



COMBINED MEDICAID 501-1 Unearned Income

Supersedes: FMA 501-1 (07/01/05), MA 501-1 (01/01/08), Bulletins FMA 54/MA-95 (03/02/09), FMA-67/MA-110 (02/08/12), FMA 68b/MA 111b (08/01/12), FMA 70/MA 113 (11/05/12)

Reference: ARM 37.82.101, .703 and .903; 42 CFR 435.601; 20 CFR 416 Subpart K; P.L. 111-5 ARRA); P.L. 111-148, Section 4108 (PPACA)

Overview: All unearned income the filing unit receives is considered when determining Medicaid eligibility. All unearned income, whether countable or excluded per policy, is entered into the eligibility system.

ADOPTION SUBSIDIES (TITLE IV):

ACA: Excluded

ABD and Family Medically Needy: Countable unearned income to the child.

All Medicaid Programs: Childcare reimbursements received as adoption subsidies are excluded.

ANNUITY PAYMENTS:

Annuities are contracts or agreements that provide periodic payments at regular intervals (i.e., monthly, quarterly, annually, etc.)

ACA: Count all annuity payments.

ABD and Family Medically Needy: Count periodic payments received from an excluded annuity; exclude the payments when the annuity is countable. An annuity cannot be counted as both a resource and income at the same time. **NOTE:** As a condition of eligibility, the annuity must be annuitized and the client must avail themselves of periodic annuity payments.

ASSISTANCE PROGRAMS:

Most federal, state or local assistance paid directly to the household is countable unearned income.

NOTE: Vendor payments from federal, state, or local assistance programs may also be countable. See 'Vendor Payments' and 'In-kind Income' in this section.

ACA: Exclude all assistance program payments, except RSDI. RSDI income is countable unless the RSDI is a child's income, then only countable if the child has other income that would cause them to file a tax return.

ABD and Family Medically Needy: Assistance payments include the following:

1. **SSI** (Supplemental Security Income; also known as Title 16 benefits); excluded for all Medicaid programs except when paid to a community spouse in the nursing home spousal income maintenance allowance calculations.
2. **RSDI** (Retirement, Survivors and Disability Insurance; also known as Title 2 benefits or SSDI; Social Security Disability Insurance Benefits; Social Security Retirement); countable.
3. **SSP** (State Supplemental Payments); excluded except when paid to a community spouse in a nursing home spousal income maintenance allowance calculation.
4. **TANF** (Temporary Assistance for Needy Families) – excluded
Cash assistance – excluded
Supportive Services Payments – excluded
Work Support Payments (WSP) – excluded
Tribal TANF – excluded
5. **BIA** (Bureau of Indian Affairs) **General Assistance** – countable.
6. **Foster Care** - Exclude both child and adult foster care payments.
7. **Community Services Administration** - Exclude payments from the Crisis Intervention Program (CIP) administered by the Community Services Administration.
8. **Energy Payments** -Exclude energy payments made to the household, including LIEAP, Section 8/HUD Utility Payments and Farmer’s Home Administration (FHA) Rent Subsidy Payments.
9. **FEMA Funds** - Exclude Federal Emergency Management Assistance (FEMA) payments related to a disaster (see Disaster Relief in this section). Count FEMA payments made to households to pay for rent, food and utility assistance when there is no major disaster or emergency and the payment can be prospected.

CAPITAL GAINS:

ACA: Countable.

ABD and Family Medically Needy: Countable, when can be prospected (if from sale of personal property or a house and not in the business of buying and selling houses). See ‘Sale of a Resource’ later in this section when paid in installments and see CMA 503-1 for self-employment related capital gains.

CASH SUPPORT ACTUALLY AVAILABLE:

ACA: Count cash support that is actually available to a household member claimed as a tax dependent of an individual not in the filing unit.

ABD and Family Medically Needy: See Gifts and Contributions in this section.

CHARITABLE DONATIONS:

ACA: Exclude cash donations received based on need from one or more private nonprofit organizations.

