Leave and Severance Pay

This section includes information about income received as leave or severance pay.

Policy

Leave pay includes, and is not limited to, ***any*** of the following:

- Vacation pay
- Sick pay
- Severance Pay(g)
- Bereavement pay
- Maternity pay
- Paid FMLA(g)
- Paid military leave
- Disability pay when paid by the employer instead of sick pay
- Short-Term and Long-Term Disability Payments that are paid through the employer

  NOTE When Short-Term and Long-Term Disability Payments are paid through an insurance company, see Insurance Payments.

Used leave pay received while the participant is still employed or on the final paycheck is countable as earned income.

Unused leave pay received after the participant has terminated employment is countable as ***any*** of the following in the month in which it is received:

- For NA, when leave pay is received in installments or recurring payments, it is considered as unearned income.
- For NA, when severance pay or unused leave pay is paid as a one-time nonrecurring lump sum payment after the final paycheck, it is considered a resource in the month it is received.

(See Lump Sum Resources for additional information.)

- For CA, as earned income.

Countable income is used to determine an income budget. (See Income Budgeting to see how FAA determines the income budget.) FAA needs to know about income that is both countable and not countable to determine whether a budgetary unit’s expenses are exceeding their income. (See Income Eligibility for more information about how FAA uses countable and not countable income.)

Procedures

When the participant is present, have them sign the Authority to Release Information (FAA-1765A) form to contact any companies or businesses involved. The FAA-1765A can be faxed or emailed to the participant's employer when it is not possible to use the Application for Benefits (FAA-0001A) or the HEAplus Authority to Release signed statement.

Determine whether the leave pay is from a current employer or a terminated source.

When the leave pay is from a terminated source, clarify with the participant whether any of the leave amount is unspent. Unspent leave pay is countable as a lump sum resource for the month after it is received and ongoing months. Document the reason for the lump sum resource amount so the unspent amount can be reviewed during the next renewal.

See Income Budgeting for budgeting procedures.

Documentation must support determinations of eligibility and benefit level. Document in sufficient detail to ensure that any reviewer can assess whether the determination is reasonable and accurate. Include specific information regarding the reason the income is determined to be reasonably expected to continue. (See Budgeting Income Documentation Requirements for additional information.)

Verification

System interfaces and the case file(g) must be reviewed before verification is requested. No additional verification is needed when AZTECS interface or HEAplus hubs have verified the information.

The participant has the primary responsibility for providing verification. (See Participant Responsibilities – Providing Verification for additional policy.)

For NA, income is required to be verified for ***all*** of the following before eligibility is determined:

- When reported on a new application, during the interview of a new application, or changes reported before the eligibility determination of a new application.

- For changes reported after an eligibility determination of a new application (e.g., a renewal application, mid approval contact, etc.) and ***any*** of the following apply:

    The source of the income has changed.

    The income is questionable(g) or unclear(g).

    The reported income amount has changed by $51 or more.

    The previous verification in the case file is more than 59 calendar days(g) old.

For CA, all income is required to be verified before determining eligibility.

Examples of verification that can be used for leave and severance pay include, and are not limited to, ***any*** of the following:

- System interface(g) when the participant agrees that the information is accurate.
- A copy of a paycheck stub.
- Copy of checks when the gross earnings are listed.
- A printout from a third-party payroll verification source provided by the participant.
- Third-party payroll verification sources when the employer uses the verification source as its legal agent to provide payroll services or respond to inquiries about employee records. (See Third-Party Payroll Verification Sources(g) for FAA approved sources, additional information, and instructions for requesting additional sources.)
- A New Employment Verification (C005) notice that is completed, dated, and signed by the employer or their payroll authority. To be considered complete, the statement has to include ***all*** of the following:

  Name, address, and telephone number of the employer

  Gross pay for the periods needed

  Frequency of pay (e.g., weekly, monthly, quarterly, etc.)

  Day of the week or day of the month pay is received (e.g., Fridays, 5th and 20th of the month, first of the month, etc.)

  Any expected change in pay

- For new or current employment verification, a completed Verification of New/Current Employment (FAA-0053A) form that includes a date and the signature of the employer or their payroll authority.
- For terminated employment verification, ***any*** of the following completed items that include a date and the signature of the employer or their payroll authority:

  Verification of Terminated Employment (FAA-1701A) form

  Verification of Terminated Employment (C019) notice

- Letter from the agency providing government-sponsored training.
- Leave and Earnings Statement (LES) from the military.
- A collateral contact with the employer or their payroll authority.

  NOTE Collateral contact is not used when contacting the employer would jeopardize the participant's employment or when the employer does not accept telephone verification.

NOTE Many companies do not allow verification over the telephone. When an FAA-0053A or FAA-1701A must be completed by ***any*** of the following, see the company's contact information to determine where FAA staff must send the form:

- Wendy's Employment and Wage Contact Information
- Solutions Staffing Employment and Wage Contact Information

AZTECS Keying Procedures

When the used leave pay is received during current employment or the final paycheck, key the leave pay together with the wages using the appropriate Income Type Code. (See Income Types for keying information.)

When the unused leave pay is from a terminated source of employment complete ***one*** of the following:

- In the month received, key the leave pay on ***any*** of the following:

  For NA, depending on how often received, the leave pay is keyed in ***one*** of the following ways:

  - When received in installments, key the LE FS Unearned Income Type Code on UNIN or UNIC.
  - When received as a one-time nonrecurring lump sum payment, key the LS Liquid Assets Code on LIAS.

  For CA, key the LT Earned Income Type code on EAIN.

- In the month after the month the leave pay amount is received and ongoing months, key the unspent leave pay amount as a lump sum on LIAS using the LS Liquid Assets Code.

Document the case file(g) thoroughly to support keyed codes, amounts, and frequencies. See the AZTECS Data Entry Guide for instructions on keying the AZTECS income screens.

Legal Authorities

AAC R6-12-501

A.R.S 46-292-P01

7 CFR 273.9(b)(1)(i)

7 U.S.C. 2014(d)

Prior Policy

last revised 10/27/2025 effective 09/02/2025