00810.430](http://policy.ssa.gov/poms.nsf/lnx/0500810430!opendocument)

Income, whether earned or unearned, of a blind or disabled recipient may be excluded if such income is needed to fulfill a Plan for Achieving Self-Support (PASS).

This exclusion does not apply to a blind or disabled individual age 65 or older, unless he/she was receiving SSI or State disability or blind payments for the month before he/she became age 65.

(Refer to Appendix A of this chapter for requirements for completing a PASS.)

401.04.11 Income of Members of Religious Orders

(Eff.10/01/05)

[POMS SI 00810.700](http://policy.ssa.gov/poms.nsf/lnx/0500810700!opendocument)

The existence of a vow of poverty is a factor in determining whether cash is considered wages or net earnings from self-employment. The existence of a vow of poverty is also a factor in determining if payments made by a member to the order can be considered contributions for food, clothing, or shelter.

The treatment of income to members of religious orders who take a vow of poverty is determined by the source and nature of such income.

1. Cash for members of religious orders who take a vow of poverty is considered wages if:

* An individual receives compensation from the order as an active, working member of that order, whether or not the religious order has elected Title II coverage.
* An active, working member of a religious order receives compensation for performing services from an agency of the church supervising the order or from an affiliated institution, whether or not the religious order has elected Title II coverage.
* A member of a religious order receives compensation from a third party for services performed as an employee.

1. Remuneration for members of religious orders who take a vow of poverty is considered earnings from self-employment only when a member engages in self-employment activity unrelated to his membership in the order.
2. Any income provided by the order to a member who has taken a vow of poverty, which does not fall under #1 or #2 above is unearned income to the member even if turned over to the order.
3. Any income or resources turned over by the member to the order are considered to be in fulfillment of the vow of poverty and are not considered contributions for food, clothing, or shelter received from the order.
4. Unearned income received by a member from any source other than the order (such as a Title II or VA benefits) is income to the member even if the member turns it over to the order.

401.04.12 Non-Representative Income

(Rev. 10/01/23)

Eligibility workers must determine if the income presented and collected during the application or review process is representative of the income received during the last four weeks. Representative means that there are no anticipated changes, and the documented income represents the applicant’s/beneficiary’s average income.

If a pay period in the last four weeks is unusually higher or lower, the eligibility worker must:

* Conduct a collateral call to the applicant/beneficiary to discuss any discrepancies regarding the non-representative pay,
* Conduct a collateral call to the employer if necessary,
* Determine how often such occurrences can be expected and,
* Document the decision in the case record as to whether or not to count the unusual amount in the budgeting process.
* Enter the value of the income after the non-representative income has been excluded into Cúram-CGIS with the appropriate frequency

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| **Example 1**  Applicant/beneficiary receives bi-weekly income. 1st check is for $1000.00. The 2nd check is for $1500.00. Applicant/beneficiary states that the last check was higher because of overtime received in the last three weeks. Applicant/beneficiary states that no additional overtime is expected to be received.  Eligibility worker would verify that $500.00 is the overtime amount and count the base pay of $1000.00 as the gross income in the budgeting process.  **Example 2**  Applicant/beneficiary receives weekly income. 1st check is $400.00. The 2nd check is $450.00. The third check is $520.00 and the 4th check is $580.00. Applicant/beneficiary states that each check is higher because they will be working overtime for the next three months.  Eligibility worker would accept applicant/beneficiary’s statement and count all weeks of income in the budgeting process.  **Example 3**  Applicant/beneficiary receives weekly income. 1st check is $350.00. The 2nd check is $195.00. The third check is $325.00 and the 4th check is $335.00. Applicant/beneficiary states that the 2nd check is unusually lower because of missing a couple of days of work, due to illness.  Eligibility worker would disregard the 2nd check and document the reason. The remaining three paychecks would be counted in the budgeting process. The eligibility worker will then divide the gross income by 3 to get the weekly average. |

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401.05 What Is Not Income?

(Eff. 10/01/05)

[POMS SI 00815.001](http://policy.ssa.gov/poms.nsf/lnx/0500815001!opendocument)

Some items that an individual receives are not income because they do not meet the definition of income. Other items are income but are excluded by statute. Only those items specifically listed in the law and regulations can be excluded from income. If needed, POMS references have been included for detailed information concerning the items listed below.

| **Item** | **Note** | **POMS Reference** |
| --- | --- | --- |
| Medical and Social Services |  | [POMS SI 00815.050](http://policy.ssa.gov/poms.nsf/lnx/0500815050!opendocument) |
| Conversion or Sale of a Resource | Not counted as income, but evaluated under Resource rules. | [POMS SI 00815.200](http://policy.ssa.gov/poms.nsf/lnx/0500815200!opendocument) |
| Rebates and Refunds | Not counted as income, if it is a return of money already paid. | [POMS SI 00815.250](http://policy.ssa.gov/poms.nsf/lnx/0500815250!opendocument) |
| Income Tax Refunds |  | [POMS SI 00815.270](http://policy.ssa.gov/poms.nsf/lnx/0500815270!opendocument) |
| Credit Life or Disability Insurance Payments |  | [POMS SI 00815.300](http://policy.ssa.gov/poms.nsf/lnx/0500815300!opendocument) |
| Proceeds of a Loan | * Money received from a loan is not counted as long as the loan is bona fide. It is counted as unearned income in the month received, if there is no written agreement to repay. * Money received as repayment of the principal of a loan is not income; however, interest received is counted as unearned income. | [POMS SI 00815.350](http://policy.ssa.gov/poms.nsf/lnx/0500815350!opendocument) |
| Bills Paid by a Third Party | Not counted as income, if directly paid by the third party. | [POMS SI 00815.400](http://policy.ssa.gov/poms.nsf/lnx/0500815400!opendocument) |
| Replacement of Income Already Received |  | [POMS SI 00815.450](http://policy.ssa.gov/poms.nsf/lnx/0500815450!opendocument) |
| Return of Erroneous Payments | Not counted as income, if returned immediately. | [POMS SI 00815.460](http://policy.ssa.gov/poms.nsf/lnx/0500815460!opendocument) |
| Weatherization Assistance |  | [POMS SI 00815.500](http://policy.ssa.gov/poms.nsf/lnx/0500815500!opendocument) |
| Wage-Related Payments | Includes items such as employer’s share of FICA, health insurance, retirement. | [POMS SI 00815.600](http://policy.ssa.gov/poms.nsf/lnx/0500815600!opendocument) |

401.06 Earned Income

(Eff. 10/01/05)

[POMS SI 00820.001 ff](http://policy.ssa.gov/poms.nsf/lnx/0500820001!opendocument)

Earned income may be received in cash or in-kind and consists of:

* Wages
* Net Earnings from Self-Employment (NESE)
* Payments for services performed in a sheltered workshop or work activities center
* Earned Income Tax Credit (EITC) payments (**Note:** excluded effective 01/01/91)
* Royalties earned by an individual in connection with any publication of his work and any honoraria received for services rendered

401.06.01 Sick Pay

(Eff. 10/01/05)

[POMS SI 00820.005](http://policy.ssa.gov/poms.nsf/lnx/0500820005!opendocument)

Sick pay is a payment made to or on behalf of an employee by an employer or a private third party for sickness or accident disability. Sick pay is either wages or unearned income. (**Note:** Payments to an employee under a Workers' Compensation law are neither wages nor sick pay.)

The following chart shows how to treat sick pay.

|  |  |  |
| --- | --- | --- |
| When Sick Pay Received | **Attributable to Employee’s Own Contribution (Yes/No)** | Type of Income |
| More than 6 months after stopping work | N/A | Unearned |
| Within 6 months after stopping work | No  Yes | Wages  Unearned Income |

To determine the 6‑month period after stopping work:

• Begin with the first day of non-work.

• Include the remainder of the calendar month in which work stops.

• Include the next six (6) full calendar months.

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401.06.02 In-Kind Items Provided as Remuneration for Employment

(Eff. 10/01/05)

[POMS SI 00820.010](http://policy.ssa.gov/poms.nsf/lnx/0500820010!opendocument)

Wages may include the value of food, clothing, shelter, or other items received in lieu of cash. (Refer to MPPM [401.03](#MPPM_401_03) regarding exclusion of in-kind income for certain coverage groups.)

Generally, in-kind remuneration for employment is earned income (such as wages or self-employment income). However, to the following people or under the stated conditions, in-kind payments are unearned income:

* Agricultural employees
* Domestic employees
* Service not in the course of the employer's trade or business
* Service by certain home workers
* Members of the Uniformed Services
* In the form of food and/or shelter which is on the employer's business premises for the employer's convenience and, if shelter, its acceptance by the employee is a condition of employment

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401.06.03 Wages

(Eff. 10/01/05)

[POMS SI 00820.100](http://policy.ssa.gov/poms.nsf/lnx/0500820100!opendocument)

Wages are what an individual receives (before deductions) for working as someone else's employee. Under certain conditions, services performed as an employee are deemed self-employment rather than wages (for example: ministers, real estate agents, share farmers)

Wages are counted at the earliest date of the following:

* When they are received, or
* When they are credited to the individual's account, or
* When they are set aside for the individual's use.

Wages may take the form of:

| **TYPE** | **DEFINITION** |
| --- | --- |
| Salaries | Payments (fixed or hourly rate) received for work performed for an employer |
| Commissions | Fees paid to an employee for performing a service (such as a percentage of sales) |
| Bonuses | Amounts paid by employers as extra pay for past employment (for example: for outstanding work, length of service, holidays) |
| Severance Pay | Payment made by an employer to an employee whose employment is terminated independently of his wishes. |
| Military Basic Pay | Service member's wage, which is based solely on the member's pay grade and length of service. |
| Special Payments received because of employment | These are items such as vacation pay, advanced/deferred wages. |
| Payments to an Inmate of a public institution | Payments made when an employer/ employee relationship exists. |
| AmeriCorps and National Civilian Community Corps Payments | Payments made for performing public service work. |

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401.06.04 Cafeteria Plans

(Rev. 02/01/15)

[POMS SI 00820.102](http://policy.ssa.gov/poms.nsf/lnx/0500820102!opendocument)

A cafeteria plan is a written benefit plan offered by an employer in which:

* All participants are employees; and
* Participants can choose cafeteria-style from a menu of two or more cash or qualified benefits.

A qualified benefit is not considered part of an employee's gross income. Qualified benefits include, but are not limited to:

* Accident and health plans (including medical plans, vision plans, dental plans, accident and disability insurance)
* Group term life insurance plans (up to $50,000)
* Dependent care assistance plans
* Certain stock bonus plans under Section 401(k)(2) of the IRC, but not 401(k)(1) plans

A salary reduction agreement is an agreement between employer and employee whereby the employee, in exchange for the right to participate in a cafeteria plan, accepts a lower salary or foregoes a salary increase.

Amounts used to purchase cafeteria-plan benefits under a salary-reduction agreement are not the employee's wages and are not income for SSI purposes.

Payroll deductions used to purchase cafeteria-plan benefits in addition to or instead of as provided under a salary-reduction agreement are the employee's wages and are earned income.

Cash received under a cafeteria plan in lieu of benefits is considered wages. However, cash received as reimbursement for qualified-benefit expenses, such as childcare, is not income.

At the time of application or review:

* If an applicant’s reported income is below the threshold and reasonably compatible with electronic sources (whether by straight through processing or with a worker verifying), the worker does not need to pursue information regarding a cafeteria plan.
* If the applicant provides information (e.g. current check stub) whether as reported income or as verified income and the check stub indicates the presence of a cafeteria plan, the worker must act on that information and count income based on cafeteria plan policies.

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401.06.05 Wage Advances and Deferred Wages

(Eff. 10/01/05)

[POMS SI 00820.115](http://policy.ssa.gov/poms.nsf/lnx/0500820115!opendocument)

Wage advances are payments by an employer to an individual for work to be done in the future. An advance is wages in the month received.

Wages are considered "deferred" if they are received later than their normal payment date. Types of wage payments that may be deferred include vacation pay, dismissal and severance pay, back pay, bonuses.

* Wages that are deferred due to circumstances beyond the control of the employee are considered earned income when actually received.
* Wages that are deferred at the employee's request or by mutual agreement with the employer are considered earned income when they would have been received had they not been deferred.

401.06.06 Verification of Wages

(Eff. 10/01/05)

[POMS SI 00820.133ff](http://policy.ssa.gov/poms.nsf/lnx/0500820133!opendocument)

Verification of wage amounts and frequency of receipt is required whenever an individual alleges he/she received wages, sick pay, or temporary disability payments.

The burden of proof is on the applicant/beneficiary. However, the eligibility worker should provide assistance if the applicant/beneficiary is unable to secure evidence of wages. The most common methods of verifying wages include pay stubs, written or oral statements from the employer, and W2s, if no other verification is available.

The most recent four weeks of wages must be used. All income paid other than monthly must be converted to a monthly amount. Once determined, monthly income is projected over the next 12 months.

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| Procedures to Verify Wages and Determine Monthly Average Income:   1. Using [DHHS Form 1233](http://medsweb.scdhhs.gov/EligibilityForms/FM%201233%20ME.pdf), Medicaid Eligibility Checklist, request the applicant/ beneficiary provide the employed individual’s pay stubs for the previous four-week period. 2. If the stubs are unavailable, have the employed individual sign a [DHHS Form 1245](http://medsweb.scdhhs.gov/EligibilityForms/FM%201245%20ME.pdf), Wage Verification Form. When completing the form, list the specific period for which the information is required, including any potential retroactive period. Send the form to the employer, along with a self-addressed stamped envelope. 3. When multiple forms of income verifications are available, the eligibility specialist must accept the verifications in the following order:   Wages   * 1. Paystubs   2. DHHS Form 1245, Wage Verification   3. Employer’s records/signed statement from the employer   4. Person Composite Service (PCS)/Equifax Verification   5. Employment Security Commission (ESC) Wage Match   Self-Employment   * 1. Federal Income Tax Records (Self-Employment only)   2. Bookkeeping Records   3. Self–Attestation (as a last resort)   Any electronic data source where the history is not kept in Cúram should be uploaded to OnBase. The Eligibility Specialist must also document in the System of Record (SOR) and in OnBase on the Documentation Template which means of verification was used for the determination.  **(Do not round the answer and drop any numbers after the penny.)**  • For **weekly** amounts, average the four pay stubs, multiply by 52, and divide by 12.  **Ex:** Mr. Jones received the following pay stubs:  $250.70 + $300.60 + $275.50 + $265.90 = $1,092.70 ÷ 4 = $273.175 = $273.17  $273.17 x 52 = $14,204.84 ÷ 12 = $1,183.737 = $1,183.73 (monthly countable income)   * For **bi-weekly** amounts, average the last two pay stubs, multiply by 26, and divide by 12.   **Ex:** Mr. Jones received the following pay stubs:  $650.26 + $725.25 = $1,375.51 ÷ 2 = $687.755 = $687.75  $687.75 x 26 = $17,881.50 ÷ 12 = $1,490.125 = $1,490.12 (monthly countable income)  • For **semi-monthly** amounts, add the two pay stubs together and use the total. |
| **Earned Income**  Use the calculator on the Non-MAGI workbook to add earned and unearned income into Cúram-CGIS.   * Weekly: Obtain the last 4 weeks of paystubs. Enter each week into NM workbook calculator. Enter the “Average Pay Period” amount into Cúram-CGIS, and select “Weekly” as frequency * Bi-Weekly: Obtain the last 2 paystubs. Enter each check into NM workbook calculator. Enter the “Average Pay Period” amount into Cúram-CGIS, and select “Bi-Weekly” as Frequency * Semi-Monthly: Obtain the last 2 paystubs. Enter each check into NM workbook calculator. Enter the “Average Pay Period” amount into Cúram-CGIS, and select “Semi-Monthly” as frequency * Monthly: Obtain the last paycheck. Enter value into Cúram-CGIS, and select “Monthly” as the Frequency |

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401.06.07 Different Forms of Business

(Eff. 10/01/05)

Income received by an individual from a business may be considered as self-employment income, wages as an employee, or unearned income depending upon the form of business and the individual's relationship to the business. The following policy explains the different forms of business.

1. **Sole Proprietorship**

A sole proprietorship is an unincorporated business owned by one individual. The owner has sole control and responsibility of the business, receives all the profits, and is legally liable for all the debts of the business. The owner of a sole proprietorship is self-employed. (Refer to MPPM [401.06.08](#MPPM_401_06_08) for information on how to determine countable income.)

1. **Partnerships**

A partnership is an association of two or more people. A partnership can be created by a verbal or written contract between the individuals. There are three types of partnerships, a General Partnership, a Limited Partnership, and a Limited Liability Partnership. The income received from a partnership is either self-employment or unearned income depending on whether the individual is a general partner or a limited partner. The income tax form, Schedule K-1 (Partner's Share of Income, Credits, Deductions, etc.) that the partner receives from the partnership will show whether the individual is a general partner or a limited partner.

1. **General Partnership:** Each partner jointly owns the business, shares in the profits and losses, and is personally liable for all the debts of the business. There may or may not be a written Partnership Agreement. The income a general partner receives from the partnership is self-employment income. (Refer to MPPM [401.06.08](#MPPM_401_06_08) for information on how to determine countable income.)
2. **Limited Partnership:** A business that is owned by at least one or more general partners who manage the business and one or more limited partners. The general partner or partners are responsible for the management of the company and are personally liable for all the debts of the business. The income a general partner receives from the partnership is self-employment income. (Refer to MPPM 401.06.08 for information on how to determine countable income.)

The limited partner or partners have no personal liability for the debts of the business. The income a limited partner receives from a partnership is unearned income and must be reported on his or her individual income tax return. To determine the countable unearned income, request a copy of the Schedule K-1 (Partner's Share of Income, Credits, Deductions, etc.) from the partnership and the individual's Schedule E (Supplemental Income and Loss), which is filed with his or her personal income tax return. The amount from line 31 of the Schedule E is counted as unearned income.

1. **Limited Liability Partnership (LLP):** A business that is set up like a general partnership except that the partners are granted limited liability. Usually, individuals who are in professions such as law, medicine, and accounting set up a Limited Liability Partnership. The partners are not personally liable for the malpractice or debts of the other partners or for the debts of the LLP. Filing an application for Limited Liability Partnership with the South Carolina Office of the Secretary of State forms an LLP. The income a general partner in an LLP receives from the partnership is self-employment income. The income a limited partner receives from a partnership is unearned income and must be reported on his or her individual income tax return. (Refer to MPPM 401.06.08 for information on how to determine countable income.)

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1. **Limited Liability Company (LLC)**

Filing Articles of Organization with the South Carolina Office of the Secretary of State forms a Limited Liability Company. The individual members of a Limited Liability Company are not personally liable for the debts of the company. Profits of a Limited Liability Company are either taxed to each member similar to those of a partnership or are taxed as a corporation. The Articles of Organization, the Operating Agreement, or their income tax forms will provide this information. If the LLC is being taxed as a partnership, the policy for partnership income should be followed. If the company is being taxed as a corporation, the income is received in the form of dividends and is countable unearned income.

1. **Corporations**

A corporation is formed by a transfer of money, property, or both by prospective shareholders in exchange for capital stock in the corporation. If money is exchanged for stock, the shareholder or corporation realizes no gain or loss. The stock received by the shareholder has a basis equal to the money transferred to the corporation by the shareholder. All corporations are divided into two groups: S Corporations which have elected Subchapter S treatment, and C Corporations, which encompass all other corporations.

1. **S Corporation:** A small business corporation formed and operated under a State's general corporation law. It is like any other corporation, except that it is treated like a sole proprietorship or a partnership for Federal Income Tax purposes. The S Corporation files an "information" tax return to report its income and expenses, but it is not separately taxed. Instead the income and expenses of the corporation are divided among its shareholders, based upon the percentage of stock of the corporation that they own, who then report them on their own income tax returns (Schedule E, Supplemental Income and Loss.) An individual may also receive a salary from the business, and this should be counted as wages.

If the individual is actively engaged in the business, the income is self-employment income. (Refer to MPPM [401.06.08](#MPPM_401_06_08) for information on how to determine countable income.)

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| **Note**  The information reported on their Schedule E, Supplemental Income and Loss, should be checked to determine whether the individual is actively engaged in the business. If the income is listed as Non-passive Income (#27 k), the individual is actively engaged in the business. If it is listed as Passive Income (#27 h), they are not actively engaged in the business. |

If the individual is not actively engaged in the business, the income received is countable unearned income. The individual will receive a Schedule K-1 from the S Corporation that he/she may then use to complete Schedule E to file with is/her personal income tax return. The amount from line 31 on the form Schedule E is counted as unearned income.

1. **C Corporation:** C Corporations are treated by law as a legal entity. The owners of a corporation are the stockholders or shareholders. The C Corporation reports its income and expenses on a corporation income tax return and is taxed on its profits at corporation income tax rates. Dividends when paid are taxed to stockholders who report them as income. Dividends paid to a stockholder are countable unearned income when they are received.

A stockholder of a corporation may also be an employee of the corporation. If the stockholder is an employee, the wages are counted as earned income when they are received.

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401.06.08 Self-Employment Income

(Rev. 10/01/08)

Self-employment income is the gross income from a continuing trade or business activity minus the allowable operational expenses for that activity. This includes, but is not limited to running a business, performing a service, selling items you make or re-selling items to make a profit. A self-employed individual may be the sole owner of a business; a general partner in a partnership; a partner in a Limited Liability Partnership; a member of a Limited Liability Company being taxed as a partnership; or a shareholder in an S Corporation who is actively engaged in the operation of the business.