ABD and Family Medically Needy: Count cash donations received based on need from one or more private nonprofit organizations. See “Fund-Raising Account” in CMA 402-1.

CHILD SUPPORT ARREARAGE:

ACA: Exclude all child support payments; count all alimony payments.

ABD and Family Medically Needy: Count child support payments to the child the payments are intended to support. Count alimony to the ex-spouse the payments are intended to support. See section 500 'Counting Income' to determine how to prospect child support received less often than monthly.

OVERPAID CHILD SUPPORT:

Family Medically Needy: Count the amount received when child support is reduced to repay over-issued child support.

ABD: Child under 18:

- Exclude the payment to the payee and count it to the child (if receiving Medicaid) if payment is passed to the child;
- Count the payment to the payee if the payment is not passed to the child.

ABD: Child over 18:

- Exclude the payment to the payee and count it to the child (if receiving Medicaid) if payment is passed to the child;
- Count the payment to both the child and the payee (entire payment is counted against both the child and the payee) if the payment is not passed to the child.

CONTRACT FOR DEED (CFD):

ACA: Count only the interest portion of a contract for deed payment; the principal portion is excluded.

ABD and Family Medicaid: Count payments received from excluded CFDs. Deduct contract related costs from gross income to determine countable net income. Prorate the net countable income over the period intended to cover.

NOTE: Allowable contract-related costs include: escrow fees, property taxes and insurance. Count the full payment (interest earned and principal) when the contract for deed is an excluded resource.

Exclude the full payment received from a countable CFD. The payment on principal is excluded because it is simply a resource changing form (from CFD to cash), and interest on countable assets is excluded. The unscheduled portion of an early contract for deed payment made on an excluded CFD is income in the month of receipt and a resource thereafter. An early payment received on a countable CFD is considered resource in the month of receipt and thereafter. Scheduled balloon payments are prorated over the period intended to cover.

CONTRIBUTIONS:

Count contributions that can be prospected and cannot be excluded as either a valid loan or irregular/infrequent income. See Gifts later in this section.

DIVIDEND AND ROYALTY INCOME:

Countable.

NOTE: See section 501-2 'Native American Income' for royalties from Indian lands, oil, gas, and timber. Royalties received as part of a trade or business, or as the result of an individual's work being published are countable earned income. All other royalties are countable unearned income.

Income production costs, including production and/or severance taxes, can be deducted from unearned royalties. However, income taxes or windfall profit taxes withheld cannot be deducted. Expenses can only be deducted from earned royalties when the income is derived from a current self-employment business.

Dividend and royalty income is counted when received; recurrent payments may be averaged to prospect future payments.

EDUCATIONAL INCOME:

Excluded when directly related to attendance at an institution of higher education. Count any portion not used for educational purposes (e.g., room, board transportation, etc.).

GARNISHMENT:

ACA: Count the gross income amount.

ABD and Family Medically Needy: Count the gross income amount when unearned income is garnished for something other than an overpayment from the same income source.

ABD and Family Medically Needy: Payment of a legally obligated child support debt is an allowable expense. See CMA 602-1.

See 'Recoupments for Overpayments' in this section if the income is being reduced to repay over-issued income from the same income source.

GIFTS:

ACA: Exclude gifts up to \$14,000 per person per year from the same source (e.g., mom, grandfather, sister, friend, etc.). Count gifts in excess of \$14,000 per person per year from the same source in full.

ABD and Family Medically Needy:

- Exclude irregular or infrequent monetary gifts that cannot be prospected.
- Count monetary gifts that can be prospected. Prorate countable gifts given to the entire household among the household members.

Family Medically Needy: Exclude gifts of money up to \$50 per filing unit member per month. Gifts over \$50.00 per person per month that can be prospected are countable in their entirety.

See also: 'Irregular/Infrequent Income', 'Lump Sum' and 'Contributions' in this manual section.

