

Indiana Health Coverage Program Policy Manual
Chapter 2800
INCOME
Sections 2800.00.00 – 2890.10.50

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## **2800.00.00 INCOME**

This chapter discusses types of income for modified adjusted gross income (“MAGI”) categories (MED 3) and non-MAGI categories (MED 1, 2, 4). Refer to Chapter 3200 to determine which assistance group (AG) members must have their income considered. The specific income situations discussed in this chapter include:

- Definition of Income (Section 2805)
- Earned Income (Section 2810)
- In-kind Income (Section 2815)
- Vendor Payments (Section 2820)
- Infrequent or Irregular Income (Section 2825)
- Support, Child, Spousal (Section 2830)
- Assistance from Government Programs (Section 2835)
- Benefit Programs (Section 2840)
- Benefits Due to Federal Law (Section 2845)
- Dividends and Interest (Section 2850)
- Reimbursements (Section 2855)
- Student Loans, Grants, and Scholarships (Section 2860)
- Loans (Section 2865)
- Contributions (Section 2870)
- Residential Living Allowances (Section 2835.50)
- Real Estate Income (Section 2875)
- Lump Sum Payments (Section 2880)
- Deemed Income (Section 2885)
- Verification of Income (Section 2890).

## **2800.10.00 HOUSEHOLD INCOME (MED 3)**

For Modified Adjusted Gross Income (“MAGI”) (MED 3) AGs, eligibility is based upon household income, which is the sum of every individual included in the individual’s household (refer to Chapter 3200 for the complete definition of “household”).<sup>1</sup> Household income does not include:

- Income of a child living with his or her natural, adopted, or stepparent and is not required to file a tax return for the taxable year in which Medicaid eligibility is determined whether a tax return is filed; or
- Income of a tax dependent claimed by parents/s with whom they live, where the tax dependent is not required to file a tax return for the taxable year in which Medicaid eligibility is being determined (whether a tax return is filed). Cash support provided by the person claiming a tax dependent who is not a spouse or biological, adopted or stepchild is not counted as income.<sup>2</sup>



MAGI income includes taxable income for the year in which eligibility is being determined. Items which are tax-exempt now, such as payments for disability or retirement programs; but will be taxed later when/if there are disbursements, do not count in the MAGI budget; but when these later disbursements are paid, they will then be something which would be included.

For the most part, MAGI use the same rules used by the Internal Revenue Service (IRS)<sup>3</sup> to calculate the Adjusted Gross Income (AGI). The AGI will include in the description: **This is your Adjusted Gross Income** on the 1040 form. The Internal Revenue Code defines MAGI as adjusted gross income plus any foreign income, tax exempt interest, and non-taxable Social Security benefits. Supplemental Security Income (“SSI”) is excluded under MAGI, but Social Security Disability Income (SSDI) counts in the budget whether it is taxed or not. The following are four exceptions from MAGI for Medicaid eligibility purposes:

- (1) A lump sum amount is counted as income only in the month received.
- (2) Scholarships, awards, or fellowship grants for educational purposes and not for living expenses are excluded from income.
- (3) Parent Mentor Stipend
- (4) Certain American Indian and Alaska Native settlement trusts, distributions, and student financial assistance.<sup>5</sup>

Eligibility based upon MAGI-based income does not include an asset (resources) test and does not include any income or expense disregards except for an amount equivalent to 5 percentage points of the applicable income standard for the family size as set forth in IHCPPM 3465.05.00.<sup>2</sup> any items that are tax deductible should be deducted from a person’s MAGI-based income.

***Note: if using the tax return to verify income, the Adjusted Gross Income will already have any allowable deductions considered and should not be deducted again.***

Income under MAGI-based methodologies includes, but is not limited to, the following:

- 1) Wages and salaries
- 2) Rents
- 3) Royalties
- 4) Gains from dealings in property
- 5) Taxable interest
- 6) Tax exempt interest
- 7) Dividends

- 8) State income tax refunds
- 9) Alimony received; only for divorce decrees dated on or before 12/31/2018
- 10) Business income
- 11) Capital gains
- 12) Income from life insurance and endowment contracts
- 13) Other gains
- 14) Taxable IRA distributions
- 15) Taxable pensions and annuities
- 16) Distributive share of partnership gross income
- 17) Estate and trust income
- 18) Farm income
- 19) Unemployment compensation
- 20) Taxable Social Security benefits
- 21) Non-taxable Social Security benefits (SSI, however, is excluded)
- 22) Net operating loss
- 23) Gambling earnings
- 24) Cancellation of debt
- 25) Foreign earned income exclusion
- 26) Foreign earned income <sup>3</sup>

Under MAGI-based methodologies, the following deductions apply:

- 1) Educator expenses.
- 2) Certain business expenses of reservists, performing artists, and fee-basis government officials (vehicle and transportation costs).
- 3) Health savings account deduction.

- 4) Moving expenses (Only applies to active-duty members ordered to move, or change of duty station)
- 5) Deductible part of self-employment tax.
- 6) Self-employed SEP, SIMPLE, and qualified plans
- 7) Self-employed health insurance deduction
- 8) Penalty on early withdrawal of savings
- 9) Alimony paid b Recipient's SSN; only for divorce decrees dated on or before 12/31/2018
- 10) IRA deduction
- 11) Student loan interest deduction
- 12) Tuition and fees.
- 13) Domestic production activities deduction

#### **2800.05.00 INCOME**

Income is the gain or benefit, earned or unearned, which is received or is available to the AG. All unearned and earned income, unless specifically exempted, disregarded, deducted for work expenses, or allocated to dependents as allowed by state or federal regulation, is to be evaluated in determining initial and continuing eligibility.

#### **2800.10.00 HOUSEHOLD INCOME (MED 3)**

For Modified Adjusted Gross Income ("MAGI") (MED 3) AGs, eligibility is based upon household income, which is the sum of every individual included in the individual's household (refer to Chapter 3200 for the complete definition of "household").<sup>4</sup> Household income does not include:

- Income of a child living with his or her natural, adopted, or stepparent and is not required to file a tax return for the taxable year in which Medicaid eligibility is determined whether a tax return is filed; or
- Income of a tax dependent claimed by parents/s with whom they live, where the tax dependent is not required to file a tax return for the taxable year in which Medicaid eligibility is being determined (whether a tax return is filed). Cash support provided by the person claiming a tax dependent who is not a spouse or biological, adopted or stepchild is not counted as income.<sup>2</sup>

MAGI income includes taxable income for the year in which eligibility is being determined. Items which are tax-exempt now, such as payments for disability or retirement programs; but will be taxed later when/if there are disbursements, do not count in the MAGI budget; but when these later disbursements are paid, they will then be something which would be included.

For the most part, MAGI use the same rules used by the Internal Revenue Service (IRS)<sup>3</sup> to calculate the Adjusted Gross Income (AGI, or line 7 on the 1040 form). The Internal Revenue Code defines MAGI as adjusted gross income plus any foreign income, tax exempt interest, and non-taxable Social Security benefits. Supplemental Security Income (“SSI”) is excluded under MAGI, but Social Security Disability Income (SSDI) counts in the budget whether it is taxed or not. The following are four exceptions from MAGI for Medicaid eligibility purposes:

- A lump sum amount is counted as income only in the month received.
- Scholarships, awards, or fellowship grants for educational purposes and not for living expenses are excluded from income.
- Parent Mentor Stipend
- Certain American Indian and Alaska Native settlement trusts, distributions, and student financial assistance.<sup>5</sup>

Eligibility based upon MAGI-based income does not include an asset (resources) test and does not include any income or expense disregards except for an amount equivalent to 5 percentage points of the applicable income standard for the family size as set forth in IHCPPM 3465.05.00.<sup>5</sup> any items that are tax deductible should be deducted from a person’s MAGI-based income.

***Note: if using the tax return to verify income, Line 7 on the 1040 will already have any allowable deductions considered and they should not be deducted again.***

Income under MAGI-based methodologies includes, but is not limited to, the following:

- Wages and salaries
- Rents
- Royalties
- Gains from dealings in property
- Taxable interest
- Tax exempt interest
- Dividends
- State income tax refunds
- Alimony received; only for divorce decrees dated on or before 12/31/2018
- Business income
- Capital gains
- Income from life insurance and endowment contracts
- Other gains
- Taxable IRA distributions
- Taxable pensions and annuities

- Distributive share of partnership gross income
- Estate and trust income
- Farm income
- Unemployment compensation
- Taxable Social Security benefits
- Non-taxable Social Security benefits (SSI, however, is excluded)
- Net operating loss
- Gambling earnings
- Cancellation of debt
- Foreign earned income exclusion
- Foreign earned income <sup>6</sup>

Under MAGI-based methodologies, the following deductions apply:

- Educator expenses
- Certain business expenses of reservists, performing artists, and fee-basis government officials (vehicle and transportation costs)
- Health savings account deduction
- Moving expenses
- Deductible part of self-employment tax
- Self-employed SEP, SIMPLE, and qualified plans
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid b Recipient's SSN; only for divorce decrees dated on or before 12/31/2018
- IRA deduction
- Student loan interest deduction
- Tuition and fees
- Domestic production activities deduction.

## **2805.00.00 EARNED AND UNEARNED INCOME**

Income is broken down into two categories: earned income and unearned income.

Earned income is payment received in the form of wages, salaries, and commissions from an employer or from self-employment. In-kind earnings such as goods or services received in lieu of wages are also considered earned income. It can also be profits from the sale of farm crops, livestock, or poultry.

Unearned income is income for which there is no current performance of work or services. Unearned income may include:

- Retirement income
- Disability payments

- Unemployment/worker's compensation
- Annuities, pensions, and other regular payments
- Alimony and support payments
  - Counts for income in all non-MAGI
  - Counts for MAGI cases only if the divorce was finalized and/or amended prior to 1/1/2019)
  - Refer to 2830.00.00 for further information.
- Dividends, interest, and royalties
- Proceeds of life insurance policies (when paid in installments)
- Winnings, prizes, and awards
- Gifts and inheritances
- Child support
- Benefits administered through the Social Security Administration.

#### **2805.10.00 AVAILABILITY OF INCOME**

Income is considered available when it is received and/or when the individual can make the income available. Refer to IHCPPM 3405.00.00 regarding the income budgeting principals.

#### **2805.15.00 OWNERSHIP OF INCOME**

The individual who has title to the proceeds of a payment or property is the individual who "owns" the income.

If the income is received by an individual's legal representative or guardian, the individual still owns the income. When a legal representative receives the income, ownership through one of the following documents must be verified:

- The designation on the payment, check, award letter, or other document
- The title to the property.

#### **2805.15.05 ESTABLISHING INCOME OWNERSHIP**

The ownership of all sources of income must be determined according to the criteria listed below. This process establishes the income attributable to everyone.

For non-MAGI (MED 1, 2, 4) AGs, income received and used for the care and maintenance of an individual who is not an AG member is not counted as income. When a single payment is received for AG and non-AG members, the portion intended and used for the care and maintenance of the non-AG member will not be counted as income to the AG.

For MAGI (MED 3) AGs, payment for the care and maintenance of an AG member or non-AG member is only counted as income if it is taxable income. However, available cash support is not

counted as income if provided by the person claiming a tax dependent if the tax dependent is someone other than a spouse or biological, adopted, or stepchild.

When a legal representative receives the income, ownership may be verified by the following if electronic verification is not possible:

- By specific designation on the payment, check, award letter, or other document; or
- By contacting the payment source to ascertain for whom payment is intended and for what purpose is payment being made.

After ownership has been established, each income source must be attributed to the appropriate owner(s).

#### **2805.15.05.05 INCOME FROM NON-TRUST PROPERTY**

Consider income paid in the name of one individual to be the income of that individual.

For income paid in the name of one individual and another person or persons, consider available to each person the amount representing the individual's proportionate interest.

For non-MAGI (MED 1, 2, 4) AGs, consider child support income to be the income of the child.

For MAGI (MED 3) AGs, child support income is excluded from income.

For non-MAGI (MED 1, 2, 4) AGs, consider income paid in the name of one spouse to be the income of that spouse.

For income paid in the names of both spouses, consider one-half of the income to be available to each spouse.

For income paid in the name of one or both spouses and to another person or persons, consider available to each spouse the amount representing the spouse's proportionate interest. When no interest is specified, consider available to each spouse one-half of the couple's joint interest.

#### **2805.15.05.10 INCOME FROM TRUST PROPERTY**

The income from a trust source should be considered as available to each individual or to each spouse in accordance with the specific terms of the trust. In the absence of specific provisions, the preceding rules for ownership of income from a non-trust source will apply.

#### **2805.20.00 INCOME THAT IS GARNISHED**

Income earned by an AG member that is garnished by an employer and paid to a third party, such as IRS garnishments, is included as income.

## **2805.25.00 INVOLUNTARY WITHHOLDING OF TAXES (MED 1, 2 AND 4)**

The amount of tax that is involuntarily withheld from an individual's unearned income is an allowable deduction from income. For the tax to be considered involuntarily withheld, the payee must have no choice as to whether the tax is withheld or not. If the payee can choose the amount of a mandatory withholding, the deduction must be allowed in the smallest permissible amount.

The amount of tax that is being voluntarily withheld from an individual's unearned income is not an allowable deduction from income.

## **2805.30.00 INCOME OF MEMBERS OF RELIGIOUS ORDERS AND VOW OF POVERTY**

Income of members of religious orders who take a vow of poverty is determined to be income to the applicant/member.

Cash or in-kind payment 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
- An individual receives compensation from a third party for services performed as an employee
- An individual receives compensation when they engage in self-employment activity unrelated to their membership in the order

Any income provided by the order to a member who has taken a vow of poverty, which does not fall under one of the provisions above, is unearned income to the member, even if it is turned over to the order.

