

MISSISSIPPI DIVISION OF MEDICAID

Eligibility Policy and Procedures Manual

200.09.10 ROYALTIES AND HONORARIA

Royalties include compensation paid to the owner for the use of property, usually copyrighted material (e.g., books, music, or art) or natural resources (like minerals, oil, gravel or timber). Royalty compensation may be expressed as a percentage of receipt 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 person 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.

An outright sale of natural resources by the owner of the land or by the owner of rights to use the land constitutes conversion of a resource. Proceeds from the conversion of a resource are not income.

Royalties are earned income when they are:

Received as part of a trade or business; or

Received by a person in connection with any publication of his work such as publication of a manuscript, magazine article or artwork.

An honorarium is an honorary or free gift, reward or donation usually provided gratuitously for services rendered (like a guest speaker), for which no compensation can be collected by law. The amount also may include payment for items other than services rendered, e.g., lodging or travel expenses.

For income purposes, a payment received for a service as described above is earned income. Any other payment received in cash or in-kind connected with service is unearned income to the extent it exceeds the individual's expenses. Absent evidence to the contrary, assume the amount of any honorarium received **is** in consideration of the actual services provided by the individual and treat as earned income.

Do not deduct expenses of obtaining income from royalties/honoraria that are earned income. Such expenses are deductible from royalties/honoraria that are unearned income.