
INCOME

UNEARNED INCOME

I. MISCELLANEOUS
UNEARNED
INCOME

The following lists various different types of unearned income categorized as "miscellaneous."

1. Tuition,
Fees & Other
Expenses
of Grants,
Scholarships
& Fellowships

Grants, scholarships, and fellowships are amounts paid by private nonprofit agencies, the U.S. Government, instrumentalities or agencies of the U.S., State and local governments, foreign governments, and private concerns to enable qualified individuals to further their education and training by scholastic or research work, etc.

- a. Any amount provided by an individual to aid a relative, friend, or other individual in pursuing his studies where the grantor is motivated by family or philanthropic considerations is a **gift** and is not a grant, scholarship, or fellowship for purposes of this section.
- b. Any amount which is **earned income** is not a grant, scholarship, or fellowship.
- c. Any portion of a grant, scholarship, or fellowship used for paying tuition, fees, or other necessary educational expenses is excluded from income. This exclusion does not apply to any portion set aside or actually used for food, clothing or shelter.
- d. It is expected that **expenses will include** carfare, stationery supplies, and impairment-related expenses necessary to attend school or perform schoolwork (e.g., special transportation to and from classes, special prosthetic devices necessary to operate school machines or equipment, etc).

Verify the nature of the assistance by using documents in the individual's possession or contact with the institution or provider.

Use receipts, bills with canceled checks, contact with the provided, etc., to verify expenses paid. If an expense is verified as incurred but not paid, assume the individual will pay the expense unless you have reason to question the situation. No follow up is required if the assumption is applied.

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**2. Dividends
& Interest**

Dividends and interest are returns on capital investments such as stocks, bonds, or savings accounts. Dividends and interest are unearned income at the earlier of the following:

- the month they are credited to an individual's account and are available for use;
- the month they are set aside for the individual's use; or
- the month they are received by the individual.

NOTE: Account service fees or penalties for early withdrawal do not reduce the amount of interest or dividend income.

The following describes when dividends or interest are considered unearned income.

Financial Institution

- interest is income when credited to the customer's account

Series E/EE U.S. Savings Bonds

- if the bonds were purchased by the owner or was a gift to the owner prior to the expiration of the minimum retention period, the interest is not income. It is an increase in the value of a resource.
- if the bonds were a gift to the owner after expiration of the minimum retention period, the purchase price of the bond plus accrued interest is income in the month received.

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Series H/HH U.S. Savings Bonds

- if the bonds make semi-annual interest payments, the interest is income when available to the individual.
- if the bonds were a gift to the owner after the expiration of the minimum retention period, the purchase price of the bond plus accrued interest is income in the month received.

Life Insurance Policy

- if the policy pays dividends, the dividends are not income. If the policy pays interest on dividends, the interest is income. This is true even when the policy is not a countable resource.

Promissory Note or Loan Agreement

- SSI Policy - if the note or loan pays interest, or pays principal and interest in same payment, the interest only is income.
- Liberalized Policy - interest and principal count as income in order to determine if the 6% rule applies so that the note or loan can be excludable as a resource. Although interest is income, the note or loan can be excluded if the 6% rule (and life expectancy rule, if appropriate) is met. This is more liberal than SSI since SSI would count the note or loan as a resource that could be sold.

Verify and document the amount and frequency of interest or dividend payments by using a check or notice issued by the source. If dividends are received in a form other than cash, to determine the amount of the dividend, establish the value of the item, e.g., share of stock, stock options, etc.

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3. Royalties

Royalties are payments to the holder of a patent or copyright, owner of a mine, etc., for the duplication of a writing, use of an invention, extraction of a product, etc. Royalties are unearned income unless they represent self-employment earnings from a royalty-related trade or business.

Verify these payments by examining any receipts or royalty agreements the individual may have which reflect the amount of the royalty payment and the frequency of payment. If the individual has no such evidence in his possession, contact the company or source of the royalty.

Some documents that indicate royalty payments will provide a gross figure and a net figure. When the difference between the gross and the net figure is due to income taxes withheld, the gross figure is to be used when determining income. However, when the difference between the gross and net figures represents a production of severance tax (e.g., most oil royalties will be reduced by this tax), the net figure should be used when determining income. The production or severance tax is a cost of producing the income and, therefore, is deducted from the gross income.

Effective 10-01-91, royalties earned by an individual in connection with any publication of his/her work and any honoraria received for services rendered is earned income.

4. Awards

An award is usually something received as the result of a decision by a court, board of arbitration, or the like.

An award is unearned income subject to the general rules pertaining to income and income exclusions.

