
INCOME

EARNED INCOME

C. WAGES

Wages are what an individual receives (before deductions) for working as someone else's employee.

NOTE: Under certain conditions, services performed as an employee are deemed to be self-employment rather than wages (e.g., ministers, real estate agents, share farmers, insurance salesman, etc.).

1. Types of Wages

Wages may take the form of:

- a. **Salaries** - These are payments (fixed or hourly rate) received for work performed for an employer.
- b. **Commissions** - These are fees paid to an employee for performing a service (e.g., a percentage of sales).
- c. **Bonuses** - These are amounts paid by employers as extra pay for past employment (e.g., for outstanding work, length of service, holidays, etc.)
- d. **Severance pay** - This is payment made by an employer to an employee whose employment is terminated independently of his wishes.
- e. **Military basic pay** - This is the service member's wage, which is based solely on the member's pay grade and length of service.

Absent evidence to the contrary, if FICA taxes have been deducted from an item, assume it meets the definition of wages.

2. When To Count Wages

Wages for each month count at the earliest of the following points:

- when they are received, or
- when they are credited to the individual's account, or
- when they are set aside for the individual's use.

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3. **Wage Advances** Advances are payments by an employer to an individual for work to be done in the future.
- An advance is wages in the month received.
4. **Deferred Wages** Wages are considered "deferred" if they are received later than their normal payment date. Types of wage payments which may be deferred include vacation pay, dismissal and severance pay, back pay, bonuses, etc.
- Wages that are deferred **due to circumstances beyond the control of the employee** are considered earned income when actually received.
- Wages that are deferred **at the employee's request or by mutual agreement with the employer** are considered earned income when they would have been received had they not been deferred.
5. **Verification of Wages & Termination Wages** Earned income must be verified. The burden of proof is on the client, however, assistance will be provided by the worker if the client is unable to secure evidence of wages.
- Acceptable evidence of wages include:
1. Pay Slips - for pay slips to be acceptable, it is necessary that they contain the wage earner's name or Social Security Number, gross wages and the period of time covered by the earnings. Pay slips which do not contain all the required information may be used in conjunction with other evidence; however, any discrepancies must be resolved.
 2. A written statement of wages from the employer, such as DOM-335, Request for Verification of Wages.

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3. W-2 forms may be used to estimate income when pay slips are not available and the individual alleges that earnings will be about the same. Use of W-2's should be restricted to situations where employment is sporadic or there are multiple or a long succession of employers.
 4. Verbal statement of wages from the employer. Record the statement on a Record of Contact.

6. **Determining Amount of Earned Income**

Gross wages are used to determine the amount of wages rather than the net amount received by the wage earner. Do not allow for deductions from gross wages such as taxes, garnishments, insurance premiums, savings deductions, etc. Wages are counted as earned income when paid rather than when earned.

7. **Converting Week/Biweekly Wages**

When wages are paid on a weekly or biweekly basis, convert wages to monthly amounts:

 1. Establish the day of the week wages are received.
 2. Compute the number of paydays in each month.
 3. If the gross wage amount is the same each payday, multiply it by the number of paydays in each month. If the gross wage amount is different each payday, add the individual amounts for each payday in each month.

8. **Estimating Future Wages**

In estimating future wages, consider any recent past work history, unless inappropriate to the current situation (e.g., individual has stopped working because of retirement or disability). Carefully question the applicant, recipient or representative to obtain accurate monthly estimates of future wages. Try to establish a logical wage pattern by reviewing with the individual the rate of pay, hours worked per week, number of pay periods each month, etc. Be alert to individuals who perform seasonal work (e.g., school bus drivers), in deriving an estimate.

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If an estimate cannot be established, contact the employer for information. Use this information along with worker judgment to arrive at an estimate. Do not average. Document the case record to support the estimate.