

# ALASKA ADULT PUBLIC ASSISTANCE MANUAL

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### 441 COUNTABLE INCOME

This chapter describes types of income that are counted when determining income eligibility for the APA program. Certain income and resources of spouses and/or alien sponsors is considered available (deemed) to meet the needs of an individual or couple in determining eligibility for APA. Refer to chapter 460 for the policy on the deeming of income and resources of spouses and/or alien sponsors.

#### 441-1 EARNED INCOME

Earned income includes the following types of payments:

##### A. WAGES

Wages are what an individual receives (before any deductions) for working as someone else's employee. Wages include salaries, commissions, bonuses, severance pay, and other special payments received because of employment. Wages are counted in the month of receipt.

##### B. SICK PAYMENTS

Sick pay is a payment made in place of wages to or for an employee by an employer or a private third party because of sickness or an accident. Sick pay is earned income if the individual receives it within six months after work stopped because of sickness or disability.

Sick payments received more than six months after work stopped are considered to be unearned income.

##### C. GARNISHMENTS AGAINST EARNED INCOME

Wages withheld from earned income to satisfy a debt or legal obligation count as earned income. Refer to [section 443-1](#) for the treatment of garnishments against unearned income.

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**D. NET EARNINGS FROM SELF-EMPLOYMENT**

**1. Definition of net self-employment income**

Net self-employment income is the gross income from a trade or business less allowable deductions for that trade or business. Allowable deductions are any deductions that are allowed by the Internal Revenue Service, including depreciation. Net self-employment income also includes any profit or loss in a partnership. Self-employment income also includes income received by crewmembers who are involved in a commercial fishing venture and are paid a share of the profits instead of wages.

**2. Determining monthly net self-employment income**

Net self-employment income, whether received monthly or less often than monthly, is counted on a taxable year basis. A taxable year is the fiscal year used by the trade or business for IRS purposes. The total of these earnings is divided equally among the months in the taxable year to get earnings for each month.

Net self-employment income is calculated by using the previous tax year's gross self-employment income less allowable deductions to calculate the current tax year's monthly net self-employment income, except as specified below.

In situations where the individual is engaged in a new business, or where there are valid reasons to expect that the amount of income from a trade or business will be different from the previous year, the case worker must use prudent judgement to determine the net self-employment income for the current tax year. This is accomplished by using any business records in the client's possession, the client's own estimate of his or her expected income and expenses for that year, and any other available information (for example, the closure of a fishery).

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If, based on subsequent evidence, the case worker decides that the estimate of net self-employment income is inappropriate, he or she will redetermine the net self-employment income for the current tax year.

#### 3. Offsetting net loss

If there are net losses from self-employment, these losses are used to offset other earned income only. **Net losses from self-employment may not be deducted from unearned income.**

Net losses from self-employment are calculated the same way as net self-employment income. The net loss is averaged over the taxable year to get the net loss for each month.

Each month's net loss is then deducted only from other earned income in that month.

#### 4. Verification

The preferred method of verifying net self-employment income for the previous year is by viewing the individual's tax return. For this reason, cases which involve self-employment income should be scheduled for their yearly review soon after the individual's tax return is filed. If the individual did not file a tax return, the individual's business records may be used. If neither a tax return nor business records are available, the individual's allegation of net self-employment income is acceptable if, in the case worker's judgment, it accurately reflects the known circumstances in the case.

The method by which an individual's net self-employment income was determined should be fully documented in the case file so that anyone reviewing the information will be able to determine how the amount was calculated.

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#### E. EARNINGS FROM SHELTERED WORKSHOP OR WORK ACTIVITIES CENTER

Payments for services performed in a sheltered workshop or work activities center are what an individual receives for participating in a program designed to help him or her become self-supporting. Payments for such services are earned income.

### 441-2 UNEARNED INCOME

Unearned income is any income that is not earned. Unearned income includes but is not limited to the following types:

#### A. BENEFITS PAID UNDER TITLE II OF THE SOCIAL SECURITY ACT

Retirement, survivors, and disability insurance (RSDI) monthly benefits count as unearned income. The amount of any premiums deducted for Supplementary Medical Insurance (SMI) under Medicare from RSDI benefits is included in unearned income.