An individual is not self-employed if the business is incorporated, even if the person is the sole investor in the business. Corporations are separate entities from their investors and employees. The person is considered an employee of the corporation. If the individual is a limited partner in a Limited Partnership or in a Limited Liability Partnership; or if the individual is a member (owner) of a Limited Liability Company that files federal income taxes as a corporation, any earned income actually received by the individual as an employee of the business is countable wages. Dividends or the share of income reported by the individual on his/her individual income tax is countable unearned income.

A self-employed farmer actively earns income from operating a farm for profit as either the owner or tenant. A farm includes stock, dairy, poultry, fish, bee, fruit, or truck farms. It also includes plantations, ranches, nurseries, or orchards.

To determine if an individual is self-employed, evaluate the individual’s work situation. If an employer is withholding Social Security and income taxes, the individual is not self-employed. A self-employed individual generally exercises control over how the business will be conducted, not just the end product. Also, a self-employed individual usually incurs operational expenses related to conducting his business or work activity.

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| **Example #1**: An electrician who works for a construction company, has materials provided and receives a regular paycheck with taxes withheld is not self- employed. An electrician who is self-employed solicits his own work, works on various jobs, provides his own tools, and is paid when the job is finished with no taxes withheld. |

**Countable Self-Employment Income**

An individual's countable self-employment income from a business depends on the type of business and the individual’s relationship to the business.

* Sole Proprietor – If the individual is the sole owner of the business, the individual’s countable self-employment income is the net profit from a business or farm. Net profit is the total gross earnings minus allowable business expenses. Any salary or disbursements made to the individual from his business are included as part of the countable self-employment income.

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| **Example #2:** An electrician’s gross receipts for the 12-month base period are $65,000 and his operational (business) expenses are $30,200. He has withdrawn from his account $400.00 per week in the same period for a total of $20,800. His gross income from the business is $34,800, the difference between receipts and expenses, rather than the amount he withdrew. |

* General Partner – If the individual is a general partner, the individual’s countable self-employment income is calculated by subtracting the operational expenses from the gross receipts of the business in the base period and dividing that amount by each partner’s share. The eligibility worker must read the Partnership Agreement to determine the share of the earnings. The earnings are divided according to the agreement. If no Partnership Agreement exists, the earnings must be divided equally among all general partners. Any salary or disbursements made to the individual from his business are included as part of the countable self-employment income.

Partnerships are required by the IRS to file a Form 1065, Partnership Return of Income, which shows the income and expenses of the partnership as well as the assets and liabilities of the partnership. The Form K-1 (Form 1065) is then completed using the Form 1065 and distributed to the partners to indicate their share of the earnings. If the partners do not file the required tax forms, they are still treated as partners for the purposes of determining countable income. The earnings are then reported on the individual’s tax return on a Schedule E as income.

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| **Example #3:** Two individuals work together as equal partners in a Carpet Cleaning business. Their gross receipts in the base period were $57,000 and their operating (business) expenses were $9,500. The gross income from the business is $47,500 and each partner’s gross income is $23,750. |

* Member of a Limited Liability Company (LLC) Filing Federal Taxes as a Partnership –If the individual is a member of a Limited Liability Company which files federal income taxes as a partnership, and the individual is a general partner, the company is treated the same as a general partnership and the individual’s self-employment income is his/her share of the earnings.

If the individual is a limited partner, he/she is not self-employed. Any income he/she receives for services he/she performs is countable wages. Any dividends paid to him/her from the LLC are countable unearned income.

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| **Example #4:** Ms. Mitchell is one of three members of Styles & Files, a LLC with monthly profits of $900. The company’s Operating Agreement says the income of the LLC is taxed as a partnership with each member receiving an equal share of the profits. Ms. Mitchell’s countable self-employment income is $300.  **Example #5:** Mr. John Deere and his son have formed a LLC and are the only two members of John’s Tractor Service. The company’s Articles of Organization state that the income of the LLC will be taxed as a partnership, that Mr. Deere is a limited partner, and that he is responsible for the management of the LLC. Even though the profits of the LLC are taxed as a partnership, because he is a limited partner, he is not self-employed. Any money he receives as payment for his management duties is countable wages. |

* Shareholder in an S Corporation – If the individual is a shareholder in an S Corporation and is actively working in the business, the individual’s earned income is his/her share of the profits. The S Corporation operates the same as a partnership in that the income is taxed at the individual level and there are no corporate taxes. An individual who is a shareholder in an S Corporation but is not actively working in the business is not self-employed. His share of the profits is countable unearned income.

S Corporations are required by the IRS to file a Form 1120S, U .S. Income Tax Return for an S Corporation, which shows the income and expenses of the corporation. The Form K-1 (Form 1120S) is then completed using the Form 1120S and distributed to the shareholders to indicate their share of the earnings. The earnings are then reported on the individual’s tax return on a Schedule E as income.

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| **Example #6:** Mr. Smith is one of 12 shareholders in John’s Cleaning Service, an S Corporation with a monthly profit of $12,000. Mr. Smith formed the corporation, is responsible for its management, and cleans several of the businesses that have contracted with the corporation for services. Mr. Smith’s countable self-employment income is $1,000. ($12,000 divided by 12 = $1,000)  **Example #7:** Mr. Manning is one of 10 shareholders in Mike’s Investigations, an S Corporation with a monthly profit of $11,000. Mr. Manning does not perform any services for the corporation. His share of the monthly profits is $1,100 and is countable unearned income. ($11,000 divided by 10 = $1,100) |

**Calculating Multiple Self-Employment Businesses**

Each self-employment business is separate. Calculate the net self-employment income for each self-employment business separately.

* Do not use the losses on one business to offset the profit of another business.
* Do not use the losses of one period to offset the profits of another period.

Determine the expenses and gross income for each business separately and add the totals to determine gross income. Use zero income for any business that shows a loss.

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| **Note:** Do not allow the same operational expenses more than once. For example, if the applicant/ beneficiary rents a space and uses it for two businesses, the rent deduction can only be allowed once. |

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| **Example #8:** Drew Blank operates Kids-R-Us Day Care and Blank Heating & Cooling. These are two separate business activities. Kids-R-Us Day Care received $35,000 in gross income and had $12,250 in expenses for a net profit of $22,750. Blank Heating & Cooling business had $28,000 in gross receipts and $4,500 in expenses for a net profit of $23,500. His income from self-employment is $46,250 ($22,750 + $23,500.)  **Example #9:** Alice Carroll has two separate businesses, White Rabbit House Cleaning and The Mad Hatter Tea Shop. White Rabbit House Cleaning received $12,000 in gross income and had $3,000 in expenses for a net profit of $9,000. The Mad Hatter Tea Shop had $20,000 in gross receipts and $23,250 in expenses for a net loss of $3,250. Her income from self-employment is $9,000 ($9,000 + $0 = $9,000.) |

**Verifying Countable Self-Employment Income**

The individual’s most recent tax return is used to verify the countable profits from self-employment or farming, if the income information on the tax return is representative of the current self-employment income and circumstances.

If a tax return is not available, or if the income reported on the most recent tax return is not representative of current income, business accounting records, ledger books, or bookkeeping records from the beginning of the current tax year up to the month of application, including those maintained by the individual, by either paper or in software programs such as QuickBooks, may be used to verify self-employment income. If there are no business records available at application, the applicant’s statement declaring the gross income received from the beginning of the current tax year up to the month of application should be accepted only as a last resort. Money earned and not received is not included.

**Note:** A declaratory statement cannot be accepted for operational expenses, since there is no business or current tax records available to verify the expenses.

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**Business Expense Deductions**

Business or operating expenses are the identifiable costs of producing goods or services and without which the goods or services could not be produced. Verified costs of certain items necessary for the operation of a self-employment business/farm are appropriately deducted from the total business income to determine earnings.

Some examples of allowable business deductions are:

* Cost of renting land, buildings, machinery, and equipment necessary for the operation of the business or farm;
* Cost of utilities for business or farm buildings;
* Cost of office supplies;
* Amount of real property taxes on business or farmland owned or being purchased by the individual;
* Cost of employees' wages and benefits and the employer's share of the employees' social security taxes;
* Costs of repairs and maintenance of business or farm property (including buildings, machinery, equipment, trucks) owned or being purchased by the individual, if such expenditures do not appreciably add to the value of the property;
* Interest portion of business and farm loans or mortgages;
* Insurance on business and farm property (including buildings, machinery, livestock, cars, trucks);
* Business licenses;
* Cost of gas and oil for business or farm vehicles;
* Cost of feed, fertilizer, seeds, plants, and farm supplies;
* Cost of breeding fees, veterinary fees, and livestock medicines;
* Cost of advertising;
* Postage;
* Cost of tools purchased for the business;
* Attorney fees related to the business;
* Cost of tax return preparation;
* Cost of goods sold;
* Business-related travel expenses;
* Cost of business transportation (including parking expenses). Travel expenses while at work (such as going to pick-up materials required for the business) are considered a business expense. Travel expenses to and from the individual's home to place of employment is **not** deductible. Personal use of a motor vehicle is **not** an allowable expense. If a vehicle is used both for business and personal purposes, the expenses must be divided between business and personal use. The expenses must be divided based on the number of miles driven for each purpose.

Some expenses the client may claim as business expenses are not allowed as deductions for eligibility purposes. They include:

* Depreciation; (loss of value, as because of wear)
* Entertainment expenses;
* The cost of purchasing income-producing real estate and capital assets such as equipment, machinery and other durable goods, including payments on the principal of a loan to purchase capital goods;
* Expenses and net losses from previous periods;
* Federal, state and local income taxes;
* Any expenses covered by the earned income deduction;
* Money set aside for the individual’s retirement and other work-related personal expenses such as transportation to and from work or personal entertainment expenses;
* Repayment on the principal of a bank loan;
* Debts from a previous business, including bankruptcy payments;
* Personal debts;
* Family expenses (Personal Use)

If the applicant/beneficiary alleges that cash or in-kind items (i.e., food, fuel) are withdrawn from a business for personal use, or if the eligibility worker has reason to believe that cash or in-kind items have been withdrawn from the business for personal use (reported income does not appear to be able to meet the applicant/ beneficiary’s living expenses):

* Ask if the withdrawals were properly accounted for. Were they deducted on tax returns or on business records in determining cost of goods sold?
* Unless the worker has specific reasons to doubt the applicant/beneficiary, accept the applicant/beneficiary’s allegation that the cost of goods sold were deducted on his business records. If they were deducted, then they were properly accounted for.
* If they were not deducted, ask the applicant/beneficiary to document the value of the withdrawals. Deduct this amount from operational expenses.

**Establishing annual gross earned income from self-employment**

Generally, it will be necessary for the self-employed individual to provide copies of their tax return from the previous year or the individual's current business records in order for a projection of annual gross income to be determined. Additionally, the self-employed individual's estimate of expected income and expenses must be secured.

The amount of annual gross earned income from self-employment shall be determined by subtracting the allowable annual operating expenses from the annual gross receipts.

|  |  |
| --- | --- |
| **Situation** | **Treatment** |
| Tax Return – No change expected for current year | The individual has been carrying on the same trade or business for some time, net earnings from self-employment have been fairly constant from year-to-year and he/she anticipates no change or gives no satisfactory explanation of why the net earnings for current and future months will be substantially different from what it has been in the past. The estimate of earnings for the current taxable year should be the same as the net profit last year. Net Profit would be the Gross Income minus the Allowable Operational Expenses. |
| Tax Return – Change expected for current year | The individual is engaged in the same business that he/she had the preceding taxable year and anticipates a change and can give a reason why there would be a substantial difference from what it has been in the past. Determine the ratio between his net profit and gross receipts for the last year and apply it to the gross income received for the current taxable year.  **Procedure**   * Using the applicant/beneficiary’s tax return from the previous year, divide the Gross Income by the Net Profit (Gross Income minus Allowable Operational Expenses) to calculate the ratio between Net Profits and Gross Income   Gross Income – Allowable Expenses = Net Profit  Net Profit ÷ Gross Income = Net-Gross Ratio   * Using the applicant/beneficiary’s business records from the beginning of the current year up to the month of application, determine the business’ Gross Income * Calculate a monthly average for the Gross Income received to date * Multiply the monthly average by the Net-Gross Ratio to calculate the Monthly Net Profit * Annualize the Monthly Net Profit   **Example:** John Crawling applies for Medicaid in July. Last year he had a net profit of $1,200 with $6,000 in gross income in his business. He reports that his business is doing better this year, and last year’s income tax return would not accurately reflect his income for this year. In the first six months of this year he has $3,900 in gross receipts.  $6,000 last year’s Gross Income  $1,200 last year’s Net Profit  $1,200 ÷ $6,000 = 20% Net-Gross Ratio  $3,900 Current year’s Gross Income for the first six months  $3,900 ÷ 6 = $650 monthly average  $650 x 20% = $130 Estimated Monthly Net Profit  $130 x 12 = $1,560 Estimated Annual Net Profit |
| No Tax Return – Established or New Business | The eligibility worker shall project an estimate of the individual's countable annual income based on the individual's current business records. The eligibility worker shall base the decision on the individual's business records for the current year unless the individual disputes this determination and provides a reasonable explanation as to why the current business records do not reflect the income (and expenses) that he expects to receive in the future. If the individual disputes the determination by providing a reasonable explanation as to why the eligibility worker projection is not satisfactory and provides a written estimate of his projected annual income and expenses, the eligibility worker shall use the individual's written estimate on which to base the eligibility determination. |

**Budgeting Profits from Self-Employment**

In general, self-employment income must be annualized. This means the total profits expected in receipt for a full year must be averaged to determine the monthly countable self-employment income.

* If a 12-month period of self-employment income history is available, and it is representative of the current circumstances, this information may be used to determine the monthly countable self-employment income.
* If a 12-month period of self-employment income history is not available, or if the self-employment history is not representative of the current circumstances, whatever current information is available to establish a best estimate of the countable self-employment income may be used. A shorter review period may need to be set until enough information has been gathered to establish an accurate best estimate for longer periods.
* If the self-employment income is not intended to be the household's annual support, and the household anticipates income from another source to be its support for the other part of the year, the self-employment income over the number of months it is intended to cover must be pro rated and that amount must be used as the monthly countable income from self-employment in those months.
* If the self-employment income is intended to be part of the household’s annual support, and other income is received that is part of the annual support, the self-employment income must be annualized, even if the business is only conducted during part of the year.

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| **Example #10:** Mr. Lean is a teacher who operates a small business to support himself during the summer months. He relies upon this small business for support only for the summer and relies upon his income from teaching for the rest of the year.He receives income from his 9-month contract-teaching job only during the school year. Last year, Mr. Lean's business made $6,000 during the 3-month school vacation. He expects his earnings to be about the same this year. Count $2,000 self-employment income for the three months the income is intended to cover (June, July and August). Count the teaching income in the months it is received. During June, July and August, Mr. Lean's countable income will be only the self-employment income and, in the other months, his countable income will be only the income from teaching.  **Example #11:**Ms. Cross is a teacher who operates a small business during the summer. She relies upon this business to supplement her income from teaching; she considers both incomes part of her annual support. This is the first year of business for Ms. Cross. She expects to have $6,000 in the three summer months. This money, added to the money from her teaching contract, must be divided by 12. ($6,000 self-employment + $30,000 teaching = $36,000. $36,000 ÷ 12 = $3,000. Count $3,000 for each month.)  **Example #12:**Mr. Hire is a self-employed plumber who has only been in business for two months. He has not received any money from the business yet, but has paid $500 in business expenses. He expects to average about 20 jobs with approximate earnings of $50 from each job. Using his anticipated income of $1,000 per month (20 jobs x $50 per job) and deducting his actual business expenses of $500, you can determine that his countable monthly income is $500. Review the case within a few months to see if your best estimate is still valid.  **Example #13:**Ms. Small is a Certified Public Accountant. She works only for three months of the year–the three months preceding the income tax deadline. This is the only income she earns all year. She uses the earnings to supplement her annual unearned income. Ms. Small earned $10,000 last year and had $1,000 business expenses. Her annual earnings from self-employment were $9,000. Ms. Small has "a hunch" her earnings for this year will be less. She cannot give us a logical reason why this would be so. ($9,000 ÷12 = $750. Count $750 as her earned income each month.) |

401.06.09 Net Earnings from Self-Employment (NESE)

(Eff. 10/01/05)

[POMS SI 00820.200ff](http://policy.ssa.gov/poms.nsf/lnx/0500820200!opendocument)

NESE is the gross income from any trade or business, less allowable deductions for that trade or business. NESE also includes any profit or loss in a partnership. NESE is determined on an annual basis. The chart below indicates the steps and procedures to determine NESE:

| **STEPS** | **PROCEDURE** |
| --- | --- |
| Determine monthly NESE | Divide the entire taxable year's NESE equally among the number of months in the taxable year, even if the business:   * Is seasonal; * Starts during the year; * Ceases operation before the end of the taxable year; or * Ceases operation before initial application. |
| Verify net losses | Any verified net losses from self-employment are divided in the same way as net earnings. Then each month's net loss is deducted from earned income of the individual or spouse in that month. |
| Apply the 7.65% deduction | A 7.65% deduction is applied to net profit in determining NESE. Therefore, multiply net profit by .9235 to determine NESE. This deduction recognizes, as a business expense, part of the Social Security taxes paid. If Social Security tax is not paid (that is in situations involving less than $400 per year in NESE, net losses, and when no tax return is filed), the deduction does not apply. |
| Include distributive shares | Any distributive share (whether or not distributed) of income or loss from a trade or business carried on by a partnership is included in NESE. |
| Allow work expenses | If an individual is self-employed (whether or not he/she is also a wage earner), reduce his/her earned income by any allowable work expenses that have not already been used to compute NESE. |
| Withdrawals for personal use | When a person alleges that cash is withdrawn from a business for personal use:   * 1. Ask the person whether the withdrawals were deducted on the person's Federal Income Tax return in determining the cost of goods sold or the cost of expenses incurred, or deducted on his/her business records.   B. Accept the person's allegation of whether the withdrawals were properly accounted for.  If the withdrawals were properly accounted for, do not count against income.  If the withdrawals were not properly accounted for, and:   * The person cannot or will not provide the profit and loss statement, but alleges an amount of NESE, add the value of the withdrawals to the person's allegation of NESE. * The person alleges withdrawals for personal use but cannot or will not estimate the value of the withdrawals, develop for unstated income.   Assume that any deductions taken on business records are allowable, provided there is no evidence to the contrary. |

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401.06.10 Payments for Services Performed in a Sheltered Workshop or Work Activities Center

(Eff. 10/01/05)

[POMS SI 00820.300](http://policy.ssa.gov/poms.nsf/lnx/0500820300!opendocument)

Payments for services performed in a sheltered workshop or work activities center are what an individual receives for participating in a program designed to help him/her become self-supporting. Payments for such services are a type of earned income and are counted when received or when set aside for an individual's use.

A sheltered workshop is a nonprofit organization or institution whose purpose is:

* To carry out a recognized program of rehabilitation for handicapped workers; and/or
* To provide such individuals with remunerative employment or other occupational rehabilitating activity of an educational or therapeutic nature.

A work activities center is:

* A sheltered workshop, or
* A physically separated department of a sheltered workshop having an identifiable program and separate supervision and records.

A work activities center is planned and designed exclusively to provide therapeutic activities for handicapped workers whose physical or mental impairment is so severe as to make their productive capacity inconsequential.

Therapeutic activities are custodial activities such as activities where the focus is on teaching the basic skills of living, and any purposeful activity so long as work or production is not the main purpose.

401.06.11 Royalties and Honoraria

(Eff. 10/01/05)

[POMS SI 00820.450](http://policy.ssa.gov/poms.nsf/lnx/0500820450!opendocument)

Royalties include compensation paid to the owner for the use of property, usually copyrighted material, (such as books, music or art) or natural resources (like minerals, oil, gravel, or timber). Royalty compensation may be expressed as a percentage of receipts from using the property or as an amount per unit produced.

To be considered royalties, payments for the use of natural resources also must be received:

* Under a formal or informal agreement whereby the owner authorizes another person to manage and extract a product (like timber or oil); and
* In an amount that is dependent on the amount of the product actually extracted.

An outright sale of natural resources by the owner of the land or by the owner of rights to use the land constitutes conversion of a resource. Proceeds from the conversion of a resource are not income.

Royalties are earned income when they are:

* Received as part of a trade or business; or
* Received by a person in connection with any publication of his/her work (such as publication of a manuscript, magazine article or artwork).

An honorarium is an honorary or free gift, reward or donation usually provided gratuitously for services rendered (like a guest speaker), for which no compensation can be collected by law. An honorarium may include a gift of lodging or payment of an individual's expenses.

For income purposes, payment received for a service as described. Above is earned income. Any other payment received in cash or in-kind connected with the service is unearned income to the extent it exceeds the individual's expenses.

Absent evidence to the contrary, assume that the amount of any honorarium received is in consideration of the actual services provided by the individual.

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401.06.12 Minister’s Gross Income

(Rev. 12/01/21)

A minister’s gross income includes:

* Salary;
* Pensions received from retirement pay;
* Fees and honoraria for officiating at weddings, christenings, funerals and other services in the exercise of the ministry;
* Value of meals when furnished as part of his compensation; and
* Travel and automobile allowances, although these same items will be deducted as business expenses if incurred in the performance of his duties.

A minister’s gross income does not include:

* Rental allowance for a parsonage or value of a parsonage furnished to him;
* Housing allowance to pay expenses in providing a home. Generally, those expenses include rent, mortgage interest, utilities, and other expenses directly relating to providing a home;
* Payments made by the Church into his/her retirement and/or pension;
* Parsonage or housing allowances when included in retirement pay after the minister retires, or any other retirement benefit received after retirement, and
* Any monetary gifts.

