



TANF 501-1 Unearned Income

Supersedes: TANF 501-1 (1/1/06)

Reference: ARM 37.78.402, .416 and .421

Overview:

All unearned income received by the filing unit is considered when determining eligibility for TANF cash assistance. All unearned income, whether countable or excluded according to policy, is entered on CHIMES.

ADOPTION SUBSIDIES (TITLE IV):

Title IV adoption subsidies are intended to pay for general living expenses and are countable unearned income to the child.

ALIMONY:

Alimony payments are countable and counted against the ex-spouse the payments are intended to support.

ANNUITY PAYMENT:

Annuities are contracts or agreements that provide for the payment of annuitized income at regular intervals. Code based on the source of the annuity.

The annuity is an excluded resource if payments are being made, but the payments may be countable unearned income.

If the individual is not legally prohibited from receiving annuity payments, they must avail themselves of the payments as a condition of eligibility.

ASSISTANCE PROGRAMS:

All federal, state, or local assistance paid directly to the household may be countable or excluded unearned income depending on the source.

Assistance payments include the following:

1. Supplemental Security Income (SSI; also known as Title XVI benefits); excluded.
2. Retirement, Survivors and Disability Insurance (also known as Title II benefits); countable.
3. State Supplemental Payments (SSP); excluded.
4. Bureau of Indian Affairs (BIA) General Assistance; countable.
5. TANF cash assistance received in another state; countable.

CAPITAL GAINS:

Capital gains from the sale of personal property or a house, when not in the business of buying and selling houses, if payment is made in a lump sum, see 'Sale of a Resource'.

Refer to 'Sale of a Resource' in this section if payment is made in installments instead of a lump sum.

Refer to 'Capital Gains' for the sale of self-employment property.

CHARITABLE DONATIONS:

Cash donations based on need received by the household from one or more private nonprofit organizations are countable.

CHILD CARE BLOCK GRANT:

Child care payments paid to the parent whose child is receiving care are excluded because the parent is obligated to give the payment to the child care provider.

The payment is countable earned income from self-employment when a required filing unit member is the service provider.

CHILD SUPPORT:

Child support income is countable when:

1. An applicant keeps the child support received prior to the initial authorization of TANF cash assistance; and
2. CSED is aware the household receives TANF cash assistance and sends payment directly to the filing unit.

Child support is excluded when:

1. A household is required to turn the child support over to CSED; and
2. A child support arrearage is paid in a one-time payment because it is considered a lump sum.

CHILD SUPPORT SUPPLEMENT PAYMENTS:

Child Support Supplemental Payments (CSSP) are excluded income.

CONTRIBUTIONS:

Income received from an outside source that can be anticipated, but cannot be otherwise excluded as a valid loan, is considered a contribution to the household and is countable.

CRIME VICTIM COMPENSATION:

Payments received under this program, regardless of the circumstances of payment, are excluded.

DISASTER RELIEF ACT:

Payments issued as a result of a presidentially declared emergency or major disaster as defined in this Act as amended, are excluded. This exclusion applies to Federal assistance provided to individuals directly affected and to comparable disaster assistance provided by states, local governments, and disaster assistance organizations.

DIVIDEND and ROYALTY INCOME:

Dividend and royalty income are countable because they are a gain or benefit to the household.

Royalties include compensation paid to the owner for the use of property, copyrighted material, or natural resources.

Royalties are unearned income unless they are received as part of a trade or business or when received by an individual in connection with any publication of his/her work under which circumstances the royalties are considered countable earned income.

Payments for the use of natural resources must be received under an agreement whereby the owner authorizes another to manage and extract the product and receives an amount that is dependent on the amount of product actually extracted in order to be considered royalties.

The cost of producing the income can be deducted from unearned royalties. These costs include production and/or severance taxes, but do not include income taxes or windfall profit tax deductions withheld. Expenses can only be deducted from earned royalties if the income is derived from a current self-employment business.