#### B. ANNUITIES, PENSIONS, RETIREMENT, OR DISABILITY PAYMENTS

Annuities, pensions, retirement benefits, and disability benefits count as unearned income.

**Annuity.** An annuity is a sum paid monthly, yearly, or at other specific times in return for the payment of a fixed sum. Annuities may be purchased by an individual or an employer.

**Pensions and retirement benefits.** Pensions and retirement benefits are payments to a worker following his or her retirement from employment. These payments may be paid directly by a former employer, a trust fund, an insurance company, or other entity.

**Disability benefits.** Disability benefits are payments made because of injury or other disability. Disability benefits are unearned income, except that certain accident disability benefits paid within 6 months after the month an employee last worked are earned income. (See manual [section 441-1B.](#))

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C. DEPARTMENT OF VETERANS AFFAIRS PAYMENTS

The Department of Veterans Affairs (VA) has numerous programs which make payments to APA recipients and their families. For APA purposes, treatment of these VA payments depends on the nature of the payments. The most common types of VA payments are:

1. VA Pension

**Background.** VA pension payments are made on the basis of a combination of length of service and an age of 65 or over, a nonservice-connected disability, or death. The VA may take dependents' needs into account in determining the amount of a pension. However, the VA does not usually make a pension payment directly to a dependent during the lifetime of the veteran. Instead, the amount of the veterans' basic pension is increased (augmented) if the veteran has dependents.

**Policy.** VA pension payments are counted as unearned income. Except for certain pensions paid to veterans or their dependents on the basis of a special act of Congress, VA pensions are federally funded income **based on need**. The \$20 general income exclusion does not apply to needs-based VA pensions. The case worker may assume that a VA pension is needs-based unless there is an indication that it is paid on the basis of a special act of Congress.

Any portion of a VA pension that is augmented for dependents is counted as income to the dependent if the dependent is living with the veteran. If the dependent is not living with the veteran, the augmented portion is disregarded as income to both the veteran and the dependent. However, if the veteran gives any portion of the augmented pension to the absent dependent, that portion is counted as income to the dependent.

**Verification.** *A VA check, award letter, or other documentation in the individual's possession may be used to verify VA benefit amounts. In the absence of such proof, the case worker must contact the VA to obtain the information.*

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2. VA Compensation

**Background.** VA compensation payments are made on the basis of a service-connected disability or death. For the purposes of VA compensation payments, dependents also include certain dependent parents. Payments to dependent parents are made on the basis of service-connected death only. A living veteran's compensation payment may be increased (**augmented**) for dependents. In unusual circumstances, a VA compensation payment may be **apportioned** (paid directly to the dependent of a living veteran).

**Policy.** VA compensation payments made to a veteran, a veteran's spouse, child, or widow(er) **are not** needs-based. VA compensation payments made to a dependent parent **are** needs-based. VA compensation payments made to a veteran, spouse, child, or widow(er) are unearned income subject to the \$20 general income exclusion. However, VA compensation payments to a surviving parent of a veteran are federally funded income based on need, and the \$20 general income exclusion does not apply.

Any portion of a VA compensation payment that is augmented for dependents is counted as income to the dependent if the dependent is living with the veteran. If the dependent is not living with the veteran, the augmented portion is disregarded as income to both the veteran and the dependent. However, if the veteran gives any portion of the augmented compensation payment to the absent dependent, that portion is counted as income to the dependent.

VA compensation payments that are apportioned are counted as unearned income to the dependent.

**Verification.** *A VA check, award letter, or other documentation in the individual's possession may be used to verify VA benefit amounts. In the absence of such proof, the case worker must contact the VA to obtain the information.*

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### 3. VA educational assistance

**Background.** The VA provides educational assistance under a number of different programs, including vocational rehabilitation. Depending on the nature of the VA program, different income and resource policies apply.