401.07 Earned Income Exclusions

(Eff. 10/01/05)

[POMS SI 00820.500](http://policy.ssa.gov/poms.nsf/lnx/0500820500!opendocument)

The source and amount of all earned income must be determined, but not all earned income counts when determining eligibility. First, income is excluded as authorized by other Federal laws. Then, exclusions are allowed in the following order:

* Earned income tax credit payments
* Up to $30 of earned income in a quarter, if it is infrequent or irregular
* Up to $400 per month, but not more than $1,620 in a calendar year, of the earned income of a blind or disabled child under 22 years of age who is attending school
* Earned income of disabled persons used to pay impairment-related work expenses
* Earned income of blind persons used to meet work expenses
* Any earned income used to fulfill an approved plan to achieve self-support

Earned income is never reduced below zero. Any unused earned income exclusion is never applied to unearned income. Any unused portion of a monthly exclusion cannot be carried over for use in subsequent months.

The $20 general and $65 earned income exclusions are applied only once to a couple, even when both members (whether eligible or ineligible) have income, since the couple's earned income is combined in determining eligibility.

401.07.01 Blind Work Expenses (BWE)

(Eff. 10/01/05)

[POMS SI 00820.535](http://policy.ssa.gov/poms.nsf/lnx/0500820535!opendocument)

BWE represent any earned income of a blind person that is used to meet any expenses reasonably attributable to earning the income.

BWE are deducted from earned income if the blind person:

* Is under age 65; or
* Is age 65 or older; and
* Received SSI payments due to blindness (or received payments under a former State plan for aid to the blind) for the month before attaining age 65.

The BWE exclusion applies only to earned income. BWE in excess of the earned income a person receives during the month are never deducted from unearned income.

The BWE exclusion is applied to earned income immediately after applying:

* Any portion of the general income exclusion which has not been deducted from unearned income; and
* All other earned income exclusion except the exclusion of income used to fulfill an approved Plan for Achieving Self-Support (PASS).

A blind person can claim the amount withheld for Federal, State, and local income taxes even though other factors may affect his or her tax liability (such as number of dependents, business loss.)

Except for items listed below, the cost of any work-related item paid by a blind person may be deducted as BWE, regardless of:

* Any non-work benefit that may be derived from the item; or
* The item's relationship to the person's blindness.

(Examples of items that may be deductible as BWE are identified in [POMS SI 00820.555](http://policy.ssa.gov/poms.nsf/lnx/0500820555). For further discussion on this issue, refer to [POMS SI 00820.545B.1](http://policy.ssa.gov/poms.nsf/lnx/0500820545#B1).)

The following items cannot be deducted from earned income as BWE:

* In-kind payments
* Expenses deducted under other provisions (such as PASS)
* Expenses which will be reimbursed
* Life maintenance expenses to include the following: (**Note:** list is not all-inclusive)
  + Meals consumed outside of work hours
  + Self-care items, including items of cosmetic rather than work-related nature
  + General educational development
  + Savings plans (for example, Individual Retirement Accounts or voluntary pensions)
  + Life and health insurance premiums
* Items furnished by others that are needed in order to work (**Note:** The value of such items is not income.)
* Expenses claimed on a self-employment tax return

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| **Example:**  Ms. Denise Peters, a blind person, works as a typist. A community organization bought her a special typewriter that she needed to perform satisfactorily on the job. The value of the typewriter is not income to Ms. Peters, nor is it deducted as a BWE since she did not pay for it. |

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401.07.02 Impairment-Related Work Expenses (IRWE)

(Eff. 10/01/05)

[POMS SI 00820.540](http://policy.ssa.gov/poms.nsf/lnx/0500820540!opendocument)

IRWE are expenses for items or services which are directly related to enabling a person with a disability to work and which are necessarily incurred by that person because of a physical or mental impairment.

To determine countable earned income in both initial claims and post-eligibility situations, IRWE may be deducted regardless of whether a person’s eligibility was previously established without considering IRWE.

A payment for a service or item is excludable as IRWE for SSI payment/eligibility purposes when:

* The person:
  + Is disabled (but not blind); and
  + Is under age 65; or
  + Received SSI as a disabled person (or received disability payments under a former State plan) for the month before attaining age 65; and
* The severity of the impairment requires the person to purchase or rent items and services in order to work; and
* The expense is reasonable; and
* The cost is paid in cash (including checks or other forms of money such as money orders, credit and/or charge cards) by the person and is not reimbursable from another source (like Medicare, private insurance); and
* The payment is made in a month the person receives earned income for a month in which he/she both worked and received the services or used the item; or
* The person is working but makes a payment before the earned income is received.

(Refer to [POMS SI 00820.560B](http://policy.ssa.gov/poms.nsf/lnx/0500820560#B) for instructions on deducting expenses paid while working. See [POMS SI 00820.560C](http://policy.ssa.gov/poms.nsf/lnx/0500820560#C) for instructions on deducting expenses paid prior to work. For instructions on deducting expenses paid after work has stopped, see [POMS SI 00820.560D.](http://policy.ssa.gov/poms.nsf/lnx/0500820560#D))

An expense may meet the criteria for an IRWE even if it also is used for daily activities other than work.

1. **Application of Exclusion**

* The IRWE exclusion only applies to earned income. IRWE in excess of the earned income a person receives during the month are never deducted from unearned income. (Refer to [POMS SI 00820.560](http://policy.ssa.gov/poms.nsf/lnx/0500820560) for allocating expenses.)
* The IRWE exclusion is applied to earned income in the sequence below:
* Immediately after deducting:

– Any portion of the general income exclusion which has not been deducted from unearned income; and

– The $65 earned income exclusion; and

* Immediately before deducting one-half of the remaining earned income.

1. **SGA Determinations**

* IRWE may be deducted from earned income when determining Substantial Gainful Activity (SGA) for initial Title II and Title XVI situations and in Title II, continuing eligibility situations. (Refer to [POMS DI 10520.001 ff.](http://policy.ssa.gov/poms.nsf/lnx/0410520001) for SGA.)
* For concurrently eligible persons, the amount deducted for SGA purposes must be the same for both Title II and Title XVI.
* The amount excluded in the SSI payment/eligibility computations may differ from the amount used to determine SGA due to the use of other exclusions. (Refer to [POMS SI 00820.545](http://policy.ssa.gov/poms.nsf/lnx/0500820545) for information on the interaction of IRWE and other provisions.)
* The same rules are applied for SGA purposes and SSI payment/ eligibility purposes when determining:
* Whether an item or service meets IRWE criteria; and
* The value of the item or service.

| **DEDUCTIBLE WORK EXPENSES** | | | |
| --- | --- | --- | --- |
| **TYPE OF EXPENSE** | ***DEDUCTIBLE AS*** | | **DEDUCTIBLE AMOUNT** |
| **BWE** | **IRWE** |
| Attendant care services which are rendered in the:   * Home (w/certain limitations); * Process of assisting a person in making the trip to and from work; or * Work setting. | X | X | (Refer to Appendix C of this chapter.) |
| Drugs and medical services which are essential to enable the person to work (such as medication to control seizures) | X | X | The amount paid |
| Expendable medical supplies  (such as bandages, catheters, face masks) | X | X | The amount paid |
| Federal, State and local income taxes and Social Security taxes | X |  | The amount withheld--assume the amount withheld reflects the person’s tax liability. |
| Dog Guide | X | X | The costs of purchasing the dog and all associated expenses (such as food, licenses, vet services) |
| Fees (such as licenses, professional association dues, union dues) | X |  | The amount paid |
| Mandatory contributions (such as pensions, disability) | X |  | The actual amount of the mandatory contribution.  (For example, mandatory pension contributions are considered reasonably attributable to earning income and therefore, deductible.)  Pension contributions are considered savings plans and are therefore, not deductible. |
| Meals consumed during work hours | X |  | The actual value of the meal whether bought during work hours or brought from home |
| Medical devices  (such as braces, inhalers, pacemakers, respirators, wheelchairs) | X | X | The cost of the item plus maintenance and repair of such items whether the person works at home or the employer’s place of business |
| Non-medical equipment/ services (such as air cleaners, air conditioners, child care costs, humidifiers, portable room heaters, safety shoes, uniforms, tools) | X | \* | The cost of the item plus maintenance and repair of such item whether the person works at home or at the employer’s place of business.  \*To be deductible as an IRWE, the item or service must be impairment related. |
| Other work-related equipment (such as job coaching fees, one handed typewriters, special tools designed to accommodate a person’s impairment, telecommunication devices for the deaf, typing aids) | X | X | The cost of the item plus maintenance and repair of such item whether the person works at home or at the employer’s place of business. |
| Physical therapy | X | X | The amount paid |
| Prosthesis | X | X | The cost of the item plus maintenance and repair of such item |
| Structural modifications to the person’s home to create a workspace or to allow the person to get to and from work | X | X | The cost of the modifications |
| Training to use impairment-related expense item or an item that is reasonably attributable to work (such as Braille, cane travel, computer program courses, grammar, use of one-handed typewriters, use of special equipment)  **(Note:** Training does not include general education courses. Such courses may be excluded under PASS.) | X | X | The cost of training plus travel expenses to and from training |
| Transportation to and from work | \*\* | X | \*\* To be deductible as a BWE:   1. In own vehicle: the applicable allowance or, if more advantageous, the standard mileage rate permitted by IRS for non-governmental business use 2. For other than in own vehicle:   the actual cost of the bus, car pool, cab fare |
| Vehicle modification | X | X |  |

| **ITEMS NOT DEDUCTIBLE AS BWE OR IRWE** |
| --- |
| * In-kind payments * Expenses deducted under other provisions (like PASS) * Expenses which will be reimbursed * Life maintenance expenses, to include the following (**Note:** list is not all-inclusive):   + - Meals consumed outside of work hours     - Self-care items, including items of cosmetic rather than work-related nature     - General educational development     - Savings plans (such as Individual Retirement Accounts or voluntary pensions)     - Life and health insurance premiums       * Items furnished by others that are needed in order to work (**Note:** The value of such items is not considered income.)       * Expenses claimed on a self-employment tax return |

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401.07.03 Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) Payments Exclusion

(Eff. 10/01/05)

[POMS SI 00820.570](http://policy.ssa.gov/poms.nsf/lnx/0500820570!opendocument)

The Earned Income Tax Credit (EITC) is a special tax credit that reduces the Federal tax liability of certain low-income working taxpayers. This tax credit may or may not result in a payment to the taxpayer. EITC payments can be received as an advance from an employer or as a refund from IRS. Exclude from income any EITC payments either as an advance or as a refund.

The Child Tax Credit (CTC) is a special refundable Federal tax credit that is available to certain low-income taxpayers with earned income. They must be parents, stepparents, grandparents, or foster parents with a dependent child. This child tax credit may provide a refund to persons even if they do not owe any tax.

401.07.04 Census Bureau Income

(Eff. 10/01/08)

All wages paid by the Census Bureau for temporary employment must be totally disregarded for individuals applying for or receiving Medicaid benefits. This disregard does not apply to individuals receiving Nursing Home or HCBS whose eligibility is determined using the 300% FBR income limit. Regardless of the category or income limit used to determine Medicaid eligibility, this income must be counted to calculate the recurring income for Nursing Home and HCBS.

401.08 Unearned Income

(Rev. 11/01/23)

[POMS SI 00830.001](http://policy.ssa.gov/poms.nsf/lnx/0500830001!opendocument) and [POMS SI 00830.010](http://policy.ssa.gov/poms.nsf/lnx/0500830010!opendocument)

Unearned income is all income that is not earned income. Unearned income is counted as income in the earliest month it is:

* Received by the individual;
* Credited to the individual's account; or
* Set aside for the individual's use.

401.08A Computing Unearned Income

(Eff. 11/01/23)

The burden of providing updates to SCDHHS regarding unearned income received at a frequency other than monthly lies with the applicant/beneficiary. Cúram-CGIS does not allow for future payments to be processed. This specifically impacts recurring income and possible payments in Long Term Care programs. Eligibility specialist must also evaluate the case for possible income received at a frequency other than monthly during the Annual COLA and during the Annual Case Review.

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| **Entering Unearned Income in Cúram-CGIS**  Monthly, Quarterly, Semi-Annual, and Annual income must be entered with a frequency of “Monthly”. For amounts received other than monthly, manually calculate the monthly amount and document on the Documentation Template. Enter the new value of the payment and select “monthly” as the frequency.  **Example**  For quarterly amounts, divide the income received by 3.  Ms. Waters receives a retirement pension once a quarter  $450 ÷ 3 = $150 (monthly countable income)  See CGSI Manual 3.01 Benefit Evidence for additional details. |

401.08B Lump sum Social Security Benefits

(Eff. 11/01/23)

Retroactive Social Security benefits, whether paid in one lump sum or by installment, are counted as unearned income in the month payment is received, except in the following instances:

* Retroactive Retirement, Survivors, and Disability Insurance (RSDI) benefits must be paid in installments when paid to representative payees of persons who are eligible because of Drug Addiction or Alcoholism (DAA). The total of retroactive RSDI benefits paid in installments is treated as if paid in a lump sum in the usual manner. The total of such benefits paid in installments is considered unearned income in the month in which the first installment is made.
* RSDI benefits paid for a month for which a person received an SSI payment (that is an offset month) are considered income in the month regularly due, not when received.

In certain situations, SSA will agree at the recipient's request to pay by installment retroactive RSDI benefits that would otherwise be paid in one lump sum. In such cases, the total of retroactive RSDI benefits (except for amounts considered paid in a windfall offset) is counted as unearned income in the month such benefits were set aside for the person's use.

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401.08.01 Unearned Income Exclusions

(Eff. 10/01/05)

[POMS SI 00830.099](http://policy.ssa.gov/poms.nsf/lnx/0500830099!opendocument)

An exclusion is an amount of income that does not count in determining eligibility and payment amount. Except for the $20 general exclusion, no unused unearned income exclusion may be applied to earned income.

401.08.02 Expenses of Obtaining Income

(Eff. 10/01/05)

[POMS SI 00830.100](http://policy.ssa.gov/poms.nsf/lnx/0500830100!opendocument)

An expense is one that is an essential factor in obtaining a particular payment(s). Unearned income does not include that part of a payment that is for an essential expense incurred in getting the payment.

For example:

* From a payment received for damages in connection with an accident, subtract legal, medical, and other expenses connected with the accident.
* From a retroactive check from a benefit program other than SSI, subtract legal fees connected with that claim.

The following fees are considered essential to obtaining income and are allowed as deductions:

* **Document Fees** - A fee to acquire documentation to establish that an individual has a right to certain income (for example, a fee for a birth certificate or medical examination) is an essential expense.
* **Guardianship Fees** - A guardianship fee is an essential expense only if the presence of a guardian is a requirement for receiving the income.

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401.08.03 Overpayment Involved - Income Counting

(Eff. 10/01/05)

[POMS SI 00830.110](http://policy.ssa.gov/poms.nsf/lnx/0500830110!opendocument)

Unearned income includes that part of another benefit payment (such as RSDI) that has been withheld to recover a previous overpayment. Refer to MPPM 403.05.02 for differences in income counting for the OSS program.

The amount withheld is not income when the payment is received if:

* The individual received both SSI and the other benefit at the time the overpayment of the other benefit occurred; and
* The overpaid amount was included in figuring the SSI payment at that time.

This policy applies to the following benefits:

* + - * Annuities and pensions
* Retirement or disability benefits (including veteran’s pensions and compensation)
* Workers' Compensation
* Social Security benefits
* Railroad retirement annuities
* Unemployment insurance benefits
* Black Lung benefits

Overpayment means “overpayment as defined by the entity paying the benefit” and includes overpayments made to someone other than the person whose benefits are withheld.

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| **Example 1: Exception Applies**  Joe Player started receiving Title II benefits and SSI benefits in 01/00. In 11/00, Mr. Player received a notice explaining that he was overpaid $150 in Title II benefits from 04/00 through 08/00, and $30 would be withheld from his Title II benefit to recover the overpayment from 01/01 through 05/01.  Since the overpaid amount was already included in determining countable unearned income for the period 04/00 through 08/00, the $30 per month being withheld is not included in determining the amount of unearned income when computing Mr. Player's SSI benefit amount for 01/01 through 05/01.  **Example 2: Overpayment Makes Person Ineligible**  Alex Martin started receiving SSI benefits and VA benefits in 05/00. His monthly VA benefit increased to $360 in 08/00. The VA benefit increase, combined with other income, caused Mr. Martin to become ineligible for SSI benefits beginning in 08/00. He continued to be ineligible until 01/01 when VA determined his benefit should have been $240 since 08/00. Therefore, Mr. Martin was overpaid a total of $600 by VA from 08/00 through 12/00.  Mr. Martin once again started receiving SSI benefits in 01/01. To recover the VA overpayment, his VA benefit is reduced by $120 per month from 03/01 through 07/01. Since Mr. Martin did not receive SSI benefits during the time he was overpaid, the $120 per month withheld to recover the overpayment is included in determining the amount of Mr. Martin's current unearned income.  **Example 3: Another Person's Overpayment Included in Deeming Computation**  Alice Brown has been receiving SSI benefits since 10/00. Carl Brown is her ineligible spouse whose income is subject to deeming. In 04/01, Mr. Brown learns he incurred a $250 Title II overpayment in 11/00. SSA recovers the overpayment by withholding $50 per month from the benefits Mr. Brown receives from 06/01 through 10/01.  For deeming purposes, the amount of Mr. Brown's current unearned income does not include the $50 per monthwithheld from his Title II benefits since it has already been used in the deeming computation when SSI benefits were paid for a prior period.  **Example 4: Another Person's Overpayment Not Previously Used in Deeming Computation**  Mary Smith has been receiving SSI benefits since 12/99. Harry Smith, her ineligible spouse, was separated from Mary Smith when he died in 2000. His income was never subject to deeming.  Mr. Smith incurred a $100 Title II overpayment in 11/99. Since Mrs. Smith is also a Title II beneficiary, SSA recovers Mr. Smith's overpayment by withholding $50 per month from Mrs. Smith's benefits in 03/01 and 04/01. Since none of Mr. Smith's income was subject to deeming when the overpayment occurred, the Field Office includes the $50 per month withheld from Mrs. Smith's Title II benefit when determining the amount of her current unearned income. |

401.08.04 Garnishment or Other Withholding

(Eff. 10/01/05)

[POMS SI 00830.115](http://policy.ssa.gov/poms.nsf/lnx/0500830115!opendocument)

Unearned income includes amounts withheld from unearned income because of a garnishment or to make certain other payments (such as payment of Medicare premiums.) Refer to MPPM 403.05.02 for differences in income counting for the OSS program.

Unearned income includes amounts withheld from unearned income whether the withholding is:

* Purely voluntary;
* To repay a debt; or
* To meet a legal obligation.

This policy does not apply to amounts withheld to pay the expenses of obtaining the income since such amounts are not income.

| Some items for which amounts may be withheld but considered received are: | |
| --- | --- |
| Federal, State, or Local Income Taxes | Health or Life Insurance Premiums |
| Supplementary Medical Insurance (SMI – Medicare Part B) | Union Dues |
| Loan Payments | Garnishments |
| Child Support | Bank Service Charges |
| Inheritance Taxes | Guardianship Fees, if presence of a guardian is not a requirement for receiving the income |

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401.08.05 Medicare Buy-In

(Eff. 02/01/06)

Medicare pays the Medicare Part B Premium for every person who is both Medicare and Medicaid eligible. The Social Security Administration assumes responsibility for determining and establishing Buy-In Part B coverage for Supplemental Security Income (SSI) eligibles. Buy-In coverage for non-SSI eligibles is established through a combined automated and manual process.

401.08.06 Verification and Documentation of Unearned Income

(Eff. 11/01/22)

Any electronic data source which does not keep history in Cúram-CGIS must be uploaded into OnBase.

An eligibility specialist must use the Documentation Template to document any collateral calls used to verify unearned income. Eligibility specialists must confirm the amount received, any deductions (including taxes), if the payment is a lifetime benefit, or if the person will receive an annual Cost-of-Living Adjustment. The eligibility specialist must request written documentation of the information verified during the call. It is not necessary to wait for the written documentation to return. Continue processing the case using the information obtained during the collateral call.

401.09 Sources and Treatment of Unearned Income

(Eff. 02/01/06)

The following sections list different sources of unearned income and how they are treated in the eligibility process.

401.09.01 Annuities, Pensions, Retirement, or Disability Payments

(Eff. 02/01/06)

[POMS SI 00830.160](http://policy.ssa.gov/poms.nsf/lnx/0500830160!opendocument)

An annuity is a sum paid yearly or at other specific times in return for the payment of a fixed sum. Annuities may be purchased by an individual or by an employer.

Pensions and retirement benefits are payments to a worker following his/her retirement from employment. These payments may be paid directly by a former employer, by a trust fund, an insurance company, or other entity.

Disability benefits are payments made because of injury or other disability.

Annuities, pensions, retirement benefits, and disability benefits are counted as unearned income.

401.09.02 Title II/Retirement, Survivors and Disability Insurance (RSDI) Benefits

(Rev. 11/01/22)

[POMS SI 00830.210](http://policy.ssa.gov/poms.nsf/lnx/0500830210!opendocument)

Retirement, Survivors, and Disability Insurance (RSDI) monthly benefits are counted as unearned income. Special age 72 payments are also counted as unearned income.

