

## A Income Budgeting Basics



This subject includes the starting point to determine an income budget with rules used during the budgeting process.

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### Policy

FAA uses the income a [budgetary unit\(g\)](#) receives or expects to receive to create an income budget. FAA uses the income budget to determine eligibility and benefit amounts for NA and CA. (See [Determining Benefits](#) for additional information about determining eligibility and benefit amounts.)

FAA creates a budget to project or anticipate income based on **all** of the following:

- The source of the income
- The current income status
- Any changes expected to the income

FAA budgets income based on past income information and the participant's current circumstances by completing **all** of the following:

- Requesting verification and reviewing the income received in an appropriate period based on **one** of the income types:
  - For wages and salary, 30 calendar days or longer.
  - For self-employment, 12 months, the number of months the participant has been in business, or current Income Tax Return.
  - For contract income, the current contract.
- Discussing with the participant what income the participant reasonably expects to receive.
- Budgeting income received in a [budget month\(g\)](#), FAA uses the income to determine the benefits for that month.
- Projecting or anticipating income based on recently received income, including **one** of the following:
  - Projecting income for the approval period when the income is reasonably certain to continue.
  - Anticipating income for ongoing months when income is expected to change, begin, or terminate.

FAA considers **all** of the following when budgeting income:

- All income available to the budgetary unit to determine eligibility and benefit level.

NOTE FAA does not budget the income of a [nonparticipant\(g\) to determine eligibility](#) and benefit level. (See the [CA Need Family Test](#) for more

information about when the income of the [family\(g\)](#) is used to determine eligibility.)

- The income of a disqualified participant. (See [Disqualified NA Participants Effect on the NA Benefit Amount](#) and [Whose Income Effects the CA Benefit Amount](#) for more information about how a disqualified participant's income counts toward eligibility and benefit level.)

The gross income (amount before deductions) is used for the income budget. That includes and is not limited to when the income is reduced for fraud or an intentional program violation.

NOTE The gross income for Social Security Administration (SSA) benefits is rounded down to the nearest dollar.

When the gross income amount includes non-countable income, only the countable amount is used for the budget.

NOTE For NA, when income is reduced to collect an overpayment from the same [income source\(g\)](#), the income budget is the gross income minus the overpayment amount.

When the gross income amount includes other types of countable income that may require a separate income budget, including **any** of the following types of income:

- Bonuses and incentives
- Flex credits
- Leave pay
- Reimbursements
- Tips and gratuities

See [Income Types](#) for additional information about income types that have different budgeting methods.

When an employee purchases stock from their employer, the employer may match some or all of the stock purchase. Any purchase for the employee by the employer is not countable as income. The income budget is the gross income minus the amount the employer paid.

When the income of one or more participants and a nonparticipant are combined into one payment, FAA requests verification to identify each participant's share of income.

NOTE When it is unclear how much is allocated for each person, the amount is divided equally by the number of persons receiving the income.

The replacement of lost or stolen income is not counted in the income budget.

Ongoing income paid consistently weekly, bi-weekly, or semi-monthly uses **one** of the following conversion factors when determining the budgeted monthly amount:

- Weekly income is converted by multiplying the average weekly income in the budget month by 4.3 to take into consideration months with five pay periods.

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- Bi-weekly income (paid every two weeks) is converted by multiplying the average bi-weekly income in the budget month by 2.15 to take into consideration months with three pay periods.
- Semi-monthly income (paid twice a month) is converted by multiplying the average semi-monthly income in the budget month by 2.

Income is budgeted in the month the participant receives the payment. Income is considered received at the time it is made available to the participant. FAA budgets income for the month the payment was intended for reasons including, and not limited to, **any** of the following reasons:

- Income is paid directly to a financial institution and automatically deposited into the participant's account.
- Income is held or delayed at the participant's request, or the participant fails to obtain the payment when it becomes available.
- An extra check is received due to a change in pay dates, such as a third or fifth check issued early due to a holiday or weekend.
- A change in pay dates or mailing cycles results in monthly or semi-monthly pay being received in another month.

When the income is from a new source or a terminated source, FAA verifies **all** the following additional information:

- For a new source of income that begins within the application month, **all** of the following information:
  - Hire date
  - The first date worked
  - The first pay date
  - Hourly rate
  - Hour worked per week
- For a terminated source of income that ends in the two quarters before the date of the interview, **all** of the following information:
  - The date of termination.
  - The last date worked.
  - Last date paid
  - The gross amount and date of last income received when the income is received in the budget month.
  - The gross amount and dates of leave pay received after the participant terminated employment.

