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**INCOME**

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**INCOME EXCLUSIONS**

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**A. WHAT IS  
NOT INCOME  
(OR A RESOURCE)**

Certain income is excluded by federal statute or excluded under SSI rules and some money received is not considered income because it does not meet the definition of income. Items that are not considered income are discussed below:

**1. Medical &  
Social Services,  
Related Cash &  
In-Kind  
Items**

Medical services are those services which are directed toward diagnostic, preventative, therapeutic, or palliative treatment of a medical condition and which are performed, directed or supervised by a State licensed health professional. A social service is any service, other than medical, which is intended to assist a handicapped or socially disadvantaged individual to function in society on a level comparable to that of an individual who does not have such a handicap or disadvantage.

a. Any cash provided by a governmental medical or social services program is not income.

b. Any cash from a nongovernmental medical or social services organization is not income when the cash is for medical or social services already received by the individual and approved by the organization. However, if the individual receives an amount in excess of the medical or social services expenses incurred, the excess cash is unearned income.

A cash payment restricted to the future purchase of a medical or social service is not income.

Cash from an insurance policy, which pays "loss of time" benefits for a certain period of time during the hospital confinement, is treated as a third party liability.

c. In-kind items which meet the definition of medical services, i.e., prescription drugs, eyeglasses, prosthetic devices, etc., are not income regardless of their source.

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- d. Any in-kind items (including food, clothing or shelter) provided by a governmental, medical or social services program are not income.
- e. In-kind items (other than food, clothing or shelter) provided by a nongovernmental medical or social services organization for medical or social services purposes are not income.

**A cash payment for medical or social services that is not income is not a resource for one calendar month following the month of receipt.**

- 2. **Food & Shelter Received During a Medical Confinement**

Food and shelter received during a medical confinement are not income. A medical confinement exists when an individual receives medical services in a medical treatment facility.
- 3. **Personal Services**

A personal service performed for an individual is not income. Examples of personal services for an individual which are not income are mowing the lawn, doing housecleaning, going to the grocery or babysitting.
- 4. **Conversion or Sale of a Resource**

Receipts from the sale, exchange, or replacement of a resource are not income but are resources that have changed their form. This includes any cash or in-kind item that is provided to replace or repair a resource that has been lost, damaged or stolen.
- 5. **Rebates & Refunds**

When an individual receives a rebate, refund or other return of money he or she has already paid, the money returned is not income. NOTE: The key idea in applying this policy is a return of an individual's own money. Some "rebates" may not fit this category. If a rebate is a return on an investment, for example, the rebate would be treated as a dividend.

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6. **Income Tax Refunds** Any amount of income tax refunded to an individual is not income. Because amounts withheld or paid as income tax during the course of a taxable year are included in the definition of income, any later refund of such income taxes by a Federal, State, or local taxing authority is not again treated as income, but is treated as a resource. This is so even if the income from which the tax was withheld or paid was received in a period prior to application and therefore was not actually considered in determining eligibility.
7. **Credit Life or Credit Disability Insurance Payments** Both credit life and credit disability insurance may be administered under group or individual policies. These policies are issued by insurance companies to or on behalf of borrowers, to cover payments on loans, installment purchases, etc., in the event of death or disability. These payments are made directly to loan companies, mortgage companies, etc., and are not available to the individual, either directly or by sale or conversion, for the purposes of meeting his/her basic needs. Therefore, payments made on behalf of an individual under credit life or credit disability policies are not considered income.
8. **Other Insurance Payments** Each insurance policy must be examined to determine the type of benefit it provides and the purposes for which it can be used.
- Cash payments from any insurance policy made directly to the provider would not be income since the beneficiary does not receive the payment. Amounts paid to the facility for purposes other than medical care may be considered income if the facility actually pays the amount to the individual.
- Cash payments from any insurance policy which are restricted for purchase or reimbursement of medical services covered under the policy are not considered income. This would be a third party resource. Policies that restrict payments to periods of hospital confinement are considered a third party source and is not considered income.

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Cash payments from any insurance policy intended for income supplementation for lost income due to a disability is considered income. This includes weekly disability policies, without regard to hospital confinement.

**9. Proceeds  
of a Loan**

Money that a person borrows or money received as the repayment of a bona fide loan is not income. However, interest received on money loaned is income. Although the proceeds of a bona fide loan are not income in the month received, if the proceeds are retained into the following month, they become a resource.