Generally, veterans have 10 years after leaving the service to complete their education and 12 years to complete a program of vocational rehabilitation. Payments are usually made on a monthly basis only for months in which the veteran is in school. However, if school attendance is less than half time, the payments may be made less frequently. Dependents and survivors of veterans may also be eligible for educational assistance.

Some programs are "contributory". That is, the money is contributed by the active service-person to an educational fund and the government matches the money when it is withdrawn while the veteran is pursuing an education. The portion of funds contributed by a veteran are treated as an available resource because the veteran has the right to withdraw this contribution at any time. VA educational assistance programs include:

(a) The "old" GI bill

This program paid educational benefits to veterans with service between February 1, 1955 and December 31, 1976 and to certain veterans who entered active duty in 1977. Payments under the old GI bill could be augmented for dependents. Payments under this program ended December 31, 1989.

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(b) Veterans Educational Assistance Program (VEAP)

This program pays educational assistance to veterans who entered active service between January 1, 1977 and June 30, 1985. This is a contributory program. The veteran has the right to withdraw this contribution in one lump sum at any time. However, if the individual does so, the government will not match his or her contributions. Payments under VEAP are not augmented for dependents.

(c) The "new" GI bill - Active Duty Educational Assistance Program

This program pays educational benefits to veterans who entered active service on or after July 1, 1985 and to veterans who meet the qualifications in (a) above and serve three years after July 1, 1985. During active service, the military pay of an individual electing to participate in this program will have been reduced for 12 months; however, this is not a contributory program. Payments under this program are not augmented for dependents if the veteran entered service on or after July 1, 1985.

(d) The "new" GI bill - Selected Reserve Program

Under this program, a reservist with a 6-year commitment may receive educational assistance while in the reserves. This is not a contributory program and the payments are not augmented for dependents.

**Policy.** Any VA educational benefit payment, or portion of such a payment, which is funded by the government, and is not part of a program of vocational rehabilitation, is unearned income for APA purposes. Payments made as part of a VA program of vocational rehabilitation are not income.

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Any portion of a VA educational benefit payment which is a withdrawal of the veteran's own contribution is a conversion of a resource and is not income. Because of this, only that portion of an educational payment which is income to the individual obtaining the education is subject to the income exclusion for educational expenses. (Refer to manual section 442-3A(7)(b).)

Any portion of a VA educational benefit payment that is augmented for a dependent is counted as income to the dependent if the dependent is living with the veteran. If the dependent is not living with the veteran, the augmented portion is disregarded as income to both the veteran and the dependent. However, if the veteran gives any portion of the augmented benefit payment to the absent dependent, that portion is counted as income to the dependent.

***Verification.** A VA check, award letter, or other documentation in the individual's possession may be used to verify VA benefit amounts. In the absence of such proof, the case worker must contact the VA to obtain the information.*

**4. VA aid and attendance and housebound allowances**

**Background.** The VA pays an allowance to veterans, spouses of disabled veterans, and surviving spouses who are in regular need of the aid and attendance of another person or are housebound. This allowance will be combined with the individual's pension or compensation payment.

**Policy.** VA aid and attendance and housebound allowances are not income. This type of payment is considered as cash received in conjunction with medical and social services from a governmental or private agency. (Refer to manual section 440-3B.)

***Verification.** A VA check or award letter is not reliable verification of the amount of income if an aid and attendance or housebound allowance is involved. The case worker must contact the VA to verify receipt of aid and attendance and housebound allowances if the veteran, spouse of a disabled veteran, or surviving spouse is:*

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- (a) *housebound; or*
- (b) *blind; or*
- (c) *unable to dress or care for himself or herself; or*
- (d) *a patient in a nursing home; or*
- (e) *single and severely and permanently disabled or otherwise appears to require the assistance of someone else on a day-to-day basis.*

### 5. VA Clothing Allowance

**Background.** A lump sum clothing allowance is payable in August of each year to a veteran with a service connected disability for which a prosthetic or orthopedic appliance (including a wheelchair) is necessary. The allowance is intended to defray the increased cost of clothing due to wear and tear caused by the use of the appliance.