Unearned income received by a member who takes a vow of poverty from any other source outside the order, such as Social Security or VA benefits, is unearned income to the member, even if the member turns it over to the order.

## **2810.00.00 EARNED INCOME**

Earned income is earnings received through wages, salaries, commissions, or profit from activities in which a person is engaged through either employment or self-employment. Income, to be considered as "earned", must entail personal involvement and effort on the part of the recipient, including managerial responsibilities.

Examples of earned income include, but are not limited to the following:



- Wages, salaries, commissions, bonuses, or profit received because of holding a job or being self-employed; this would include earnings from a graduate assistantship, if subject to taxation and available to the student for meeting non-educational living expenses
- Wages received from sheltered workshop employment
- Compensation for jury duty
- Tips
- Goods and services received in lieu of wages for work performed
- The dollar value, as established by the employer, of income received in-kind for work performed when in-kind earnings are received in lieu of wages. Refer to IHCPPM 2815.

#### **2810.05.00 SALE OF BLOOD OR PLASMA**

For all Medicaid AG's, income from the sale of blood or plasma is included as earned income.

#### **2810.10.00 TIPS**

The number of tips reported by the employee is included as earned income. Many times, an employer will include on the pay stub of the employee an amount the employer must report to the IRS for tax purposes. This is an allocated amount which may or may not be considered as the amount earned or received by the employee. The tip amount reported by the employee can be accepted unless questioned.

In some instances, the employee reports actual tips to the employer. In this instance, the employer can verify actual tips earned. The individual should keep records daily if the tips are not reported to the employer, so this information can be used for verification.

NOTE: Worker should be aware that when the hourly wage is less than the minimum wage, the possibility of tips may exist.

#### **2810.15.00 SHELTERED WORKSHOP EARNINGS**

Any payments from a sheltered workshop are included as earned income. A sheltered workshop is a special workshop offering limited employment experience for the mentally or physically handicapped. Refer to IHCPPM 3455.15.10.05.

#### **2810.20.00 EARNINGS OF CHILDREN (MED 1)**

All the earned income of a child under age 14 is disregarded.<sup>7</sup>

#### **2810.25.00 EARNINGS (EARNED AND UNEARNED) OF CHILDREN OR TAX DEPENDENTS (MED 3)**

NOTE: The current policy reflects general information confirmed at time of review from the irs.gov website and is not intended to be given as tax advice to Medicaid applicants. Please direct applicants/members to review the irs.gov website for accurate and current tax-filing rules.

Household income does not include the MAGI-based income (earned or unearned) of a child who is included in the household of his or her natural, adopted or stepparent, whether a tax return is filed. However, if such child or tax dependent is required to file a tax return pursuant to the Internal Revenue Code for the taxable year, the child's or tax dependent's MAGI-based income will be included in the calculation of household income for eligibility purposes.

The Internal Revenue Service website at <https://www.irs.gov> presents instructions, schedules, and tables that provide minimum amounts for when a child or tax dependent must file a tax return based upon earned income per IRS rules (please note that the DFR must accept self-attestation for tax filing and tax dependency status, unless there is conflicting information in the case record that cannot be resolved without other means of verification).

If an individual is uncertain how to answer the tax questions, the DFR can refer the individual to <https://www.irs.gov/forms-pubs/about-publication-501>. Specific instructions for current and prior tax year's filing status can be in the Publication 501 Revision Section.

If a child or tax dependent has both earned and unearned income, they may be required to file taxes. Refer to the above IRS website for instructions on how to determine if a tax return must be filed or for tax filing requirements for filers who do not meet the requirements for filing but may be required to file a tax return.

#### **2810.26.00 EARNINGS OF STUDENTS UNDER AGE 22 (MED 1)**

Effective June 1, 2014, earned income of a student regularly attending school at least half-time is excluded up to certain maximum amounts. The exclusion applies to an applicant/recipient as well as non-participating members of a MED 1 AG whose eligibility is being determined under the 100% FPL income standard.

For 2022, the first \$2,040 of monthly earned income is to be excluded. This exclusion cannot exceed \$8,230 for the calendar year. For 2021 the monthly amount was \$1,930 and the annual amount was \$7,770.

#### **2810.30.00 SELF-EMPLOYMENT**

An individual is self-employed when the individual owns a business or otherwise engages in a private enterprise. Income derived from self-employment is considered earned income. Refer to IHCPPM 3410.05.00 for specific definitions. This includes, but is not limited to the following:

- Operating a small business
- Sales from a franchise company

- Picking up and selling cans
- Farm self-employment
- Selling newspapers.

Refer to IHCCPM section 3410.00.00 thru 3420.05.05 for information on how to budget self-employment income.

### **2810.30.05 SELF-EMPLOYMENT DEDUCTIONS**

An individual who is self-employed may be eligible for certain business deductions from his or her taxable income when calculating household income. All IRS deductions are allowable for MAGI categories and MED 1. This section, however, does not apply to MA F or RMA. Deductible business expenses must be both ordinary and necessary. An ordinary expense means an expense that is common and accepted for a certain business. A necessary expense is an expense that is helpful and appropriate for a certain business. The full amount of the business expense is deducted if the business makes a profit, and the business expense is both ordinary and necessary.

The following are types of business expenses that may be deducted:

- Employees' pay
- Retirement and savings plans
- Rent expenses
- Business interest expense or amount charge for borrowing money for business
- Depreciation (for MED 1, 3, and 4 only)
- Taxes – certain federal, state, local, and foreign taxes directly attributable to business
- Legal and professional fees
- Travel, meals, and entertainment
- Business use of home
- Insurance.

### **2810.35.00 INCOME RECEIVED FROM TRAINING PROGRAMS**

When an individual participates in a work or on-the-job training program that involves work for payment, the payment is included as earned income for non-MAGI (MED 1, MED 2, and MED 4) AGs. The income is included in the household income for MAGI (MED 3) AGs if the individual participating in the on-the-job training program is required to file taxes. (Refer to IHCCPM 2810.25.15).

Training allowances from vocational and rehabilitative programs recognized by a government agency are also included income, unless excludable as a reimbursement. For example, IMPACT and Job Training Partnership Act (JTPA) program payments or allowances are included income

unless provided as a reimbursement or otherwise identified as excluded income in the following sections. Refer to IHCPPM 2855.00 for additional information on reimbursements.

#### **2810.35.05 JTPA INCOME (MED 1, 4)**

Income received through a JTPA program for on-the-job training is counted as earned income. Reimbursements for supportive services are exempt.

#### **2810.35.10 Parent Mentor Stipends**

A parent mentor is a guardian or parent of a Medicaid or CHIP eligible child, working in an outreach program funded under Section 2113 of the SSA- to assist families with children who have no health insurance coverage. The parent mentor may receive a nominal salary, a stipend, or other form of compensation. The amount paid as a stipend is excluded from income, however wages or any other form of compensation will be included as income. The State will determine the threshold (SSA 2113(f) (5)).

#### **2810.40.00 SEASONAL INCOME**

Seasonal employees/workers are hired/contracted to work fewer than 12 months of the year. This may be a permanent job with recurring periods of work and non-work, or temporary work for a busy season of a few months. Seasonal income can come from self-employment or working for an employer.

Permanent seasonal workers have a position where they can reasonably predict the months, they will work each year (ex: construction workers, farmers, landscapers, etc.), or where they are contracted to work established dates (ex: bus drivers, teachers, etc.). Some of these workers are paid only for the months in which they work, while others have the option to have their pay spread out over the entire 12 months of the year.

MAGI Medicaid is required to use the monthly income for the month of application to determine initial eligibility, but for ongoing MAGI and all other Medicaid budgeting, the income of permanent seasonal workers should always be annualized to establish a monthly amount.

Temporary seasonal workers are hired on a short-term basis (ex: retailers hire extra workers for the holiday season, ski resorts hire during winter ski season, and amusement parks hire summer help). The employee is not automatically hired back each year and would have to reapply to return. This type of income can be counted as monthly while it is being received and removed from the budget if the employee is released from employment at the end of the season.

It is possible for a person to return every year to work in a position which appears to be temporary seasonal work (ex: employee is hired by the same employer every year to assist in tax preparation from January through May). If a pattern of ongoing employment can be seen, this income may be annualized as well.

## **2810.45.00 BUDGETING MINISTER/CLERGY MEMBER INCOME**

All income received from performing ministerial services is subject to self-employment tax for social security tax purposes, but they also may be an employee for income tax or retirement plan purposes in performing those same services. For income tax or retirement plan purposes, the income earned as an employee will be considered wages.

**Income of a minister/clergy member can either be budgeted as self-employment income or as taxable income for the year in which eligibility is being determined.**

### **Rental allowances**

If a salary is received as an amount officially designated as a rental allowance (including an amount to pay utility costs), this allowance can be excluded from the gross income if:

- The amount is used to provide or rent a home, and
- The amount is not more than reasonable pay for the services.

The amount excluded cannot be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

### **Designation requirement**

The church or organization that employs the minister/clergy member must officially designate the payment as a housing allowance before the payment is received. They must designate a definite amount. They cannot determine the amount of the housing allowance at a later date. If the church or organization does not officially designate a definite amount as a housing allowance, then the entire salary must be included in the income.

If the minister/clergy member is employed and paid by a local congregation, a resolution by a national church agency of the denomination does not effectively designate a housing allowance for them. The local congregation must officially designate the part of the salary that is a housing allowance. However, a resolution of a national church agency can designate the housing allowance if they are directly employed by the national agency.

An official designation of an amount as a housing or rental allowance may be shown in an employment contract, in the minutes of a church or qualified organization, in a budget, or any official action taken in advance of payment of the allowance. A designation is sufficient if it permits a payment to be identified as a payment of a rental or housing allowance as distinguished from salary or other remuneration.

Informal discussions do not amount to an official designation. However, the facts and circumstances of a designation may demonstrate that the designation was official.<sup>53</sup>

- **When a salary is received without a housing allowance**  
If the church or organization **does not officially designate** a definite amount as a housing allowance, then the total salary must be included in the income.
- **Budgeting on the self-employment screen when receiving a housing allowance**  
If a minister/clergy member is self-employed and has to pay income taxes at the end of the year, then the 1040 and SE Tax Forms should be requested and used to calculate the gross amount of income and the housing allowance. The amount they are deducting/reporting on their taxes, as housing allowance, should be excluded from the gross amount. For MAGI cases, use the Gross Income Line (AGI) from the 1040 Tax Form as the gross amount to enter because it would already have the deduction taken out. The AGI line will include in the description: **This is your Adjusted Gross Income.**
- **Budgeting on the employment information/employment income screen when receiving a housing allowance**  
If a minister/clergy member receives a salary and has a designated rental allowance including actual utility costs, that amount should be excluded from the gross amount, as per requirements above.

#### **2810.50.00 CENSUS INCOME (MED 1, 4)**

For MED 1 & 4 budgeting, census income is exempt and should not be counted in the Medicaid budget. For the census income to be exempt, the worker must code it as census income.

For MAGI budgeting, refer to 2810.40.00 Seasonal income.

#### **2815.00.00 IN-KIND INCOME, BARTERING, GIFTS AND GAMBLING**

Non-cash or in-kind benefits, bartering, gifts, and gambling are discussed in the following sections.

#### **2815.05.00 IN-KIND EARNINGS (MED 1, 2, 4)**

In-kind earnings are goods and services received in exchange for working i.e., in lieu of cash. The dollar value of the work performed as established by the employer is counted as earned income only in situations where the employee has the option of receiving cash for the performed work.

If the employee does not have the option of receiving cash for the performed work, the goods and services received are exempt as income.

**Example:**

If an AG member works off his rent and the landlord state, he would pay the client \$200 a month, but he prefers to receive free rent in lieu of the money. Count \$200 income and allow \$200 as a shelter cost. If the landlord states he would not pay the client to do the work, do not count any income or allow any shelter deduction.

**2815.10.00 IN-KIND SUPPORT AND MAINTENANCE (MED 1, 4)**

Within MED 1, the policy stated in this section applies to MA A, MA B, and MA D.

In-kind support and maintenance, or income-in-kind, is food, clothing, or shelter received by the applicant/recipient (and the spouse or parent) because someone else pays for it.

If a gift card/gift certificate can be resold, or it can be used to purchase food or shelter, it is considered income in the month received. Any unspent balance remaining on a gift card/certificate is a resource beginning the month following the month the gift card/certificate was received.<sup>8</sup>

Shelter expenses are room, rent or mortgage payments, property taxes, heating fuel, gas, electricity, water, sewage, and garbage collection services.

The amount to be budgeted as income is the actual value of the in-kind support and maintenance received, not to exceed one-third of the applicable federal benefit rate of SSI. (Refer to IHCPPM 3455.25.00). The actual value is determined and verified by a signed statement from the person providing the in-kind support and maintenance. The one-third value is determined by dividing the income standard by three. Situations which require consideration of income-in-kind are enumerated below. The term "individual" used in this section means the applicant/recipient and his spouse or parent.

- If the individual lives in their own household (owns or rents), income-in-kind is received if someone else pays for all the food expenses or all the shelter expenses.
- If another person in the household regularly pays a designated amount to the individual for shelter and/or food, that amount is to be considered as rental income from a roomer/boarder.
- If the members of a household state that they "share" food and shelter expenses, income-in-kind is not received by the individual. A signed statement by the adult household members must be obtained as verification that the applicant/recipient pays their share.
- If the individual lives in another person's household and pays nothing toward the food and shelter expenses, income-in-kind is received.

- If the individual pays a designated amount for food and/or shelter, then this is not receiving income-in-kind.
- In situations where the individual has no ownership interest or rental liability in his residence and does not pay for any of the shelter expenses, income-in-kind is received. A statement from the property owner or leaseholder as to the value of the shelter being provided is to be obtained as verification. If the individual pays any part of the shelter expense, for example, utilities, income-in-kind is not received.
- If someone provides all the individual's clothing, income-in-kind is received.