A bona fide loan is an agreement that is legally valid and made in good faith. The loan agreement must be in writing and include:

- borrower's acknowledgment of his obligation to repay
- schedule and plan for repayment; e.g., borrower plans to repay when he receives anticipated income in the future; and,
- borrower's express intent to repay by pledging either real or personal property or anticipated income.

If a loan is found not to be bona fide, then any proceeds received in connection with the transaction must be considered as unearned income to the borrower in the month received.

**10. Bills  
Paid by  
a Third  
Party**

When someone other than the eligible individual or couple makes a payment directly to a vendor, the payment is not income to the individual. This is because the individual does not receive the payment itself. However, a third party vendor payment is a means by which an individual may receive unearned in-kind income.

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| <b>11. Replacement of Income Already Received</b> | If an individual's income is lost, stolen or destroyed and the individual receives a replacement, the replacement is not income. Once a payment has been issued and treated as issued and treated as income in determining an individual's eligibility, the reissuance of that same payment is not income.   |
| <b>12. Weatherization Assistance</b>              | Weatherization assistance (e.g., insulation, storm doors, windows, etc.) is not income.  |
| <b>13. Receipt of Certain Noncash Items</b>       | The value of any noncash items (other than items of food, clothing or shelter) which would become partially or totally excluded nonliquid resources if retained into the month following the month of receipt is not income. Such nonincome items may include, but are not limited to, specially equipped vehicles, household goods, and property essential to self-support. Consider these nonincome items solely under the resource rules. |
| <b>14. Fund Raising Proceeds</b>                  | Benefits received through fund raising are a potential Third Party Liability source. The beneficiary must report all sources of income from fund raising to the source of eligibility. The source of eligibility will inform the Third Party Liability unit of the availability of any source of payment for medical services. Donated funds for the purpose of payment of medical services are considered a third party source.             |

In order for donated funds to be excluded as income, the following criteria must be met:

- Prior to accepting donations, the beneficiary (or family if a child) must make arrangements to place donations in a trust fund or special account.

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- The trust fund or special account must be managed by an administrator (someone outside the family).
- The funds must never be mixed with personal or family money.
- The beneficiary should not have direct access to the trust funds or special account.
- The beneficiary or administrator must be able to produce documentation as to how the funds were spent.

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**B. INCOME  
EXCLUSIONS  
FOR UNEARNED  
& EARNED INCOME**

An exclusion is an amount of income which does not count in determining eligibility and payment amount. Exclusions never reduce income below zero. Except for the \$50 general exclusion, no unused unearned income exclusion may be applied to earned income.

Prior to 07/01/99, the general exclusion was \$20.00.

**1. \$50 Per  
Month  
General  
Exclusion  
(Effective  
07/01/99)**

The first \$50 of unearned income received in a month is excluded. Only one \$50 exclusion can be applied to the combined income of a couple. Do not apply this exclusion to any income based on need.

The general income exclusion applies only to the individual applicant's or recipient's own income. The recipient's or applicant's own income includes income which has been deemed. Do not apply the \$50 general income exclusion to the person's income which is to be deemed.

Apply the \$50 exclusion first to unearned income. Any remainder is applied to earned income. If there is no unearned income, then apply the \$50 exclusion to the earned income.

**2. Earned  
Income  
Exclusion**

After the \$50 general exclusion is applied, \$65 plus one-half of remaining earned income is excluded. Couples' earned income is combined and only one earned income exclusion is applied.

**3. Income  
Exclusions  
for Certain  
Former SSI  
Recipients**

Social Security Pass-a-Long clients who were former SSI SSI recipients terminated due to certain increases in Social Security benefits are allowed income disregards specific to their coverage group. These disregards are referred to as HR-1, COL, DAC, OBRA, etc. disregards. The eligibility for and amount of the disregard is determined by State Office Eligibility Staff upon Regional Office referral.

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**4. Student  
Child  
Earned  
Income  
Exclusion**

For a blind or disabled child who is a student regularly attending school, up to \$400 per month of earned income (but not more than \$1,620 in a calendar year) is excluded. The child must be under age 22 and regularly attending school (in at least 1 month of the current calendar quarter or expects to attend school in at least 1 month in the next calendar quarter). Earnings received prior to the month of eligibility do not count toward the \$1,620 yearly limit.

