A Income Eligibility Requirements

This section discusses financial guidelines used to determine income eligibility.

Policy

Eligibility for benefits is determined using the circumstances of each budgetary unit. When participants receive income, income eligibility is determined using federal and state laws, regulations, and guidelines.

The Federal Poverty Level (FPL) standards are used to calculate budgets to determine eligibility for FAA programs. The maximum gross monthly income limits are set using specified percentages of the FPL. For more information on income standards, see FPL Income Standards.

The income of each budgetary unit member is reviewed and budgeted to determine whether the income of the budgetary unit is within the applicable rules and regulations.

The type of income a participant is receiving determines whether the income is countable or not countable. A budget is completed to identify the countable income used to complete the gross and net income tests. Gross and net income tests are performed to determine income eligibility.

For more information regarding income limits and income tests, see Determining Benefits.

Special consideration to the income of a participant(g) who is in the budgetary unit but whose needs are not included in the budgetary unit is outlined in ***any*** of the following and applies all types of income:

- Disqualified NA Participants Effect on the NA Benefit Amount
- Whose Income Effects the CA Benefit Amount

NA Income Eligibility

The U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) provide guidelines and income eligibility standards to be used by State agencies in determining the income eligibility of persons applying to participate in the NA program.

A budget is completed to determine gross and net income. A budgetary unit's gross and net income has to be equal to or less than the appropriate income standards. For more information on determining eligibility and income limits for NA, see Determining NA Benefits.

CA Income Eligibility

CA income standards contain information on income maximums, need criteria, and payment standards.

Under Title IV-A of the Social Security Act, federal funds are available in block grants to states for the purpose of providing temporary CA to needy families with eligible

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dependent children.

The countable income of the budgetary unit cannot exceed the applicable payment standard. For more information on determining eligibility and income limits for CA, see Determining CA Benefits.

Earned Income

Earned income is received as wages, salaries, commissions, or profit. Earned income may be received through employment or self-employment and is countable or not countable according to program policies that may differ.

Gross earned income before deductions is counted, unless otherwise specified, when determining eligibility for benefits. Gross income means income before any deductions such as income taxes, Social Security taxes, insurance premiums, charitable contributions, bonds etc.

For more information on the different types of earned income and whether income is countable or not countable, see Income Types. When a type of income is not listed in earned income types, see wages and salaries. For information on deductions from income, see NA Income Deductions and CA Earned Income Deductions.

Unearned Income

Unearned income is income received from sources other than ***any*** of the following:

- Employment Income
- Self-Employment Income
- Nonmonetary or In-Kind Income
- Educational Income

The source of the unearned income determines whether the income is countable or not countable.

All income available to the budgetary unit is considered when determining eligibility.

Self-Employment Income

Self-employment is defined as working for oneself rather than working for an employer. Participants who are self-employed generally file federal income tax returns that identify their self-employment status. Self-employment income is reduced by a standard deduction when there are allowable self-employment expenses. (For information on self-employment expenses, see self-employment expense deduction and allowable self-employment expenses.)

Self-employment may include, and is not limited to ***all*** of the following situations:

- Income received directly from one's own business, a sole proprietorship, as an independent contractor, or as a member of a partnership.
- Income received from odd jobs or from irregular and varied activities.
- Income received from providing services.

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- Income received from selling or reselling goods, including personal property and items purchased for the purpose of resale.
- Income received from working for others on a commission or piecework basis.

When determining whether income meets the self-employment definition, FAA considers all factors relating to the income source. The factors to consider, include and are not limited to ***all*** of the following:

- The participant's intention is to make a profit or produce income as a regular occupation.
- The participant uses the income for their livelihood.
- The participant represents to others as being engaged in a business of selling goods or providing a service.
- The participant is available to take on additional clients.
- The participant has documentation that supports their claim of self-employment.
- The participant is a member of a business or trade association.
- The participant does not have an employer - employee relationship. (See Wages and Salaries for additional information on an employer - employee relationship)

When a participant does not meet the definition of self-employment, see Income Types.

Allowable Self-Employment Expenses

The participant is eligible for the self-employment expense deduction amount when one allowable self-employment expense is verified.

Self-employment income due to farming uses actual expenses and has special budgeting procedures. (See Farming Income for more information)

The allowable self-employment expenses include, and are not limited to ***all*** of the following:

- Actual Transportation Costs or the Mileage Standard
- Bills for cleaning costs and maintenance of business location and necessary equipment
- Business related insurance premiums
- Costs of operating machinery or equipment
- Costs of stocks or inventories
- Identifiable rent and utilities that cannot be allowed in the participant's shelter deduction, as they are associated with a business location

  NOTE When rental property used in the business does not have a separate meter, utility expenses may be used to determine the cost of doing business.