When a participant provides two nonconsecutive paycheck stubs and the middle paycheck stub is missing, FAA calculates the gross pay of a missing paycheck stub by using year-to-date income by completing **all** the following:

- Subtracts the current gross wages shown on the paycheck received after the missing paycheck stub from the YTD total.
- Subtracts the YTD total shown on the paycheck received before the missing paycheck stub from the remaining amount.
- The resulting amount is the gross wages received on the missing paycheck.

When determining how a participant's income is budgeted, FAA takes into consideration the source of the income and the current status of the income to budget the income based on **one** of the following:

- When the verified income information received in a 30-day period is reasonably expected to continue, the income is budgeted for the approval period. Including **any** of the following:

Jobs that pay salary or wages and pay employees with **one** of the following pay frequencies:

- Weekly
- Bi-weekly
- Semi-monthly
- Month

Jobs that may include **any** of the following income types:

- Bonuses
- Incentives
- Tips

(See [Projecting Income](#) for more information.)

- When verified income information in a 30-day income period does not continue because of a change, the verified changes are used to anticipate income to budget. Such situations include, and are not limited to, **all** of the following:

A new source of income

Changes in pay rate and hours worked

SM unusual high and low

(See [Anticipating Income](#) for more information.)

- Work without a specific pay frequency. The actual sum of the income in a 30-day period is budgeted. This includes, and is not limited to, **any** of the following types of work:

Odd jobs

Day wages or daily labor

Terminated income

Guardian and adoption subsidy payments

(See [Actual Income](#) for more information.)

- FAA averages income received over an extended period to distribute the payments over the time the income is intended to be covered. This includes, and is not limited to, **any** of the following:

Alimony

Contract income

[Educational income\(g\)](#)

[Self-employment\(g\)](#) income

Child support and child medical support payments

(See [Averaging Income](#) for more information)

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## 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.

Determining the correct income budget includes using **all** of the following:

- Information provided, which includes and is not limited to, from **any** of the following:

Information on the signed application

System interfaces

NOTE System interfaces, when the participant agrees, must be used as the primary source of verification unless [questionable\(g\)](#).

Documented verification provided

- Discussion with the participant during the interview and after, when needed.
- Entering the income information provided into AZTECS and HEAplus.
- Documentation.

NOTE 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 normal. (See [Budgeting Income Documentation Requirements](#) for additional information.)

## Check System Interfaces

When determining the income budget, complete **all** of the following:

- Review system interface screens in HEAplus and AZTECS. Compare the system interface screens with what is listed on the application and provided documents from the prior and current applications. Review the work hours and wages with the participant to ensure there are no discrepancies with what the participant provided.

NOTE When the participant agrees, the system interface must be used as the primary source of verification unless [questionable\(g\)](#).

- Review HOSC in AZTECS. Discuss with the participant the income displayed in the two quarters before the date HOSC is accessed for terminated income. When verification of terminated income is not in the [case file\(g\)](#), participant statement verification is allowable after **all** of the following:

Collateral contact verification is not available

Documented verification is not provided

The participant requests assistance

### What Budgeting Method to Use

As mentioned above, the budgeting method depends on each situation.

Unless the income type is **one** of the following found in Averaging Income, see [Projecting Income](#) to start:

- Contract income (See [Budgeting Contract Income](#) for procedures.)
- Child support, cash medical support, or alimony (See [Budgeting Child, Medical, and Spousal Support](#) for procedures.)
- Educational income (See [Budgeting Educational Income](#) for procedures.)
- Foster Care payments, adoption subsidies, or guardian subsidies (See [Budgeting Foster Care and Adoption or Guardian Subsidies](#) for procedures.)
- Self-employment income (See [Budgeting Self-Employment Income](#) for procedures)

When the participant is paid monthly, and the same amount is expected to continue, project the actual monthly amount for ongoing. (See [Budgeting Income Received Once a Month](#) for additional procedures.)

When the recently received earnings are not going to continue, the budget must be anticipated by creating the budget based on hours and rate of pay. (See [Anticipating Income](#) for procedures.) Anticipating income budgeting methods are frequently used when **one** of the following occurs:

- There is a new source of income (See [Anticipating a New Source of Income](#) for procedures)
- A change occurred in the hourly rate of pay, in the normal hours, or both (See [Anticipating Hourly and Pay Rate Changes](#) for procedures.)
- One or more semi-monthly checks are not normal (See [Anticipating Semi-Monthly Income](#) for procedures.)