HOME EQUITY CONVERSION PLAN:

Home Equity Conversion Plans allow a household to borrow money or receive payments against their home's equity value. Reverse Annuity Mortgage Loan Program (RAM) and the Home Equity Conversion **Sale Leaseback** Program are the two most common conversion plans.

Reverse Annuity Mortgage (RAM):

- RAMs are loans against the home's equity value and the income received is excluded.
- Repayment is due when the house is sold, the owners no longer live in the house or when the owners pass away (repayment is taken from the estate.) A copy of the loan agreement is needed to verify when the homeowner will repay the loan.

Home Equity Conversion Sale Leaseback Program:

- Under this program an investor purchases the home and pays the purchase price in a series of payments while leasing the home to the homeowner for a specific period of time; sometimes until death.

ACA: Exclude monthly payments.

ABD and Family Medically Needy: Each sale-leaseback transaction must be reviewed to determine if the proceeds are considered income or a resource.

INTEREST:

ACA: Count all interest received.

ABD and Family Medically Needy:

- Exclude interest earned on a countable resource.
- Count interest earned on an excluded resource.
- Prorate income over period intended to cover.

IRREGULAR OR INFREQUENT INCOME:

ACA: Count or exclude based on income type (e.g. gifts, contributions, etc.)

ABD and Family Medically Needy: Count any amount of income that can reasonably be prospected.

LEASE INCOME:

Count lease income not related to Native American resources. See CMA 501-2 for Native American lease income. Prorate lease income over period intended to cover.

Example: For a six-month lease that is paid only once in the six-month period, prorate the payment over six months beginning with the month of payment. Exclude all periodic lease payments received prior to Medicaid eligibility. Prorate lease payments received during a Medicaid eligibility month over the period intended to cover.

Lease income is considered self-employment only when the client is in the business of buying and selling leases or managing lease property.

LOANS RECEIVED BY HOUSEHOLD:

Exclude all valid loans.

LOAN REPAYMENTS TO HOUSEHOLD:

ACA: Count only the interest portion of the repayment.

ABD and Family Medically Needy:

Exclude the full repayment (principle and interest) of a loan given by the household when the loan is a countable resource.

Count the full loan payment (principle and interest) for a loan excluded as a resource.

LUMP SUM PAYMENTS:

ACA: Count taxable lump sum payments.

ABD and Family Medically Needy: Count lump sum payments that can be prospected, unless received from an excluded source. Payments are countable income in the month received and a resource the following month, if retained.

Examples of lump sum payments include:

- Severance pay or sick leave; (see sections 501-1 and 502-1)
- Income tax refunds;
- Rebates or credit refunds;
- Crop insurance proceeds; (see section 503-1)
- Retroactive Social Security, retroactive SSI, retroactive TANF or Tribal TANF, retroactive Railroad Retirement or insurance settlements;
- One-time or installment lottery payments;
- Windfall or other one-time payments.

MEDICAID INCENTIVES FOR PREVENTION OF CHRONIC DISEASE:

Exclude incentives Medicaid clients receive under the Medicaid Incentives for Prevention of Chronic Disease (MIPCD) Grant Program.

MILITARY ALLOWANCES:

ACA: Exclude Military Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS) and Overseas Housing Allowance (OHA).

ABD and Family Medically Needy: Count Family Subsistence Supplement Allowance (FSSA) and Military BAH payments received by service members or their families.

PAYMENTS TO PROTECTIVE PAYEE:

ACA: Only counted when taxable.

ABD and Family Medically Needy: Exclude money a protective payee receives for the care and maintenance of a third party beneficiary (whether or not included in the protective payee's home). Count any portion the protective payee keeps for their own use as income to the payee. Count the full payment/benefit issued on behalf of a beneficiary to the beneficiary, even if the payee retains a service fee or does not pass the income to the beneficiary. As a condition of eligibility, the client must avail themselves of all income they may be entitled to.

PENSION PAYMENTS:

Count recurring pension payments, including government and Railroad Retirement payments as unearned income.