**Policy.** A VA clothing allowance related to the use of a prosthetic or orthopedic appliance is not income. This type of payment is considered as cash received in conjunction with medical and social services from a governmental or private agency. (Refer to manual section 440-3B.)

**Verification.** *Accept the individual's allegation concerning a VA clothing allowance received by a veteran who uses a prosthetic or orthopedic appliance.*

### 6. VA payment adjustment for unusual medical expenses

**Background.** The VA considers unusual medical expenses when determining some needs-based pension and compensation payments. For VA purposes, unusual medical expenses are expenses that exceed 5 percent of the maximum annual VA payment rate. They calculate these adjustments by deducting unusual medical expenses from any countable income. Unusual medical expenses may result in a higher monthly VA payment, an extra payment, or an increase in an extra payment.

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**Policy.** Any increase in a needs-based VA compensation or pension payment which is the direct result of unusual medical expenses is not counted as income.

**Verification.** *A VA check, award letter, or other documentation in the individual's possession may be used to verify VA benefit amounts. In the absence of such proof, the case worker must contact the VA to obtain the information.*

#### D. INCOME BASED ON NEED

**Needs-based income** received by an eligible individual or couple (or by an alien sponsor) is counted as unearned income. However, needs-based income received by an ineligible spouse (except for SSI benefits, or income taken into account in determining eligibility for and the amount of SSI benefits) is excluded from the eligible individual's income. (Refer to [section 460-6](#) for the policy on this exclusion for ineligible spouses).

Needs-based income is income that is:

1. Funded either wholly or partially by the Federal government **or** by a private non-governmental agency, such as the Salvation Army or Catholic Charities, and
2. Provided under a program which uses income as a factor of eligibility.

Programs that provide needs-based income include Bureau of Indian Affairs General Assistance (BIA GA), most Veteran's Administration (VA) pensions, and Supplemental Security Income (SSI) payments.

The \$20 general income exclusion does not apply to needs-based income.

**Needs-based income** is **not** the same as **needs-based assistance**. Certain needs-based assistance is excluded from income; needs-based income is not. (See [section 442-3B](#) for policy on the needs-based assistance income exclusion.)

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#### **E. WORKERS' COMPENSATION PAYMENTS**

Workers' Compensation payments are awarded to an injured employee or to the employee's survivors because of a job-related injury are counted as unearned income. However, any portion of a Workers' Compensation award designated by the payor for medical expenses or legal or other expenses of obtaining the award is not income. To be disregarded as income, the portion designated for medical, legal, or other expenses must be verified by the payor.

#### **F. UNEMPLOYMENT INSURANCE BENEFITS**

Unemployment insurance benefits are counted as unearned income. Unemployment insurance benefits, also known as unemployment compensation, means payments received under a state or federal unemployment law, as well as additional amounts paid by unions or employers as unemployment benefits.

#### **G. DEATH BENEFITS**

A death benefit is payment received as the result of another's death. Examples of death benefits include: proceeds of life insurance policies, lump sum death benefits from SSA, Railroad Retirement burial benefits, inheritances, and cash gifts from relatives, friends, or community groups to "help out" with expenses related to death. Recurring survivor benefits, such as those received from SSA or from a private pension, are not death benefits.

Death benefits are income to an APA applicant or recipient to the extent that the total amount received by the applicant or recipient exceeds the amount paid, or obligated to be paid, by the applicant or recipient toward the deceased person's last illness and burial.

Last illness and burial expenses include: related hospital and medical expenses, funeral, burial plot, interment expenses, and other expenses related to last illness and burial. Other expenses may include such items as: new clothing to wear to the funeral; food for visiting relatives; taxi fare to and from the hospital or funeral home; etc.

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To determine the amount of income derived from death benefits, the total expenses are subtracted from the total death benefits. The countable portion of a death benefit is income in the month it is received. If death benefits are received in more than one month, the case worker will assume that the funds first received are the first spent. For example, if death benefits of \$1000 are received in January, and another \$1000 is received in February, and the allowable expenses are \$1500, \$500 is counted as income in February.