Effective June 1, 2014, gifts from a non-profit organization as described under section 501(c)(3) of the Internal Revenue Code to or for the benefit of a child under 18 years of age and has a life-threatening condition are exempt so long as the gift does not exceed \$2,000 in any calendar year. Any gift not converted to cash is considered an in-kind gift.

Refer to IHCPPM 3455.25.00 regarding budgeting in-kind income.

#### **2815.10.05 CASH SUPPORT FOR CERTAIN DEPENDENTS (MED 3)**

Cash support is excluded for MAGI purposes for a child under 19 years old who meets both of the following criteria:

- Is claimed by as tax dependent by someone other than a spouse or a biological, adopted, or stepparent
- Receives financial support from the person claiming the child as the dependent.

#### **2815.15.00 BARTERING (MED 3)**

Bartering is an exchange of property or services. The fair market value of the services or property being bartered is taxable income to the individual receiving the services or property. Therefore, such income is counted in the calculation of MAGI for purposes of Medicaid eligibility.

#### **2815.20.00 GIFTS AND INHERITANCES (MED 3)**

Property received as a gift, bequest, or inheritance is not considered taxable income and is not included in the calculation of MAGI for determination of eligibility. If such gifts, bequests, or inheritances produce income (e.g., interest, dividends, rent) later, that income will be considered taxable income.

In addition, if such gift, bequest, or inheritance is placed in a trust for the individual and the income is paid or distributed to the individual, such income is taxable and included in the calculation of household income for eligibility determinations.

#### **2815.25.00 GAMBLING WINNINGS (MED 3)**



Cash winnings and the fair market value of non-cash prizes (e.g., bonds, cars, houses, etc.) because of gambling, lotteries, and raffles are considered taxable income and must be included in the calculation of MAGI for eligibility determinations. Gambling losses can be deducted from income but only up to the amount of the individual's winnings.

### **2820.00.00 CANCELED DEBT (MED 3)**

A debt is any amount of money for which an individual is liable, or which attaches to property owned by an individual. If a debt owed by an individual is canceled or forgiven, the canceled amount is taxable income and must be included in the calculation of household income for purposes of eligibility determinations. However, if the canceled debt is intended as a gift to the individual, it is not taxable income and is not included in the calculation of MAGI for purposes of eligibility determinations. Some examples of canceled debt that are gifts include:

- A relative who is not an AG member pays the rent directly to the landlord
- Medical payments made by a third party to a medical provider.

### **2825.00.00 INFREQUENT OR IRREGULAR INCOME (MED 1, 4)**

Within MED 1, the policy stated in this section applies to MA A, MA B, and MA D.

The following disregard is applicable to all individuals whose income is included in the eligibility determination.

Up to \$20 of unearned income and \$10 of earned income if the income is "infrequent" or "irregular" as defined below and does not exceed the applicable \$20 or \$10 maximum in each month.

- Infrequent: Received quarterly or less often than quarterly from a single source
- Irregular: Cannot reasonably be expected.

Once it is determined that a source of income cannot be excluded under this provision, it must be considered in the eligibility determination.

#### **Example 1:**

Interest income on a certificate of deposit paid semi-annually in the amount of \$25 must be budgeted. Reason: It is "infrequent" (semi-annually is less often than quarterly), but it exceeds the \$20 maximum. Applicable budgeting rule is to divide by the appropriate number of months. Therefore, \$4.17 is budgeted monthly.

#### **Example 2:**

Interest income on a certificate of deposit paid semi-annually in the amount of \$20 is disregarded. Reason: It is "infrequent" and does not exceed the \$20 maximum.

**Example 3:**

Interest income on a passbook savings account paid monthly averaging \$4 must be budgeted. It is not "infrequent" (monthly is more often than quarterly), although it is less than \$20 in each month.

**Example 4:**

Two sources of interest income are received: \$2 paid quarterly on a savings account and \$15 from a certificate of deposit paid semi-annually. Each source is evaluated separately for the "I or I" determination, then combined to determine if the total exceeds \$20. Therefore, both the \$2 and the \$15 are disregarded. (They are infrequent and the total of \$17 does not exceed \$20.) Refer to IHCPPM 2850.00.00.

**2830.00.00 CHILD AND SPOUSAL SUPPORT**

Child support payments are those funds paid by a legal, adjudicated, or alleged parent intended for the support or maintenance of a child. Child support can be voluntarily paid by the non-custodial parent, or court ordered. However, in order for voluntary payments to be considered child support for eligibility purposes, a court order will need to be in place and both parents must be in agreement that the payments are for the support or maintenance of a child. Without a court order, the payments are considered to be contributions rather than child support.

Child support is unearned income and is considered the child's income.

Spousal support or alimony is an amount of money allocated from one spouse to another by a court in a divorce or separation agreement. A spousal support or alimony payment is unearned income.

**For MED 1, 2 & 4 AG's:** For the parent paying the child support, this is not an allowable deduction and should not be deducted from the gross income.

Spousal support/alimony payments and child support received should be counted as unearned income in the Medicaid budget.

**For MAGI AG's:** For MAGI (MED 3) AGs with finalized divorces and/or changes/amendments prior to 1/1/2019:

- Spousal support or alimony is taxable income for the individual receiving the support and should be listed as unearned income in the MAGI budget.
- Spousal support or alimony paid to an ex-spouse is deducted for the individuals who paid spousal support or alimony to an ex-spouse for purposes of calculating MAGI.

For MAGI (MED 3) AGs with finalized divorces and/or changes/amendments on or after 1/1/2019:

- Spousal support or alimony is not countable for the individual receiving the alimony nor will the spouse that is paying the alimony receive the deduction.
- Spousal support or alimony is no longer taxable and is not required to be listed on tax documents on or after 1/1/2019.

Child support is never counted in the MAGI budget.

### **2830.05.00 CHILD SUPPORT (MAGI, MED 3)**

The amount of child support received or anticipated to be received for any member of the AG is excluded from the calculation of MAGI for household income.

### **2830.10.00 CHILD SUPPORT AND ALIMONY (MED 1, MED 4)**

Child support payments, as defined in IHCPPM 2830.00 are counted as unearned income in the full amount paid on behalf of the child. Payments received for a child no longer in the home and not used for the child's benefit are considered a contribution.

Effective June 1, 2014, for child applicants or recipients who receive child support payments, the child support income will be deducted by one-third (1/3) of the total amount received.

Effective June 1, 2014, child support payments and alimony payments made by a non-recipient spouse, parent, or stepparent through a court order or Title-IV are not included as income for the non-recipient member.

### **2835.00.00 ASSISTANCE FROM GOVERNMENT PROGRAMS**

The treatment of assistance from government agencies will vary depending on the nature of the program and the payment.

### **2835.05.00 ENERGY ASSISTANCE PAYMENTS**

Home energy assistance payments made to or on behalf of the AG by the Indiana Department on Aging and Community Services under the Energy Assistance to Low Income Families Program are excluded from income for all Medicaid categories.<sup>9</sup> This includes the Energy Assistance Program (EAP), Project SAFE, and Project HEAT.

### **2835.10.00 TOWNSHIP TRUSTEE ASSISTANCE**

All payments made by Township Trustees are exempt as income for all Medicaid categories.

### **2835.15.00 HUD PAYMENTS**

HUD payments are payments made by the Department of Housing and Urban Development.

Housing assistance paid directly or indirectly by the United States Department of Housing and Urban Development under the following Acts are exempt:

- The Housing Authorization Act of 1976 with respect to a dwelling unit under the United States Housing Act of 1937, as amended (Sections 8, 10, and 23 and the Experimental Housing Allowance Program)
- The National Housing Act (loans for housing renovation, mortgage insurance, and investment insurance)
- Title V of the Housing Act of 1949 (loans to elderly individuals, farmers, and developers for the construction, improvement, or replacement of farm homes and other buildings)
- Section 101 of the Housing and Urban Development Act of 1965 (payments to certain mortgagors in behalf of tenants with low income who are displaced by government action, age 62 or over, physically handicapped, living in substandard housing, present or past tenants of dwellings damaged or destroyed by disaster, or the head of the household is on active duty with the armed forces.<sup>10</sup>

#### **2835.20.00 RELOCATION ASSISTANCE ACT PAYMENTS**

Relocation assistance provided under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970<sup>11</sup> is exempt for all Medicaid categories.

#### **2835.25.00 DISASTER ASSISTANCE PAYMENTS**

Payments made under the Disaster Relief and Emergency Assistance Act of 1988<sup>12</sup> are excluded for all AG Medicaid categories. There must be a Presidentially declared disaster for these payments to be excluded.

#### **2835.30.00 FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

The following sections describe program specific policy on foster care and adoption assistance payments for children and adults received from any agency

##### **2835.30.05 FOSTER CARE PAYMENTS**

For non-MAGI (MED 1, 2, 4) AGs, foster care payments received by a foster care parent from any federal, state, or local foster care maintenance payments intended to provide for adults or children are exempt income.

For MAGI (MED 3) AGs, foster care payments received from any federal, state, or local foster care agency for the care of qualified foster individuals in the home are exempt from taxable income unless foster care is being provided for five individuals aged 19 or older. A qualified foster individual is a person who is living in a foster family home and was placed in the home by an agency of the state or one of its political subdivisions or a qualified foster care agency.<sup>13</sup>

Difficulty of care payments, compensation for providing additional care for physically, mentally, or emotionally handicapped foster individuals, for more than 10 qualified foster individuals under age 19 or five (5) qualified foster individuals aged 19 or older are also included in taxable income for purposes of determining household income. In addition, if an individual receives compensation for maintaining space in their home for emergency foster care, such compensation is also included as taxable income.

#### **2835.30.10 ADOPTION ASSISTANCE (MAGI, MED 3)**

Federal, state, or local adoption assistance payments for special needs children, children whom the state's child welfare agency considers difficult to place for adoption, are exempt as income to the individual.<sup>14</sup>

#### **2835.30.15 ADOPTION ASSISTANCE (MED 1, 4)**

Adoption assistance cash payments are considered income to the adopted child even though made to the adoptive parent.

#### **2835.35.00 SUPPLEMENTAL SECURITY INCOME**

The following sections discuss program-specific policy on the inclusion or exclusion of income received from the Supplemental Security Income (SSI) program.

SSI benefits are available through the Social Security Administration under Title XVI of the Social Security Act to individual's aged 65 or older, blind, or disabled, and who meet specific income and resource requirements. Individuals who have never paid into the Social Security program may be eligible for SSI as well as individuals who are receiving RSDI in an amount less than the current SSI maximum benefit. Refer to IHCPPM 2890.10.10 for appropriate verification sources.

#### **2835.35.05 SUPPLEMENTAL SECURITY INCOME (MAGI, MED 3)**

SSI income is excluded from the calculation of household income when determining an AG's eligibility.<sup>15</sup>

#### **2835.35.15 SUPPLEMENTAL SECURITY INCOME (MED 1, 4)**

Within MED 1, the policy stated in this section applies to MA A, MA B, and MA D.

SSI benefits of a non-institutionalized Medicaid applicant/recipient are exempt.<sup>16</sup> SSI benefits of a non-participating member of an AG are counted.

NOTE: In post-eligibility budgeting, SSI is counted for applicants/recipients in Medicaid-certified facilities with the following exceptions:

- The maximum SSI payment for a recipient in a Medicaid-certified facility is \$30. However, the full benefit amount may be erroneously paid for a few months to an individual just entering a facility. These erroneous payments can be disregarded only if the check is returned to the Social Security Administration uncashed.
- SSI payments made to recipients who are in 1619 status and who enter public institutions and Medicaid certified facilities (hospital, nursing facility, ICF/MR, or CRF) are not reduced to the \$30 cap for the first two full months of institutionalization. For Medicaid purposes, the SSI payments made during these two months are to be disregarded as income.<sup>17</sup>
- The SSI payments made for 90 days to recipients who are temporarily institutionalized are exempt. The SSA issues a special notice to these recipients indicating they are receiving benefits under P.L. 100-203. The DFR must retain a copy of this notice in the recipient's case file unless the temporary benefits are documented on DESX.

#### **2835.40.00 TANF/RCA PAYMENTS**

For non-MAGI (MED 1, 2, 4) AGs, cash assistance (TANF and RCA) must be included as unearned income. This includes a payment for an AG which has a protective payee or a sanctioned member.

#### **2835.40.05 RETROACTIVE/CORRECTIVE TANF/RCA PAYMENTS (NON-MAGI, MED, 1, 4)**

Retroactive/corrective TANF/RCA payments are exempt as income or as a resource in the month of receipt.<sup>18</sup> Thereafter, amounts retained are treated as a resource.

#### **2835.45.00 SNAP/NUTRITION PROGRAMS**

Benefits received under the following federal or federally assisted programs seeking to improve the nutrition of low- and moderate-income families and individuals are exempt:

- Food Stamp Act of 1977, as amended<sup>19</sup>
- Child Nutrition Act of 1966 (WIC), as amended<sup>20</sup>
- National School Lunch Act, as amended<sup>21</sup>
- Title VII Nutrition Program for the Elderly of the Older Americans Act of 1965 (Meals on Wheels), as amended.<sup>22</sup>

#### **2835.50.00 RESIDENTIAL LIVING ALLOWANCES**

Residential Living Allowances provided by the Semi-Independent Living Program, or the Alternative Family Program are exempt.

For MED 1 and 4, this disregard does not apply to essential persons. However, the nature of the Semi-Independent Living Program and the Alternative Family Program is such that the applicant/recipient would not have an essential person.

### **2840.00.00 BENEFIT PROGRAMS**

The following sections discuss types of benefits payables to individuals and their treatment as unearned income.

