

# MISSISSIPPI DIVISION OF MEDICAID

## Eligibility Policy and Procedures Manual

### **200.05 EARNED INCOME EXCLUSIONS**

While the source and amount of all earned income must be determined, not all earned income counts when determining Medicaid eligibility. First, any earned income excluded by federal law must be disregarded. Then the applicable income exclusions discussed in this section are applied in the following order to the rest of the earned income in the month:

- Earned income tax credit payments (EITC) and child tax credit (CTC) payments
- Up to \$30 of earned income in a calendar quarter if it is infrequent or irregular
- Student Earned Income Exclusion (SEIE)
- Any portion of the \$50/\$20 general income exclusion which has not been excluded from unearned income in that same month
- \$65 of earned income in a month (applied only once to a couple, even when both members, whether eligible or ineligible, have earned income)
- Earned income of disabled individuals used to pay impairment-related expenses (IRWE)
- One-half of the remaining earned income in a month
- Earned income of blind individuals used to meet work needs (BWE)
- Any earned income used to fulfill an approved plan to achieve self-support (PASS)

An unused earned income exclusion is never applied to unearned income and cannot be carried over for use in subsequent months.

**NOTE:** Income exclusions are not applicable in long term care budgeting. For individuals applying for long term care, the total income received in a month is counted as income in each month for which eligibility is being determined. For a full discussion, refer to the Institutionalization chapter.

#### **200.05.01 EARNED INCOME TAX CREDIT (EITC) AND CHILD TAX CREDIT (CTC) PAYMENTS**

These special tax credits are available to certain low income working taxpayers. The EITC reduces the federal tax liability and results in a payment to the taxpayer, either as advance from the employer or a refund from IRS. The CTC is a special refundable federal tax credit that is available to parents, step-parents, grandparents and foster parents and provides a refund to individuals even if they do not owe any tax. There is no advance payment with the CTC. Exclude EITC received either as an advance or as a refund and CTC refund payments from income.

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### **200.05.02 STUDENT EARNED INCOME EXCLUSION (SEIE)**

Effective April 1, 2005, the Student Earned Income Exclusion was extended to all individuals who are working students under the age of 22, not just those who meet the SSI definition of a child. The SEIE will apply to earnings deemed from an ineligible spouse or parent(s) and it will apply to the joint earned income of eligible couples when both members are under age 22 and are working students. The SEIE allows an individual under age 22 and regularly attending school to have earnings up to a monthly maximum, but not more than an annual maximum. The monthly and yearly limits are adjusted annually based on cost of living index increases, if applicable. The monthly and yearly maximum exclusion amounts are located in the Appendix, entitled Student Earned Income Exclusion Chart.

#### **Qualifying for the SEIE Effective April 1, 2005**

To qualify for this exclusion, the individual must be:

- Under age 22 and
- A student regularly attending school

This exclusion may apply to an eligible or ineligible:

- Individual
- Child
- Spouse or
- Parent(s)

#### **Application of the Exclusion**

Apply the exclusion as follows:

- Consecutively to months in which there is earned income until the maximum yearly exclusion is exhausted or the individual is no longer a student under age 22; and
- Only to a student's own earned income
- Before applying any portion of the general income exclusion which has not been deducted from unearned income and before applying the \$65 plus one-half of the remaining income.

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**Example:** Jim Thayer, a 20 year old student, takes a summer job doing computer programming. He had no prior earnings during the year and he has no unearned income. He earns \$2000 in June, July and August, 2010. His countable income is computed as follows for these months:

\$2000	Gross Earnings
<u>-1640</u>	Student Exclusion
360	
<u>- 50</u>	General Income Exclusion
310	
<u>- 65</u>	Earned Income Exclusion
245	
<u>-122.50</u>	One-Half Remainder
\$122.50	Countable Income

Jim has used \$4920 of his \$6600 student earned income exclusion (\$1640 for June, July and August). He has \$1680 left to be excluded over the remaining calendar year should he have other earned income through December of 2010.

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### **200.05.03 \$65 PLUS ONE-HALF REMAINDER EARNED INCOME EXCLUSION**

\$65 per month of earned income plus one-half of the remaining earned income in the month is excluded in the order listed in 200.06 above.

### **200.05.04 IMPAIRMENT-RELATED WORK EXPENSES (IRWE) EXCLUSION**

IRWE expenses are for items or services which are directly related to enabling a person with a disability (other than blindness) to work and which are necessarily incurred by that individual because of a physical or mental impairment.

Any earned income of a person who is disabled (but not blind) that is used to meet any reasonable, non-reimbursable impairment-related work expenses is not counted. The IRWE exclusion may be applied to the earnings of a disabled person who is under age 65, or is age 65 or older and received SSI and Medicaid or a disability payment for the month prior to attaining age 65.

The IRWE exclusion applies only to earned income. The exclusion is deducted after applying any portion of the 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.

**NOTE:** Before applying the IRWE exclusion, obtain clearance from state office.

### **200.05.05 BLIND WORK EXPENSES (BWE) EXCLUSION**

BWE represent any earned income of a blind person which is used to meet any expenses reasonably attributable to earning the income.

Exclude BWE from earned income if the blind person is under age 65, or is age 65 or older and received SSI and Medicaid or disability payments for the month before attaining age 65.

The BWE exclusion applies to earned income only. The exclusion is deducted after applying any portion of the general income exclusion not deducted from unearned income and all other applicable earned income exclusions except the PASS exclusion.

**NOTE:** Before applying the BWE exclusion, obtain clearance from state office.