***Verification.** Verify all last illness and burial expenses. Such verification may include: bills, receipts, contact with the provider, etc. If verification cannot be obtained, the case worker may accept a signed statement from the individual. If an expense has been incurred but not yet paid, the case worker will assume that the individual will pay the expense unless there is reason to question the situation.*

### H. AWARDS

An award is usually something received as the result of a court decision, board of arbitration, settlement of a civil issue, etc., and is counted as unearned income in the month of receipt.

In some cases, some or all of an award may not count as income. For example, the portion of an award that is a reimbursement for medical or other expenses incurred in getting the award or for the legal cost of obtaining the award is not counted as income. Such expenses are deducted from the first and from any following payments until the expense is completely offset against the income.

***Note:** The case worker must notify the Division of Medical Assistance (DMA) whenever he or she becomes aware of an award which includes reimbursement for a medical expense which may have been paid for by Alaska's Medicaid program.*

***Verification.** It is the client's responsibility to provide proof of the amount of an award. Acceptable proof may consist of documents from the court or source of the award which show the amount of the award, the date it was paid, and the purpose of the award.*

### I. CASH GIFTS

A cash gift is considered as countable unearned income.

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A cash gift is cash that a person receives that is not a repayment for goods or services the person provided and is not given because of a legal obligation on the giver's part. To be a gift, the cash must be given irrevocably (the giver relinquishes all control). Donations and contributions may meet the definition of a gift.

Small cash gifts may be excluded as infrequent/irregular income. (Refer to [section 442-1A](#) for the policy on this income exclusion.)

***Verification.** If questionable, the amount of a cash gift must be verified. Acceptable proof of a cash gift may consist of a check stub, deposit slip, written statement from the giver, or other documentary evidence that verifies the amount of the gift. A collateral contact with the giver is also acceptable.*

### J. PRIZES

A prize is something won in a contest, lottery, or game of chance such as bingo winnings or pull tabs. Cash prizes are unearned income in the month of receipt. Gambling losses are not subtracted from gambling winnings when determining an individual's countable income.

Prizes such as bingo winnings or pull tabs are not anticipated when determining eligibility or payment amount. Only income that can reasonably be expected to be received is counted when anticipating income. Since bingo or pull-tabs are a game of chance, winnings cannot reasonably be anticipated, even if the individual has a previous pattern of winning.

Prize income is only counted after it is received. For example, bingo winnings that an applicant reports receiving in an application month will count in determining APA eligibility and payment for that month.

Small cash prizes may be excluded as infrequent/irregular income. (Refer to [section 442-1A](#) for the policy on this income exclusion.)

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**Verification.** *It is the client's responsibility to provide proof of income from prizes. Acceptable proof may consist of a prize receipt, letter, or oral or written statement from the source of the prize. If proof is not available from the source of the prize, a statement from the client which specifies the amount and date received is acceptable.*

#### K. INHERITANCE

An inheritance is cash or any other type of asset that is received as the result of someone's death. An inheritance that is received in the form of cash, or any other liquid asset that can readily be converted to cash, is considered as unearned income.

An inheritance that is received in the form of real or personal property is considered as in-kind support and maintenance, and is not counted as income. Unless otherwise excluded, an inheritance is subject to evaluation as a resource the month after it is received.

#### L. SUPPORT AND ALIMONY PAYMENTS

Support and alimony payments received by an individual, or by someone acting on the individual's behalf, which are provided to meet the individual's own needs are counted as unearned income to the individual. Support and alimony payments, which are provided for the support and care of another person are not income to the individual, unless the individual uses the money for his or her own needs.

**Verification.** *Support and alimony payments may be verified by viewing a divorce decree, support order, money order, check, or any other documentation in the individual's possession. Unless there is reason to question the situation, the case worker may presume that support and alimony payments provided for the support and care of an individual are being used by or for that individual.*

There is a limited income exclusion for **child support** payments received by or for an individual who is eligible for SSI or APA. This exclusion does not apply to alimony payments. Refer to [section 442-3I](#) for an explanation of this limited income exclusion.

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M. RENTAL INCOME

Net rental income counts as unearned income unless it is earned income from self-employment (that is, the recipient is actively involved in the business of renting properties).