#### **2840.05.00 SOCIAL SECURITY INCOME (MED 1, 2, 4)**

Benefits that are paid by the Social Security Administration (SSA) are unearned income for MED 1, 2, 4 AGs. These types of benefits include Retirement, Survivors, and Disability Insurance (RSDI), special age 72 payments (PROUTY), and black lung benefits. These benefits may be available through the SSA under Title II of the Social Security Act to the covered former wage earner and his dependents or survivors.

Black Lung benefits may be available through the United States Department of Labor under Title IV of the Federal Coal Mine Health and Safety Act of 1969 to the former miner and his dependents or survivors. Application for benefits is to be made through the nearest Social Security Administration District Office.

Social Security benefits recouped by SSA that are not received by the household are not counted as income. Refer to IHCPPM 2890.10.15 for verification requirements.

All Social Security payments to individuals whose disability is based on Drug Addiction and/or Alcoholism (DAA) are required to be paid to a representative payee. Some organizations act as the representative payee but charge a fee for providing payee services.

#### **2840.05.05 SOCIAL SECURITY BENEFITS (MED 3)**

Social Security benefits include monthly retirement, survivor, and disability benefits. Social security benefits do not include supplemental security income (SSI). Social security benefits can be taxable or tax exempt. However, all social security benefits, whether taxable or tax exempt, received by an individual are included in the calculation of MAGI for determining household income.<sup>23</sup>

Black Lung benefits made available through the United States Department of Labor under Title IV of the Federal Coal Mine Health and Safety Act of 1969 to the former miner and his dependents or survivors are considered countable income.

#### **2840.10.00 VETERANS' BENEFITS**

Veterans' benefits are unearned income in the form of compensation or pension benefits available through the Department of Veterans' Affairs to veterans and their dependents or survivors.

Compensation is paid to veterans with service-connected disabilities and is based on the degree of the disability. Pensions are available to certain wartime veterans who are permanently and totally disabled. Additionally, a veteran who is in a nursing home or who needs regular assistance from another person for daily activities may qualify for an Aid and Attendance Allowance or a Housebound Allowance (see also 2840.10.10). A single veteran or a widow of a veteran who is in a Medicaid certified nursing home may be receiving a reduced pension of \$90 per month.

Any portion of the VA benefit which is allowed for a dependent is considered unearned income of the dependent. Refer to IHCPPM 2890.10.20 concerning verification requirements.

For MAGI AGs (MED 3), VA benefits are not taxable income. Therefore, VA benefits are not counted in the calculation of household income.

For MED 1, 4, MA F and RMA, VA benefits are counted for eligibility purposes.

#### **2840.10.05 SPINA BIFIDA ALLOWANCE FOR VETERANS' CHILDREN**

For non-MAGI (MED 1, 2, 4) AGs, allowances paid to children who are born with Spina Bifida and are children of Vietnam veterans will have this allowance excluded from the income and resource determination.<sup>24</sup>

The monthly payment is to be considered as exempt income.

Left over amounts (previous month's payment that is not spent in that previous month) of this allowance from previous months payments and/or lump sum payments of this allowance are to be considered as an exempt resource. If the client has this in an account with other countable resources, the client must supply the worker with the amount of money that is the Spina Bifida amount so this amount may be exempt from the resource determination. It does not have to be in a separate account, but the client or a family member must keep track of the amount.

#### **Example:**

A client is receiving a monthly payment of \$700 for Spina Bifida for his child and the client is a Vietnam veteran. The \$700 is exempt income.

The next month the client receives another payment of \$700 which is directly deposited into his bank account. The client also has \$500 in this account of which \$400 is money left over from the Spina Bifida allowance received in the previous month. For the resource determination, only \$100 would be counted and the remaining \$400 would be a left-over Spina Bifida allowance from the previous month's payment and this \$400 would be an exempt resource.



For MAGI (MED 3) AGs, allowances paid to children who are born with Spina Bifida and are children of Vietnam veterans are not taxable income. Therefore, such allowances are not counted in the calculation of MAGI for household income.

#### **2840.10.10 VA AID & ATTENDANCE ALLOWANCE AND HOUSEBOUND ALLOWANCE**

Aid & Attendance is a benefit paid in addition to a monthly Veterans' Pension (given due to age) or Veteran's Compensation (given due to service-oriented disability). The additional Aid & Attendance or Housebound allotment is awarded when a veteran or the widow qualifies for a pension and has a need for extra medical care. It is intended to reimburse the actual medical expenses which have been verified to the Veterans Administration (VA).

In determining initial eligibility, Aid & Attendance and Housebound Allowances should not be counted as income. Except as noted, the rest of the information in this section is specific to Pension and does not address Compensation.

After Medicaid approval, the member's out of pocket medical expenses should be greatly reduced or eliminated. It is the member's responsibility to report this change to the VA when a recalculation of their award is necessary.

**How Pension and Aid & Attendance Amounts are Determined:** The amount of a Veterans Pension for elderly or non-service-related disabled veterans or survivors is the difference between the applicable Maximum Annual Pension Rate (MAPR, a limit set each year by Congress based on disability and family criteria), and the countable income for the veteran's family. The amount payable is reduced by countable income, so some veterans may not qualify for a pension payment.

If the individual's countable income is too high to allow them to qualify for any VA pension per annually published MAPR levels (without Aid & Attendance) [http://www.benefits.va.gov/pension/current\\_rates\\_veteran\\_pen.asp](http://www.benefits.va.gov/pension/current_rates_veteran_pen.asp), medical expenses which exceed 5% of the base MAPR may be used to offset the countable income. When the pension is granted only due to ongoing medical expenses, the entire amount of a VA payment is considered "Aid & Attendance" and may be exempted in initial budgeting.

**Example:**

John, a single veteran aged 67, has countable income of \$15,000 per year, an amount which is over his applicable MAPR. However, John also has ongoing medical expenses which total \$5000 annually. These expenses offset his income so that he is awarded Aid & Attendance in the amount of the MAPR minus his remaining countable income of \$10,000. If his medical expenses are later reduced because Medicaid begins to pay them, this will increase the income which the VA counts for him, and the Aid & Attendance payments may stop.

Applicants whose other income is less than the MAPR must provide a current breakdown of which portion, if any, of the VA benefit is Aid & Attendance. Only the Aid & Attendance amount

will be discounted in the budget. This would also apply for individuals receiving VA compensation (based on service-related disability) instead of VA pension. Updated details from the VA should be requested at each annual redetermination.

**Budgeting After Medicaid is Approved:** For institutionalized applicants/recipients without spouse or dependent/s, the total VA pension payment to the incapacitated individual will be reduced to \$90 after Medicaid is approved.<sup>1</sup> Whether the payment was regular pension, Aid & Attendance, or some combination of award reasons becomes irrelevant at this point. The reduced pension is exempt at all stages of budgeting. A veteran or veteran's widow is entitled to keep the normal personal needs allowance (currently set at \$52<sup>25</sup>) given to institutionalized members without regard to the \$90.

The timeframe for the reduction can vary based on when the VA acts on the reported change, so verification of the effective date of the reduction to \$90 must be provided. If the pension recipient failed to report the change to the VA in a timely manner, the VA will pursue recovery for all applicable months to recoup the excess payments, but the member is not penalized if the delay is on the part of the VA. The pension recipient has the option to ask the VA to waive the 60-day “due process period” to make the reduction effective as soon as possible, but they would need to consult the VA on specific rules.

For institutionalized applicants/recipients with a spouse or dependents, the VA does not automatically reduce payment to \$90 a month after Medicaid approval. These members have the option to request a reduction to \$90 if they determine it would be more beneficial to their family; any such arrangement would need to be verified by current documentation from the VA.

For non-institutionalized applicants/recipients, there is no automatic or optional reduction to \$90 by the VA, but if medical expenses were used to calculate the award there will likely be an adjustment by the VA due to those expenses now being paid by Medicaid.

#### **Initial Budgeting Considerations:**

- Awards which are a combination of pension and Aid & Attendance must be verified by documentation from the VA of the breakdown of the payment.
- Awards which are made up entirely of Aid & Attendance do not need additional verification of expenses.
- Awards which have already been reduced to \$90 (for example, a transfer to a new facility or from out of state) do not need verification of expenses.

#### **Budgeting After Medicaid Approval:**

- The reduced VA pension of \$90 (sometimes referred to as “Veteran’s Personal Needs”) is the only amount of Veteran’s Pension which is completely exempt in the budget, including post-liability budgeting. No other amount should be included in this amount when it is entered into the eligibility system.

- For institutionalized single veterans or widow/ers, or those asking for a voluntary reduction to \$90, there may be months after Medicaid approval where the pension amount is not yet reduced.
  - Medicaid is always the payer of last resort, and any third-party (TPL) liability must be billed before Medicaid.
  - Aid & Attendance is a form of TPL which is paid to the member for the purposes of reimbursement of medical expenses. Medical expenses may make a person qualify for Aid & Attendance, or they may be paid for by Medicaid; but not both.
  - When the reduction is pending, any funds above \$90 which are received should be offset by verified non-Medicaid covered medical expenses provided by the member and entered in the eligibility system as normal.
  - If there are any excess (above \$90) funds which are not offset by non-Medicaid covered expenses, or proof of the medical expenses is not provided; then the funds are a contribution from a third party which is available for paying medical expenses. The excess should be included in the income as a contribution for any months where the member is not receiving a reduced pension.
  - This will properly include the TPL in the liability for a long-term care member, and will also protect the member from becoming over resources if there is a delay before the VA is able to change their award amount
- For members who do not receive a reduced pension amount, and are covered by Medicaid, an updated breakdown of the pension/Aid & Attendance and any medical expenses upon which it was figured will continue to be required when continuing eligibility is to be determined or re-determined.
  - These members will need to verify that Medicaid approval has been reported to the VA and continues to be based on bills they would have to pay out of their own pocket.
  - It would be rare for enough non-Medicaid covered expenses to remain which would allow a person to receive an award that is completely Aid & Attendance at this point.

#### **2840.15.00 RAILROAD RETIREMENT BENEFITS (MED 1, 2, 4)**

Railroad retirement benefits are unearned income and may be available to former railroad workers and their dependents or survivors. Included are retirement and disability benefits. The Railroad Retirement benefit and Social Security benefit are usually combined in one payment if the individual is entitled to both benefits. Verification of benefits is essential. Refer to IHCPMM 2890.10.25.

#### **28440.15.05 RAILROAD RETIREMENT BENEFITS (MED 3)**

For MAGI, railroad retirement benefits can be taxable or tax exempt. However, all railroad retirement benefits, whether taxable or tax exempt, received by an individual are included in the calculation of MAGI for determining household income.<sup>26</sup>

## **2840.20.00 PENSIONS**

Payments may be available from private industry, local or state governments, or the federal government to former employees and their dependents or survivors. These payments are the result of purchase of an annuity, retirement from employment, survivor benefits for a former employee's dependents, or injury or disability, and may be made by an employer, an insurance company, or public or private funds.

### **2840.20.05 PENSIONS (MED 1, 2, 4)**

For non-MAGI (MED 1, 2, 4) AGs, pensions are counted as unearned income. Refer to IHCPPM 2890.10.35 for verification requirements. The amount of funds being recouped from a pension is an allowable deduction.

Effective June 1, 2014, for MED 1 and 4, any pension paid by a state to person who was an honorably discharged veteran of the armed forces based on a disability determination made by the state making the pension payments is not considered as income.<sup>27</sup>

### **2840.20.10 PENSIONS (MED 3)**

For MAGI AGs, pension payments from a qualified employer retirement plan may be fully or partially taxable income. Pension payments are fully taxable if the individual did not contribute to the pension, the employer did not withhold contributions from the individual's salary, or the individual received tax-free contributions in previous years. Such pension payments are counted in the calculation of MAGI for household income.

Pension payments are partially taxable if the individual contributed after tax dollars to the pension. The part of the pension payment that represents the amount paid with after tax dollars by the individual is not taxable. The part of the pension payment that represents the amounts that the individual did not contribute to the pension, or the amounts contributed by the individual but were tax free is taxable income and will be included in calculating MAGI for the household income.

If an individual has a traditional Individual Retirement Account (IRA), a full deduction is allowed for the amount contributed to the IRA if the individual and the spouse, if applicable, do not have a traditional IRA plan at a place of employment.

If an individual has a traditional IRA plan at his or her place of employment, his or her contributions are deductible in full or partially based upon income limitations. Roth IRA contributions are not deductible from taxable income.

## **2840.25.00 UNEMPLOYMENT COMPENSATION BENEFITS**

Unemployment compensation benefits (UCB) may be available through Indiana Workforce Development to unemployed individuals who have a recent history of "covered" work and who are currently available for work.

For non-MAGI (MED 1, 2, 4) AGs, UCB is counted as unearned income. Refer to IHCPPM 2890.10.40 for verification requirements.

For MAGI (MED 3) AGs, UCB is taxable income and counted in the calculation of MAGI for household income. However, any amount an individual voluntarily contributes to a private fund is not taxable income and not counted in the calculation of MAGI for household income. The only amounts taxable from private funds are amounts received by the individual greater than the individual's contribution.

For purposes of calculating MAGI, if an individual is required to repay a portion of UCB, the amount repaid is deducted from the amount he or she receives.

#### **2840.30.00 WORKER'S COMPENSATION**

Worker's Compensation may be awarded to an injured employee or his survivors under federal and state worker's compensation statutes. Payment may be made in a lump sum payment or in monthly payments.

#### **2840.30.05 WORKER'S COMPENSATION (MED 1, 2, 4)**

Worker's Compensation is treated as unearned income and is counted when determining a client's eligibility. Refer to IHCPPM 2890.10.45 for verification requirements.

#### **2840.30.10 WORKER'S COMPENSATION (MED 3)**

For MAGI, Worker's Compensation is not taxable income if it is paid pursuant to a worker's compensation act or statute. Therefore, Worker's Compensation is not counted in the calculation of MAGI for household income.