Use documents in the individual's possession or contact with the court, board, source, etc; to verify:

- the amount of the award;
- the payment date; and,

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- if needed, the purpose(s) of the payment (e.g., part of the payment is reimbursement for medical expenses).

Determine the nature of the award and apply the appropriate rules pertaining to income and income exclusions.

5. Gifts

A gift is something a person receives which is **not repayment** for goods or services the person provided and is **not** given because of a **legal obligation** on the givers' part.

To be a gift, something must be given **irrevocably** (i.e., the donor relinquishes all control).

"Donation" and "contributions" may meet the definition of a gift.

NOTE: A gift received as the result of a death is a **death benefit**.

A gift is unearned income subject to the general rules pertaining to income and income exclusions.

A gift of a house which is used as a shelter is valued under the presumed maximum value (PMV) rule. A gift of a house which is not shelter is valued at its current market value (CMV).

Accept an individual's signed estimate of the value of the gift (or actual value if cash) unless you have reason to doubt the estimate. If you doubt the estimate, determine the item's current market value with an independent source.

Determine the nature of the gift and apply the appropriate operating instructions pertaining to income and income exclusions.

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6. Prizes

A **prize** is generally something won in a contest, lottery or game of chance.

A prize is unearned income subject to the general rules pertaining to income and income exclusions.

NOTE: Do not subtract gambling losses from gambling winnings in determining an individual's countable income.

If an individual is offered a choice between an in-kind prize and cash, the cash offered is counted as unearned income. This is true even if the individual chooses the in-kind item and regardless of the value, if any, of the in-kind item.

When an individual reports receipt of a prize, obtain the individual's signed statement of the following:

- date the prize was received;
- type of prize received;
- individual's estimate of the value of the prize if not cash;
- amount of income tax withheld, if any and
- source of prize.

Accept an individual's signed estimate of the value of the prize (or actual value if cash or cash offer) unless you have reason to doubt the estimate. If you doubt the estimate, determine the item's current market value with an independent source.

7. Death Benefits

A death benefit is something received as a result of another's death. Benefits Examples of death benefits include:

- proceeds of life insurance policies received due to the death of the insured;

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- lump sum death benefits from SSA;
- Railroad Retirement burial benefits;
- VA Burial benefits;
- inheritance in cash or in-kind;
- cash or in-kind gifts given by relatives, friends, or a community group to "help-out" with expenses related to the death.

NOTE: Recurring survivor benefits such as those received under Title II, private pension programs, etc., are not death benefits.

Effective April 1, 1988, death benefits provided to an individual are income to that individual to the extent that the total amount exceeds the expenses of the deceased person's last illness and burial paid by the individual. Last illness and burial expenses include:

- related hospital and medical expenses;
- funeral, burial plot and interment expenses;
- other related expenses such as clothing to wear to the funeral, food for visiting relatives, taxi fare to and from the hospital and funeral home, etc.

Verify all last illness and burial expenses. If verification (bills, receipts, etc.) cannot be obtained, accept the individual's signed allegation. If an expense has been incurred but not paid, assume that the individual will pay the expense unless there is reason to question the situation. No follow-up is required if the assumption is applied.

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To determine the income derived from death benefits, subtract the total expenses from the total death benefits. Charge the income in the month the death benefit(s) is received. If death benefits are received in more than one month, assume that the funds first received are the first spent. For example, if the death benefits are \$1000 received in January and \$1500 in February and allowable expenses are \$2000, charge the remaining \$500 as income in February.

Death benefits that are not income are also not a resource for one calendar month following the month of receipt. This allows time for the death benefit to be used for illness/burial expenses. If death benefits are retained into the second calendar month following receipt, they are resources.

8. Inheritances

Inheritance means cash, other liquid assets and non-cash items, or any right in real or personal property of the deceased to which one succeeds in ownership as a result of the death of another. Inheritance is not counted until actually received, i.e., available for support. An inheritance is a death benefit.

If an individual has been charged with a resource as a result of deeming and later inherits the same resource, there is no income to the individual due to the inheritance. Note: The proceeds of a life insurance policy were not a resource before the death.

9. Work-Related Unearned Income

The following work-related payments are unearned income.

Certain in-kind items provided as remuneration for employment (food/shelter).

Money paid to a resident of a public institution when no employer employee relationship exists.

Tips under \$20 per month.

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Jury fees (i.e., fees paid for services, not expense money).

Food, clothing, and shelter provided to members of the Uniformed Services and their families; cash allowances for these items; and all types of special and incentive pay.

10. Military Allowances

Military personnel rarely apply for Medicaid; however, spouses and children may make application and the military pay would be subject to deeming. For Medicaid purposes only, the base pay is earned income; cost allowances for quarters, rations, and clothing are unearned income.