- Interest and principal paid on the purchase of ***any*** of the following:

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Business property

Capital assets (Considered Capital Gains)

Equipment

Income producing real estate property

Machinery

Other durable goods

- Interest paid on income producing property
- Labor
- Livestock, raw material, seed, and fertilizer
- Rent or property taxes on the business property
- Other documented costs not listed in Not Allowable Self-Employment Expenses
- Salaries paid to employees, and employer paid benefits
- Taxes paid on income producing property
- Sales taxes collected and paid, when applicable

FAA verifies the expense before allowing the expense as a deduction.

Not Allowable Self-Employment Expenses

Costs and expenses of producing self-employment income that are not allowable include, and are not limited to, ***all*** of the following:

- Products purchased with NA benefits (See NA Trafficking)
- Depreciation/Depletion
- Meals/Entertainment expenses
- Federal, state, and local income taxes
- Money set aside for retirement purposes
- Net losses from previous periods
- Other work-related personal expenses such as transportation to and from work
- Interest payments (other than mortgage interest)

Procedures

When the participant is present, have them sign the Authority to Release (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.

Clearly document the case file(g) with the method and type of verification used to determine the earned income being budgeted in the benefit month(g).

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NOTE The case file must be documented with the reason the income was determined as earned income or self-employment income.

When a participant does not meet the definition of self-employment, see Income Types and Wages and Salaries. (For examples of self-employment, see Example 2 and Example 3))

NOTE Corporations or Limited Liability Companies(g) that file taxes as corporations are not considered self-employment.

Verify and document all income in the case file(g). Documentation must explain any discrepancies and support the income used to determine eligibility and benefit level. (For more information, see Budgeting Income Documentation Requirements)

Verification

System interface 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, ***all*** of the following income is required to be verified before eligibility is determined:

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

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

Earned Income Verification Sources

Examples of verification that can be used for earned income 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

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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.

- Participant statement verification when ***any*** of the following occur:

  Other attempts to obtain verification have failed

  Obtaining documented or collateral contact verification may cause harm or undue hardship(g) for the participant.

  NOTE A participant's statement is not allowed to verify income when it is considered questionable.

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

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Unearned Income Verification Sources

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

- Assistance payments records
- Benefit award letters from the Social Security Administration (SSA), VA Statement of Earnings, and other agencies
- Bank records
- Court records or court orders
- DCSS documents or print outs
- Divorce or separation papers or contact with the Clerk of the Court
- Current check reflecting gross income
- Federal or state tax forms
- Insurance policies
- Mortgages and Sales Contracts
- Signed statement from the agency or payer providing the income
- Unemployment Insurance records
- Absent parent statement

Self-Employment Verification Sources:

To be eligible for the 40% Self-Employment Expense Deduction, only one allowable expense needs be verified. When self-employment expenses are not verified using the verification process, eligibility is determined without those deductions.

Examples of verification that can be used for self-employment income and expenses include, and are not limited to, ***any*** of the following:

- Bookkeeping records
- Business ledgers listing income amounts received and expenses incurred
- Actual receipts
- Contracts for work
- Statements from patrons and companies
- Most recent Internal Revenue Service (IRS) U.S. Individual Income Tax Return (1040) form. Below are common IRS Schedule forms that the participant may provide in addition to the 1040:

  Schedule C, Profit or Loss From Business

  Schedule E, Supplemental Income and Loss

  Schedule F, Profit or Loss from Farming

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Schedules B-1, C, D, K, K-1, K-2, K-3, and M-3 of IRS U.S. Return of Partnership Income (1065) form (See Limited Liability Company (LLC) Definition for more information about LLCs.)

NOTE The most recent IRS 1040 and Schedule forms an be used as verification of self-employment income and expenses when the participant indicates it accurately reflects the participant's current income.

- Rent or mortgage receipt for business property
- Property tax statements for business property
- Utility costs for business property
- Cleaning cost bills for business property
- Business location and equipment maintenance
- Personal records indicating personnel salaries or costs of outside labor, such as canceled checks and payroll checks
- Participant's statement for self-employment income, when ***one*** of the following apply:

  Other attempts to obtain verification have failed.

  Obtaining documented or collateral contact verification may cause harm or undue hardship(g) for the participant.

NOTE Participant statement verification may be used to verify self-employment expenses unless questionable(g).

Educational Income and Expenses Verification Sources:

Examples of verification that can be used for educational income and expenses include, and are not limited to, ***any*** of the following:

- Award letter
- Loan paper
- School
- Student expenses
- Bank loan funds
- Participant statement verification for transportation expenses
- Expense receipts
- School budget sheet or computer printout

AZTECS Keying Procedures

Key the gross earned income received and any earned income expected to be received for the budget month. Key not countable earned income using the appropriate Income Code.