PLAN FOR ACHIEVING SELF-SUPPORT (PASS):

Exclude income paid to an SSI recipient under a PASS during the period the PASS is effective.

RECOUPMENT FOR PRIOR OVERPAYMENTS:

ACA: Count the gross amount

ABD and Family Medically Needy: Count the net amount, after the repayment is taken, when money is withheld to repay a previous overpayment from the same source.

See Garnishments in this section for recoupments unrelated to an overpayment from the same source.

REIMBURSEMENTS:

Exclude reimbursements that do not exceed actual expenses. Count any amount received that exceeds actual expenses. Review reimbursements for normal living expenses (i.e., mortgage, rent, clothing, food eaten at home) under 'Contribution' or 'In-Kind Income' policy. These payments cannot be excluded as reimbursements as they provide a benefit to the client.

Excluded reimbursements include, but are not limited to:

1. Exclude reimbursements provided over and above basic wages for job or training-related expenses (i.e., travel, per diem, uniforms and transportation to/from job or training site). However, these expenses, if not reimbursed, are not otherwise deductible. Exclude reimbursements to migrant workers for travel expenses.
2. Reimbursement of a volunteer's out-of-pocket expenses incurred in their voluntary work;
3. Dependent care and medical reimbursements including VA reimbursements for 'Unusual Medical Expenses';
4. Reimbursements the household receives to pay for services provided by Title 20 of the Social Security Act.
5. Renters Credit or Homeowners Credit.

RENTAL INCOME:

Count as unearned income rental income and rental partnership income when the client is not materially participating in the rental operation and decision-making a minimum of 10 hours per week. Allowable expenses of producing the income (property tax, mortgage interest payment, etc. See CMA 503-1) are deducted to determine net countable income.

SALE OF A RESOURCE:

ACA: Any gain received from selling a resource is a capital gain and is taxable.

All Medicaid Programs: When income from the sale of a **personal** resource is received in **installment payments**, the payments minus cost of doing business are countable income.

ABD and Family Medically Needy: Exclude installment payments received on loans/contracts that are countable resources. Count the entire installment payment as income when received on an excluded sale/loan.

Example: Joe sells his trailer for \$1,000. He receives a down payment of \$300 with the \$700 balance to be paid in \$100 monthly installments. If he can readily liquidate the installment contract, the \$700 balance is a countable resource, and the monthly payments are excluded. If he cannot easily liquidate the installment contract (e.g., language states it cannot be sold) the contract is an excluded resource but the \$300 down payment and \$100 monthly payments are counted, in their entirety.

ABD and Family Medically Needy: When proceeds from the sale of a **personal** resource are received in **ONE payment** the payment is not considered income but instead a resource in the month received (the resource has simply changed forms).

See section 503-1 'Capital Gains' for sale of **self-employment resources**.

SETTLEMENTS AND RESTITUTION PAYMENTS:

Agent Orange: Exclude payments made under the Agent Orange Compensation Act (P.L. 101-201).

NOTE: Count Veteran's benefits paid to veterans with service-connected disabilities resulting from exposure to Agent Orange (P.L. 102-14)

Asbestos: Count monies received from an asbestos settlement or lawsuit the earlier of when available or when received.

Cobell et al vs. Salazar: Exclude payments derived from this settlement (P.L. 111-5)

Crime Victim Compensation: Exclude all payments received under this program.

Disabled Children of Female Vietnam Veterans: Exclude payments the VA makes to disabled children (now adults) of females who served in Vietnam between February 1961 and May 1975.

Disaster Relief Act: Exclude payments issued as a result of a presidentially-declared emergency or major disaster as defined in this Act. See 'FEMA' in this section.

Factor VIII or IX Concentrate Blood Products Litigation, MDL 986 (No. 93-C-7452, Northern District of Illinois): Exclude settlement payments made as a result of the class action lawsuit to hemophilia patients infected with HIV (Human Immunodeficiency Virus) through blood plasma products.

Keepseagle vs. Vislack – Settlement of Tribal Trust Accounting and Management Lawsuits: Count settlement payments in the month received, when they can be prospected.