The amount of Title II is based on the following factors:

* + - * Reductions, deductions, and dollar rounding, but before the collection of any obligations of the beneficiary (such as Supplemental Medical Insurance-SMI premium or prior overpayment) is counted as unearned income.
      * If a monthly benefit payment has been reduced because of a Workers' Compensation offset, the net amount of the benefit received (plus any SMI premium withheld) is counted as unearned income.
      * If all or part of a Title II benefit is being withheld to recover an overpayment, the amount of Title II before deduction for the overpayment is counted as unearned income.
      * If the overpayment occurred when the person was receiving SSI and the overpaid amount was included in unearned income at that time, the amount deducted for an overpayment is not counted in calculating chargeable Title II income.
      * Money received because of a waiver approval when the money was previously withheld to recover a Title II overpayment and was included as Title XVI income when originally withheld is not counted as income.
      * The amount of premiums deducted from RSDI benefits for SMI under Medicare is unearned income. Refunded SMI premiums are not counted as income.
      * If a monthly Title II benefit payment has been reduced because of a garnishment, the gross amount of the benefit received (plus any SMI premium withheld) is counted as unearned income.

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| Procedure:  Social Security Title II benefits can be verified by the following:   * BENDEX   + Use the “net monthly benefits payable” (MBC) amount as the gross amount.   + Drop or round down any cents shown in the net amount.   + **Do not** use the Gross Amount Payable (MBA) field * Person Composite Service (PCS)   + Use the “net” amount as the gross countable benefit.   + Drop or round down any cents listed in the net amount.   + Typically, the “net” amount and “gross” amount in PCS are consistent.     - If the “gross” amount is not consistent with the “net” amount, the user must determine if this lump sum is a one-time retroactive SSA payment or a reimbursement of Medicare premiums.       * Retroactive SSA lump sums appear as an increase in the “gross” amount in Person Composite Service (PCS).       * SSA lump sums are generally countable income in the month received         + Reimbursements for Medicare premiums are not countable income.       * If the “gross” amount in Person Composite Service (PCS) is less than the “net” amount, there may be an overpayment or garnishment being deducted from the benefit.         + These deductions from the income are not allowed deductions from the countable gross income budgeted, therefore, the “net” amount in Person Composite Service (PCS) is used. * SVES   + Use the “net monthly benefits payable” (MBC) amount as the gross amount.   + Drop or round down any cents shown in the net amount.   + Do not use the Gross Amount Payable (MBA) field. * Award letter from the Social Security Administration (if on file, current, or electronic data sources are not available) * Written verification from Social Security (Third Party Query – TPQY) (if on file, current, or electronic data sources are not available)   **Note:** Any electronic data source where the history is not kept in Cúram-CGIS must be uploaded to OnBase. (For example, PCS) |

401.09.03 Black Lung Benefits

(Eff. 02/01/06)

[POMS SI 00830.215](http://policy.ssa.gov/poms.nsf/lnx/0500830215!opendocument)

Black Lung (BL) benefits are paid to miners and their survivors under the provisions of the Federal Mine Safety and Health Act (FMSHA). BL benefit payments are counted as unearned income.

The Social Security Administration (SSA) pays benefits under Part B of the FMSHA and the Department of Labor (DOL) pays benefits under Part C of the FMSHA.

In general, Part B benefits are paid on the third of the month while Part C benefits are paid on the fifteenth of the month. Both Part B and Part C BL benefits are subject to offsets (like Workers' Compensation) and can be reduced due to the recovery of an overpayment. In addition, Part C benefits may be reduced because of liens imposed by other Federal agencies such as the Internal Revenue Service (IRS). The amount deducted from a Part C BL benefit because of garnishment (such as liens imposed by other Federal agencies) is counted as unearned income.

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| Procedure:  Black Lung benefits can be verified by the applicant/beneficiary’s award letter or by contacting the US Department of Labor.  US Department of Labor Employment Standards Administration  Division of Coal Mine Workers' Compensation 500 Springdale Plaza; Spring Street Mount Sterling, Kentucky 40353  Telephone: (606)-498-9776 Toll-Free: 1-800-366-4628 |

401.09.04 Civil Service and Federal Employee Retirement System Payments

(Eff. 02/01/06)

[POMS SI 00830.220](http://policy.ssa.gov/poms.nsf/lnx/0500830220!opendocument)

The Office of Personnel Management (OPM) makes US Civil Service and Federal Employee Retirement System (FERS) payments because of disability, retirement, or death.

US Civil Service and FERS payments are counted as unearned income to the entitled retiree or individual survivor. Certain disability benefits paid within the first six (6) months after an employee last worked are earned income.

Retired Health Benefit (RHB) payments to annuitants are not counted as income. OPM provides annuitants under the Retired Health Benefits (RHB) program free coverage under Part B of Medicare. At the employee's option, the Part B premium may instead be paid to another health insurance plan or paid directly to the annuitant for use in purchasing health insurance coverage privately. All annuitants covered by the RHB program retired before 07/01/60.

If the individual has no acceptable documents, write or telephone OPM. Provide the individual's name and civil service annuity claim identification number (a seven‑digit number with a "CSA" or "CSF" prefix). If the claim number is not available, provide the individual's date of birth and Social Security Number.

The OPM telephone number is (724) 794-2005 or, toll-free, (888) 767-6738. Direct written inquiries to:

Office of Personnel Management

Retirement Operations Center  
Post Office Box 45  
Boyers, PA 16017

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401.09.05 Railroad Retirement Payments

(Rev. 12/01/22)

[POMS SI 00830.225](http://policy.ssa.gov/poms.nsf/lnx/0500830225!opendocument)

Listed below are the three basic categories of payments made by the Railroad Retirement Board (RRB).

1. **Life and Survivor Annuities**
   * Life annuities for retirement and disability are paid under the Railroad Retirement (RR) Act to the railroad employee and his/her spouse. Children of a living annuitant are not entitled to benefits.
   * Survivor annuities are payable to widows, widowers, children, and dependent parents of railroad employees. A small number of widows receive two annuities, a regular widow's check and a check payable to them as designated survivors of retired railroad employees who elected to receive reduced benefits during their lifetimes.
   * RR annuity payments are similar to Title II benefits in that a check for one month is paid the next month. In addition, Cost of Living Adjustments (COLA) for RR annuities are effective the same month as Title II COLAs.
2. Social Security Benefits Certified by RRB
   * SSA may authorize the payment of Social Security benefits for RR employees to RRB instead of directly to Treasury. Although RRB in these situations has responsibility for certifying Title II benefits to Treasury, they remain Title II benefits.
   * RR annuity payments and Social Security benefits certified by RRB may be paid as a single check.
3. Unemployment, Sickness, and Strike Benefits

* Unemployment, sickness, and strike benefits are computed on a daily basis with each check covering a period of up to 2 weeks. These claims are usually filed through the railroad employer or directly with RRB in Chicago.

Payments made by the RRB are counted as unearned income. Include the amount deducted from a RR benefit for Supplemental Medical Insurance (SMI) premiums. The amount of the RR annuity to charge as income is the amount before the collection of any obligations of the annuitant.

Verification of Life and Survivor Annuities and Social Security Benefits Certified by RRB may be verified by writing to the local Railroad Retirement Board at:

US Railroad Retirement Board

Quorum Business Park

7508 E. Independence Blvd.; Suite 120

Charlotte, NC 28227-9409

Phone: 877-772-5772

Fax: 704-344-6429

Obtain evidence of unemployment, sickness, and strike benefits from the individual's own records, such as an award letter or actual check. If this evidence is unavailable, contact RRB Headquarters in Chicago at:

Railroad Retirement Board

844 Rush Street

Chicago, IL 60611

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| **Note:** Local RRB offices do not maintain this information. |

401.09.06 Unemployment Insurance Benefits

(Eff. 02/01/06)

[POMS SI 00830.230](http://policy.ssa.gov/poms.nsf/lnx/0500830230!opendocument)

Unemployment insurance benefits, also known as Unemployment Compensation, means payments received under a State or Federal unemployment law and additional amounts paid by unions or employers as unemployment benefits.

Unemployment insurance benefits are counted as unearned income.

401.09.07 Workers' Compensation

(Eff. 02/01/06)

[POMS SI 00830.235](http://policy.ssa.gov/poms.nsf/lnx/0500830235!opendocument)

Workers' Compensation (WC) payments are awarded to an injured employee or his survivor(s) under Federal and State WC laws, such as the Longshoremen and Harbor Workers' Compensation Act. A Federal or State agency, an insurance company, or an employer may make the payments.

* The WC payment less any expenses incurred in getting the payment is counted as unearned income.
* Any portion of a WC payment or award that the authorizing or paying agency designates for medical expenses or legal or other expenses attributable to obtaining the WC award is not income. The expenses may be past, current, or future. The WC payments designated for such expenses may be received in a lump sum or as a continuing payment.
* If an individual alleges having incurred expenses that exceed amounts designated for expenses, or for which no amount was designated, the normal rules pertaining to the expenses of obtaining income apply.

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401.09.08 Military Pensions

(Eff. 02/01/06)

[POMS SI 00830.240](http://policy.ssa.gov/poms.nsf/lnx/0500830240!opendocument)

The Air Force, Army, Marine Corps, and Navy pay military pensions to military retirees and survivors normally on the first day of the month.

There are three categories of beneficiaries who may be entitled to military payments:

* RETIREE ‑ A person with 20 years of service who meets the requirements for entitlement
* ANNUITANT ‑ A survivor who is designated by the retiree to receive benefits upon the death of the retiree under the Retired Serviceman's Family Protection Plan (RSFPP), Survivor's Benefit Plan (SBP), or both
* ALLOTTEE ‑ Anyone other than an annuitant of the RSFPP or SBP who is designated to receive money out of the service member's or retiree's check. Entitlement as an allottee terminates upon the death of the retiree. However, an allottee can become an annuitant when the retiree dies.

The RSFPP and SBP annuitant programs pay money to surviving spouse(s) and children.

The SBP program also pays:

* "Insurable interest" persons (that is, someone other than a surviving spouse or child that a service member designated to receive survivor benefits based on monies withheld from his or her retirement payment under the provisions of the SBP program); and,
* Minimum Income level Widows (MIW) who are certified by the VA as having low income and are referred by the Department of Defense (DOD).

Military pensions are counted as unearned income. However, payments to MIWs are counted as income based on need not subject to the $20 general income exclusion.

If the person does not have sufficient evidence, the appropriate Military Finance Center should be contacted. The following is a listing of the mailing address for each Military Finance Center.

| **Military Service Branch** | **Military Finance Center Mailing Addresses** |
| --- | --- |
| ARMY | Director, Retired Operations  Indianapolis, IN 46249  ATTN: Management Support Office  Parallel FO: 455 |
| NAVY | Defense Finance Accounting Service  Code 305  Finance Center; Anthony J. Celebrezze Building  Cleveland, OH 44199  Parallel FO: 388 |
| AIR FORCE | DFAF/DE/CIDM  Denver, CO 80279 ‑ 5000  Parallel FO: D24 |
| MARINE CORPS | Marine Corps Finance Center  1500 E. Bannister Street  Kansas City, MO 64197  Parallel FO: 736 |

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401.09.09 Department of Veterans Affairs Payments

(Eff. 02/01/06)

[POMS SI 00830.300ff](http://policy.ssa.gov/poms.nsf/lnx/0500830300!opendocument)

The Department of Veterans Affairs (VA) has numerous programs that make payments to beneficiaries and their families. Treatment of those VA payments depends on the nature of the payments. The most common types of VA payments are:

* Pension
* Compensation
* Educational Assistance
* Aid and Attendance Allowance
* Housebound Allowance
* Clothing Allowance
* Payment Adjustment for Unusual Medical Expenses
* Payments to Vietnam Veterans' Children with Spina Bifida
* Insurance Payments

Verification of various payment and benefits may be requested by contacting the regional benefits office at:

Department of Veterans Affairs

Columbia Regional Office

1801 Assembly Street  
Columbia, SC 29201  
Phone: 1-800-827-1000

401.09.09-A Pension Payments

(Eff. 02/01/06)

[POMS SI 00830.302](http://policy.ssa.gov/poms.nsf/lnx/0500830302!opendocument)

Pension payments are based on a combination of service and a non service-connected disability or death. With a few rare exceptions noted below, VA pension payments are also based on need.

* Payments for Dependents

VA may consider dependents’ needs in determining a pension. However, normally VA will not make a pension payment directly to a dependent during the lifetime of the veteran. Instead, the amount of the veteran's basic pension is increased if the veteran has dependents.

A VA pension payment that has been increased for dependents is an augmented VA payment. A VA pension payment made directly to the dependent of a living veteran is an apportioned payment.

* Frequency

Pension payments are usually paid monthly; however, when the monthly payment due is less than $19, VA will pay quarterly, bi-annually or annually. VA may also make an extra payment if an underpayment is due.

* Unusual Medical Expenses

When computing some needs-based pension payments, VA deducts unusual medical expenses from any countable income. This computation may result in an increase in a pension payment or in an extra payment. An increase or extra payment resulting from this computation is not income.

All VA pension payments except those listed below are Federally-funded income based on need. As such, these payments are counted as unearned income to which the $20 general income exclusion does not apply.

Exceptions:

* VA Aid and Attendance and Housebound Allowances are not income. All or part of a VA pension may be subject to this rule.
* VA payments resulting from unusual medical expenses are not income. All or part of a VA pension payment may be subject to this rule.
* Certain pensions paid to veterans or their dependents are not needs based. These pensions are unearned income and the $20 general income exclusion applies. This exception applies to pensions paid on the basis of:
* A Medal of Honor, or
* A special act of Congress.

Assume that a VA pension is partly or entirely needs based unless there is evidence to the contrary.

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401.09.09-B Compensation Payments

(Eff. 02/01/06)

[POMS SI 00830.304](http://policy.ssa.gov/poms.nsf/lnx/0500830304!opendocument)

Compensation payments are based on service‑connected disability or death and may be based on need. The following chart describes types of compensation payments and their treatment.

| **TYPE** | TREATMENT |
| --- | --- |
| Compensation payments to a surviving parent of a veteran | Counted as unearned income to which the $20 general income exclusion does not apply |
| Compensation payments resulting from unusual medical expenses, aid and attendance allowances, and housebound allowances | Not counted as income |
| Compensation payments to a veteran, spouse, child, or widow(er) | Counted as unearned income subject to the $20 general income exclusion |

VA may consider dependents’ needs in determining a compensation payment. Compensation payments may be paid directly to dependent parents based on a service-connected death. A VA compensation payment that has been increased for dependents is an augmented VA payment. A VA compensation payment made directly to the dependent of a living veteran is an apportioned payment.

Apportionment is direct payment of VA benefits to a dependent. VA decides whether and how much to pay by apportionment on a case-by-case basis. Apportionment reduces the amount of the augmented benefit payable to the veteran or surviving spouse.

An augmented benefit is a benefit that is increased, or which has higher income eligibility limits, because of a dependent. An augmented VA benefit, which includes a designated beneficiary's portion and a dependent's portion, usually is issued as a single payment to the veteran or the veteran's surviving spouse.

401.09.09-C VA Educational Benefits

(Rev. 04/01/10)

[POMS SI 00830.306](http://policy.ssa.gov/poms.nsf/lnx/0500830306!opendocument)

VA provides educational assistance under a number of different programs including vocational rehabilitation. The SSI income and resource policies that apply depend on the nature of the VA program.

The following are not considered in determining income:

* Vocational Rehabilitation - Payments made as part of a VA program of vocational rehabilitation are not income. This includes any augmentation for dependents.
* Withdrawal of Contributions - Any portion of a VA educational benefit that is a withdrawal of the veteran’s own contribution is conversion of a resource and is not income.

VA educational benefits other than those above, such as a stipend for housing, are unearned income. However, any portion of a grant, scholarship, or fellowship used for paying tuition, fees, or other necessary educational expenses is not counted as income.

401.09.09-D VA Aid and Attendance and Housebound Allowances

(Eff. 02/01/06)

[POMS SI 00830.308](http://policy.ssa.gov/poms.nsf/lnx/0500830308!opendocument)

VA pays an allowance to veterans, spouses of disabled veterans, and surviving spouses who are in regular need of the aid and attendance of another person or who are housebound. This allowance is combined with the person's pension or compensation payment.

VA Aid and Attendance and housebound allowances are not counted as income.

If a veteran without a spouse or child or a surviving spouse without a child is covered by a Medicaid plan for services furnished him/her by a nursing facility, the maximum pension that can be paid to or for the veteran or surviving spouse for any month after the month of admission to such nursing facility is $90. This reduced pension is an Aid and Attendance Allowance in all cases, and not income.

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401.09.09-E VA Clothing Allowance

(Eff. 02/01/06)

[POMS SI 00830.310](http://policy.ssa.gov/poms.nsf/lnx/0500830310!opendocument)

A lump sum clothing allowance is payable in August of each year to a veteran with a service-connected disability for which a prosthetic or orthopedic appliance (including a wheelchair) is used. The allowance is intended to help defray the increased cost of clothing due to wear and tear caused by the use of such appliances.

A VA clothing allowance is not counted as income.

401.09.09-F VA Payment Adjustment for Unusual Medical Expenses

(Eff. 02/01/06)

[POMS SI 00830.312](http://policy.ssa.gov/poms.nsf/lnx/0500830312!opendocument)

VA considers unusual medical expenses when determining some needs-based pension and compensation payments. Expenses that exceed 5 percent of the maximum annual VA payment rate are considered unusual. The amount of the unusual medical expenses is deducted from countable income when computing the VA payment. As a result, the veteran, survivor, or dependent may receive a higher monthly VA payment, an extra payment, or an increase in an extra payment.

VA payments resulting from unusual medical expenses are not counted as income.

Any unspent VA payments resulting from unusual medical expenses are resources if retained into the calendar month following the month of receipt.

401.09.09-G Payments to Vietnam Veterans' Children with Spina Bifida

(Eff. 02/01/06)

[POMS SI 00830.318](http://policy.ssa.gov/poms.nsf/lnx/0500830318!opendocument)

Beginning October 1, 1997, VA makes monthly payments to eligible children with spina bifida at one of three payment levels ($200, $700, or $1,200 in 1997 and $205, $715, or $1,226 in 1998), based on the degree of disability suffered by the child, as determined by VA. The payment levels will be subject to future adjustment by VA for cost-of-living increases.

VA payments made to or on behalf of certain Vietnam veterans' natural children regardless of their age or marital status, for any disability resulting from spina bifida suffered by such children, are not counted as income or resources. Interest earned on unspent payments is counted.

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| Note: While persons receiving these payments are children of veterans, many would not meet the definition of "child" for SSI. They may be SSI applicants/beneficiaries and/or have spouses or children who are SSI applicants/beneficiaries. |

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401.09.10 Temporary Assistance For Needy Families (TANF)

(Eff. 02/01/06)

[POMS SI 00830.403](http://policy.ssa.gov/poms.nsf/lnx/0500830403!opendocument)

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced Title IV-A of the Social Security Act (SSACT), which provided for Aid to Families with Dependent Children (AFDC) with cash block grants to states for Temporary Assistance for Needy Families (TANF). This legislation ended the Federal entitlement of persons to cash assistance under Title IV-A, giving states flexibility to determine eligibility criteria and set benefit amounts.

TANF is provided under a program which:

* Uses income as a factor of eligibility, and
* Is funded by both the State and the Federal Government.

TANF payments are made to a family unit and are not counted as income.

401.09.11 Support Payments - Spousal Support, Alimony

(Eff. 02/01/06)

[POMS SI 00830.418](http://policy.ssa.gov/poms.nsf/lnx/0500830418!opendocument)

Alimony and support payments are cash contributions to meet some or all of a person's needs for food, clothing, or shelter. Support payments may be made voluntarily or because of a court order. Alimony (sometimes called "maintenance") is an allowance made by a court from the funds of one spouse to the other spouse in connection with a suit for separation or divorce.

Alimony, spousal, and other adult support payments are counted as unearned income.

401.09.12 Support Payments - Child Support

(Eff. 02/01/06)

[POMS SI 00830.420](http://policy.ssa.gov/poms.nsf/lnx/0500830420!opendocument)

Child support payments are unearned income; exclude one-third of the amount (not the $50 child support disregard) of a payment made to or for an eligible child by an absent parent. This exclusion does not apply when determining the income of ineligible children in a deeming computation.

Child support payments (including arrearages) received by a parent after a child becomes an adult are income to the child regardless of whether or not the child lives with the parent or receives the money from the parent.

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401.09.13 Dividends and Interest

(Eff. 12/01/05)

[POMS SI 00830.500](http://policy.ssa.gov/poms.nsf/lnx/0500830500!opendocument)

Dividends and interest are returns on capital investments such as stocks, bonds, or savings accounts.

Dividends and interest are unearned income in the earliest month they are:

* Credited to an individual's account and are available for use;
* Set aside for the individual's use; or
* Received by the individual.

Account service fees or penalties for early withdrawal do not reduce the amount of interest or dividend income.

