

MISSISSIPPI DIVISION OF MEDICAID

Eligibility Policy and Procedures Manual

200.07.18 DIVIDENDS AND INTEREST

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

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

Treatment of Dividends and Interest

Count dividends or interest as income or excluded income based on the following criteria:

- When the source of the dividends or interest is a countable resource, the dividends or interest generated is excluded income for programs with an asset test. (**NOTE:** The Medicare Cost Sharing programs (QMB, SLMB, and QI) do not have an asset test so the exclusion does not apply to them.)
- When the source of the dividends or interest is a resource which is excluded under federal statute, the dividends or interest generated is excluded income. Examples are: Agent Orange payments, Austrian Social Insurance payments, Japanese-American and Aleutian Restitution payments, Radiation Exposure Compensation Trust Fund payments, Ricky Ray Hemophilia Relief funds, payments to Veterans' Children with Certain Birth Defects, etc. The treatment of dividends and interest is included in the discussion of each income source in this chapter.
- When the source of the dividends or interest is a resource excluded by the Social Security Act, dividends or interest generated on the excluded resource may or may not be excluded. Treatment is specific to the excluded resource. Some examples are: burial funds and burial spaces, relocation assistance, PASS funds, gifts to children with life-threatening diseases, victim's compensation, grants, scholarships, fellowships and gifts, etc. The treatment of dividends and interest is included in the discussion for each income source in this chapter.
- Under liberalized income policy, interest, dividend and royalty income or any combination that does not exceed \$5 per month per individual is excluded.

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DIVIDENDS AND INTEREST (Continued)

- In post-eligibility budgeting to determine Medicaid Income, recurring income that varies in amount or frequency, such as dividends and interest, is averaged if the client is income-eligible in the month the payment is received without averaging. Refer to the Institutionalization chapter for more information.

200.07.19 ROYALTIES

Royalties include compensation paid to the owner for the use of property, usually copyrighted material, e.g., books, music or art, or natural resources, e.g., minerals, oil, gravel or timber. Royalty compensation may be expressed as a percentage of receipts from using the property or as an amount per unit produced. To be considered royalties, payments for the use of natural resources also must be received:

- Under a formal or informal agreement whereby the owner authorizes another individual to manage and extract a product (like timber or oil) and
- In an amount that is dependent on the amount of the product actually extracted.

Royalties are counted as unearned income unless they are:

- Received as part of a trade or business; or
- Received by an individual in connection with any publication of his work. Royalties earned by an individual in connection with any publication of his work are earned income (for example, publication of a manuscript, magazine article or artwork).

Some documents concerning royalty payments will provide both a gross and a net payment amount. When the difference between the gross and net figures is due to income taxes withheld or windfall profit tax deductions, use the gross figure in determining income. However, when the difference between the gross and net figures represents a production or severance tax (for example, most oil royalties will be reduced by this tax), use the net figure when determining income. The production or severance tax is a cost of producing the income and therefore, deducted from the gross income. Under liberalized income policy, interest, dividend and royalty income that does not exceed \$5 per month per individual is excluded. The exclusion applies to either income type or a combination of the three types up to the \$5 maximum.

In post-eligibility budgeting to determine Medicaid Income, recurring income that varies in amount or frequency, such as royalties, is averaged if the client is income-eligible in the month the payment is received without averaging. Refer to the Institutionalization chapter for more information.