Effective January 1, 2001, the monthly maximum amount has increased to \$1,290 and the yearly maximum has increased to \$5,200.

Apply the exclusion consecutively to months in which there is earned income until the exclusion is exhausted or the child is no longer a student or under age 22. The exclusion applies only to the child's own earned income. This exclusion is in addition to the \$65 plus 1/2 remainder earned income exclusion.

For example, a student child with a summer job who earns \$1,600 per month (only income) beginning in June has countable income computed as follows for June, July, August:

\$1,600.00	gross earnings
- 1,290.00	student child exclusion
\$ 310.00	
- 50.00	general income exclusion
\$ 260.00	
- 65.00	earned income exclusion
\$ 195.00	
- 97.50	one-half remainder
\$ 97.50	countable income

In this example, the student has used up \$3,870 of his \$5,200 yearly exclusion and only has \$1,330 left to be excluded over the remaining calendar year should he have any other earned income through December of the same calendar year.



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**5. Blind  
Work  
Expenses  
Exclusion**

Any earned income of a blind person which is used to meet any expenses reasonably attributable to earning the income is not counted if the blind person is under age 64 or 65 or older and and received SSI or Medicaid in the month prior to attaining age 65.

The BWE exclusion applies to earned income only. The exclusion is deducted after applying the \$50 general income exclusion and all other earned income exclusions. Before applying a BWE exclusion, contact the State Office Eligibility Division for clearance.

**6. Plan for  
Achieving  
Self-Support  
(PASS)**

Income, whether earned or unearned, of a blind or disabled recipient may be excluded if such income is needed to fulfill a plan for achieving self-support. Income can be excluded under an approved PASS when the income is set aside for a planned expenditure determined necessary to achieve the individual's occupational objective.

To be eligible for this income exclusion, the individual plan must be submitted to State Office for approval. The plan submitted must:

1. include the objective and time period for achieving
2. include the amount of money involved
3. be currently in use by the individual

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**7. Impairment-  
Related Work  
Expenses (IRWE)**

Any earned income of a disabled individual (not blind) which is used to meet any expenses for items or services which are directly related to enabling a person with a disability to work and which are necessarily incurred by that individual because of a physical or mental impairment is not counted if the disabled person is under age 64 or age 65 or older and received SSI or a disability payment for the month before attaining age 65.

The IRWE exclusion applies to earned income only. The exclusion is deducted after applying the \$50 general income exclusion which has not been deducted from unearned income and the \$65 earned income exclusion; and immediately before deducting one-half of the remaining earned income. Before applying a IRWE exclusion, contact the State Office Eligibility Bureau for clearance.

**8. Irregular &  
Infrequent  
Income  
Exclusion**

Apply an exclusion to income which is received either infrequently or irregularly provided the total of such income does not exceed:

- \$10 per month of earned income; and/or,
- \$20 per month of unearned income.

Infrequent income means the income is received no more than once in a calendar quarter from a single source. Irregular means the income cannot reasonably be expected (unpredictable).

In order to be excluded, the total amount of earned income received cannot exceed \$10 in the month. When the exclusion is applied, verify the earned income and document the case record with the basis for the decision that the income is infrequent or irregular.

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In order to be excluded, the total unearned income received by the client cannot exceed \$20 in a month. The frequency is evaluated for the calendar quarter, but the dollar amount is evaluated for the month.

In determining if unearned income can be excluded as infrequent, identify and categorize by amount, frequency, type and source. Consider each receipt of unearned income separately. Any unearned income of one type received once per quarter from one source is considered infrequent, that is, a person may receive the same type of unearned income from two different sources or two different types of unearned income from the same source if each is received only once during the quarter, and still have the amount excluded if no more than \$20 is received in any given month.

Effective August 2004, the Social Security Protection Act of 2004 changed the calculation of infrequent and irregular income from a monthly to a quarterly basis to allow individuals to exclude \$60 per quarter of unearned income and \$30 per quarter of earned income that is received irregularly and infrequently. The irregular and infrequent income may be received all in the same month and be excluded as long as the quarterly limit of \$60 for unearned and \$30 for earned is not exceeded.