The following chart indicates when dividends or interest are considered income or excluded income.

| **When the source of the dividend or interest is...** | **Under** | **Then...** |
| --- | --- | --- |
| A countable resource | MPPM 302.26 | The dividends or interest are excluded income. |
| An excluded resource | A Federal statute other than §1613(a) of the Social Security Act ([SI 01130.050](http://policy.ssa.gov/poms.nsf/lnx/0501130050)) | The dividends or interest are excluded income. |
| An excluded resource | §1613(a) of the Social Security Act ([SI 01130.050](http://policy.ssa.gov/poms.nsf/lnx/0501130050)) | Refer to the appropriate MPPM section related to the resource exclusion for treatment of interest or dividends. Refer to the table below |

| **Excluded resources under §1613(a) of the Social Security Act** | **MPPM SECTION** |
| --- | --- |
| Advance Earned Income Tax Credit Payments | 402.24.09D |
| Automobile | 402.17.01 |
| Burial Funds/Burial Spaces | 402.20 |
| Child Tax Credits | 402.24.09D |
| Commingled Funds | 402.26 |
| Dedicated Financial Institution Accounts | 402.24.02 |
| Disaster Assistance | 402.24.04 |
| Earned Income Tax Credits | 402.24.09D |
| Grants, Scholarships, Fellowships, and Gifts | 401.09.40 |
| Home | 402.15.01 |
| Home Replacement Funds | 402.15.02 |
| Household Goods and Personal Effects | 402.17.03 |
| Life Insurance | 402.18 |
| Plan for Achieving Self-Support (PASS) | 401.10 |
| Prepaid Burial Contracts | 402.21 |
| Property Essential to Self-Support | 402.22 |
| Real Property, Undue Hardship | 402.15.04 |
| Real Property Following Conditional Benefits | 402.15.05 |
| Relocation Assistance | 402.24.09C |
| Repair/Replacement of Lost, Damaged or Stolen Resources | 402.24.03 |
| Replacement of Excluded Resources | 402.24.03 |
| Retroactive Payments (Title II and Title XVI) | 402.24.01 |
| Victims' Compensation | 402.24.09B |

401.09.14 Interest and Appreciation in Value of Excluded Burial Funds and Burial Space Purchase Agreements

(Eff. 02/01/06)

[POMS SI 00830.501](http://policy.ssa.gov/poms.nsf/lnx/0500830501!opendocument)

Interest earned on agreements representing the purchase of an excluded burial space as well as any appreciation in value is not counted as income (and resources), if left to accumulate.

401.09.15 Rental Income

(Eff. 02/01/06)

[POMS SI 00830.505](http://policy.ssa.gov/poms.nsf/lnx/0500830505!opendocument)

Rent is a payment that a person receives for the use of real or personal property, such as land, housing, or machinery. Rent is income for the holder of a Life Estate, not for the Remainderman.

Net rental income is gross rent less the ordinary and necessary expenses paid in the same taxable year.

Ordinary and necessary expenses are those necessary for the production or collection of rental income. In general, these expenses include:

* Interest on debts
* State and local taxes on real and personal property and on motor fuel
* General sales taxes
* Expenses of managing or maintaining property

However, the following expenses are not allowed as deductible:

* Principal portion of a mortgage payment
* Capital expenditures -- an expense for an addition or increase in the value of property which is subject to depreciation for income tax purposes (For example, new roof, replace central heating and air unit)
* Depreciation or depletion of property

Expenses are deducted when paid, not when incurred.

Net rental income is counted as unearned income unless it is earned income from self-employment (such as someone who is in the business of renting properties).

Rental deposits are not counted as income to the landlord while subject to return to the tenant. Rental deposits used to pay rental expenses become income to the landlord at the point of use.

If the property is jointly owned, apportion the income equally among the owners.

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401.09.16 Awards

(Eff. 02/01/06)

[POMS SI 00830.515](http://policy.ssa.gov/poms.nsf/lnx/0500830515!opendocument)

An award is something received as the result of a decision by a court, board of arbitration, or the like. It is counted as unearned income subject to the general rules pertaining to income and income exclusions.

401.09.17 Gifts

(Eff. 02/01/06)

[POMS SI 00830.520](http://policy.ssa.gov/poms.nsf/lnx/0500830520!opendocument)

A gift is something a person receives that is not repayment for goods or services provided, and is not given because of a legal obligation on the givers' part. To be a gift, something must be given irrevocably (that is, the donor relinquishes all control). “Donations" and “contributions" may meet the definition of a gift, if they are given irrevocably.

A gift is counted as unearned income subject to the general rules pertaining to income and income exclusions.

401.09.18 Gifts of Domestic Travel Tickets

(Eff. 02/01/06)

[POMS SI 00830.521](http://policy.ssa.gov/poms.nsf/lnx/0500830521!opendocument)

Domestic travel is travel in or between the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

The value of a ticket for domestic travel received by a person, or his or her spouse, or parent whose income is subject to deeming is not counted as income if:

* The ticket is received as a gift; and
* The ticket is not converted to cash (that is, cashed in or sold.)

A ticket received as a gift is treated as unearned income in the month the ticket was converted to cash.

401.09.19 Prizes

(Eff. 02/01/06)

[POMS SI 00830.525](http://policy.ssa.gov/poms.nsf/lnx/0500830525!opendocument)

A prize is generally something won in a contest, lottery, or game of chance. A prize is counted as unearned income subject to the general rules pertaining to income and income exclusions.

Do not subtract gambling losses from gambling winnings in determining a person's countable income.

If a person is offered a choice between an in-kind prize and cash, the cash offered is counted as unearned income. This is true even if the person chooses the in-kind item and regardless of the value, if any, of the in-kind item.

401.09.20 Work-Related Unearned Income

(Eff. 02/01/06)

[POMS SI 00830.530](http://policy.ssa.gov/poms.nsf/lnx/0500830530!opendocument)

The following work-related payments are counted as unearned income:

* Certain in-kind items provided as remuneration for employment
* Money paid to a resident of a public institution when no employer/employee relationship exists
* Tips under $20 per month.
* Jury fees (these are fees paid for services, not expense money)
* Food, clothing, and shelter provided to members of the Uniformed Services and their families, cash allowances for these items, and most types of special and incentive pay

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401.09.21 Uniformed Services - Pay and Allowances

(Eff. 02/01/06)

[POMS SI 00830.540ff](http://policy.ssa.gov/poms.nsf/lnx/0500830540!opendocument)

Compensation to most members of the Uniformed Services takes the form of both earned and unearned income, and often of both cash and in-kind income.

The Uniformed Services are defined by law and include the:

* Army
* Navy
* Air Force
* Marine Corps
* Coast Guard
* Reserve and National Guard components of the above
* Public Health Service Commissioned Officer Corps
* National Oceanic and Atmospheric Administration Commissioned Officer Corps

Entitlements are pay, allowances, and other cash benefits due a service member. Entitlements can include basic pay, special and incentive pay, allowances, advance pay, and reimbursements for certain work-related expenses. In-kind benefits are not considered entitlements.

Basic (or base) pay is the service member's wage. It is based solely on the member's pay grade and length of service. Basic pay is subject to FICA tax as well as income tax.

Allowances are cash benefits that compensate the service member, at least in part, for the expenses of housing, food, clothing, and special situations during periods of active duty service. Allowances are not paid for weekend drills of Reserve and National Guard components.

Only basic pay constitutes wages (earned income). All special pay and allowances, except hostile fire pay, are chargeable unearned income to the service member.

Hostile fire pay is not counted as income. Any unspent hostile fire pay becomes a resource if retained into the following month and not otherwise excluded.

A quarters (housing) allowance is not income if:

* The service member lives in free on-base housing, and
* The allowance is paid and deducted in the same pay period.

The following chart is a list of National Pay and Finance Centers.

| **SERVICE**  **BRANCH** | **FACILITY ADDRESS** | **PARALLEL**  **FIELD OFFICE** |
| --- | --- | --- |
| Air Force | Documentation Branch  Directorate of Resource Management  Building 444  HQ Air Force Accounting and Finance  Denver, CO 80279 | Aurora, CO B.O.  (D24) |
| Army | USAFAC, CMDR  Social Security Sections  Centralized Pay Operations  Fort Benjamin Harrison  Indianapolis, IN 46249‑0865 | Indianapolis, IN  D.O. (455) |
| Coast Guard | Commandant  US Coast Guard  Washington, DC 20593 | Washington  (M Street), DC  D.O. (270) |
| Marine Corps | Centralized Pay Division  Marine Corps Finance Center  1500 East Bannister Road  Kansas City, MO 64197 | Kansas City  (South), MO D.O.  (736) |
| National Guard for South Carolina. (If needed for another state, refer to [POMS RS 01404.315](http://policy.ssa.gov/poms.nsf/lnx/0301404315!opendocument).) | The Rembert C. Dennis Bldg. 1000 Assembly St. Columbia, SC 29201 | Strom Thurmond Federal Bldg. 1835 Assembly St. Columbia, SC 29202 |
| National Oceanic and Atmospheric Administration | Commissioned Personnel Division - NCI  Rockwall Building, Room 115  Department of Commerce, NOAA  Rockville, MD 20852 | Rockville, MD B.O. (A33) |
| Navy | Navy Finance Center  Anthony J. Celebrezze Building  Cleveland, OH 44199 | Cleveland  (Downtown), OH  D.O. (388) |
| Public Health Service | US Public Health Service  Employment Operations ranch  Commissioned Personnel Div.  Park Lawn Bld., Room 4‑35  5600 Fishers Lane  Rockville, MD 20852 | Rockville, MD B.O. - (A33) |

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401.09.22 Sick Pay as Unearned Income

(Eff. 02/01/06)

[POMS SI 00830.543](http://policy.ssa.gov/poms.nsf/lnx/0500830543!opendocument)

Any payments because of sickness and accident disability paid more than six (6) months after work stopped because of that sickness or disability are unearned income.

401.09.23 Death Benefits

(Eff. 02/01/06)

[POMS SI 00830.545](http://policy.ssa.gov/poms.nsf/lnx/0500830545!opendocument)

A death benefit is something received as the result of another's death. Examples of death benefits include:

* Proceeds of life insurance policies received due to the death of the insured
* Lump sum death benefits from SSA
* RR burial benefits
* VA burial benefits
* Inheritances in cash or in-kind
* Cash or in-kind gifts given by relatives, friends, or a community group to "help out" with expenses related to the death

|  |
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| **Note:** Recurring survivor benefits such as those received under Title II or private pension programs are not death benefits. |

Death benefits provided to a person are counted as income to such person to the extent that the total amount exceeds the expenses of the deceased person's last illness and burial paid by the person.

Last illness and burial expenses include: related hospital and medical expenses; funeral, burial plot, and interment expenses; and other related expenses.

401.09.24 Inheritances

(Eff. 02/01/06)

[POMS SI 00830.550](http://policy.ssa.gov/poms.nsf/lnx/0500830550!opendocument)

An inheritance is cash, a right, or non-cash item(s) received as the result of someone's death. An inheritance is a death benefit.

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| **Note:** Until an item or right has a value (that is, can be used to meet the heir's need for food or shelter), it is neither income nor a resource. The inheritance is income in the first month it has a value and can be used. |

If a person transfers an inheritance, the person is subject to penalty under the Medicaid transfer of assets provisions, even if the transfer occurs in the month that the inheritance is received. (Refer to [POMS SI 01150.001](http://policy.ssa.gov/poms.nsf/lnx/0501150001!opendocument) for information about Transfer of Assets.)

An inheritance is not income to a person if the inheritance is something that was considered that person's resource (either as a member of an eligible couple or through deeming of resources) immediately before the death. The proceeds of a life insurance policy were not a resource before the death.

Determine the value the inheritance of a house that is used as shelter under the Presumed Maximum Value (PMV) rule in the month of receipt.

401.09.25 Disaster Assistance - (Presidentially-Declared Disaster)

(Eff. 02/01/06)

[POMS SI 00830.620](http://policy.ssa.gov/poms.nsf/lnx/0500830620!opendocument)

This section addresses Presidentially-declared disasters. There are no specific instructions or exclusions addressing other disasters.

At the request of the State Governor, the President may declare a major disaster when the disaster is of such severity and magnitude that effective response is beyond the capabilities of the State and local governments, and Federal assistance is needed. Disasters include such things as hurricanes, tornadoes, floods, earthquakes, volcano eruptions, landslides, snowstorms, or drought.

Assistance provided to victims of a Presidentially-declared disaster includes assistance from:

* Federal programs and agencies
* Joint Federal and State programs
* State or local government programs
* Private organizations (like the American Red Cross)

The value of support and maintenance in cash or in-kind is not counted as countable income if:

* The person lived in a household which he or she (or he and another person) maintained as his or their home at the time a catastrophe occurred in the area; and
* The President declared the catastrophe a major disaster for purposes of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (formerly the Disaster Relief Act of 1974); and
* The person stopped living in his home because of the catastrophe and began to receive support and maintenance within 30 days after the catastrophe; and
* The person receives support and maintenance while living in a residential facility maintained by another person. A residential facility is to be interpreted broadly, including a private household, a shelter, or any other temporary housing arrangement resorted to because of the disaster.

Assistance (other than support and maintenance) received under the Robert T. Stafford Disaster Relief and Emergency Assistance Act or any other Federal statute because of a catastrophe which the President declares to be a major disaster, is excluded from countable income. This includes assistance to repair or replace the person's own home or other property, and disaster unemployment assistance.

401.09.25A COVID-19 Economic Impact Payments (EIPs)

[POMS SI 00830.620](http://policy.ssa.gov/poms.nsf/lnx/0500830620!opendocument)

[POMS SI 01130.620](http://policy.ssa.gov/poms.nsf/lnx/0501130620!opendocument)

(Rev. 4/01/23)

The Internal Revenue Service issued first, second and third rounds of Economic Impact Payments (EIPs), also known as Recovery Rebates, authorized by Congress in the CARES Act beginning in March 2020, CAA beginning in December 2020 and ARPA beginning in March 2021.

First Round: Payment levels were up to:

* $1,200 for individuals,
* $2,400 for couples filing jointly, and an additional $500 per qualifying child.

Second Round: Payment levels were up to:

* $600 for individuals,
* $1,200 for couples filing jointly, and an additional $600 per qualifying child.

Third Round: Payment levels were up to:

* $1,400 for individuals,
* $2,800 for couples filing jointly, and an additional $1,400 per qualifying child.

**Non-MAGI Determinations**

EIPs are considered disaster assistance. Therefore, they are excluded as income in the month received and any retained funds are excluded as a resource. If excluded amounts are commingled with countable funds in an account, assume countable funds are spent first. MPPM 402.24.04A

401.09.26 Federal Emergency Management Agency (FEMA) Emergency Food Distribution and Shelter Programs

(Eff. 02/01/06)

[POMS SI 00830.625](http://policy.ssa.gov/poms.nsf/lnx/0500830625!opendocument)

Through a national board chaired by the Federal Emergency Management Agency (FEMA) and local boards, funds are provided to private nonprofit organizations and State and local governmental entities for providing emergency food and shelter to needy persons. The entity receiving these funds decides how they will be best used (for example, to buy beds and blankets, to stock a soup kitchen or to pay a person's rent). The Federal funds are not provided to meet ongoing basic needs.

Assistance involving FEMA funds is subject to the general rules pertaining to income and income exclusions. It is neither IBON nor ABON.

Assistance involving FEMA funds is most often provided in-kind by private nonprofit organizations and with State certification will qualify for exclusion as Home Energy Assistance and Support and Maintenance Assistance (HEA/SMA.)

401.09.27 Federal Housing Assistance

(Eff. 02/01/06)

[POMS SI 00830.630](http://policy.ssa.gov/poms.nsf/lnx/0500830630!opendocument)

The Federal Government through the Office of Housing and Urban Development (HUD) and the Farmers Home Administration (FMHA) provides many forms of housing assistance including:

* Subsidized housing (such as public housing, reduced rent, cash toward utilities)
* Loans for renovations
* Loans for construction, improvement, or replacement of farm homes and other building
* Mortgage or investment insurance
* Guaranteed loans and mortgages

This assistance may be provided directly by the Federal Government or through other entities such as local housing authorities or nonprofit organizations.

The value of any assistance paid with respect to a dwelling unit is not counted as income or resources if paid under:

* The United States Housing Act of 1937 (Section 1437 et seq. of 42 U.S.C.)
* The National Housing Act (Section 1701 et seq. of 12 U.S.C.)
* Section 101 of the Housing and Urban Development Act of 1965 (Section 1701s of 12 U.S.C., Section 1451 of 42 U.S.C.)
* Title V of the Housing Act of 1949 (Section 1471 et seq. of 42 U.S.C.)
* Section 202(h) of the Housing Act of 1959

401.09.28 Food Programs with Federal Involvement

(Eff. 02/01/06)

[POMS SI 00830.635](http://policy.ssa.gov/poms.nsf/lnx/0500830635!opendocument)

The value of the following is not counted as income and/or resources.

| **Program** | **Exclude as** |
| --- | --- |
| Food Stamp Program | Income and Resources |
| School Lunch Programs | Income and Resources |
| Child Nutrition Programs | Income and Resources |
| Nutrition Programs for Older Americans | Income and Resources |

401.09.29 Programs for Older Americans

(Eff. 02/01/06)

[POMS SI 00830.640](http://policy.ssa.gov/poms.nsf/lnx/0500830640!opendocument)

The Federal Government through the Administration on Aging is involved in a variety of programs for older Americans. State or local governments or community organizations may operate the programs. Some types of programs are:

* Health services
* Nutrition services
* Legal assistance
* Community service employment

A wage or salary paid under Programs for Older Americans is counted as earned income subject to the general policies regarding earned income.

Anything provided under the Programs for Older Americans other than a wage or salary is not counted as income.

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401.09.30 Refugee Cash Assistance, Cuban and Haitian Entrant Cash Assistance and Federally-Reimbursed General Assistance Payments to Refugees

(Eff. 02/01/06)

[POMS SI 00830.645](http://policy.ssa.gov/poms.nsf/lnx/0500830645!opendocument)

Refugee Cash Assistance, and Cuban and Haitian Entrant Cash Assistance are Federally-funded programs that make ongoing needs-based payments to refugees during their first 8 months in the United States. The State or local government according to AFDC standards and rules makes the payments, although there need not be a child involved. The Federal Government will also reimburse states and localities for any general assistance payments made to refugees during their second 19-31 months in the United States.

Refugee Cash Assistance, Cuban and Haitian Entrant Cash Assistance, and Federally-reimbursed general assistance payments to refugees are Federally-funded income based on need and, unless excluded under a PASS, are counted dollar for dollar as income. The $20 general income exclusion does not apply to this income.

A payment under one of these programs is always considered a cash payment. The Presumed Maximum Value (PMV) cannot be applied to this income.

401.09.31 Refugee Reception and Placement Grants and Refugee Matching Grants

(Eff. 02/01/06)

[POMS SI 00830.650](http://policy.ssa.gov/poms.nsf/lnx/0500830650!opendocument)

Federal funds are provided to national voluntary refugee resettlement agencies such as Catholic Charities or the Hebrew Immigrant Aid Society, which provide services (including food, clothing and shelter) related to initial resettlement of new refugees. Assistance involving these funds will usually be received during the first 30 days after the refugee arrives in this country.

Refugee reception and placement grants are provided by the Department of State. Refugee matching grants are provided by the Department of Health and Human Services.

Assistance involving a refugee reception and placement grant or a refugee-matching grant is subject to the general rules pertaining to income and income exclusions.

401.09.32 Victims' Compensation Payments

(Eff. 02/01/06)

[POMS SI 00830.660](http://policy.ssa.gov/poms.nsf/lnx/0500830660!opendocument)

Effective 05/01/91, any payment received from a fund established by a state to aid victims of crime is not counted as income.

401.09.33 Payments in Foreign Currency

(Eff. 02/01/06)

[POMS SI 00830.105](http://policy.ssa.gov/poms.nsf/lnx/0500830105!opendocument)

Occasionally, a person receives income in a monetary unit other than US dollars. This usually will be in the form of a check or a direct deposit to a bank.

The US dollar value of a payment made in foreign currency, less expenses, is income. Count foreign currency payments when received unless the person alleges and can establish that the payment was received too late in the month for conversion before the following month.

Use a check or documents in the person's possession to verify receipt of a foreign payment and the amount in foreign currency. If the payment is made directly to a bank, the bank may provide a statement of the amount received.

The exchange rate for conversion of the foreign currency into US dollars can be verified by:

* A receipt for the person's last exchange; or
* A telephone call to a local bank or currency exchange.

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| **Note:** Assume that the value of the exchange rate remains the same as last verification unless there is reason to believe otherwise. |

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401.09.34 Income Based on Need (IBON)

(Eff. 02/01/06)

[POMS SI 00830.170](http://policy.ssa.gov/poms.nsf/lnx/0500830170!opendocument)

Income Based on Need (IBON) is assistance:

* Provided under a program which uses income as a factor of eligibility; and
* Funded wholly or partially by the Federal Government or a non-governmental agency (such as Catholic Charities or the Salvation Army) for meeting basic needs (that is, the funds are provided specifically for a formalized program whose general purpose is similar to that of the SSI program).

Income based on need is counted as income dollar for dollar, unless it is totally excluded by statute (such as food stamps) or excluded under a PASS. The $20 general income exclusion does not apply to IBON.

401.09.35 State Assistance Based on Need (SABON)

(Eff. 02/01/06)

[POMS SI 00830.175](http://policy.ssa.gov/poms.nsf/lnx/0500830175!opendocument)

SABON is assistance:

* Provided under a program which uses income as a factor of eligibility; and
* Funded wholly by a state (including the District of Columbia, Indian tribes and the Northern Mariana Islands), a political subdivision of a state, or a combination of such jurisdictions.

If a program uses income to determine payment amount but not eligibility, it is not SABON (such as some crime victims compensation programs).

State Assistance Based on Need is not counted as income.

401.09.36 Work Relief (Workfare) Programs

(Eff. 02/01/06)

[POMS SI 00830.185](http://policy.ssa.gov/poms.nsf/lnx/0500830185!opendocument)

Many governmental assistance programs require that certain beneficiaries work in exchange for the assistance provided. Most often, the amount of the assistance payment is divided by the minimum wage and the beneficiary performing some required service for the resulting number of hours. Usually a participant in such a work program is given money to cover any expenses incurred (such as carfare, special clothing, miscellaneous.)