Dividend or royalty income is counted when it is received and cannot be averaged (prorated) over period of intended use. However, payments can be averaged to determine the best estimate of the next payment.

EDUCATIONAL INCOME:

Educational grants, loans, scholarships, and VA education payments that are directly related to the individual's attendance at an institution of higher education are excluded.

ENERGY PAYMENTS:

Energy payments made to households are excluded. These include: Section 8/HUD Utilities Payments, LIEAP payments and Farmer's Home Administration (FHA) Rent Subsidy Payments.

FEMA FUNDS:

Federal Emergency Management Assistance (FEMA) funds, which are made to households to pay for rent, food and utility assistance when there is no major disaster or emergency, are countable, when they can be prospected.

When FEMA pays the rent directly to the landlord, the amount is considered a vendor payment.

FOSTER CARE:

Foster care payments made for a child who is not included in the filing unit are excluded. A caretaker relative cannot receive foster care payments and TANF cash assistance for the same child for the same month.

GARNISHMENT:

Count the gross income to determine benefits if unearned income is garnished for a purpose not related to an overpayment from the same income source.

Payment of a legally obligated child support debt is an allowable expense.

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

GIFTS:

Monetary gifts to the household are generally excluded for TANF cash assistance. The exclusion is usually due to the inability to prospect the income.

Gifts of money up to \$50 per filing unit member per month are excluded. Gifts over \$50.00 per person per month, which can be prospected are countable in their entirety.

Countable gifts given to an entire household are prorated among the household members.

HOME EQUITY CONVERSION PLAN:

There are several variations of Home Equity Conversion Plans that allow households to borrow money or receive payments against the value of their home. The most common conversion plans are either a Reverse Annuity Mortgage Loan Program (RAM) or a Home Equity Conversion Sale Leaseback Program. A case-by-case review must be made to determine if the money is countable unearned income or an excluded loan due to variations in the programs.

Reverse Annuity Mortgage:

Payments received from a Reverse Annuity Mortgage loan program (RAM) are considered a loan. Therefore, they are excluded income.

Generally repayment will begin when the:

1. house is sold;
2. owners no longer occupy the house; or
3. owners die and repayment is taken from the settlement of the estate.

Home Equity Conversion Sale Leaseback Program:

Under this program the house is sold to an investor who pays the homeowner the purchase price in a series of payments and gives the homeowner a lease to live in the home for a specific period of time, sometimes until death. Payments received in one (1) month are a resource in the month received. Monthly payments are countable unearned income to the household.

INCENTIVES:

Incentives are countable if able to be prospected.

Clients enrolled in a TANF Education Pays program may not receive TANF cash assistance in the same month.

INCOME TAX REFUND/CREDIT:

Income tax refunds are excluded.

Earned Income Tax Credit payments received either as an advance payment or as a refund are excluded earned income.

INDIVIDUAL DEVELOPMENT ACCOUNTS (IDAs):

Only earned income can be deposited into an IDA. Before being deposited, the earnings are counted as wages. Therefore, when funds are withdrawn, for whatever reason, they are not considered income to the household because they have already been counted.

Interest earned on the IDA is excluded.

IN-KIND INCOME:

Unearned in-kind income is food or shelter provided to a household that is not given in exchange for work. This is considered excluded income. However, it must be evaluated to determine if it is a contribution.

INTEREST:

Interest earned on a countable resource is excluded as income.

Interest earned on an excluded resource is countable as income.

Countable interest income is counted when it is received and cannot be averaged (prorated) over period of intended use. However, payments can be averaged to determine the best estimate of the next payment.

IRREGULAR OR INFREQUENT INCOME:

Any amount of income that can be reasonably prospected is counted.

LEASE INCOME:

Lease income that is unrelated to Native American resources is countable.

Prorate expected income over the period of time it is intended to cover.

When the filing unit is in the business of buying and selling leases or managing lease property, the income is considered self-employment.