Nazi Persecution Victims: Exclude restitution made to individuals because of their status as victims of **Nazi Persecution** (P.L. 103-286).

Nez Perce et. al. v. Salazar – Settlement of Tribal Trust Accounting and Management Lawsuits: Exclude payments derived from this settlement.

Radiation Exposure Compensation Act: Exclude payments received under this Act (P.L. 101-425)

Spina Bifida: Exclude payments made to children of Vietnam veterans for disabilities resulting from spina bifida. (P.L. 104-204)

Susan Walker V. Bayer Corporation, et al, 96-C-5024 (Northern District of Illinois): Exclude payments made from any fund established pursuant to this class settlement and payments made pursuant to a release of all claims in a case that was entered into in lieu of the class settlement and that was signed by all affected parties in such case on or before December 31, 1997.

Uniform Relocation Assistance: Exclude payments made under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

Wartime Relocation of Civilians: Exclude “Wartime Relocation of Civilians” payments made to U.S. citizens of Japanese ancestry, resident Japanese aliens and eligible Aleuts under Title I of P.L. 100-383 or the Civil Liberties Act of 1988.

SICK LEAVE/ VACATION PAY:

ACA: Sick leave or vacation paid after job termination is severance pay (earned income).

ABD and Family Medically Needy: Sick leave paid out more than six months after job termination is countable unearned income. Sick leave paid out within six months of job termination is countable earned income in the month received.

All Medicaid Programs: Sick leave or vacation pay received while still employed is wages.

ABD and Family Medically Needy: Vacation paid after job termination is severance pay (earned income). See CMA 502-1 for earned income types.

SOCIAL SERVICES:

Exclude benefits received from complimentary social services assistance programs such as Ryan White CARE Act Programs (P.L. 101-381 & 104-146), Habitat for Humanity, WIC, LIEAP, Weatherization, HUD/Section 8 utility payments, Farmers Home Administration rent subsidies and Children’s Special Health Services.

SPONSORED ALIENS:

ACA: Exclude income from a sponsor who is unrelated to the sponsored alien. Count cash support actually available to the alien when the alien is claimed as a tax dependent on the sponsor's taxes.

ABD and Family Medically Needy: Count the amount deemed from the sponsor to the sponsored alien. See 603-3 for deeming.

STRIKER INCOME:

Count union-paid income (for participating in a picket line) as unearned income. Wages received while picketing are earned income.

SUBSIDIZED GUARDIANSHIP:

Exclude subsidized guardianship payments.

TAX REFUND/CREDIT:

ACA: Exclude Federal Income Tax refunds and Earned Income Tax Credit payments; Count State Income Tax refunds included on State Income Tax returns.

ABD and Family Medically Needy: Exclude State and Federal income tax refunds and Earned Income Tax Credit payments.

Exclude the following tax credits:

- Child Tax Credit; and
- Renters/Homeowners Credit

TEMPORARY DISABILITY INSURANCE:

ACA: Exclude disability payments paid through Workers' Compensation. Count payments paid through an employer (considered disability payment when received prior to retirement age, and pension income once reach retirement age).

ABD and Family Medically Needy: Countable, unless a reimbursement for specific costs.

UNEMPLOYMENT COMPENSATION:

Countable.

NOTE: Count the gross amount when child support or taxes are taken out unemployment payments. The child support may be an allowable deduction.

VENDOR PAYMENTS (AKA IN-KIND):

Benefits received in a form other than cash. Vendor payments/benefits can be earned or unearned and may be for food and/or shelter costs. Vendor payments may be paid directly to the household's creditors or to a person/entity providing services to the household. Income or money obligated to the household from any source, even if diverted to an outside entity is considered available. See 'Bartering'

in Section 503-1 for policy regarding in-kind services exchanged between two or more self-employment businesses.

ACA: Exclude vendor payments/in-kind income, unless it is taxable. Count taxable vendor/in-kind income.