#### **2840.35.00 STRIKE BENEFITS**

Strike Benefits may be awarded to employees who are striking against their employer and are considered countable unearned income.

#### **2840.40.00 MILITARY ALLOTMENTS**

An individual may be receiving or be eligible to receive a Military Allotment if the spouse, adult child, or parent, is in the United States Armed Forces.

#### **2840.40.05 MILITARY ALLOTMENTS (MED 1, 2, 4)**

These payments are counted as unearned income.

If the individual in the military makes money available to the applicant or participating AG, the money is a contribution to the AG. Usually this is done by direct deposit into a joint checking account.

#### **2840.40.10 MILITARY ALLOTMENTS (MED 3)**

For MAGI AGs, Military Allotments may or may not be taxable income depending on the purpose of the allotment. For example, if the Military Allotment is for child support, it is not considered taxable income for the individual receiving the allotment. Therefore, the purpose of the Military Allotment must be determined. If such purpose results in taxable income to the individual receiving the Military Allotment, then the income is counted in the calculation of MAGI for household income.

#### **2840.45.00 DISABILITY PAYMENTS**

An individual may have insurance coverage that pays a specified amount for a specific period during which he is unable to work because of a disabling condition.

#### **2840.45.05 DISABILITY PAYMENTS (MED 1, 2, 4)**

Disability Payments are counted as unearned income.

#### **2840.45.10 DISABILITY PAYMENTS (MED 3)**

For MAGI, Disability Payments may or may not be taxable income depending on who paid for the disability insurance. Disability Payments are fully taxable if the individual did not contribute to the disability insurance premium payments, or the employer did not withhold premium payments from the individual's salary. Such Disability Payments are counted in the calculation of MAGI for household income. Disability Payments are not taxable if the individual paid for the premium payments with after tax dollars, and such payments will not be counted in the calculation of MAGI for household income. Disability Payments may also be partially taxable depending on who paid for the premium payments and whether such payments were with pre-tax or after-tax dollars. Generally, any payments made by the individual with after tax dollars toward the disability insurance premium will not be considered taxable income and will not be considered in the calculation of MAGI for household income.

#### **2840.45.05 INDEMNITY HEALTH INSURANCE PAYMENTS**

Indemnity health insurance plans pay a specified benefit to a person based on the number of days the individual is hospitalized. There are other variations to this type of insurance, including

accident and cancer policies. For eligibility purposes, an indemnity policy means one in which the terms of the plan do not in any way limit the way the applicant/recipient can use the benefits.

#### **2840.45.05.05 INDEMNITY HEALTH INSURANCE PAYMENTS (MED 1, 2, 4)**

Payments made by an indemnity health insurance plan are counted as unearned income unless the applicant/recipient uses the payments to pay his medical expenses. A payment or any portion thereof used to pay the applicant's/recipients medical expenses is not counted as income.

Once the DFR verifies the applicants/recipient's receipt and usage of indemnity benefits, income will be budgeted accordingly. NOTE: Some payments may fall under the definition of lump sum, others may be regular, or fluctuating. In many of these situations the income will be considered through recovery.

The amount of the premium of an indemnity policy is not an income deduction in the post-eligibility income determination of an institutionalized applicant/recipient, nor a medical expense in spend-down determinations.

#### **2840.45.05.10 INDEMNITY HEALTH INSURANCE PAYMENTS (MED 3)**

For MAGI, payments made by an indemnity health insurance plan may or may not be taxable income depending on who paid the premiums for the insurance. Payments are fully taxable if the individual did not contribute to the insurance premium payments, or the employer did not withhold premium payments from the individual's salary. Such payments from an indemnity health insurance plan are counted in the calculation of MAGI for household income. Payments from an indemnity health insurance plan are not taxable if the individual paid for the premium payments with after tax dollars, and such payments will not be counted in the calculation of MAGI for household income. Payments made by an indemnity health insurance plan may also be partially taxable depending on who paid for the premium payments and whether such payments were with pre-tax or after-tax dollars. Amounts paid to reimburse for medical expenses incurred after the insurance plan was established are not counted as income.

#### **2840.50.00 LONG-TERM CARE INSURANCE PAYMENTS (MED 1, 4)**

Payments from insurance, including a qualified Indiana Long Term Care Program (ILTCP) or other long-term care insurance policy, are not counted as unearned income if the applicant/recipient uses them to pay medical expenses. They are considered reimbursement of an expense even if payments are made directly to the individual to make the payment. Workers must verify the applicants/recipient's receipt and usage of the LTC insurance payments.

#### **2845.00.00 BENEFITS RECEIVED DUE TO FEDERAL LAW**

The benefits that are listed in the following sections are those that are received due to federal statute.

#### **2845.05.00 DOMESTIC VOLUNTEER SERVICE ACT COMPENSATION**

The following are exempt income:

- Assistance to volunteers who participate in ACTION programs funded under Public Law 93-113, including VISTA and other programs under Title I of that law
- Payments for supportive services or reimbursement for expenses made to volunteers serving as foster grandparents, senior health aids, or senior companions, and to persons serving on the Service Corps of Retired Executives, Active Corps of Executives, and other programs under Title II and III of the Act.<sup>28</sup>

#### **2845.10.00 OLDER AMERICANS ACT**

The organizations involved in the Senior Community Service Employment Program (Title V Public Law 89-73) are Experience Works, National Council on Aging, National Council on Senior Citizens, American Association of Retired Persons, U.S. Forestry Services, National Association of Spanish Speaking Elderly, National Urban League, and the National Council on Black Aging.

##### **2845.10.05 OLDER AMERICANS ACT (MED 1, 2, 4)**

Payments other than wages/salaries made under the Older Americans' Act are exempt unearned income. Wages/salaries are earned income.

##### **2845.10.10 OLDER AMERICANS ACT (MED 3)**

For MAGI, payments received under the Older Americans' Act are taxable income, and such payments are included in the calculation of MAGI for household income.

#### **2845.15.00 ASSISTANCE FOR CERTAIN INDIAN TRIBES/ALASKAN NATIVES**

The following Section discusses federal law pertaining to Indian tribes and Alaska natives.

P.L. 92-203, section 29, dated 1/2/76, the Alaska Native Claims Settlement Act, and Section 15 of P.L. 100-241, 2/3/88, the Alaska Native Claims Settlement Act Amendments of 1987 - All compensation (including cash, stock, partnership interest, land, interest in land, and other benefits) received under this Act are excluded from income and resources.

P.L. 93-134, the Judgment Award Authorization Act, as amended by P.L. 97-458, Section 1407, 11/12/83 and P.L. 98-64, 8/2/83, the Per Capita Distribution Act. P.L. 97-458 required the exclusion of per capita payments under the Indian Judgment Fund Act (judgment awards) of \$2000 or less from income and resources. The exclusion applies to each payment made to each



individual. Initial purchases made with exempt payments distributed between 1/1/82 and 1/12/83 are excluded from resources to the extent that excluded funds were used. P.L. 98-64 extended the exclusion to cover per capita payments from funds which are held in trust by the Secretary of Interior (trust fund distributions).

P.L. 93-531, Section 22 - Relocation assistance payments to members of the Navajo and Hopi tribes are excluded from income and resources.

P.L. 94-114, Section 6 - Income derived from certain sub marginal land held in trust for certain Indian tribes are excluded from income and resources. The tribes that may benefit are:

- Bad River Band of the Lake Superior Tribe of Chippewa Indians of Wisconsin
- Blackfeet Tribe
- Cherokee Nation of Oklahoma
- Cheyenne River Sioux Tribe
- Crow Creek Sioux Tribe
- Lower Brule Sioux Tribe
- Devils Lake Sioux Tribe
- Fort Belknap Indian Community
- Assiniboine and Sioux Tribes
- Lac Courte Oreilles Band of Lake Superior Chippewa Indians
- Keweenaw Bay Indian Community
- Minnesota Chippewa Tribe
- Navajo Tribe.

P.L. 94-189, Section 6, 12/31/75 - Funds distributed per capita to the Sac and Fox Indians or held in trust are excluded from income and resources. The funds are divided between members of the Sac and Fox Tribe of the Mississippi in Iowa. The judgments were awarded in Indian Claims Commission dockets numbered 219, 153, 135, 158, 231, 83, and 95.

P.L. 94-540 - Payments from the disposition of funds to the Grand River Band of Ottawa Indians are excluded from income and resources.

P.L. 95-433, Section 2 - Indian Claims Commission payments made pursuant to this Public Law to the Confederated Tribes and Bands of the Yakima Indian Nation and the Apache Tribe of the Mescalero Reservation are excluded from income and resources.

P.L. 96-420, Section 9(c), 10/10/80, Maine Indian Claims Settlement Act of 1980 - Payments made to the Passamaquoddy Tribe, the Penobscot Nation, and the Houlton Band of Maliseet are excluded from income and resources.

P.L. 97-403 - Payments to the Turtle Mountain Band of Chippewas, Arizona is excluded from income and resources.

P.L. 97-408 - Payments to the Blackfeet, Grosventre, and Assiniboine tribes, Montana, and the Papago, Arizona, are excluded from income and resources.

P.L. 98-123, Section 3, 10/13/83 - Funds distributed under this Act to members of the Red Lake Band of Chippewa Indians are excluded from income and resources. Funds were awarded in docket number 15-72 of the United States Court of Claims.

P.L. 98-124, Section 5 - Per capita and interest payments made to members of the Assiniboine Tribe of the Fort Belknap Indian Community, Montana, and the Assiniboine Tribe of the Fort Peck Indian Reservation, Montana, under this Act are excluded from income and resources. Funds were awarded in docket 10-81L.

P.L. 98-500, Section 8, 10/17/84, Old Age Assistance Claims Settlement Act, provides that funds made to heirs of deceased Indians under this Act shall not be considered as income or resources nor otherwise used to reduce or deny food stamp benefits except for per capita shares in excess of \$2000.

P.L. 99-146, Section 6(b), 11/11/85 - Funds distributed per capita or held in trust for members of the Chippewas of Lake Superior are excluded from income and resources. Judgments were awarded in Dockets numbered 18-S, 18-U, 18-C and 18-T. Dockets 18-S and 18-U are divided among the following reservations:

Wisconsin:

- Bad River Reservation
- Lac du Flambeau Reservation
- Lac Courte Oreilles Reservation
- Sokaogon Chippewa Community
- Red Cliff Reservation
- St. Croix Reservation.

Michigan:

- Keweenaw Bay Indian Community (L'Anse, Lac Vieux Desert, and Ontonagon Bands).

Minnesota:

- Fond du Lac Reservation
- Grand Portage Reservation
- Nett Lake Reservation (including Vermillion Lake and Deer Creek)
- White Earth Reservation

Under Dockets 18-C and 18-T funds are given to the Lac Courte Oreilles Band of the Lake Superior Bands of Chippewa Indians of the Lac Courte Oreilles Reservation of Wisconsin, the Bad River Band of the Lake Superior Tribe of Chippewa Indians of the Bad River Reservation, the Sokaogon Chippewa Community of the Mole Lake Band of Chippewa Indians, and the St. Croix Chippewa Indians of Wisconsin.

P.L. 99-264, White Earth Reservation Land Settlement Act of 1985, 3/24/86, Section 16 excludes moneys paid under this Act from income and resources. This Act involves members of the White Earth Band of Chippewa Indians in Minnesota.

P.L. 99-346, Section 6(b)(2) - Payments to the Saginaw Chippewa Indian Tribe of Michigan are excluded from income and resources.

P.L. 99-377, Section 4(b), 8/8/86 - Funds distributed per capita to the Chippewas of the Mississippi or held in trust under this Act are excluded from income and resources. The judgments were awarded in Docket Number 18-S. The funds are divided by reservation affiliation for the Mille Lac Reservation, Minnesota; White Earth Reservation, Minnesota; and Leech Lake Reservation, Minnesota.

P.L. 101-41, 6/21/89, the Puyallup Tribe of Indians Settlement Act of 1989, Section 10(b) provides that nothing in this Act shall affect the eligibility of the Tribe or any of its members for any federal program. Section 10(c) provides that none of the funds, assets, or income from the trust fund established in Section 6(b) shall at any time be used as a basis for denying or reducing funds to the Tribe or its members under any federal, state, or local program. (The Puyallup Tribe is in the State of Washington.)

P.L. 101-277, 4/30/90, funds appropriated in satisfaction of judgments awarded to the Seminole Indians in Dockets 73, 151 and 73-A of the Indian Claims Commission are excluded from income and resources except for per capita payments more than \$2000. Payments were allocated to the Seminole Nation of Oklahoma, the Seminole Tribe of Florida, the Miccosukee Tribe of Indians of Florida, and the independent Seminole Indians of Florida.

P.L. 101-503, Section 8(b), Seneca Nation Settlement Act of 1990, dated 11/3/90, provides that none of the payments, funds or distributions authorized, established, or directed by this Act, and none of the income derived therefrom, shall affect the eligibility of the Seneca Nation or its members for, or be used as a basis for denying or reducing funds under, any federal program.

P.L. 93-134, Section 8, 10/19/73, the Indian Tribal Judgment Fund Use or Distribution Act, as amended by P.L. 103-66, Section 13736, 10/7/93, provides that interest of individual Indians in trust or restricted lands shall not be considered a resource and up to \$2000 per year of income received by individual Indians that is derived from such interests shall not be considered income in determining eligibility for assistance under the Social Security Act or any other federal or

federally assisted program.

If other types, not on this list are encountered, contact the PAL for guidance.