LOANS RECEIVED BY HOUSEHOLD:

All valid loans, including loans from private individuals as well as commercial institutions are excluded.

All loans received, other than deferred repayment educational loans, are considered resources since they are available as liquid resources until the money from the loan is spent.

Verification of a valid loan: The agreement can be written or oral but repayment cannot be contingent on the occurrence of an uncertain event.

LOAN REPAYMENTS TO HOUSEHOLD:

When a loan previously given by the household is counted as a resource, repayment of the loan is excluded and only the interest is counted.

When a loan previously given by the household is excluded as a resource, the full payment of principle and interest is counted as income.

LUMP SUM PAYMENTS/ WINDFALL:

Nonrecurring lump sum payments are excluded income.

MILITARY ALLOWANCES:

A Family Subsistence Supplemental Allowance (FSSA) is paid to certain service members and their families, if determined eligible by the Department of Defense. The amount of FSSA is shown on the member's Leave and Earnings Statement.

The Military Basic Allowance for Housing (BAH) is one (1) monthly payment, replacing the Variable Housing Allowance (VHA), and Basic Allowance for Quarters (BAQ). The BAH is based on civilian rental costs by pay grade, dependency status, and housing compensation based on comparable civilian costs of housing.

FSSA and BAH allowances are considered countable unearned income.

NATIONAL SCHOOL LUNCH PROGRAM or NUTRITIONAL PROGRAM for the ELDERLY:

The value of assistance to children and elderly under these Acts is not income and is not required to be listed on CHIMES.

PAYMENTS TO PROTECTIVE PAYEE:

Monies received and used for the care and maintenance of a third party beneficiary (adult or child) who is not a member of the protective payee's household, are excluded as income for the protective payee.

As a condition of eligibility, applicants/clients must take necessary steps to obtain all income to which they may be entitled. Therefore, the amount intended for the beneficiary is counted against the beneficiary even if they are not actually receiving the income from the protective payee.

PENSION PAYMENTS:

Recurring payments from pension plans are countable unearned income.

PLAN for ACHIEVING SELF-SUPPORT (PASS):

Income paid to an SSI client under a plan for achieving self- support is excluded.

REIMBURSEMENTS:

Reimbursements for past or future expenses unrelated to normal living expenses, are excluded to the extent they do not exceed actual expenses and do not represent a gain or benefit to the household.

Reimbursements for normal living expenses are a gain or benefit and are not excluded as a reimbursement. These exchanges should be evaluated under other income categories such as contributions or in-kind income on a case-by-case basis.

Reimbursements for childcare in the form of adoption subsidies are countable income. Actual dependent care expenses are allowed as a disregard up to the maximum limit.

RENTAL INCOME:

Rental self-employment income and rental partnership income where the individual is not actively participating in the business at least 20 hours per week is considered unearned self-employment income and is countable.

SALE OF A RESOURCE:

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

When the contract is counted as a resource, only the interest portion of the installment payment is counted as income.

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.

SETTLEMENTS & RESTITUTION PAYMENTS:

Agent Orange: Payments made under the Agent Orange Compensation Act (P.L. 101-201) are excluded. Payments of Veteran's benefits to veterans with service-connected disabilities resulting from exposure to Agent Orange are not excluded.

Asbestos: Funds received from an asbestos settlement or lawsuit are countable the earlier of when available or when received.

Disabled Children of Female Vietnam Veterans: Payments or restitution made by the VA to disabled children (now adults) of females who served in Vietnam between February 1961 and May 1975 are excluded.

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

Nazi Persecution Victims: Restitution made to individuals because of their status as victims of Nazi Persecution under P.L. 103-286 is excluded.

Radiation Exposure: Radiation Exposure Compensation Act payments are excluded. (P.L. 101-425)

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

Susan Walker V. Bayer Corporation, et al, 96-C-5024 (Northern District of Illinois): 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 are excluded.