The fact that an individual is required to work in exchange for an income based on need or assistance based on need payment does not change the nature of the payment. The payment in such situations is an assistance payment and is not counted as unearned income.

401.09.37 Foster Care and Adoption Assistance

(Eff. 02/01/06)

[POMS SI 00830.410](http://policy.ssa.gov/poms.nsf/lnx/0500830410!opendocument)

An individual is considered to be in foster care when:

* A public or private nonprofit agency places the individual under a specific placement program; and
* The placement is in a home or facility which is licensed or otherwise approved by the State to provide care; and
* The placing agency retains responsibility for continuing supervision of the need for such placement and the care provided.

A foster care payment is a payment made to the foster care provider for meeting the needs of the individual in care.

An agency may make an additional payment to the foster care provider for his/her own use (such as an incentive or service payment not intended to support the child). While these two payments may be combined and termed the "foster care payment" by the issuing agency, only the part that is provided to meet the needs of the individual in care is the foster care payment. Treatment of foster care payments depends on the funding source of the payments, the purpose of the payments, and whether the SSI beneficiary is the provider or beneficiary of the care.

The following is a listing of different types of foster care and adoption assistance situations and their funding source:

1. **Title IV-E Foster Care Payments**

* For the individual in care, foster care payments made under Title IV-E are considered Federally-funded income based on need to the individual in care. This income is not subject to the $20 general income exclusion and is not ISM.
* Payments made under Section 477 of Title IV-E (Independent Living Initiatives) are cash assistance from a governmental social services program and, therefore, are not counted as income.
* For the foster care provider, foster care payments are not income to the provider. Amounts paid to a provider of foster care in excess of the foster care payment are counted as income to the provider.

1. **Title IV-B or Title XX Foster Care Payments**

* Foster care payments involving funds provided under Title IV-BB or Title XX of the Social Security Act are social services and are not income.

1. **Other Foster Care Payments**

* Foster care payments not included above are subject to the general rules pertaining to income and income exclusions.

1. **Adoption Assistance Under Title IV-E**

* Adoption assistance cash payments made to adoptive parents under Title IV-E are Federally-funded income based on need to the adopted child. This income is not subject to the $20 general income exclusion and the Presumed Maximum Value (PMV) cannot be applied. Therefore, the total payment is considered cash income to the individual and is counted dollar for dollar.

In addition to a cash payment to the adoptive parents, social services may be provided under Title IV-E. Social services are not counted as income.

1. **Adoption Assistance Under Title IV-B or Title XX**

* Adoption assistance payments involving funds provided under Title IV-B or Title XX of the Social Security Act are social services and are not counted as income.

1. **Other Adoption Assistance**

* Adoption assistance payments not included above are subject to the general rules pertaining to income and income exclusions

Although payments made under Title IV-E are always income to the child, other adoption assistance payments may result in income to the parent or the child depending on the nature of the assistance. It is important when dealing with needs-based payments to remember that the income test must apply to the individual to whom we attribute the income in order to exclude the payment as assistance based on need or not to apply the $20 general income exclusion.

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401.09.38 Child Care Payments

(Eff. 02/01/06)

[POMS SI 00830.417](http://policy.ssa.gov/poms.nsf/lnx/0500830417!opendocument)

Childcare assistance programs may provide payments to low-income families or to children with special needs. Such payments may be made for certain childcare activities such as early childhood development, before and after-school services, and services designed to permit a parent to continue working.

The Child Care and Development Block Grant Act (CCDBGA) provide Federal funds for a variety of childcare payments and assistance. Payments made under CCDBGA are not counted as income. There is no specific resource exclusion for payments made under CCDBGA.

Other childcare payments above are subject to the general rules pertaining to income and income exclusions.

401.09.39 Educational Assistance

(Eff. 02/01/06)

[POMS SI 00830.450](http://policy.ssa.gov/poms.nsf/lnx/0500830450!opendocument)

Educational assistance is provided in many forms. Treatment will vary depending on the nature and sometimes the use of the assistance. Educational assistance may be earned or unearned income and may be counted or excluded.

Grants, scholarships, and fellowships are amounts paid by private nonprofit agencies, the US Government, instrumentalities or agencies of the US, State and local governments, foreign governments, and private concerns to enable qualified individuals to further their education and training by scholastic or research work, etc.

Any amount provided by an individual to aid a relative, friend, or other individual in pursuing his studies where the grantor is motivated by family or philanthropic considerations is a gift and is not a grant, scholarship, or fellowship.

Any amount which is earned income is not a grant, scholarship, or fellowship.

Any portion of a grant, scholarship, or fellowship used for paying tuition, fees, or other necessary educational expenses is not counted as income. This exclusion does not apply to any portion set aside or actually used for food, clothing, or shelter.

Allowable expenses include carfare, stationery supplies, and impairment-related expenses necessary to attend school or perform schoolwork (such as special transportation to and from classes, special prosthetic devices necessary to operate school machines or equipment.)

Allowable fees include laboratory fees and student activity fees.

401.09.40 Grants, Scholarships, and Fellowships

(Eff. 02/01/06)

[POMS SI 00830.455](http://policy.ssa.gov/poms.nsf/lnx/0500830455!opendocument)

Federal funds or insurance are provided for a number of educational programs at middle school, secondary school, undergraduate and graduate levels under Title IV of the Higher Education Act of 1965 and student assistance programs of the Bureau of Indian Affairs (BIA). Included are work-study programs, upward bound and talent search programs, as well as grants-in-aid and loans for college study.

Any grant, scholarship, or loan to an undergraduate student for educational purposes made or insured under any program administered by the Commissioner of Education is not counted as income and resources.

Any portion of student financial assistance for attendance costs received from a program funded in whole or in part under Title IV of the Higher Education Act of 1965 or under BIA Student Assistance Programs is excluded from income and resources. Attendance costs are:

* Tuition and fees normally assessed a student carrying the same academic workload (as determined by the institution), including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study; or
* Allowances for books, supplies, transportation, and miscellaneous personal expenses for a student attending the institution on at least a half-time basis, as determined by the institution.

This exclusion applies to the common programs of Federal financial aid for college students such as Supplemental Education Opportunity Grants (SEOG), National Defense Student Loans (NDSL), Pell Grants, and State Student Incentive Grants (SSIG).

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401.09.41 Royalties

(Eff. 02/01/06)

[POMS SI 00830.510](http://policy.ssa.gov/poms.nsf/lnx/0500830510!opendocument)

Royalties include compensation paid to the owner for the use of property, usually copyrighted material, (such as books, music, or art) or natural resources (like minerals, oil, gravel or timber). Royalty compensation may be in the form of a percentage of receipts from using the property or as an amount per unit produced.

To be considered royalties, payments for the use of natural resources also must be received:

* Under a formal or informal agreement whereby the owner authorizes another individual to manage and extract a product (like timber or oil), and
* In an amount that is dependent on the amount of the product actually extracted.

An outright sale of natural resources by the owner of the land or by the owner of rights to use of the land constitutes the conversion of a resource. Proceeds from the conversion of a resource are not income.

Royalties are counted as unearned income unless they are:

* Received as part of a trade or business, or
* Received by an individual in connection with any publication of his/her work. Royalties earned by an individual in connection with any publication of his/her work are earned income (for example, publication of a manuscript, magazine article, or artwork).

Some documents concerning royalty payments will provide both a gross and a net payment amount. When the difference between the gross and the net figures is due to income taxes withheld or windfall profit tax deductions, use the gross figure when determining income.

When the difference between the gross and net figures represents a production or severance tax (for example, most oil royalties will be reduced by this tax), use the net figure when determining income. The production or severance tax is a cost of producing the income and, therefore, is deducted from the gross income.

401.09.42 Job Training Partnership Act (JTPA)

(Eff. 02/01/06)

[POMS SI 00830.535](http://policy.ssa.gov/poms.nsf/lnx/0500830535!opendocument)

The purpose of the Job Training Partnership Act (JTPA) is to prepare individuals for entry into the labor force. JTPA funding is much like a block grant and programs will vary among states and among areas within states. JTPA payments may be called "needs-based" for JTPA purposes but are not "income based on need" or "assistance based on need" for Medicaid purposes. JTPA payments may be in cash or in-kind, and participants in JTPA may receive supportive services in cash or in-kind. Usually, adult participants receive only supportive services.

JTPA payments are subject to the general rules pertaining to income and income exclusions.

**401.09.43 Workforce Investment Act (WIA)**

(Eff. 07/01/07)

The Workforce Investment Act replaced the Job Training Partnership Act (JTPA.) The Workforce Investment Act of 1998 (WIA), which became effective July 1, 2000, establishes a national workforce preparation and employment system (America's Workforce Network) to meet the needs of businesses, job seekers and those who want to further their careers. Individuals have easy access to information and services through the One-Stop Career Center system.

Payments from WIA programs are subject to the general rules pertaining to income and income exclusions.

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**401.09.44 Job Corps**

(Eff. 02/01/06)

[POMS SI 00830.536](http://policy.ssa.gov/poms.nsf/lnx/0500830536!opendocument)

The Job Corps is a Job Training Partnership Act (JTPA) program. The living allowance (also called student pay) is the regular, recurring payment to Job Corps participants. It is paid bi-weekly and may include bonuses and/or incentive payments. FICA is withheld from the entire amount. The living allowance is wages.

The readjustment allowance is paid at the completion or termination of the program based on length of participation. It may include bonuses and/or incentive payments. FICA is withheld from the entire amount. The readjustment allowance, including any amount deducted to pay the participant's share of a dependent's allowance, is wages.

A bi-weekly dependent's allowance may be paid directly to a participant's dependent. The Federal Government pays for half. The other half is subsequently deducted from the participant's readjustment allowance. This allowance is counted as unearned income to the dependent.

The clothing allowance is furnished only as a voucher redeemable at a designated clothing store. The clothing allowance (voucher) is not income.

The transportation allowance is furnished only as tickets (usually bus tickets) that cannot be converted to cash. This allowance is not income.

Supportive services are services such as childcare, transportation, medical care, meals, and other reasonable expenses provided in-kind. Those supportive services (that is, medical services, transportation to and from medical treatment, counseling, job placement services) provided in-kind which are medical or social services are not income.

|  |
| --- |
| **Note:** The Job Corps program itself is not a governmental social or medical services program. |

Bonuses and incentive payments are wages.

A Job Corps participant who is a student child qualifies for the student child earned income exclusion.

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401.09.45 AmeriCorps and National Civilian Community Corps (NCCC) Payments

(Eff. 02/01/06)

[POMS SI 00830.537](http://policy.ssa.gov/poms.nsf/lnx/0500830537!opendocument)

AmeriCorps is a national service program authorized by the National and Community Service Trust Act and administered by CNCS. AmeriCorps provides grants to State and local groups and to nonprofit organizations for community service projects such as educational programs, environmental activities, and disaster relief.

Participants of AmeriCorps and NCCC receive a stipend or living allowance generally based on minimum wage requirements. Participants also are eligible to receive an educational award made after the completion of a specified term of service. The educational award is for educational assistance only and must be applied to college tuition, vocational training, or outstanding college loans. AmeriCorps or NCCC must pay the educational award directly to an educational institution or to a loan‑holder for repayment of a student educational loan.

Instead of an educational award, AmeriCorps and NCCC participants may receive, with the approval of the director of CNCS, an alternative benefit. The alternative payment for NCCC members is equal to one-half the amount of any educational award and is paid directly to the participant.

The type of payment determines the treatment of payments made under AmeriCorps and NCCC.

* **Living Allowance Payments**

Stipends or living allowance payments are wages and are subject to the general rules regarding wages and earned income exclusions.

* **Food and Housing/Shelter**

Any food or shelter received by participants is not wages, but is unearned income in the form of In-kind Support and Maintenance (ISM) and is not counted.

* **Clothing/Clothing Allowance Payments**

Any clothing allowance payments are unearned income and subject to the general rules regarding unearned income and exclusions.

Educational awards are wages when credited to the educational institution or loan-holder for repayment of a student educational loan, and subject to the general rules regarding wages and earned income exclusions.

Any payments made as an alternative to educational awards are wages and are subject to the general rules regarding wages and earned income exclusions.

401.09.46 Low Income Energy Assistance

(Eff. 02/01/06)

[POMS SI 00830.600](http://policy.ssa.gov/poms.nsf/lnx/0500830600!opendocument)

Through a block grant, the Federal Government provides funds to states for energy assistance (including weatherization) to low income households. This assistance may be provided by a variety of agencies (such as State or local welfare offices, community action agencies, special energy offices) and known by a variety of names (like HEAP, Project Safe) It is most often provided in a medium other than cash (such as voucher, two-party check, direct payment to vendor) but may be in cash.

Home energy assistance payments or allowances are not counted as income or resources.

401.09.47 Home Energy Assistance and Support and Maintenance Assistance (HEA/SMA)

(Eff. 02/01/06)

[POMS SI 00830.605](http://policy.ssa.gov/poms.nsf/lnx/0500830605!opendocument)

Home energy or support and maintenance assistance is not counted as income if it is certified in writing by the appropriate State agency to be both based on need and:

* Provided in-kind by a private nonprofit agency; or
* Provided in cash or in-kind by a supplier of home heating oil or gas, a rate-of-return entity providing home energy, or a municipal utility providing home energy.

401.09.48 ACTION Programs/Corporation for National and Community Services (CNCS) *(Formerly Domestic Volunteer Services)*

(Eff. 02/01/06)

[POMS SI 00830.610](http://policy.ssa.gov/poms.nsf/lnx/0500830610!opendocument)

The Federal Government through ACTION, the Federal domestic volunteer agency, is involved in a number of volunteer service programs including:

* Volunteers in Service to America (VISTA)
* University Year for ACTION (UYA)
* Special and Demonstration Volunteer Programs
* Retired Senior Volunteer Program (RSVP)
* Foster Grandparent Program
* Senior Companion Program

Payments to volunteers under ACTION programs are not counted as income or resources. Payments are counted if the Director of the ACTION agency determines that their value, adjusted to reflect the hours served, is equivalent to or greater than the minimum wage in effect.

401.09.49 Community Service Block Grants

(Eff. 02/01/06)

[POMS SI 00830.615](http://policy.ssa.gov/poms.nsf/lnx/0500830615!opendocument)

The US Department of Health and Human Services makes community service block grants to states to provide a broad range of services and activities to assist low-income individuals and alleviate the causes of poverty in a community. States may subsequently make grants or enter into contracts with private nonprofit organizations or political subdivisions.

Assistance involving community service block grants is subject to the general rules pertaining to income. It is neither Income Based On Need (IBON) nor Assistance Based On Need (ABON).

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401.09.50 Relocation Assistance

(Eff. 02/01/06)

[POMS SI 00830.655](http://policy.ssa.gov/poms.nsf/lnx/0500830655!opendocument)

Relocation assistance is provided to persons displaced by projects that acquire real property. The following types of reimbursement, allowances, and help are provided:

* Moving expenses
* Reimbursement for losses of tangible property
* Expenses of looking for a business or farm
* Displacement allowances
* Amounts required to replace a dwelling which exceed the agency's acquisition cost for the prior dwelling
* Compensation for increased interest costs and other debt service costs of replacement dwelling (if it is encumbered by a mortgage)
* Expenses for closing costs (but not prepaid expenses) on replacement dwelling (if it is encumbered by a mortgage)
* Rental expenses for displaced tenants
* Amounts for downpayments on replacement housing for tenants who decide to buy
* Mortgage insurance through Federal programs with waiver of requirements of age, physical condition, personal characteristics, etc., which borrowers must usually meet
* Direct provision of replacement housing (as a last resort)

Relocation assistance provided under the Uniform Relocation Assistance and Real Property Acquisitions Policies Act is not counted as income.

This exclusion applies to relocation assistance provided to individuals displaced by any Federal or Federally-assisted project. Any Federal assistance is sufficient to bring into play the Federal statutes controlling acquisition of real property, requiring that relocation assistance be available and not counted as income.

However, if the only Federal assistance is revenue sharing, this exclusion does not apply, since such funds are considered to belong to the governmental unit that received them from the Federal Government.

Relocation assistance provided by a State or local government or through a State-assisted or locally assisted project is not counted as income.

401.09.51 Other Unearned Income Exclusions

(Rev. 02/01/08)

[POMS SI 00830.700—POMS SI 00830.850](http://policy.ssa.gov/poms.nsf/subchapterlist!OpenView&Start=1.5.97&RestrictToCategory=05008)

The following chart describes other unearned income exclusions and their treatment.

| **SOURCE OF INCOME** | **TREATMENT** |
| --- | --- |
| Agent Orange Settlement Payments | Excluded (from income and resources).  *(Refer to* [*POMS SI 00830.730*](http://policy.ssa.gov/poms.nsf/lnx/0500830730!opendocument)*.)* |
| Austrian Social Insurance Payments | Excluded payments based on wage credits;  Counted payments not based on wage credits.  *(Refer to* [*POMS SI 00830.715*](http://policy.ssa.gov/poms.nsf/lnx/0500830715!opendocument)*.)* |
| Bureau of Indian Affairs Adult Custodial Care and Child Welfare Assistance Payments  (BIA ACC and CWA) | BIA ACC and CWA payments (other than foster care assistance) made to non-institutionalized persons are Federally-funded income based on need and, therefore, count as income dollar for dollar.  The presumed maximum value rule applies to income resulting from BIA ACC and CWA payments made on behalf of institutionalized persons.  BIA foster care assistance is considered a social service and, therefore, is not income.  *(Refer to* [*POMS SI 00830.810*](http://policy.ssa.gov/poms.nsf/lnx/0500830810!opendocument)*.)* |
| Bureau of Indian Affairs General Assistance (BIA GA) | BIA GA payments are Federally-funded income based on need and, therefore, count as income on a dollar-for-dollar basis regardless of whether they are paid in cash or in-kind. The $20 per month general income exclusion does not apply.  *(Refer to* [*POMS SI 00830.800*](http://policy.ssa.gov/poms.nsf/lnx/0500830800!opendocument)*.)* |
| Department of Defense (DOD) Payments to Certain Persons Captured and Interned by North Vietnam | *(Refer to* [*POMS SI 00830.745*](http://policy.ssa.gov/poms.nsf/lnx/0500830745!opendocument)*.)* |
| Energy Employees Occupational Illness Compensation Program Act (EEOICPA) | Excluded from both resource and income. Any retained funds and interest earned on these funds are excluded. |
| Exclusion of Income from Individual Interests in Indian Trust or Restricted Lands | Effective 01/01/94, up to $2,000 per year in payments derived from individual interests in Indian Trust or restricted lands is excluded from income. Such payments include any interest that accrues on funds while held by Bureau of Indian Affairs (BIA).  *(Refer to* [*POMS SI 00830.850*](http://policy.ssa.gov/poms.nsf/lnx/0500830850!opendocument)*.)* |
| Gifts to Children with Life Threatening Conditions | *(Refer to* [*POMS SI 00830.750*](http://policy.ssa.gov/poms.nsf/lnx/0500830750!opendocument)*.)* |
| Home Produce for Personal Consumption | Excluded if consumed by individual or his household; Counted if:   * Not a trade or business (unearned) * A trade or business, and individual is not an Indian (earnings from self employment). * Individual is an Indian and exempt from income tax (unearned income). * Individual is not exempt from income tax (self-employment earnings).   *(Refer to* [*POMS SI 00830.700*](http://policy.ssa.gov/poms.nsf/lnx/0500830700!opendocument)*.)* |
| Indian Fishing Rights Income | *(Refer to* [*POMS SI 00830.880*](http://policy.ssa.gov/poms.nsf/lnx/0500830880!opendocument)*.)* |
| Indian-Related Exclusions | *(Refer to* [*POMS SI 00830.830*](http://policy.ssa.gov/poms.nsf/lnx/0500830830!opendocument) *for policy on the treatment of various claims and Federal laws.)* |
| Individual Indian Money Accounts | Regular income and resources rules concerning restricted and unrestricted accounts apply.  *(Refer to* [*POMS SI 00830.820*](http://policy.ssa.gov/poms.nsf/lnx/0500830820!opendocument)*.)* |
| Japanese American and Aleutian Restitution Payments | Excluded (both income and resources)  *(Refer to* [*POMS SI 0830.720*](http://policy.ssa.gov/poms.nsf/lnx/0500830720!opendocument)*.)* |
| Netherlands WUV Payments to Victims of Persecution | Excluded  \*Interest earned on unspent payments is counted.  *(Refer to* [*POMS SI 00830.725*](http://policy.ssa.gov/poms.nsf/lnx/0500830725!opendocument)*.)* |
| Payment to Victims of Nazi Persecution | Excluded  \*Interest earned on unspent payments is counted.  *(Refer to* [*POMS SI 00830.710*](http://policy.ssa.gov/poms.nsf/lnx/0500830710!opendocument)*.)* |
| Processing Inquiries from Potential Barney Class Members | *(Refer to* [*POMS SI 00830.855*](http://policy.ssa.gov/poms.nsf/lnx/0500830855!opendocument)*.)* |
| Radiation Exposure Compensation Trust Fund (RECTF) Payments | Excluded  \*Interest earned on unspent payment is counted.  *(Refer to* [*POMS SI 00830.740*](http://policy.ssa.gov/poms.nsf/lnx/0500830740!opendocument)*.)* |
| Refund of Taxes Paid on Real Property or Food | Excluded  *(Refer to* [*POMS SI 00830.705*](http://policy.ssa.gov/poms.nsf/lnx/0500830705!opendocument)*.)* |

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401.10 In-Kind Support and Maintenance (ISM)

(Eff. 02/01/06)

[POMS SI 00835.001](http://policy.ssa.gov/poms.nsf/lnx/0500835001!opendocument) ff

In-kind income is any income other than cash income. To meet the definition of income, the in-kind item received by the individual must be:

* Food or shelter; or
* Something the individual can sell or convert to obtain food or shelter.