In determining MAGI for household income, the following are excluded:

- (1) Distributions from Alaska Native Corporations and Settlement Trusts
- (2) Distributions from any property held in trust, subject to federal restrictions, located within the most recent boundaries of a prior federal reservation, or under the supervision of the Secretary of the Interior
- (3) Distributions and payments from rents, leases, rights of way, royalties, usage rights, or natural resource extraction and harvest from—
  - a. Rights of ownership or possession in any lands described in paragraph (2) of this section
  - b. Federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources
- (4) Distributions resulting from real property ownership interests related to natural resources and improvements—
  - a. Located on or near a reservation or within the most recent boundaries of a prior federal reservation
  - b. Resulting from the exercise of federally protected rights relating to such real property ownership interests
- (5) Payments resulting from ownership interests in or usage rights to items that have unique religious, spiritual, traditional, or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable Tribal Law or custom; and
- (6) Student financial assistance provided under the Bureau of Indian Affairs education programs.<sup>29</sup>

#### **2845.20.00 COMPENSATION TO GERMANS, JAPANESE, AND ALEUTS**

German reparation and Japanese and Aleutian restitution payments are discussed in the following sections.

#### **2845.20.05 PAYMENTS TO JAPANESE AND ALEUTS**

Restitution payments by the U.S. government under P.L. 100-383 to individual Japanese Americans (or, if deceased, to their survivors) and Aleuts who were interned or relocated during World War II are excluded from income and resources. Also, restitution payments from the Canadian government to individual Japanese Canadians who were interned or relocated during World War II are excluded from income.<sup>30</sup>

#### **2845.20.10 GERMAN REPARATION PAYMENTS**

Payments made by the Republic of Germany to certain survivors of the Holocaust that may be received periodically or in a lump sum are exempt as income and resources.

#### **2845.25.00 AGENT ORANGE BENEFITS**

Payments made from the Agent Orange Settlement Program<sup>31</sup> are excluded as income to the veteran receiving the benefit as well as the veteran's survivors. The veteran receives a payment once per year while he is disabled for the life of the program. Survivors of the deceased veteran receive a one-time lump sum payment.

#### **2845.30.00 FEDERAL TAX REFUND PAYMENTS**

For non-MAGI (MED 1, 2, 4) AGs, federal tax refunds received after December 31, 2009, are disregarded as income in the month received for all federal means-tested programs, including Medicaid.

For MAGI (MED 3) AGs, federal tax refund payments are not considered income, so will not be counted in the calculation of MAGI for household income.

See section 2630.70.00 for an explanation of determining resources with a tax refund.

#### **2845.35.00 CHILD CARE PAYMENTS**

Childcare payments from Step Ahead voucher agents and other government agencies made on behalf of TANF recipients, former TANF recipients transitioning from TANF and families at risk of becoming eligible for TANF are exempt as income. Additionally, no deduction is allowed for dependent care covered by these payments. These payments are income for the childcare provider who receives them.

#### **2845.40.00 RADIATION EXPOSURE ACT BENEFITS**

Payments made from the Radiation Exposure Compensation Trust Fund established under the Radiation Exposure Compensation Act are exempt as income.<sup>32</sup>

#### **2845.45.05 CRIME VICTIM PAYMENTS**

If a crime victim applies for assistance from any federal, state, or local government program that uses federal funds, the program may not include victim compensation benefits paid through the Crime Act of 1984 when determining income eligibility.<sup>33</sup> Victim compensation payments are made to crime victims or their dependents for expenses such as medical expenses, funeral expenses, lost wages, and psychological counseling. In Indiana, victim compensation payments are made through the Indiana Criminal Justice Institute's Violent Crime Compensation Division.

#### **2845.50.00 UTILITY EXPENSE PAYMENTS**

Payments made as a result of any federal law, such as HUD or FMHA, for the purpose of paying an AG's utility expenses, are exempt as income regardless of how they are paid.

#### **2845.55.00 SETTLEMENT PAYMENTS UNDER WALKER V. BAKER CORPORATION, ET. AL.**

Payments made to individuals from the settlement fund in the class action lawsuit, Susan Walker v. Bayer Corporation, et. al. is exempt as income and resources in the Medicaid eligibility determination for non-MAGI (MED 1, 2, 4) AGs and are exempt as income for MAGI (MED 3) AGs.<sup>34</sup>

#### **2845.60.00 MILITARY SUBSISTENCE ALLOWANCE**

Enlisted members of the Armed Forces may receive a cash benefit up to \$500 per month. The benefits are issued by the Department of Defense and are shown on the member's Leave and Earnings Statement as Family Subsistence Supplemental Allowance. This form is the standard wage information form used by the military.

These benefits are to be considered as earned income for non-MAGI (MED 1, 2, 4) AGS. Effective June 1, 2014, combat pay is not to be considered as income. For MAGI (MED 3) AGs, these benefits are not considered taxable income, so are not included in the calculation of MAGI for household income.

#### **2845.65.00 AMERICORPS PROGRAM (MED 1)**

Payments made from the AmeriCorps Program to AmeriCorps participants or on their behalf are excluded as income.

#### **2845.65.05 AMERICORPS PROGRAM (MAGI)**

The Segal AmeriCorps Education Awards and Stipend are taxable in the year they are paid. It is considered taxable income regardless of whether it is used to pay current educational costs or to repay qualified student loans. If the applicant/recipient receives an award and the payment is \$600 or more during the year, they should receive a Form 1099-MISC. The 1099-MISC will show the amount of the award in box 3, Other Income. The living allowance amount you receive during service is also considered taxable income in the calendar year in which you receive it and is counted in the MAGI budget.

#### **2845.70.00 NATIONAL FLOOD INSURANCE PROGRAM (MED 1)**

Assistance received under the National Flood Insurance Program for flood mitigation activities with respect to property is not considered income or as a resource for the property owner.

## **2845.75.00 ENERGY EMPLOYEES' OCCUPATIONAL ILLNESS COMPENSATION PROGRAM (MED 1)**

Lump sum payments made under the Energy Employees Occupational Illness Compensation Program for employees who suffered as result of work in the nuclear weapons industry and their survivors are exempt.

## **2850.00.00 DIVIDENDS, INTEREST AND ROYALTIES**

Payments of dividends, interest, and royalties are considered unearned income for non-MAGI (MED 1, 2, 4) AGs unless stated otherwise in this chapter and are included as taxable income for MAGI (MED 3) AGs. This includes interest on checking accounts and trust accounts. For MED 1 and 4, interest earned on exempt resources (refer to Chapter 2600) is exempt.

Dividends that the household has the option of either receiving as income or reinvesting in the trust stock or bond are to be considered as income in the month, they become available to the household.

For the MED 1 and 4 categories, dividends paid on life insurance policies are exempt. Refer to IHCPM 2825.00.00.

For the MED 1 and 4 categories, royalties are generally considered unearned income unless they are received as part of a trade or business or received by the individual in connection with any publication of his/her work.<sup>35</sup>

## **2850.05.00 INTEREST ON INDIVIDUAL DEVELOPMENT ACCOUNTS**

For non-MAGI (MED 1, 2, 4) AGs, interest income that is earned on an Individual Development Account (IDA) under the Assets for Independence Act (AFIA), Public Law 106-554, is excluded from income. (See also ICES Program Policy Manual (IPPM) 2630.95.00, which states IDA's are exempt as resources.)

For MAGI (MED 3) AGs, interest income that is earned on an IDA is taxable income, so will be included in the MAGI calculation for household income.

## **2855.00.00 REIMBURSEMENTS**

Reimbursements for past or future expenses are exempt if they do not exceed actual expenses and do not represent a gain or benefit. To be exempt, these payments must be specifically intended and used for expenses other than normal living expenses. Normal living expenses include the amount spent for rent or mortgage, personal clothing, and food eaten at home. Any part of the reimbursement amount that exceeds the actual expense is included as income. However, reimbursements are not considered to exceed actual expenses, unless the AG or the provider indicates the amount is excessive.

Reimbursements for normal household living expenses such as rent or mortgage, personal clothing, or food eaten at home are a gain or benefit and, therefore, are included as income. Reimbursements from employers over and above the basic wages for necessary job-related expenses are exempt unless reimbursements are in excess of such job-related expenses and the employee did not return the excess amount to the employer.

#### **2860.00.00 EDUCATIONAL INCOME DEFINITION**

Educational income includes, but is not limited to, grants, scholarships, fellowships, work-study, veterans' educational benefits, and deferred educational loans (loans received for educational expenses which are to be repaid at a later date, usually after graduation), that is used for tuition and mandatory fees at an institution of post-secondary education, including correspondence schools at that level or a school at any level for the physically or mentally handicapped.

Wages from graduate assistantships are not treated as educational income if they are subject to taxation and are available for meeting the individual's non-educational living expenses; they are budgeted as earned income.

A loan on which repayment must begin within 60 days after receipt is not considered a deferred loan.

For MED 3 AGs, all scholarships, awards, or fellowship grants used for educational purposes and not for living expenses are not taxable income and are not utilized in the calculation of MAGI. All scholarships, awards, or fellowship grants used for non-educational expenses, such as living expenses, are taxable income and are utilized in the calculation of MAGI, unless they are specifically exempted by federal or state law.<sup>36</sup>

#### **2860.05.00 EXEMPT EDUCATIONAL INCOME (MED 1, 2, 4)**

Grants, awards, scholarships, and work study income received under Title IV of the Higher Education Act, or the Bureau of Indian Affairs (BIA) programs are exempt. For MED 1, 2, 4 AGs, they are exempt only for undergraduate students. Included are the following:

- Basic Educational Opportunity Grants (BEOG or PELL Grants)
- Presidential Access Scholarships (Super PELL Grants)
- Supplemental Educational Opportunity Grants (SEOG)
- State Student Incentives Grants (SSIG)
- Federal Work Study Funds (NOTE: Not all federal work study funds come under Title IV of the Higher Education Act.) (Refer to IHCPPM 2860.15.00.)
- TRIO Grants (which go to organizations or institutions for students from disadvantaged backgrounds):
  - Upward Bound (Some stipends go to students)
  - Student Support Services



- Robert E. McNair Post-Baccalaureate Achievement.
- Robert C. Byrd Honors Scholarship Program
- College Assistance Migrant Program (CAMP) for students whose families are engaged in migrant and seasonal farm work
- High School Equivalency Program (HEP)
- National Early Intervention Scholarship and Partnership Program.

Federally funded educational loans are exempt for all students (undergraduate and graduate) for all programs. They include the following:

- Federal Direct Student Loan Programs (FDSLPL) (formerly GSL and FFELP)
- Federal Direct Supplemental Loan Program (provides loans to students)
- Federal Direct PLUS Program (provides loans to parents)
- Federal Direct Stafford Loan Program
- Federal Consolidated Loan Program.

Direct loans to students in institutions of higher education (Perkins Loans, formerly NDSL).

#### **2860.10.00 NON-EXEMPT EDUCATIONAL INCOME (MED 1, 2, 4)**

Student financial assistance received from a source not listed in IHCPPM 2860.05.00 is considered as non-exempt income. However, it is not necessarily budgeted as income to the AG. Non-exempt educational income is included only to the extent that it is accessible for meeting the AG's general living expenses.

When educational income is inaccessible (received directly by the school in an amount less than or equal to the student's educational expenses as verified by the financial aid office), it is excluded from budgeting.

Non-exempt educational income sent directly to the student or refunded by the school after tuition and fees have been paid is budgeted. However, any remaining allowable educational expenses are deducted from it. This applies to undergraduate and graduate students alike. Non-exempt educational income includes assistance provided under the Carl D. Perkins Vocational Educational Act. Programs under this Act include the following:

- Indian Vocational Education Program
- Native Hawaiian Vocational Education Program
- State Vocational and Applied Technology Education Program which contains:
  - State Program and State Leadership Activities.
  - Program for Single Parents, Displaced Homemakers, and Single Pregnant Women.
  - Sex Equity Program.
  - Programs for Criminal Offenders.
  - Secondary School Vocational Education Program.

- Post-secondary and Adult Vocational Education Program.
- State Assistance for Vocational Education Support Programs by Community Based Organizations.
- Consumer and Homemaking Education Program.
- Comprehensive Career Guidance and Counseling Program.
- Business-Labor-Education Partnership for Training Program.
- National Tech-Prep Education Program
- State-administered State Grants for Facilities and Equipment and Other Program Improvement Activities
- Community Education Employment Centers Program
- Vocational Education Lighthouse Schools Program
- Tribally Controlled Post-Secondary Vocational Institutions Program
- Vocational Education Research Program
- National Network for Curriculum Coordination in Vocational and Technical Education
- National Center or Centers for Research in Vocational Education
- Materials Development in Telecommunications Program
- Demonstration Centers for the Training of Dislocated Workers Program
- Vocational Education Training and Study Grants Program
- Vocational Education Leadership Development Awards Program
- Vocational Educator Training Fellowships Program
- Internships for Gifted and Talented Vocational Education Students Program
- Business and Education Standards Program
- Blue Ribbon Vocational Education Program
- Educational Programs for Federal Correctional Institutions
- Vocational Education Dropout Prevention Program
- Model Programs of Regional Training for Skilled Trades
- Demonstration Projects for the Integration of Vocational and Academic Learning Program
- Cooperative Demonstration Programs
- Bilingual Vocational Training Program
- Bilingual Vocational Instructor Training Program
- Bilingual Materials, Methods, and Techniques Program.

#### **2860.15.00 WORK STUDY (MED 3)**

For MAGI, work-study educational income is received for the performance of work. Income received for a work study program is considered taxable income, so it is included in the calculation of MAGI for purposes of determining household income.

#### **2860.20.00 EMPLOYER EDUCATIONAL ASSISTANCE (MED 3)**

For MAGI, up to \$5,250 of qualified employer-provided educational assistance can be excluded from taxable income and not included in the calculation of MAGI for determining household income.