Budget actual income by using the AC Frequency Code when a participant does not receive a full month of income due to **one** of the following:

- There is a new source of income (See [Anticipating a New Source of Income](#) for procedures.)
- A source of income is ending (See [Budgeting Terminated Income](#) for procedures.)  
NOTE It is important to delete income in ongoing months when the income is no longer continuing.
- There is a [break in employment\(g\)](#) (See [Budgeting Break in Employment](#) for procedures.)

See [Actual Income](#) when a participant receives income from **any** of the following:

- [Budgeting Odd Jobs](#)
- [Budgeting Day Labor](#)

NOTE Odd jobs and day labor are normally received without a set frequency (e.g., weekly, bi-weekly, etc.). However, convert the income using a Frequency Code when a frequency is identified.

### **Budgeting Income Documentation Requirements**

Documentation must explain discrepancies and support the decision made. Include **all** of the following explanations when documenting income and budgeting:

- The income period used and the reason why.
- How the income was determined.
- Deductions such as earned Income tax credits (EITC), child support, etc.
- The reason why the income on the application is higher or lower than the amount budgeted, when applicable.
- When applicable, the reason why the pay stubs in OnBase were not used.
- The reason why less than the gross income was budgeted, when applicable.

When system interface or documented verification is unavailable, and a collateral contact is used to verify a participant's income, document **all** of the following information provided by a collateral contact:

- Date of collateral contact
- Name, title, and phone number of the person providing verification
- Hourly wage
- Hours worked
- Pay period end date
- Actual pay date
- Frequency of pay



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- Date changes occurred or are expected to occur
- Extra income, such as bonuses, tips, commissions, and overtime
- Date income started
- Date income stopped

Request the income the participant received in a 30-day income period. When using paycheck stubs to budget income, review and discuss the information on the paycheck stubs with the participant to budget the income accurately, including and not limited to **all** of the following information:

- Confirm the participant's name on the paycheck stub.
- Verify how often the participant is paid based on pay periods and pay dates.
- Establish the amount normally expected based on salary, wages, and hours.

Determine whether the participant receives additional pay, such as **any** of the following:

- Advances
- Bonuses and incentives
- Cafeteria plans
- Commissions
- Flex credits
- Leave pay
- Reimbursements
- Tips and gratuities

When the income is from a new source of income or a terminated source of income, verify **all** the following additional information:

- For a new source of income beginning anytime in the application month, verify **all** of the following:
  - Hire date
  - The first date worked
  - The first pay date, a full or partial check
  - Expected work hours
  - Pay frequency
- When a terminated source of income is reported or when HOSC displays income in the two [calendar quarters\(q\)](#) before the date HOSC is accessed, complete **all** of the following:
  - Review the case file to determine whether the terminated source of income has been verified.



When verification of the terminated source is not in the case file, verify **all** of the following:

- Date of termination.
- Reason the income terminated when reviewing for voluntary quit. (See [Reasons for Work Requirement Disqualifications](#) for information on voluntary quit and striker policy.)
- The gross amount and date of last income received when the income is received in the month being budgeted.
- The gross amount and dates of leave pay received after the participant terminated employment when the income is received in the month being budgeted.

NOTE Verification of the last gross amount is required only when the income is counted in the budget month being determined.

- When the verified income is received before the budget month, ensure not to budget income from that terminated income source for the budget month being determined.
- When the verified income is received in the budget month being determined and is not expected to be received in any of the following months, ensure not to budget that income for ongoing months.

When a participant provides two nonconsecutive paycheck stubs and the middle paycheck stub is missing, calculate the gross pay of a missing paycheck stub using Year-to-Date (YTD) gross wages by completing **all** the following:

Subtract the current gross wages shown on the paycheck stub received after the missing paycheck stub from the YTD total.

Subtract the YTD total shown on the paycheck received before the missing paycheck stub from the remaining amount.

The resulting amount is the gross wages received on the missing paycheck.

NOTE See the Earned Income Worksheet (FAA-1269A) form for a grid to aid with the calculation of gross pay of a missing paycheck by using the Year-To-Date.

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## 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.

FAA uses system interface to verify income when it is available. When system interface is not available or it is questionable, income is verified by **one** of the following:

- Documented verification
- Collateral contact
- 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.

See the [income type](#) for examples of what can be used for verification.

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## DBME BEST Google Job Aids

[Income Documentation Requirements Job Aid](#)

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## Legal Authorities

7 CFR 273.10(c)

7 U.S.C. 2014 (f)(1)(A)

[Prior Policy](#)

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