If the in-kind item is neither food nor shelter, and it cannot be sold or converted to cash, then it is not income.

In-kind support and maintenance (ISM) is an SSI policy principal that applies only to SSI-related cases such as SSI Pass-Along. Cases that use the Federal Poverty Level or institutional income limit as the need standard for eligibility purposes do not require placing a value on any ISM received by an eligible individual or couple.

For purposes of treating In-kind Support and Maintenance as income, three types of values are used:

1. **Current Market Value (CMV)**

The amount for which something can be purchased locally on the open market. Depending on the type of support and maintenance received, the determination of the CMV may be based on various factors such as the assessed value from a knowledgeable source, property owner’s statement, and the individual’s payment.

1. **Actual Value (AV)**

The current market value is divided by the number of people receiving support and maintenance minus any payment made out of an individual’s own funds. If he makes no payment, AV and CMV may be the same amount.

1. **The Value of the One-Third Reduction (VTR) Rule** [POMS SI 00835.200](http://policy.ssa.gov/poms.nsf/lnx/0500835200)

The applicable Federal Benefit Rate (FBR) is reduced by one third when an individual/couple

* Lives **throughout** a month in another person’s household; and
* Receives **both** food and shelter from others living in that household.

1. **Presumed Maximum Value (PMV)** [POMS SI 00835.300](http://policy.ssa.gov/poms.nsf/lnx/0500835300)

An amount equivalent to one-third of the applicable Federal Benefit Rate (FBR) plus $20. The PMV rules apply to in-kind support and maintenance that is countable as unearned income. The PMV never applies to earned income. Use of the PMV in determining an individual’s countable income is rebuttable by the individual’s showing that the AV of the in-kind support and maintenance he receives is less than the PMV. The lower of these two figures is always used, but never an amount in excess of the PMV, regardless of the number of sources of such income or the variety of living arrangements during any one given period.

The value of such ISM is counted as income, using the lesser of the CMV, AV or PMV, if an eligible individual or couple:

* 1. Lives in the household of another,
  2. Receives rent free shelter,
  3. Has someone else (a third party) pay for goods and services provided to the eligible, or
  4. Receives rental subsidies.

ISM is used is categories that use the strict SSI Income and Resource policies.

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401.11 Plan for Achieving Self‑Support (PASS) as an Income Exclusion

(Eff. 02/01/06)

[POMS SI 00870.001ff](http://policy.ssa.gov/poms.nsf/lnx/0500870001!opendocument)

Income, whether earned or unearned, of a blind or disabled recipient may be excluded if such income is needed to fulfill a Plan for Achieving Self-Support (PASS).

This exclusion does not apply to a blind or disabled person age 65 or older, unless he was receiving SSI or State disability or blind payments for the month before he became age 65.

Requests for the establishment of a PASS must be forwarded to the State Department of Health and Human Services, Division of Eligibility Policy and Oversight, for review and approval.

(Refer to [Appendix A](#Appendix_A), for further information regarding the establishment of a PASS.)

401.12 Deeming of Income

(Eff. 02/01/06)

[POMS SI 01320.001ff](http://policy.ssa.gov/poms.nsf/lnx/0501320001!opendocument)

The term deeming identifies the process of the process of considering another person’s income and resources to be available for meeting a Medicaid applicant/beneficiary’s basic needs. Deemed income and resources are attributed to an eligible person whether or not they are actually available to him/her with the following restrictions:

* Deeming only applies in household situations; and
* In South Carolina, income is deemed from an ineligible parent to an eligible child.

Deeming is based on the concept that a parent(s) and children who live together have a responsibility for each other and share income and resources. Both SSI and Medicaid regulations require deeming in household situations.

A portion of an ineligible parent’s income is used to provide for the living expenses of the ineligible parent and his/her spouse and those of any ineligible children living in the same household. Based on this consideration, allocations are given to:

* Ineligible parent(s); and
* Ineligible children in the household.

Application of the allocations reduces the amount of income available for deeming.

(Refer to [Appendix B](#Appendix_B) for income deeming procedures.)

Appendix A Plan for Achieving Self-Support for Blind or Disabled Individuals

(Eff. 10/01/05)

**BACKGROUND**

The Social Security Act permits the exclusion of income and resources of a person who is blind or disabled if the person needs such income and resources to fulfill an approved PASS. The PASS provision is part of the original Supplemental Security Income (SSI) statute. The legislative history shows that the Congress expressed a ".... desire to provide every opportunity and encouragement to the blind and disabled to return to gainful employment.” Congress intended that the PASS provision “ . . . be liberally construed if necessary to accomplish these objectives.” Congress has added a number of new work incentive provisions to the SSI program since 1972, each time expressing concern about the low numbers of disabled and blind SSI recipients who eventually enter or re-enter the workforce.

Following is an overview of PASS provisions. If sufficient information cannot be found in this appendix, refer to the SSI Program Operations Manual System (POMS), Chapter 008, subchapter 70 for more details.

**INTRODUCTION**

For income and resources to be excluded as necessary to fulfill a PASS, the plan must at a minimum:

* Be in writing;
* Contain the anticipated period of time for reaching the goal;
* Specify a feasible occupational objective;
* Indicate specific savings and planned disbursements toward meeting the occupational objective; and
* Be expected to increase the person's prospect for self-support.

**DEFINITIONS**

The following definitions apply:

**Abandonment**

Abandonment is the loss of intent to pursue the occupational objective.

**Compliance**

Compliance is performing according to the approved plan (or as amended). A person is in compliance provided he/she is adhering:

* To the savings and spending schedule; and
* Timely to any other steps/activities prescribed under the plan.

A person may also be in compliance if he/she amends the plan per [POMS SI 00870.050](http://policy.ssa.gov/poms.nsf/lnx/0500870050!opendocument) to reflect actual:

* Savings and spending; and
* Occurrence of other steps/activities, if any prescribed under the plan.

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**Extended or Follow-Along Services**

Extended or Follow-Along Services are the supports needed by a blind or disabled person to continue performing a job after reaching stabilization. (These terms are generally used in connection with a supported employment program.)

**Job Coach**

A Job Coach is a person who provides training and support services to the employee with a disability at the job site. These services may include analyzing the tasks for the employee and teaching the employee each element of the task. In addition, the job coach may act as a liaison between the employee and the employee's supervisor or co-workers.

**Occupational Goal or Objective**

An Occupational Goal or Objective is the individual's "work goal,” that is, the job or profession that an individual plans to attain. In some situations (like supported employment), the objective may be to reach a particular level of independent performance in the job.

**Planned Expenditures**

Planned Expenditures are the costs incurred by the person for the goods and services determined to be necessary to the occupational objective.

**PASS Preparation Fees**

PASS Preparation Fees reflect the charge agencies may assess persons for helping them develop a PASS. These fees may also reflect services to be provided to the person during the life of the PASS. The person may, in turn, claim this service as a planned expenditure under the PASS.

**Self-Support**

Self-Support is an individual's capacity to provide for his/her own welfare; that is, meeting One's needs by one's own effort or output. For SSI purposes, an individual's self-support is essentially viewed in terms of his/her finances and employability.

**Stabilization**

Stabilization, in connection with a supported employment program, indicates when intensive job coaching is complete and the individual has reached a designated hourly work goal, but may still need ongoing job coaching and/or counseling to do the job.

**Supported Employment**

Supported Employment is a concept of placing an individual with a disability in a series of jobs, providing intensive job coaching and/or counseling, and then giving ongoing support to the individual to continue to work. Supported employment seeks to help people with disabilities work in a mainstream setting rather than in the sheltered workshop environment.

**Evaluation**

VR Evaluation refers to the process whereby a public or private vocational rehabilitation agency performs a diagnostic study or evaluation of an individual in order to determine the appropriate services to offer.

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PASS: THE PLAN AND THE EXCLUSIONS

**One PASS Per Occupational Objective**

A person may develop only one PASS per occupational objective. A person may resume a suspended PASS under certain conditions.

**Multiple Plans**

There is no limit as to the number of plans an individual may develop provided each plan involves a different occupational objective. However, only one plan can be in effect at a time. A new plan may not be approved until a final accounting of the prior plan(s) is completed.

Aged Persons

Aged persons may exclude income or resources under a PASS only if they received SSI (or aid under a State plan) because of a disability or blindness for the month before turning age 65.

**Written Plan**

The individual's plan must be written and signed by the individual and his representative payee. The written plan includes all the documentation set forth in this section. There is no mandatory form or format for a plan.

**Designed for the Individual**

Plans must be tailored to the individual's circumstances.

**NOTE:** Although each plan is unique, individuals in similar situations may have similar plans. This is especially true when dealing with organizations that provide services to people with similar disabilities or needs.

**Additional Factors**

A person must:

* Have income and resources (other than SSI) that can be set aside under a PASS and agree to set aside same;
* Agree to pursue the goal, comply with the terms of the PASS and use the excluded income/resources only as specified in the plan;
* Meet the requirements in D. and E. below as appropriate;
* Be expected to benefit from the PASS per below; and
* Otherwise, be eligible for SSI benefits due to blindness or disability; this is after the exclusion of resources and income used to fund the PASS.

**TIME LIMITS**

When setting up a plan, the following time considerations must be kept in mind:

* The plan should specify anticipated beginning and ending dates;
* A PASS can be initially approved by SSA for a period up to 18 months;
* If the plan cannot be completed within this initial period, SSA may approve an extension of the PASS for up to an additional 18 months; and
* The time limit for a PASS is 36 months.

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**Educational or Training Program**

When the occupational objective involves a lengthy educational or training program (including a supported employment program), the plan may be extended for up to an additional 12 months. The total length of the PASS, however, may not exceed 48 months.

**Applicable Months**

The applicable months of a PASS need not be consecutive. Only months for which the person is eligible for SSI benefits count toward the time limit.

**EXAMPLE:**

**Facts:** During a scheduled re-determination in February 1995, Mr. Appleby requests an extension of a PASS that was approved for the period beginning March 1992. You note that the PASS has been in existence for 36 months and that Mr. Appleby's PASS can only be effective for 36 months. You also note that the Supplemental Security Record (SSR) shows he was in suspense status for 6 months during 1993 because he was out of the country.

**Conclusion:** Determine that Mr. Appleby's PASS has been in effect for only 30 months. After ascertaining that Mr. Appleby complies with his plan, approve his request to continue the PASS. Notify him that his PASS will continue to be in effect for an additional 6 months.

**SELF-SUPPORT**

A PASS must be expected to increase the person's prospect for self-support. It should be designed to enhance a person's earnings potential.

Persons in a supported employment situation also may use a PASS to increase their potential for self-support. Generally, such persons will do so by decreasing their costs for, and their reliance upon, ongoing supports, such as job coaching or counseling needed to work.

**Higher Earnings Potential**

An increase in the prospect for self-support is usually measured in terms of higher earnings potential upon completion of the PASS. It is expected that it will produce additional earned income within a reasonable period upon achieving the work goal.

Higher earnings potential may exist even if the person will be working in the same job as before the PASS. For example, the person may be able to work more hours or reduce work expenses (like job coach costs) because of additional training funded under the PASS.

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**Reaching the Goal**

The person is considered to have reached his/her goal under a PASS when:

* The person is working in the job as described in the plan and outstanding debts related to the planned expenditures are not an issue (that is, no further payments for PASS expenses are required); or
* The VR agency completes its diagnostic study or evaluation of a person whose goal was "VR Evaluation.”

**OCCUPATIONAL OBJECTIVE**

A plan must specify an occupational objective, the particular job or profession that the person wants to attain through the PASS. However, in some circumstances, the person already may have attained the occupational objective but has a goal of working longer hours or with fewer supports as explained above. To facilitate the evaluation at a later date as to whether the person has reached the goal above, the plan should be as descriptive as possible about the occupational objective.

**NOTE:** Completion of education/training programs or the purchase of transportation is not occupational objectives, although they may be a means to attain an objective.

The plan should provide a clear statement which:

* Identifies the particular job/profession the person is seeking; and
* If appropriate (such as in a supported employment situation), describes and quantifies the level of performance which the person expects to reach (see below, for more information on supported employment and PASS).

The occupational objective must be feasible for the individual. To be feasible, the individual need only have a reasonable chance of attaining the work goal upon consideration of the:

* Extent of the individual's impairment and age;
* Adequacy of the income and resources to be set aside to cover the planned expenditures;
* Individual's ability to continue to pay for his/her ordinary expenses absent the income and resources set aside under the plan; and
* Individual's expectation of realizing the goal during the life of the PASS

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**NOTE:** A series of unsuccessful plans may be grounds for questioning whether a reasonable chance exists and obtaining additional supporting documentation.

**EXAMPLE:** An SSI recipient has an occupational goal to open an art gallery. The person estimates that it will cost $20,000. The person has only $300 countable income per month and has no other means to raise the additional monies needed (36 months at $300 a month yields $10,800, leaving a balance of $9,200). If possible, the person should modify the PASS to realize the goal with the available set aside. If no modification is possible, the PASS is not feasible. The person is advised to resubmit the plan if additional funding becomes available.

**Supported Employment**

An individual's occupational objective in a supported employment program is to work in a job at a certain level of independent performance as described in the plan. The goal may be to achieve stabilization or to reach an even higher level of performance; such as, the individual wishes to increase earnings potential by working more hours or by reducing the supports (like job coaching) associated with his/her stabilization on the job.

The plan should specify the anticipated level of performance in terms of the supports required.

**EXAMPLE:**  An individual in a supported employment program submits a plan with a goal of "Working as a kitchen aide with only 5 hours of job coaching per week.” In this instance, the individual will not reach the goal until the number of job coaching hours is reduced to 5 hours per week. The individual must estimate the time frame for reaching the goal.

The plan may be amended if subsequently it appears that the individual may be able to perform at a higher level (that is, more independently) than initially anticipated.

**Basic Living Skills**

Working solely towards the attainment or improvement of a person's basic living skills or homemaking capabilities is not an occupational objective. If the person is undergoing such training while simultaneously pursuing an occupational objective and such training is necessary to reach the objective, the training may be approved under a PASS.

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**VR Evaluation**

As long as all other requirements are met, a PASS may have an occupational objective of "VR Evaluation" in order to cover the costs associated with obtaining the evaluation. The PASS is set up initially to last for the period of time a public or private VR agency performs a diagnostic study or evaluation of the person in order to determine the appropriate services to offer. Based on feedback from several State VR agencies, it usually takes 3 to 6 months to complete an evaluation. Requests for an evaluation period longer than 6 months period must be justified.

**NOTE:** At the end of the evaluation period, the person must amend the plan to specify a work goal, reflect expenses, and set asides related to this amended goal. Otherwise, the PASS will stop.

**SAVINGS/SPENDING PLAN**

**Plan Contents**

The plan must indicate:

* What money and other resources the person has and/or will receive and which will be set aside;
* What expenses for goods or services the person will incur in order to attain the work goal;
* How the goods and services are necessary to the person attaining the occupational objective unless apparent from the item's nature;
* How the person will disburse the set‑aside income/resources (such as, pay expenses monthly or save for future payment); and
* How the person will keep the set aside income/resources identifiable from other funds.

**Expenses Paid by Individual**

Only PASS expenses for which the individual or deemor must pay or set aside income/resources may be used to exclude the individual's countable income and resources. Goods or services that the individual can obtain at no cost (such as medical expenses covered by Medicaid) cannot be included under a PASS.

Money paid or set aside by a deemor for a PASS expense is deducted from the eligible individual's net income after deeming.

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**Necessary and Reasonable Expenses**

Allowable expenses must be necessary to attaining the work goal. In addition to explaining the necessity of the item, a plan under which an item of unusual value is to be purchased, must include a satisfactory justification as to why less expensive alternatives, such as renting or leasing, will not suffice.

An item or service must be reasonably priced. The cost must be moderate or fair and not extreme or excessive within the geographic location.

In addition to above, the plan must reflect the individual's views regarding the merits of the particular computer model and/or peripherals sought; that is, the individual's particular needs that are expected to be served by that model's hardware and software applications and why less expensive models will not meet their needs.

To meet the requirements above, the plan must document the individual's views as to why an alternate means of transportation (such as public transportation or cab) will not meet his/her needs. For example, alternate means of transportation may not be:

* Feasible given the nature of his/her disability and activity (such as a person who uses a wheelchair probably cannot use a bus or a cab unless the wheelchair can be accommodated);
* Available at the times and locations needed;
* Safely accessible to the person; or
* Reliable.

In addition, the plan must include an explanation as to why the individual views the purchase of the particular vehicle model identified in the plan as necessary or appropriate. This explanation, if appropriate, should provide a rationale for purchasing a "new" rather than "used" vehicle. If applicable, the plan must explain why buying a vehicle is more appropriate than repairing a currently owned model.

**NOTE:** A sports car or luxury car would rarely be found to be necessary or appropriate.

**Extended or Follow‑Along Services**

The level of performance specified as the occupational objective in the plan is a factor in determining whether expenses may be allowable under a PASS. Expenses incurred in order to attain the work goal are allowable under a PASS even if they are still being paid for after the job is being performed. Although extended or follow‑along services, generally, would not be allowable under a PASS, they may qualify under a PASS per above, if the individual is seeking to increase his or her potential for self-support either by increasing the hours of work, or by decreasing his or her costs for, and reliance upon, ongoing supports needed for work.

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**Non‑Approvable Expenditures**

No expenditures will be approved that:

* Will not be paid for by the income or resources being set aside (such as items paid for by a VR agency);
* Were purchased under a prior PASS unless a satisfactory justification is provided (for example, a person was unable to complete certain college courses paid for under a prior PASS due to a relapse of his illness); or
* Have already been used to reduce countable income/ resources. For example, that part of the cost of an item that is used as a business expense when determining net earnings from self-employment cannot be used again as a PASS expense.

Expenses incurred after attaining the goal may qualify as blind work expenses (BWE) or impairment-related work expenses (IRWE) but, normally, will not be covered by a PASS (unless they were approved as part of the PASS and are being paid after the job is being performed but before the expiration of the 36/48 month period).

**Expenditures Timetable**

Disbursements for goods and services ordinarily should be completed during the life of the PASS. However, a different timetable may be approved.

**When to Start a PASS**

A PASS can be made effective with any month of eligibility for SSI or any month of potential eligibility assuming approval of the PASS.

**Starting Month**

Use the month that the plan was received as the starting month for the PASS unless another month applies.

Start a PASS with the actual month the person began pursuing the work goal (that is, saving, incurring expenses, or working) or any subsequent month.

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**Future Month**

Start a PASS in a future month provided that:

* It is more advantageous to the person (for instance, using the month SSA receives the plan as the starting month would provide the person with a lower SSI payment than expected due to pro-ration); or
* The person requests it; and
* The system is able to accept the future month.

**NOTE:**  When no expenditures will be made until some future date 6 months or more in the future, it is more likely that the person's situation may change. A compliance review must be conducted every 6 months until spending begins.

**Exclusions Under a PASS**

Income and resources set aside under an approved PASS are excluded from countable income and countable resources as long as the plan is in effect and the person is in compliance.

Income and resources are set aside when they are used to pay for an expense, including expenses already incurred, or when they are saved for a future expense. Any set aside monies must be identifiable from other funds, particularly, when funds are being conserved for a future use.

a) Income may not be set aside under a PASS if resources to be set aside exceed the planned expenditures.

b) Earned and unearned income, including any income deemed to the person or any in-kind support and maintenance valued under the presumed maximum value (PMV) rule, is excluded under an approved PASS when the income is set aside for planned expenditures.

**EXCEPTION:** The PASS income exclusion cannot be used to reduce the value of the one-third reduction (VTR).

**Resources**

Resources owned by the person or deemed to the person are excluded when they are set aside for planned expenditures or to be used directly in the job (such as equipment).

* Apply the PASS resource exclusion if the item cannot be otherwise excluded.
* Apply the PASS income exclusion last, per the specified order of exclusions in earned income and in unearned income.
* Apply the exclusion against unearned income first with any remaining PASS exclusion applied to earned income.

PASS is part of a comprehensive work incentive "package."

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**Impairment ‑ Related and Blind Work Expenses**

The IRWE provision allows for the exclusion of earned income used to pay for work expenses incurred because of the person's disability.

The BWE provision allows a blind person to exclude earnings used to pay for work related expenses (not necessarily incurred because of the person's blindness).

Unlike PASS, neither IRWE nor BWE have a time limit.

Unlike PASS, neither IRWE nor BWE may be used to reduce countable unearned income or resources.

Income used to pay for a particular work-related item may not be excluded from countable income under a PASS and under the IRWE or BWE provisions simultaneously.

An expense excludable under a PASS for countable income purposes may also be excludable as an IRWE for an SGA determination since these are separate determinations.

When both PASS and IRWE or BWE apply, use the exclusion most advantageous to the person.

**Property Essential to Self‑Support (PESS)**

The PESS provision provides for the total or partial exclusion of property needed for self-support under certain conditions.

Unlike PASS, the PESS provision has no time limits.

**Section 1619**

Earned income set aside under a PASS is deducted from gross earnings when performing a 1619(a) payment computation or an individualized 1619(b) threshold calculation.

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**Substantial Gainful Activity (SGA)**

SGA provisions do not affect or limit the applicability of the PASS exclusions in any way.

**EXCEPTION:** In an initial claim, a determination that SGA is being performed precludes the need for a PASS determination, since the person would not meet the disability criteria for eligibility.