### **2860.25.00 SCHOLARSHIPS AND FELLOWSHIPS (MED 3)**

A scholarship is an amount paid to or for the benefit of a student (undergraduate or graduate) at an educational institution to assist in the pursuit of a degree. A fellowship is an amount paid to a student to assist with the pursuit of study or research. Qualified scholarship and fellowship payments may be excluded from taxable income and will not be included in the calculation of MAGI for household income. A qualified scholarship or fellowship consists of any payment an individual receives that is for tuition and fees for enrollment in an eligible educational institution or course related expenses, such as required fees, books, and equipment. Any scholarship or fellowship amount used for non-educational expenses (e.g., room and board, travel, research, or clerical help) or any amount in excess of educational expenses is considered taxable income so will be included in the calculation of MAGI for household income.

If any part of a scholarship or fellowship that represents payment for teaching, research or other services required to receive the scholarship or fellowship is considered taxable income it will be included in the calculation of MAGI. Exceptions to this rule include any scholarship or fellowship amounts received from the National Services Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.

**Example:**

An individual receives a scholarship of \$5,000.00, and the scholarship was not received from the National Services Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program. The individual is required to work as a teaching assistant in order to receive the scholarship. \$2,000.00 of the scholarship represents payment for teaching, \$2,000.00 is used for qualified educational expenses, and \$1,000.00 is used for rent payments. The \$2,000.00 for qualified educational expenses would not be taxable income, so it is not counted in the calculation of MAGI. The \$2,000.00 for teaching and the \$1,000.00 for rent are considered taxable income and will be included in the calculation of MAGI for household income.

Scholarship prizes won in a contest that do not require the winner to use the prize for educational purposes are considered taxable income so will be included in the calculation of MAGI for household income.

Pell grants and other Title IV need-based education grants are treated the same as scholarships and fellowships. Any amount received for qualified educational expenses as explained above is not considered taxable income and will not be included in the calculation of MAGI. Any amounts received from the Department of Veterans Affairs for education are not considered taxable income and will not be included in the calculation of MAGI.

### **2860.30.00 QUALIFIED TUITION REDUCTION (MED 3)**

A tuition reduction is when an individual is allowed to study at no cost or for a reduced tuition. A qualified tuition reduction is not considered taxable income unless a portion of the reduction represents payment for teaching, research, or other services.

In order for a tuition reduction to be qualified it must be received from and used at an eligible educational institution (an institution that maintains a regular faculty and curriculum and has a regularly enrolled student body at the location where it provides its educational activities). The tuition reduction does not have to be used at the same eligible institution that provided the reduction if it is for a college-level or above degree. Therefore, a tuition reduction that falls within the parameters will not be included in the calculation of MAGI for household income.

If an individual receives a tuition reduction for education below the college-level (primary, secondary, or high school), one of the following requirements must be met for the reduction to not be considered taxable income and not included in the calculation of MAGI:

- The individual is an employee of the educational institution
- The individual was an employee of the educational institution, but retired or left on disability
- The individual is a widow or widower whose spouse died while an employee of the educational institution or who retired or left on disability
- The individual is the dependent child or spouse of an individual described in requirements 1 through 3 above.

### **2860.35.00 EDUCATION EXPENSE DEDUCTIONS (MED 3)**

The following sections discuss the deductions allowed for the calculation of MAGI for household income.

#### **2860.35.05 STUDENT LOAN INTEREST DEDUCTIONS (MED 3)**

If an individual's MAGI is less than \$75,000 there is a special deduction of up to \$2,500 allowed for interest paid on student loans. This special deduction is allowed when the following requirements are met:

- The student loan was taken out solely to pay qualified education expenses.
- The student loan was not from a related person or made under a qualified employer plan.
- The student is the individual applying for Medicaid or his or her spouse or dependent.
- The student is enrolled at least half-time in a degree program.

The deduction is allowed for both required and voluntary interest payments.

### **2860.35.10 TUITION AND FEES DEDUCTION (MED 3)**

Tuition and fees for qualified educational expenses for higher education are considered a deduction in the calculation of MAGI. Worker should refer to [www.irs.gov](http://www.irs.gov) for rule changes and/or exception.

### **2865.00.00 LOANS**

For MED 1, 2, 4 AGs, a loan in the month of receipt is exempt providing there is a verifiable repayment schedule in effect.

A source with which to repay the loan need not exist for the loan to be exempt.<sup>37</sup>

When income proceeds are received as repayment on a loan only the amount received as interest is considered countable.<sup>38</sup>

For MED 3 AGs, loans are not taxable income. However, if a loan is canceled or forgiven, other than a gift, the amount canceled or forgiven is considered taxable income and is included in the calculation of MAGI for household income.

### **2865.05.00 STUDENTS LOAN CANCELLATIONS AND REPAYMENT ASSISTANCE (MED 3)**

Student loan cancellation and student loan repayment assistance may not be considered taxable income if certain requirements are met.

The cancellation of a student loan will not be considered taxable income and not be considered in the calculation of MAGI if:

- The loan was made by a qualified lender to assist the individual in attending an eligible educational institution. A qualified lender is the United States, a State, a tax-exempt state/county/municipal hospital whose employees are considered public employees under state law, an eligible educational institution (if the loan was made as part of an agreement with one of the lenders or was made under a program designed to encourage students to serve in occupations with unmet needs or areas with unmet needs).
- A condition of the loan was that all or part of the loan would be cancelled if the individual worked for a certain period, in a certain profession, and for any of a broad class of employers.

The cancellation of a student loan does not qualify as tax-free if the loan was made by an educational institution and is canceled because of services performed for the educational institution.

Student loan repayments made to an individual are not considered taxable income if received from any of the following:

- The National Health Service Corps Loan Repayment Program
- A state education loan repayment program eligible for funds under the Public Health Service Act
- Any other state loan repayment programs that are intended to provide for an increased availability of health services in underserved or health professional shortage areas.

Student Loan debt that is discharged, forgiven, or cancelled is generally treated as taxable income to the borrower and included in MAGI. The Tax Cuts and Jobs Act provided an exception to this rule for tax years 2018 through 2025. Student loan debt discharged on account of the death or permanent and total disability of the student is not included in the income. Such discharged debt is not counted in determining the MAGI-based household income of the borrower or other members of the borrower's household.

#### **2866.00.00 REVERSE MORTGAGES**

A reverse mortgage is a mortgage contract that allows a homeowner, age 62 or older, to borrow a percentage of the appraised value of his home. The homeowner then receives either a periodic payment or a line of credit which does not have to be repaid if he lives in the home.

#### **2866.05.00 REVERSE MORTGAGES (MED 1, 2, 4)**

The proceeds from a reverse mortgage are not counted as income in the month received. However, if they are retained into the following month, they must be evaluated as resources. Another reverse mortgage arrangement consists of the purchase of an annuity and is called a reverse annuity mortgage (RAM).

Annuity payments from a reverse annuity mortgage are counted as unearned income.

#### **2866.10.00 REVERSE MORTGAGES (MED 3)**

For MAGI, the IRS does not distinguish between the different types of reverse mortgages when determining taxable income but sets forth that the monthly advances received from a reverse mortgage are not taxable income, so they are not included in the calculation of MAGI for purposes of determining household income.

#### **2870.00.00 CONTRIBUTIONS-DEFINITION**

All direct money payments from any source that represent a gain or benefit to the individual, with no obligation to repay.

#### **2870.05.00 CONTRIBUTIONS (MED 1, 2, 4)**

Cash contributions are included as unearned income.

#### **2870.10.00 CONTRIBUTIONS (MED 3)**

For MAGI, cash contributions are not considered taxable income and are not included in the calculation of MAGI for purposes of determining household income. Exceptions to this rule include:

- The cash contribution is from property income
- The cash contribution is from an employer and is not nominal in nature.

#### **2875.00.00 REAL ESTATE INCOME**

Income from real estate includes any funds resulting from property ownership. This income can be earned or unearned, depending on the program involved and the individual's management activity.

The following sections describe income received from rental property, sales contracts on property, and room and board.

#### **2875.05.00 RENTAL INCOME**

Rental income is any payment for using real or personal property. Examples of rent include payments for the use of any of the following:

- Land
- Buildings
- An apartment, room, or house
- Machinery or equipment.

#### **2875.05.05 RENTAL INCOME (MED 3)**

Income received from the rental of real estate is considered earned taxable income and is included in the calculation of MAGI for determining household income.

Expenses related to rental income that can be deducted when calculating MAGI include all allowable IRS deductions such as:

- Depreciation
- Advertising

- Auto and travel expenses
- Commissions
- Insurance
- Interest
- Legal and other professional fees
- Local transportation expenses
- Management fees
- Mortgage interest paid to bank
- Taxes
- Utilities
- Repairs to keep property in good working condition but do not add value
- Operating expenses
- Uncollected rents (cannot deduct if a cash basis taxpayer – only report actual cash collected).

#### **2875.05.10 RENTAL INCOME (MED 1, 2, 4)**

Rental income that is payment for the use of real or personal property is unearned income. Rental payments may be received for the use of land (including farmland), for land and buildings, for a room, apartment, or house, or for machinery and equipment.

Another type of rental situation occurs when an individual owns multiple rental units, so that he is administering a rental business. That situation is considered self-employment, and the resulting income is earned income. Refer to IHCPM 2810.30.00

#### **2875.10.00 INCOME FROM CONTRACT SALES**

Income from land contract sales is paid in installments. The following sections discuss the treatment of payments from contract sales.

#### **2875.10.05 INCOME FROM CONTRACT OR INSTALLMENT SALES (MED 3)**

A contract or installment sale of property is where an individual receives at least one payment for the property after the tax year of the sale. This type of sale applies to personal and real property. Any payment of interest and any gain on the sale received because of the sales or installment contract is taxable income and included in the calculation of MAGI for determining household income.

#### **2875.10.10 INCOME FROM CONTRACT SALES (MED 1, MED 4)**

A loan payment received by the applicant or member is not considered income in the month of receipt if the agreement meets the criteria in section 2615.55.15. The interest portion of the payment received is counted as income while the down payment is considered a resource.



## **2880.00.00 LUMP SUM PAYMENTS**

A lump sum is any type of cumulative payment made to an individual. A payment of retroactive benefits such as SSI, Social Security, Veterans' benefits, or a refund of Medicare Part B premiums is considered a lump sum. Insurance settlements, inheritances, and lottery winnings are also examples of lump sum payments.

When evaluating a lump sum, the worker must carefully determine whether it is a recurring payment or a non-recurring payment. Non-recurring means the payment is a one-time payment and is not expected to be received from the same source for the same reason as a lump sum again. Conversely, if a payment is expected to be received again from the same source, it is a recurring lump sum payment.

### **2880.05.00 LUMP SUM PAYMENTS (MED 1, 2, 4)**

Any lump sum payment received in a month prior to the month in which authorization of the application takes place, is income in the month of receipt. However, for an active AG, an unanticipated non-recurring lump sum payment does not affect eligibility in the month of receipt, and Medicaid benefits paid during the month of receipt are not recoverable. Recurring lump sum payments are budgeted as income. Any portion of the lump sum remaining after the month of receipt is a resource for non-MAGI (MED 1, 2, 4) AGs.

### **2880.10.00 LUMP SUM PAYMENTS (MED 3)**

For MAGI, any amount received as a lump sum is counted as income only in the month received; except "qualified lottery winnings" and "qualified lump sum" i.e., Gambling winnings of \$80,000 or greater, received in a single payout. Effective January 1, 2018, under Section 53103 of the Bipartisan Budget Act (BBA) of 2018, "qualified lottery winnings" and "qualified lump sum" i.e., gambling winnings of \$80,000 or greater, received in a single payout, are to be counted as income in the month received as well as a period of up to 120 months. This does not apply to winnings paid in installments. "Non-cash prizes "such as a car or a boat" should continue to be counted as lump sum income in the month in which they are received and not counted as "qualified lottery winnings."<sup>40</sup>

The requirement to count qualified lottery and qualified lump sum income applies to the individual who receives the winnings only, the determination of household income for other members of the individual's household are not affected (53103 (b)(2) of the BBA of 2018).

"Qualified lottery winnings" are "winnings from a sweepstakes, lottery or pool" conducted by a state agency or under authority of state law, or winnings from a lottery operated by a multistate or multijurisdictional lottery association. Qualified lump sum income" from gambling includes

income from: betting pools; wagers placed through bookmakers; slot machines; roulette wheels; dice tables; lotteries; and bolita numbers games, or the selling of chances therein (1902 (e)(14)(K) of the Act). SSI lump sum payments are considered exempt.

**Formula for Counting Qualified Winnings**

<b>Amount of Winnings:</b>	\$1.00-79,999.00	\$80,000.00-\$89,999.00	\$90,000.00-\$99,999.00	Each Additional \$10,000.00
<b>Length of Time</b>	Counted only in the month received	Counted over 2 Months	Counted over 3 Months	Counted over 1 additional month

- Total winnings are divided into equal installments over each month
- The Maximum period that winnings may be counted is 120 months for winnings of \$1,260,000 or higher
- Applies only to individuals(s) receiving such winnings
- Count only in the month received for other household members
- Lottery winnings from other states are treated equivalent
- Lottery and gambling winnings calculation applies to each instance of winnings
- Gambling losses are not considered nor deducted from winnings in MAGI calculation.

*Gap-filling regulation at 42CFR435.603(i) do not apply, however members who receive undue medical or financial burden due to lottery/gambling winnings may apply for a hardship exemption with the state.*

**2885.00.00 DEEMED INCOME (MED 1 AND 4)**

Deemed income refers to a special budgeting calculation in which a portion of an individual's income is considered available to participating AG members. Deemed income is considered as unearned income in the budget. For additional information regarding deeming, refer to IHCPPM 3455.05.20.

**2890.00.00 VERIFICATION OF INCOME**

All income must be documented and verified.

For MED 1, 2, 4 AGs, income can be verified through an electronic interface or database or a written, telephone, or personal collateral contact with the employer or source of income. When verifying income, the date and source of verification and the receipt date and amount of income received must be recorded.