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Unearned Income Keying Procedures

All of the following apply to budgeting unearned income:

- Key all unearned income received, even when the unearned income is not countable.
- When the gross income amount includes countable and not countable income, separate and key the income types individually.
- Budget the countable gross income before deductions for ***any*** of the following:

  When the participant's income is being reduced for fraud or Intentional Program Violation (IPV)

  When checks or cash are lost or stolen

  NOTE When the lost or stolen items are replaced, do not count the replacement.
- AZTECS budgets the gross CA benefit for all programs when the CA payment is reduced for ***any*** of the following reasons:

  CA sanction for noncompliance

  Withholding TPEP payments

  CA overpayments caused by the participant. This includes changes reported untimely, fraud, and IPV.
- When income of one or more participants and a nonparticipant are combined into one payment, identify and budget the participant's share of income.
- When the participant's share of income cannot be identified through the verification process, complete ***all*** of the following:

  Divide the gross income equally between the number of persons for whom the income is intended.

  Key the resulting amount as the participant's share of income.

  Count income as received at the time it is made available to the participant.
- Key unearned income on UNIC using the unearned income code that applies to the type of unearned income.

Count income in the month for which it is intended rather than the month in which it is made available for reasons including, and not limited to, ***any*** of the following:

- An extra child, medical, or spousal support check is received due to a change in issue dates.
- Income is paid directly to a financial institution, and it is automatically deposited into the participant's account.
- Income is held or delayed at the request of the participant, or the participant fails to obtain the income when it becomes available.

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- A change in pay dates or mailing cycles results in monthly or semimonthly pay being received in another month.

For unearned income retained by a participant for a nonparticipant, see Third Party Beneficiary Payments.

When unearned income is reduced to collect an overpayment from the same income source(g), budget the net income which is the gross income minus the overpayment amount. Document the case file(g) to support why the net income was budgeted. (See Example 1)

Unearned educational income may be received as ***any*** of the following:

- A monthly amount
- An amount intended to cover several months

  NOTE Divide the income by keying the specific number of months in the PERIOD field.

Examples

1) The following are examples of what documentation may look like when budgeting the use of net or gross income because income is reduced to repay an overpayment:

   - The PI states deduction in SSI is to recoup an SSI overpayment. Nothing in the case file makes this questionable. Keyed net income per policy.
   - PI states deduction in SSI is to recoup an SSA Retirement overpayment. Nothing in the case file makes this questionable. Both are from the same income source. Keyed net income.
   - PI states deduction in SSI is to recoup an SSI overpayment, but document in case file states it is to recoup an overpayment in Veteran's Income. Explained to PI verification is needed to clarify the reason for the overpayment. Once verified that it is an SSI overpayment, we can budget the lower amount. Keyed gross income and requested overpayment verification.
   - PI provided verification that deduction to SSI is for an SSI overpayment. Changed gross income to net income.
   - PI does not know the reason for the SSI overpayment. Keyed gross income and requested verification.
   - PI did not return verification that the reason for the SSI deduction is due to an SSI overpayment. Confirmed gross income keyed on UNIN.
   - PI's pay stub shows an overpayment deduction. PI identified there was an error on his prior paycheck because he was sick a day and did not have sick pay. He stated this does not happen often.

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- For NA, budgeted in the month of payment the gross income minus the amount of the overpayment. Dropped the check for ongoing months because it is lower than normal.
- For CA, budgeted gross income in the month of payment.

2) Murray owns two separate duplex apartments.

   He rents three of the apartments and lives in the fourth. The duplexes are connected to a single water meter. The water expense for the duplexes is billed to Murray.

   Murray spends approximately 25 hours per week managing his rentals.

   For CA purposes, Murray's rental income is considered self-employment. Murry is eligible for the standard 40% self-employment deduction. Key RA in the TYPE field on SEEI. AZTECS then applies the 20% earned income deduction.

   For NA purposes, since Murray spends MORE than 20 hours per week managing the property, his rental income is treated as self-employment. AZTECS applies the 20% earned income deduction and the standard 40% self-employment deduction because there is verification that at least one allowable business expense exists.

   Key one-fourth of the water expense (WA) on EXNS as an allowable shelter expense.

3) Rob teaches a defensive driving class.

   The company Rob contracts with schedules the location and time of the classes.

   Rob does have the option to accept or refuse the assigned class.

   Rob receives an IRS 1099 – Miscellaneous Income form from the defensive driving company at the end of the year.

   Rob pays his own taxes.

   Rob is considered self-employed.

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