The PASS income exclusion is not applied when determining gross earnings for SGA. (See above regarding the impact of IRWE on SGA.)

**REMINDER:** Requests for the establishment of a PASS must be forwarded to DHHS, Division of Eligibility Policy and Oversight for review and approval.

Appendix B Income Deeming Procedures

(Eff. 10/01/05)

[POMS SI 01320.000ff](http://policy.ssa.gov/poms.nsf/lnx/0501320000!opendocument)

For deeming purposes, the following definitions apply:

* A child is someone who is neither married nor the head of a household and is under age 18.
  + An eligible child for deeming purposes, is a natural or adopted child under age 18 who lives in a household with one or both, and is eligible for or applying for Medicaid. A child is eligible if he receives Medicaid from any source.

Deeming no longer applies beginning the month following the month the child attains age 18. A person attains a particular age on the day preceding the anniversary of his birth. Deeming applies in the month of attainment of age 18 regardless of whether an application filed that month is filed before or after the day of attainment.

* + An ineligible child is a natural or adopted child of an eligible person or the natural or adopted child of a parent or the parent’s spouse who lives in the same household with the eligible person and is under age 18.
    - A parent whose income and resources are subject to deeming is one who lives in the same household with an eligible child and is:
  + A natural or adoptive parent of the child; or
  + The spouse of the natural or adoptive parent (including common law marriages).
* A parent’s income and resources are deemed to an eligible child beginning the month:
* After the month the child comes home to live with the parent(s) (that is, the month following the month the child comes home from the hospital); or
* Of birth when a child is born in the parent’s home; or
* After the month the adoption becomes final; or
* After the month of marriage (such as when a natural or adoptive parent marries).
  + - Deeming applies from a parent to a child when they live together in the same household. However, if a natural or adoptive parent is deceased or is divorced from the stepparent, and the child is living with the stepparent, the stepparent in not considered a parent or spouse of a parent of the eligible child for deeming purposes. In addition, a relative or other adult who has legal custody of a child but is not also the natural or adoptive parent is not a parent for deeming purposes. Also, a relative or other adult who has legal custody of a child but is not also the natural or adoptive parent of the child is not a parent for deeming purposes.

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Income Excluded from Deeming

Income that is not income to an eligible person is also not income to an ineligible parent. In addition, the following types of income are excluded:

* Exclude income used by an ineligible parent (or ineligible child) to make court ordered support payments.

*Exception: If an ineligible child receives child support payments, do not disregard one-third of the payment as is done for an eligible child.*

* In-Home Supportive Services (IHSS) payments provided under Title XX or other Federal, State or local governmental programs to an eligible person and paid by the person to his parent or child living in the same household in return for in-home supportive services (such as chore, attendant, homemaker) are excluded from income for deeming purposes. Such payments made directly to the eligible person are also excluded for deeming purposes.

Retroactive IHSS payments are not a resource for one calendar month following the month of receipt. Any unspent portion becomes if retained into the second calendar month following receipt.

Public Income Maintenance Payments (PIM) Received by a Deemor

Any PIM payment received by an eligible parent and any income counted in determining the payment is excluded from income in the deeming computation. Resources continue to be deemed or combined from the parent receiving the income based on need.

If a parent who receives the PIM payments wishes to apply for Medicaid, the PIM payment is counted according to the rules regarding the specific payment. PIM payments are made under:

* TANF/FI
* SSI
* The Refugee Act of 1980
* The Disaster Relief Act of 1974
* General Assistance Programs of the Bureau of Indian Affairs
* State or local government assistance programs based on need
* VA benefits based on need

No allocation is given for a parent who receives a PIM payment.

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Events Affecting Deeming (Parents/Children)

Several events can change deeming status:

* If the ineligible parent becomes eligible, deeming from the parent stops beginning the month the parent becomes eligible.
* If the eligible parent becomes ineligible, deeming of the parent’s income begins with the first month of the parent’s ineligibility to determine if the child is eligible.
* If the ineligible parent dies, deeming stops the month after the month of death.
* If the ineligible parent and eligible child no longer live in the same household, deeming of the parent’s income stops effective the month after the month the parent (or child) leaves the household.
* If the ineligible parent and eligible child begin living in the same household, the parent’s income is deemed to the child beginning the month after the month they begin living together.

*For example: Newborn child comes home. No income of the parent(s) is deemed until the month following the month after the child is home.*

* If an eligible child becomes institutionalized, deeming stops the month of entry into the facility.
* If an eligible child reaches age 18, deeming stops the following month.

Appendix C Definitions of Provisions

(Eff. 10/01/05)

An IRWE means an expense for an item or service that is directly related to enabling an impaired individual to work and which is necessarily incurred by that individual because of a physical or mental impairment. Such an expense may involve payment for the purchase, installation, maintenance and repair of an impairment-related item or payment for an impairment-related service. (Exception: There can be no separate amount deducted for maintenance and repair of automobiles or vans used for transportation to and from work, since these costs are included in the mileage rates indicated below.)

**A. Attendant Care Services**

1. General

For purposes of this provision "attendant care services" are those forms of physical assistance which help an impaired individual meet his or her essential personal needs at home or at work, such as bathing, toileting, dressing, cooking, eating, communicating, traveling to and from work, and similar personal needs. However, this definition is applicable only to those services that can be shown to be needed to enable the individual to work.

1. Attendant Care at Work or to and from Work

Payments made for attendant care services are deductible as IRWE if the services are needed in the work setting or in assisting the impaired individual in traveling to and from work.

1. Attendant Care at Home

Payments made for attendant care services rendered in the home are deductible only if the services relate to preparations for going to work, or to assistance required by the impaired individual immediately upon his or her arrival home from work. Some examples of allowable in‑home attendant care services would be those relating to bathing, dressing, cooking, eating, administering medications, or arranging medical devices in the period of time immediately preceding the impaired individual's departure for work, or immediately following his or her return home from work. Such services should generally require no more than one or two hours in the morning or evening. Examples of attendant care services, the costs of which would not be allowable as deductions, would be those performed on non-workdays, or those performed at any time which involve shopping or general homemaking (like cleaning and laundry).

1. Attendant Care Which Incidentally Benefits Family

Payments made for attendant care of the impaired individual are deductible even if, while attending to that individual, the attendant performs services that incidentally also benefit the individual's family. An example would be a situation in which the attendant, in addition to helping the impaired individual bathe and dress, also cooks for him or her and other members of the individual's family may incidentally share the meal.

1. Attendant Care to Others Not Applicable

Payments made by the impaired person for services rendered to someone else are not deductible. Payments are deductible only when the services are provided for, or the items are used by, the impaired individual. For example, any payment by an impaired individual to care for his or her child is not deductible.

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2. Attendant Care by a Family Member

1. Family Member

For the purpose of this provision, a "family member" is anyone who is related to the impaired individual by blood, marriage, or adoption, whether or not that person lives with the impaired individual.

1. Payment

If an impaired individual pays a member of his or her family to perform attendant care services, such payment will generally not be deductible as an IRWE unless:

* It is established that the family member (who has been otherwise employed) suffers economic loss by reducing (the number of hours of) or terminating his or her own employment in order to perform such service; and
* The payment is made to the family member in cash (including checks or other forms of money); payment "in-kind" (that is, for food and shelter) is not deductible.

1. Documentation and Pro-ration

See below concerning documentation of attendant care services by a family member concerning pro-ration of such expenses.

**B. Medical Devices**

Medical devices are defined as durable medical equipment that can withstand repeated use, are primarily used to serve a medical purpose, and are generally not useful to a person in the absence of an illness or injury. Examples in this category are wheelchairs, hemodialysis equipment, respirators, intermittent positive pressure breathing machines, pacemakers, inhalators, nebulizers, suction machines, traction equipment, braces (leg, arm, back and neck), and similar items.

**C. Prostheses**

Prostheses include devices that replace internal body organs or external body parts. Examples of prosthetic devices are artificial hips and artificial replacements of arms, legs, or other parts of the body. Payment made for a prosthetic device that is used primarily for cosmetic rather than functional purposes usually is not deductible.

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**D. Other Equipment**

Other equipment means items, other than durable medical equipment and prostheses, which an impaired individual may need to perform the tasks required in his or her job, or to move from home to mode of transportation, or to control the disabling condition at home or in the work setting so as to be able to function in a work activity.

1. Work-Related Equipment

Payments for equipment that is impairment-related and necessary for the impaired individual to do his or her job are deductible when the equipment is paid for by the impaired individual and not provided by an employer. Costs paid by the individual for training in the use of such equipment are also deductible. Examples of such equipment are one-handed typewriters, typing aids, page-turning devices, measuring instruments, vision and sensory aids for the blind, telecommunications devices for the deaf and special tools that have been specifically designed to accommodate the individual's impairment. (Where a self-employed individual deducts the costs of such equipment as a business expense, the cost is not deductible as an IRWE in determining SGA or SSI countable earned income.)

1. Residential Modifications

Residential modifications are defined as changes that are made to the impaired individual's home in order to accommodate his or her functional limitations. Whether or not the cost of residential modifications will be deductible as IRWE, however, depends upon the location of the impaired person's place of work.

1. Individual Employed Outside the Home

An impaired person who is employed away from home may require changes outside his or her residence which permit the individual to get to his or her means of transportation (such as the installation of an exterior ramp for a wheelchair-confined person or special exterior railings or pathways for someone who requires crutches). Getting to one's mode of transportation can be regarded as part of the total process of getting to and from work. Payment for modifications that make possible the individual’s movement from his or her residence to transportation would be deductible, therefore, as an IRWE. However, changes which modify the interior architecture or operation of the impaired individual's residence are primarily intended to facilitate his or her functioning in the home environment; therefore, payment for these changes are not deductible as IRWE. Examples of such modifications are the enlargement of doorframes and the lowering or rearrangement of kitchen appliances and bathroom facilities for a person who is wheelchair‑confined, or the installation of a stairway chairlift for someone with leg braces.

1. Individual Works at Home

Payments for modifying the interior of the home in order to create a working space to accommodate an individual's impairment are deductible to the extent that the modifications pertain specifically to the workspace. Examples of such modifications are the enlargement of a doorway leading into an office or any other type of work area or the modification of the workspace to accommodate problems in dexterity. However, when the determination involves payments made by a self-employed individual who works at home, the costs of such modifications generally are deductible from gross income as business expenses. Any such costs deducted as business expenses are not deductible as IRWE.

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1. Non-Medical Appliances and Equipment
2. Items Essential to Individual's Functioning

Payments for devices which are used by an individual who works at home or elsewhere and which are not ordinarily used for medical purposes, such as portable room heaters, air conditioners, humidifiers, dehumidifiers, electric air cleaners and posture chairs, are not generally deductible as IRWE. However, in some unusual situations, the impaired individual may be able to establish an impairment‑related and medically verified need for such an item because it is essential for the control of the disabling condition both at home and in the work setting. To be considered essential, the item must be of such a nature that if it were not available to the impaired individual there would be an immediate adverse impact on his or her ability to function in his or her work activity. If the situation is as described above, payment for the item is regarded as an IRWE regardless of whether the item is used at home or in the work place. An example is the need for an air cleaner by an individual with severe respiratory disease who cannot function in a non-air cleaned environment.

1. Items Used for Physical Fitness

Expenses for items that are used for physical fitness purposes, such as an Exercycle, are not deductible unless the items are prescribed by the treating physician as necessary for treatment of an individual's impairment and necessary to enable the individual to work.

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**E. Routine Drugs and Routine Medical Services**

1. Routine Drugs and Services

Payments for routine drugs and routine medical services are deductible if such drugs and services are necessary for control of the disabling condition, thereby enabling the individual to work, and if the individual pays for them.

"Routine" refers to the regularly prescribed type of medical treatment or therapy followed for the particular impairment. "Control" refers to reducing or eliminating symptoms or slowing down progression of the disease.

Even if the drugs or medical services do not control the impairment, payments for such items are deductible if the drugs or medical services were provided with the medical objective of controlling the condition.

Examples of items in this category are anticonvulsant drugs needed to control epilepsy or anticonvulsant blood level monitoring; radiation treatment or chemotherapy for cancer patients; corrective surgery for spinal disorders; and antidepressant medications for mentally ill persons.

1. Diagnostic Procedures

Payments for diagnostic procedures are deductible only if the objective of the procedures is related to the control of the disabling condition to enable the individual to work, and the impaired person pays for such procedures. For example, payment for a diagnostic procedure is deductible if it is performed to ascertain how the impairment is progressing or to determine what type of treatment to provide for the impairment.

Examples of items in this category, the costs of which would be deductible, are electroencephalograms and brain scans undertaken with respect to a disabling epileptic condition and tests to determine the extent to which appropriate medications are controlling a diabetic condition.

1. Drugs And Services For Minor Physical Or Mental Conditions

Payments for drugs or medical services that are used by the impaired individual only for minor physical or mental problems not resulting in any significant loss of function are not deductible. Examples of such items and services are: yearly routine physical examinations, allergy treatment (when such condition does not constitute a disabling condition), dental examinations, optician services and eyeglasses (when unrelated to a disabling visual impairment).

**F. Similar Items and Services**

This category includes items and services, other than those defined in subsections A. through E. above, which are related to an individual's impairment and are needed in order for the individual to work and for which he or she pays. The following are examples.

1. Medical Supplies And Services

Included here for example are: physical therapy; medical supplies of an expendable nature, such as incontinence pads, catheters, bandages, elastic stockings, face masks, irrigating kits, disposable sheets, and bags.

1. Dog Guide

Expenses paid by a person disabled by blindness in owning a dog guide are deductible as an IRWE since the dog enables the individual to overcome functional limitations related to basic mobility and travel. Deductible expenses include the costs of purchasing a dog, food, licenses, and veterinary services.

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1. Transportation Costs

Transportation costs paid by an impaired individual are deductible if certain conditions discussed below are met. Such costs, including operating costs, are deductible.

* 1. Modified Vehicles

An impaired person may have deductible transportation costs if he or she requires structural or operational modifications to a vehicle in order to drive, or be driven, to work. If the impaired individual requires a specially modified vehicle in order to work, the cost of the modification (but not the cost of the vehicle) is treated as an IRWE. Modifications to the vehicle must be critical to its operation by, or its accommodation of, the impaired person and must be directly related to the impairment; that is, without the modification the individual would either be unable to drive, or would be unable to ride in, the vehicle. To be deductible, the cost of the modification must be paid by the impaired individual. Vocational rehabilitation (VR) agencies will often agree to pay for modifications to vehicles purchased by handicapped persons; the costs of such modifications paid by the VR (or any other source) may not be deducted from the individual's earnings. Most cases involving modifications to a vehicle will be clear-cut, but the necessity for the modification should be verified through the treating physician or VR agency.

* 1. Special Transportation Situations

An impaired person may also have deductible transportation costs if, solely because of the impairment, he or she requires a special means of transportation in order to get to and from work. Such situations must be verified by a physician (or VR counselor, when appropriate) and include such things as the inability to use available public transportation, the need for driver assistance, or the use of taxicabs.

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1. Services Received In Or Through A Community Residence Program

Community residence living, whether for physically, mentally or emotionally handicapped persons, will generally require attendant care or support services which, to some extent, will entail IRWE. Community residence programs may include group homes, foster care arrangements and supervised individual or group apartments.

Expenses for services received in or through a community residence program may be deductible as IRWE provided the usual criteria applicable to other allowable services are met: the service must be impairment-related; the individual must need the service in order to sustain work activity (that is, the service must be directly related to enabling an individual to hold and function in a job); it must be verified that a service available to the individual was actually used by the individual; the individual must pay for the service (that is, cannot be funded, subsidized or reimbursed for the amount paid); and the amount of the expense must be within "reasonable limits."

Verification of the nature of the service, its relationship to work, and the individual's need for, use of, and payment for the service should be accomplished through the professional staff who provide the service and the physician (if any) who attends the individual.

Each case must be developed individually to determine the extent to which the resident actually uses a service that is potentially deductible as an IRWE.

Monthly fees required for supportive living arrangements may cover a variety of charges including room, board, support services, attendant care, and transportation. Furthermore, fees may be paid from a combination of sources including State and/or Federal funding, Title II and/or Title XVI benefits, and the individual's earnings. Since both deductible and nondeductible services are provided in community residence programs and the individual may, in effect, pay only a portion of the total expense of deductible services, the monthly program fees and the individual's payment to the program must be prorated to determine how much the individual actually pays for deductible services.

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1. Individual Pays Entire Monthly Program Fee

When the individual pays the entire program fee, the District Office should first try to learn whether there is a stated agreement or contract between the residence program and the individual as to how the monthly fee is apportioned for the various things provided by the program.

1. Agreement or Contract Exists

If an agreement or contract has been made, the terms of the agreement should be followed. For example, if the agreement specifies that 20 percent of the individual's total payment is attributable to attendant care or support services, and half of those services are identified as work-related, then 10 percent of the individual's monthly payment could be deducted as IRWE for such services.

* + 1. No Agreement or Contract Exists

If no agreement or contract has been made, the monthly amount paid by the individual for deductible services may be determined in one of two ways:

a) Apportion Total Budget of Residence Program

The amount of IRWE for work-related attendant care or support services may be determined by ascertaining how the total budget of the residence program is divided into its various elements, such as room, board, and support services. The proportion spent for each element would be applicable, at the same rate, to the amount paid by the individual. For example, if the residence program spends 20 percent of its budget on attendant care or support services, and half of those services are identified as work-related, then 10 % of the monthly fee paid by the individual for such services could be deducted as IRWE.

* 1. Estimate Portion Paid by Individual

If the kind of information needed for the above procedure is not available, it will be necessary to estimate that portion of the total amount paid by the individual to the residence program which can be attributed to work-related attendant care or support services. Such an estimate may be reached by inquiring about the various things the individual actually receives (for example, room, transportation, attendant care), and by assigning a value to each of those things in terms of the total amount paid for them by the individual. The help of professional staff in the residence program, as well, perhaps, as that of the individual will be needed to identify those attendant care or support services which are work-related, and to establish a reasonable apportionment of monthly fees to such services.

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1. Individual Pays Part of Monthly Program Fee

When the individual pays only a portion of the total monthly residence program fee, and the balance is paid from State or Federal funds or some other source, the District Office should try to learn whether the supplemental funds are prescribed by law (or some other form of agreement) for only certain things (such as, only for housing, only for counseling).

**NOTE:** Where the SSI individual's payment to the facility is not payment in full and the payment can be attributed either towards IRWE or towards food and shelter, the adjudicator (with input from the individual where appropriate) should attribute the payment in the manner more advantageous to the individual.

1. Supplemental Funds Are Prescribed

If supplemental funds are prescribed for only certain things, the amounts attributable to such things cannot be deducted because, under such circumstances, payment for them would not be made by the individual.

1. Supplemental Funds Are Not Prescribed

If supplemental funds (or any portion of them) are not prescribed, the District Office may follow the procedure outlined above in subsection F.4.a. That is, the District Office should first try to learn whether there is a stated agreement or contract between the residence program administrators and the individual as to how the monthly fee is apportioned for the various things provided.

1. Agreement or Contract Exists

When there is an agreement, its terms should be followed; that is, only that portion of the expense for attendant care or support services that is paid by the individual would be deductible. For example, if the agreement specifies that $200 of the total monthly fee is attributable to attendant care or support services and half of these services are work‑related, then $100 is potentially deductible as an IRWE. If the total cost of maintaining the individual in the residence is paid equally by the individual and some other source, then one‑half of this amount, or $50, could be deducted as an IRWE for the work‑related services.

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b) No Agreement or Contract Exists

If the individual pays only a portion of the total monthly residence fee, and there is no agreement as to how the fee is to be apportioned, the District Office may follow one or the other of the two procedures outlined above (such as, by pro-ration of the residence budget or by estimation of the costs of attendant care or support services) to determine:

* What portion of the total monthly cost of maintaining the individual in the residence is attributable to attendant care or support services;
* What percentage of those services can be identified as work-related; and
* What portion of the total monthly cost is attributable to the individual.

For example, if the total monthly fee for community residence were $1,000, and the resident paid $700 ($350 from earnings, $350 from Title II benefits), and the balance or $300 were paid with unassigned State funds, then the individual would be paying from his or her own funds seven‑tenths of any particular expense. If attendant care or support services constituted 20 percent of the total monthly fee, and half of those services were identified as work-related services, then 10 percent of the total monthly fee ($100) would be attributable to deductible services. Since the individual could be said to pay seven-tenths of any particular expense, then $70 could be deducted as an IRWE for the service.

**G. "Reasonable Limits"**

The law provides that an amount equal to the cost to the individual of attendant care services, medical devices, equipment, prostheses, and similar items and services will be deductible from earnings in determining SGA and SSI countable earned income. The deductible amount, however, is subject to reasonable limits. Generally, the amount paid for medical services, medical devices ("durable medical equipment"), prostheses, and similar medically‑related items and services will be considered reasonable if it is no more than the Medicare prevailing charge established for the same item or service in the individual's community under Part B of Title XVIII of the Social Security Act (Health Insurance for the Aged and Disabled).

Prevailing charge information is available from individual Medicare carriers. If the amount paid for an item or service exceeds the Medicare prevailing charge in the individual's community, an amount equal to the prevailing charge will be deducted from earnings. If the impaired individual wishes to establish the reasonableness of the amount paid, he or she may rebut the prevailing charge guidelines by demonstrating that the amount paid is consistent with the standard or normal charge for the same or similar item or service in his or her community. If the reported item or service is not listed in the Medicare guidelines, the amount paid will be considered reasonable if it does not exceed the standard or normal charge for the same or similar item or service in the impaired individual's community.

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