The worker is responsible for obtaining and verifying all pertinent information regarding the financial situation of the applicant/recipient to make accurate determinations of initial and continuing eligibility. The applicant/recipient must supply required documents and records and must assist in obtaining verifications if such information cannot be obtained electronically through an interface or database. All paper documentation must be completed and signed by the appropriate individuals (for example, the employer, and the client).

For MAGI, an applicant must attest to income on the application. The income provided by the applicant is then verified by electronic sources or paper documentation.

If an individual attests to income below the Medicaid or CHIP income standard and electronic data on the income is unavailable or conflicts with the amount attested, further documentation will be requested from the applicant.

If an individual attests to income above the Medicaid or CHIP income standard and the electronic data verification amount indicates income below the applicable threshold, the individual is determined ineligible with no additional information requested. The individual will then be screened for eligibility in other insurance affordability programs available on the Federal Marketplace and the application transferred to the Federal Marketplace for a determination of qualified health coverage, Advance Premium Tax Credit (APTC), and Cost Sharing Reduction (CSR).

If the difference between the attested amount and the electronic data verification amount results in the placement in a different benefit package or cost sharing amount, further documentation will be requested from the applicant.

Documentation that may be requested includes, but is not limited to, a signed contract for employment, wage receipts, wage statements, employment verification form or pay stubs.<sup>39</sup> For time standards and responsibility for verification refer to IHCPPM sections 2025.00, 2215.15.00 and 2220.00.

## **2890.05.00 VERIFICATION OF EARNED INCOME**

All earned income must be verified. Acceptable forms of verification include, but are not limited to, the following:

- Wage receipts
- Wage statements
- Pay stubs
- Employment verification form or written statements containing the required information
- Information obtained from the Work Number
- Collateral contact with employer
- Work calendar (for tips and daily cash payments).

For MAGI (MED 3) AGs, the applicant will attest to earned income on the application, and the worker will verify the earned income via electronic sources, if available. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request paper documentation as set forth in IHCPPM 2890.00.00, which includes but is not limited to, the above-mentioned documents.<sup>40</sup>

#### **2890.05.05 VERIFICATION OF SELF-EMPLOYMENT INCOME/EXPENSES**

Self-employed individuals must verify earned income. In addition, these individuals must make all business records which are necessary to verify income and/or expenses available to the caseworker. Examples of business records include documentation on:

- Income tax records necessary to determine gross income and deductible expenses
- Purchases
- Sales
- Salaries
- Capital improvements
- Utility, transportation, and other operating costs.

For MAGI (MED 3) AGs, the applicant will attest to self-employment earned income on the application, and the worker will verify the earned income via electronic sources. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in IHCPPM 2890.00.00, which includes but is not limited to, the above-mentioned documents.<sup>41</sup>

#### **2890.10.00 VERIFICATION OF UNEARNED INCOME**

All unearned income must be verified. The following sources may be used to verify unearned income:

- BENDEX or SDX
- SSA award letters
- TPQY computer cards
- VA award letter
- Pension check or award letter
- Correspondence with the payor
- Unemployment Compensation award letter
- Support court statement and/or current statement from payor
- Interest on bank account statements.

The agencies and the type of match (es) they provide are as follows:

- Internal Revenue Service (IRS): Unverified Unearned Income Data Exchange (UUIIDX) (TRAN: DEUX)
- Social Security Administration (SSA):
  - Beneficiary Earnings Exchange Record (BEER) (TRAN: DEBR)
  - Beneficiary Data Exchange (BENDEX) (TRAN: DEBN)
  - State Data Exchange (SDX) (TRAN: DESK)
- Indiana Department of Employment and Training (IDETS):
  - Wage Data Exchange (WDX) (TRAN: DEWX)
  - Unemployment Insurance (UI) (TRAN: DEUI)

More information concerning Data Exchange is found in the following IPPM sections:

- Section 4430.05.00 - BEER
- Section 4430.10.00 - BENDEX
- Section 4430.15.00 - SDX
- Section 4430.35.00 - WDX
- Section 4430.30.00 - UI
- Section 4430.40.00 – UIDEX

For MAGI (MED 3) AGs, the applicant will attest to unearned income on the application, and the worker will verify the unearned income via electronic sources. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in Section 2890.00.00, which includes but is not limited to, the above-mentioned documents.<sup>42</sup>

#### **2890.10.05 VERIFICATION OF CHILD SUPPORT PAYMENTS (MED 1, 2, 4)**

Verification of support payments must be obtained. The following sources may be used to verify support.

- Verification from the County Clerk's Office if paid through the court
- If the absent parent does not pay through the County Clerk's Office, a signed statement showing
  - the amount paid and how often it is paid must be obtained from the absent parent
- Case Payment Information (DECB)

#### **2890.10.10 VERIFICATION OF SUPPLEMENTAL SECURITY INCOME (SSI) (NON-MAGI, MED 1, 2, 4)**

Sources of verification of SSI include:

- SDS, DESX

- IQSSA
- Entitlement letter
- Benefit check, which will be the net payment.

If the individual does not appear on the SDX, the following sources may be used:

- Form SSA 1610
- TPQY computer cards.

IQSSA lists all persons receiving SSI benefits. IQSSA displays the same information that is on DESX. IQSSA is updated daily and will, therefore, have the latest benefit information for each SSI recipient. Since information is accessible on individuals who are not on any of Indiana's assistance programs confidentiality guidelines (see IHCPPM 1425.00.00) must be strictly followed.

Refer to IHCPPM 2835.35 for discussion on inclusion or exclusion of SSI income.

#### **2890.10.15 VERIFICATION OF SOCIAL SECURITY INCOME**

The Social Security Administration rounds down the entitlement amount to the nearest whole dollar. The amount of all Social Security checks (with a few rare exceptions) are in whole dollars. When verifying Social Security benefits, the "unrounded gross benefit amount" and the "net payment amount" (Medicare Part B is withheld) are required. The "gross payment amount" is the unrounded amount with the cents dropped and is the amount of the benefit check for an individual who does not have the Medicare Part B deducted.

Sources of verification of Social Security include:

- The un-cashed benefit check (by itself) if:
  - The individual does not have Medicare Part B coverage; or
  - The individual is on Buy-In.
- Form SSA-1610 - request verification of the "unrounded gross benefit amount" and the "net payment amount"
- TPQY computer cards
- BENDEX (DEBN)
- The entitlement letter if the unrounded gross benefit and "net payment amount" are clearly specified.

For MAGI (MED 3) applicants, the applicant will attest to the Social Security benefit income on the application. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in IHCPPM 2890.00.00, which includes but is not limited to, the above-mentioned documents.<sup>43</sup>

#### **2890.10.20 VERIFICATION OF VETERANS' BENEFITS (NON-MAGI, MED 1, 2, 4)**

Verification of Veterans' Benefits generally must be obtained by contacting the Department of Veterans' Affairs. If the veteran has no dependents, the amount can be verified by the benefit check or entitlement letter. However, if the benefit includes an allowance for dependents, the worker must request a breakdown of the benefit. If the Department of Veterans' Affairs will not provide such breakdown, the entire amount is considered income to the veteran. Refer to IHCPPM 2840.10.00.

#### **2890.10.25 VERIFICATION OF RAILROAD RETIREMENT**

Verification of the gross monthly entitlement must be obtained. This is the full entitlement amount without the deduction of the Medicare Part B premium. Sources of verification include Railroad Retirement Board, or the entitlement letter.

Railroad retirement benefit is combined with the Social Security amount and contained in one check for most railroad retirement recipients.

For MAGI (MED 3) AGs, the applicant will attest to the railroad retirement benefit income on the application, and the worker will verify the income via electronic sources. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in IHCPPM 2890.00.00, which includes but is not limited to, the above-mentioned documents.<sup>44</sup> Refer to IHCPPM 2840.15.00.

#### **2890.10.30 VERIFICATION OF BLACK LUNG BENEFITS**

Sources of Black Lung benefit verification include:

- The benefit checks
- The SSA District Office for benefit checks received on the third of the month. For benefits paid on the 15th of the month, contact the United States Department of Labor, Division of Coal Mine Workers Compensation, 121 East State Street, Columbus, Ohio 43215. Telephone: (614) 469-5227.

#### **2890.10.35 VERIFICATION OF PENSIONS**

Verification of the gross amount of a pension payment must be obtained. Viewing the check will not provide accurate information since optional deductions, such as federal income taxes and health insurance premiums, are often withheld. The worker must verify if any deductions are mandatory or optional. Sources of verification include:

- Notices regarding benefit amounts, deductions, and payments in the possession of the individual
- Correspondence from the payor.

Verification of the gross amount of a federal pension can be obtained by writing to the Office of Personnel Management, Insurance and Retirement Programs, Washington, D.C. 20415. The request for information must contain the individual's name and Civil Service Annuitant (CSA) number.

For MAGI (MED 3) AGs, if the applicant's pension benefits are counted in the calculation of MAGI, the applicant will attest to the benefit income on the application, and the worker will verify the income via electronic sources. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in IHCPPM 2890.00.00, which includes but is not limited to, the above-mentioned documents.<sup>45</sup> Refer to IHCPPM 2840.20.00.

#### **2890.10.40 VERIFICATION OF UNEMPLOYMENT COMPENSATION BENEFITS (UCB)**

An automatic request for verification of Unemployment Compensation Benefits (UCB) is accomplished through data exchange. This request is completed for all AG members, age 16 and over, at application and for ongoing cases. The information from the Indiana Department of Workforce Development includes wage and unemployment verification from the prior month.

If only part of the maximum benefit is being paid out there may be a deduction for child support, recoupment, or part-time earnings. Refer to IHCPPM 2840.25.00 and IPPM 4430.30.00.

For MAGI (MED 3) AGs, if the applicant's unemployment benefits are counted in the calculation of MAGI, the applicant will attest to the income on the application, and the worker will verify the income via electronic sources. If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in IHCPPM 2890.00.00.<sup>46</sup> Refer to IHCPPM 2840.25.00.

#### **2890.10.45 VERIFICATION OF WORKER'S COMPENSATION (NON-MAGI, MED 1, 2, 4)**

Inquiries regarding entitlement to benefits are to be directed to the Industrial Board, Indiana Government Center South, 402 West Washington Street, Room W-196, Indianapolis, Indiana 46204.

Verification of the amount of such payment, payment receipt date intervals, and the length of time for which payments are approved is to be obtained by viewing the award notice in the possession of the individual, or by contacting the Industrial Board. When contacting the Industrial Board, the name of the employee, the date of injury, and the name of the employer should be given.



If a portion of the award is verified as being designated for medical, legal, or related expenses paid or deducted at the source and is not controlled by the individual, that portion is to be deducted from the amount of the award when determining the amount of the payment that is available to the individual. Refer to sections under IHCPPM 2840.30.

#### **2890.10.50 VERIFICATION OF EDUCATIONAL INCOME**

All student income from educational grants, scholarships, and loans must be verified and documented. For non-MAGI (MED 1, 2, 4) AGs, documentation must include the name of the educational institution and the amounts of any grants, scholarships, and loans; the type of assistance, the dates covered, and expenses covered (earmarked by each source of income). If the income includes grants or scholarships which are not automatically exempt (see IHCPPM 2860.65.00), the school must also verify whether the funds are sent directly to the school or to the student.

If the school receives the educational income directly and the amount exceeds the student's documented educational expenses, a financial aid administrator must be questioned as to whether the school expects to refund the difference to the student at some point. (See IHCPPM 2860.10.00 for additional information on non-exempt educational income.)

Verification may be obtained in writing or by telephoning the school or loan office. A written agreement with the lending institution which contains the necessary dates and that is signed by the individual will also serve as documentation.

For MAGI (MED 3) AGs, only scholarships, awards, or fellowship grants used for non-educational expenses, such as living expenses, are taxable income and are utilized for the calculation of MAGI.<sup>47</sup> The applicant will attest to the income on the application, and the worker will verify the income via electronic sources.

If there are discrepancies between the income information provided by the applicant and the electronic data or electronic data is not available, the worker will request documentation as set forth in IHCPPM 2890.00.00.<sup>48</sup>

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#### **2895.00.00 FOOTNOTES FOR CHAPTER 2800**

1 42 CFR 435.603(d)

2 42 CFR 435.603(d)

3 42 USC 1396a(e)(14)(B) -(C); 42 CFR 435.603(g)

4 42 CFR 435.603; and IRS Form 1040

5 26 USC 32(c)(2)

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6 405 IAC 2-3-3

7 42 CFR 435.603(d)(2)(i)-(ii)

8 IRS Publication 929, Tax Rules for Children and Dependents (2021)

9 IRS Publication 929, Tax Rules for Children and Dependents (2021)

10 IRS Publication 929, Tax Rules for Children and Dependents (2021)

11 20 CFR 416.1102

12 405 IAC 2-3-3; 20 CFR 416.1157

13 P.L. 94-375, Section 2 (h); P.L. 92-213, Section 9; 20 CFR 416.1124 and 1238

14 P.L. 91-646, Section 216; 20 CFR 416.1124

15 P.L. 100-707; 20 CFR 416.1124

16 45 CFR 233.20(a)(1)(II), (MED 2, 3); 405 IAC 2-3-3, (MED 1)

17 45 CFR 233.20; [www.irs.gov/taxtopics/tc607.html](http://www.irs.gov/taxtopics/tc607.html)

18 45 CFR 233.20

19 SSA 1902(f)

20 SSA 1619

21 SSA 402(a)(22); 45 CFR 233.20

22 P.L. 88-525, Section 7(c); 20 CFR 416.1124(b)

23 P.L. 89-642, Section 11(b); 20 CFR 416.1124(b)

24 P.L. 90-302, Section 13(h); 20 CFR 416.1124(b)

25 P.L. 92-258, Section 709; 20 CFR 416.1124(b)

26 26 USC 36B(d)(2)(B)

27 P.L. 104-204