Wartime Relocation of Civilians: Payments of "Wartime Relocation of Civilians" made to certain U.S. citizens of Japanese ancestry, resident Japanese aliens, and certain eligible Aleuts under Title I of PL 100-383 or the Civil Liberties Act of 1988 are excluded.

SEVERANCE PAY SICK LEAVE/ VACATION PAY:

Severance pay is considered earned income.

When sick leave or vacation pay is received while still employed it is earned income.

Vacation pay received after employment termination is treated as severance pay.

Sick leave pay received after employment termination is countable earned income in the month received.

When sick leave pay is received as a lump sum after employment termination, it is excluded.

SPONSORED ALIENS:

All sponsor income is entered on CHIMES and deemed to the eligible alien.

STRIKER INCOME:

If a required filing unit member is on strike, the family would not be eligible for TANF cash assistance.

SUBSIDIZED GUARDIANSHIP:

Subsidized guardianship payments made for a child who is not included in the filing unit are excluded. A caretaker relative cannot receive subsidized guardianship payments and TANF cash assistance for the same child for the same month.

SUPPORTIVE SERVICE PAYMENTS:

Supportive services payments made to clients through the TANF cash assistance program are excluded.

TEMPORARY DISABILITY INSURANCE:

Income is countable to the extent it is not a reimbursement for specific costs and is paid directly to the household.

TRUST FUNDS:

Dividends, interest, rents and other income generated by a trust fund, unless otherwise excluded, that can be paid to the beneficiary or reinvested in the trust are countable income in the month they become available, regardless of whether the income is actually paid out to the beneficiary.

Monies withdrawn from the principal of an inaccessible trust fund, unless otherwise excluded, are countable income in the month received.

Monies withdrawn from the principal of an accessible trust fund are excluded as income because an accessible trust fund is a countable resource.

Monies received and used for the care and maintenance of a third party beneficiary (adult or child) who is not a member of the trustee's filing unit are excluded as income for the trustee.

UNEMPLOYMENT COMPENSATION:

Unemployment compensation payments are countable. MISTICS (Department of Labor and Industry) can verify unemployment benefits.

If taxes or child support are taken out of the unemployment payment, count the gross amount before these deductions. When it is appropriate, allow the child support deduction.

UNIFORM RELOCATION ASSISTANCE:

Payments made under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 are excluded.

VENDOR PAYMENTS:

An unearned payment made in money on behalf of a household is considered a vendor payment when an individual or organization, outside of the household, uses its own funds to make a direct payment to the household's creditors or to a person organization providing a service to the household. Most unearned vendor payments are excluded.

Payments made by a government agency to a childcare provider for a household member's childcare expenses are also excluded as vendor payments. The dependent care deduction must be adjusted accordingly.

Some exceptions that are countable income are as follows:

1. Money legally obligated or otherwise payable to the household but is diverted by the provider of the payment to a third party for a household expense;
2. Money deducted or diverted from a court-ordered support or alimony payment to a third party for a household expense because the payment is taken from money which is owed to the household; or
3. All or part of a TANF cash assistance or Tribal TANF payment normally provided in a money payment to the household but is diverted to a third party or a protective payee for purposes such as managing the household's expenses.

VETERANS ADMINISTRATION:

Payments from the Veterans Administration, retirement or disability payments are countable.

VETERANS AID AND ATTENDANCE:

Payments from the Veterans Administration for Aid and Attendance are countable.

WEATHERIZATION:

Federal, state or local one-time payments for weatherization and replacement or repair of heating or cooling devices are excluded.

WOMEN, INFANTS and CHILDREN (WIC):

The value of assistance to children under the Supplemental Food Program for Women, Infants and Children (WIC) is excluded and is not entered on CHIMES.

WORKER'S COMPENSATION:

Workers' Compensation payments are countable.

If attorney fees are being taken from the Workers' Compensation bi-weekly payments, the gross amount is counted as income, as it is legally obligated and otherwise payable to the client.

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