Rental deposits are not income to the landlord if they are subject to return to the tenant. Rental deposits used to pay rental expenses become income to the landlord at the point of use.

**Rent.** Rent is a payment which an individual receives for the use of real or personal property, such as land, housing, or machinery.

**Net rental income.** Net rental income is gross rent less the ordinary and necessary expenses paid in the same taxable year. Deduct expenses when they are paid, not necessarily when they are incurred.

**Ordinary and necessary expenses.** Ordinary and necessary expenses are those necessary for the production or collection of rental income. In general, these expenses include:

1. interest and escrow portions of a mortgage payment on the rental property (at the point the payment is made to the mortgage holder);
2. real estate insurance;
3. property taxes;
4. expenses of managing or maintaining property, such as repairs, lawn care, snow removal, and advertising for tenants; and
5. the cost of attorney or other agent services needed to collect rents.

Ordinary and necessary expenses do not include: tax depreciation or depletion of property; the principal portion of a mortgage payment; capital expenditures such as an expense for an addition or increase in the value of property.

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***Verification.** Use documents in the individual's possession (bills, receipts, etc.) to verify the rent and the dates received, and the expenses and dates paid. The individual's most recent tax return, including Schedule E, may be helpful in identifying past expenses and in estimating future rental income.*

**N. RESERVED**

**O. ROYALTIES**

Royalties are payments to the holder of a copyright or patent. Royalties may also be paid to the owner of a mine, oil well, timber tract, or other resource, for the extraction of a product. Royalty payments are unearned income unless they are received in connection with any publication of an individual's own work, or they are received as part of a trade or business, in which case they are treated as earned self-employment income.

***Verification.** Royalty payments may be verified by viewing any receipts or royalty agreements in the individual's possession which indicate the amount and frequency of the royalty payments. If this documentation is not available, the individual is responsible for providing proof of the royalty payments from the company or source of the royalty payment.*

**P. DEPOSITS MADE TO A JOINT ACCOUNT**

An APA applicant or recipient may sometimes own a joint bank account with other individual(s) whose income and resources are not considered available (deemed) to meet the needs of the applicant or recipient. The entire amount of deposits made to the joint account by the other individual(s) are income to the applicant or recipient.

The **only** exception to this rule is that if each owner of a joint account is eligible for SSI or APA, deposits made to the joint account by one account owner are not income to the other account owner(s). This exception does **not** apply to situations where the other joint owner receives another type of assistance such as Temporary Assistance.

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An APA applicant or recipient who is an owner of a joint account may argue that some or all of the funds deposited to the joint account do not belong to him or her. To establish non-ownership of the funds, the APA client must:

1. Provide a written statement that explains why some or all of the funds in the account do not belong to him or her. If the client indicates that only some of the funds do not belong to him or her, the client must specify what portion of the funds are not his or hers; and
2. Provide a corroborating statement from the other account owner(s). If the other owner(s) of the account is (are) not competent to provide such a statement, a statement from a third party who is familiar with the situation is acceptable; and
3. Change the account designation to either remove the individual's name from the account, or show that the owner(s) have restricted access to the account.

Once all three of these things are done, any funds determined to be owned by the other account holder(s), and that the individual can no longer withdraw from the account, were not and are not counted as income to the individual. When this happens, the case worker shall redetermine APA eligibility and benefit amounts for any affected months.

Interest earnings are counted as unearned income to the applicant or recipient in proportion to the percentage of funds that are considered to be a resource to the applicant or recipient.

This policy does not affect the treatment of the funds in a joint account as a resource. Refer to section 431-2A for the resource policy on joint accounts.

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**Q.      RETROACTIVE PAYMENTS**

Except for retroactive SSI and SSA Retirement, Survivors, and Disability Insurance (RSDI) benefits, retroactive benefit payments are counted as income in the month of receipt. Examples of retroactive benefit payments that are considered countable income the month they are received include: Retroactive Unemployment Insurance benefits, retroactive VA benefits, etc. Refer to section 440-2 for the income counting policy on retroactive SSI and RSDI benefits.

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