ACA Exception: Special rules apply to clergy; exclude income designated for housing that is included in their pay.

Family Medically Needy: Excluded. Unearned vendor payments/in-kind income is food or shelter given to the household with no requirement to work. However, evaluate to determine if it is a contribution (e.g., the client is receiving money to buy groceries or pay rent).

ABD: Count as vendor payments/in-kind income only those vendor payment/in-kind benefits received in the form of food or shelter or as something that can be used to get food or shelter (e.g. Walmart or other prepaid card that can be used to buy food)

ABD: Earned vs. Unearned Vendor/In-Kind Income

Earned: Vendor/In-kind benefits (food or shelter) provided to an employee who has the option of either receiving in-kind benefits or increased wages.

Unearned: Vendor/In-kind benefits (food or shelter) provided to an employee on the employer's premises as a condition of employment and/or for the employer's convenience.

ABD Vendor/In-kind Benefit Value

When vendor/in-kind benefits are received in the form of food and/or shelter, the value is determined as follows:

One-third value reduction provision (all food and shelter): Consider unearned vendor/in-kind income equal to 1/3 the individual or couple categorically needy income standard when an individual/couple receives all food and shelter from:

1. Other household members while living in another person's household throughout a month; or
2. Others outside their household while living in their own home.

Presumed Maximum Value (PMV) rule (food or shelter): Vendor/in-kind benefits for food OR shelter are valued using the PMV rule. Apply the PMV rule to situations such as, but not limited to an individual/couple:

1. Lives rent-free in a residence separate from other households;
2. Receives food;
3. Receives any other food or shelter from a third party.

The PMV is the lesser of:

1. One-third the individual or couple (as appropriate) categorically needy income standard amount (see ABD 007); plus \$20, or
2. The actual value of the food or shelter contributed (if proof is provided).

ABD and Family Medically Needy: Vendor/in-kind income is not included in any deeming process.

Example: Ken works at the Q&C ranch. He is required to live on the ranch property; the rental value is \$350. Ken is applying for ABD Medicaid for his wife. The PMV or rent value is entered as Ken's unearned income. If Ken has the option of living on the ranch or renting in town (at his employer's expense), the rental value is countable earned income. Exclude unearned vendor payments for goods and services other than food and shelter when made with funds not owed to the household (e.g., grandmother buys clothes for her grandchildren).

Count the following vendor payments:

- Money legally owed/payable to the household that are diverted to a third party for household expenses;
- Court-ordered support or alimony payments diverted to a third party for household expenses;
- Rent or mortgage payments made to landlords or mortgagees through County or BIA General Assistance.

ABD: Count the value of food and/or shelter received when paid via vendor payment.

VETERANS BENEFITS:

Veterans may receive a variety of VA benefits, including retirement, pensions and compensation. Veteran's compensation is paid to certain veterans who are disabled as a result of their military service. Veteran's pensions are paid to wartime veterans with limited income who are no longer able to work or are age 65 or older.

ACA: Exclude all payments received from the VA.

ABD and Family Medically Needy: Count Veteran's benefits other than VA A&A.

Exclude VA A&A as income, instead VA A&A is treated as third party liability available to reduce:

- the cost of care in the nursing home, or,
- medical expenses for veterans living in the community or an Assisted Living Facility.

NOTE: For medically needy cases, reduce the veteran's medical expenses by the A&A amount; apply remaining medical expenses to the spend down. Exclude VA pensions of \$90 or less in post eligibility treatment of income/ patient liability for institutionalized veterans.

NOTE: Veterans are allowed the \$50 personal needs allowance in addition to the \$90 VA exclusion.

WORKERS' COMPENSATION:

ACA: Generally excluded. Exception is if the workers comp reduces the amount of a Social Security RSDI payment, the amount by which the RSDI payment is reduced is countable income. It may be necessary to contact SSA directly to obtain the details of this situation for a non-filer.

ABD and Family Medically Needy: Countable. Count the gross amount when attorney fees are deducted from Workers' Compensation payments.

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