

ALASKA FOOD STAMP MANUAL

602-4 DEDUCTIONS

Households are allowed certain deductions from gross income when calculating their net income to determine their food stamp eligibility and allotment amount. An expense is allowed in the month it is billed or becomes due, regardless of when it is paid.

Exceptions:

- Fluctuating expenses may be averaged over the period the expense is intended to cover.
- Periodic expenses billed less often than monthly may be averaged forward over the interval between billings or over the period intended to cover. For example, property taxes may be averaged over the period between scheduled billings even though taxes are often paid after the period incurred.
- One-time expenses (such as utility hook-up fees) may be averaged over the months remaining in the current certification period.
- Medical expenses may be averaged forward over the interval between billings or over the period intended to cover. See MS 602-4D(4).
- Child support payments must be paid or reasonably anticipated to be paid in order to be allowed. See MS 602-4F.

Deductible expenses must be incurred by the household and not covered by an excluded reimbursement, excluded vendor payment or in-kind income. **Exception:** Expenses paid by federally funded heating assistance are allowed.

An expense must be verified when it results in a deduction. If obtaining verification of expenses would delay the initial application, the household may choose to have its application processed without the deductions. The caseworker will determine the household's eligibility and allotment without the deduction if the expense is not verified within 30 days of the initial application filing date.

Use conversion factors to estimate a monthly amount for expenses billed more often than monthly. See MS 603-1C. **Example:** A household member makes weekly child support payments. Calculate the monthly child support deduction amount by multiplying the weekly amount by 4.3.

602-4A EARNED INCOME DEDUCTION

This deduction is 20 percent of the total gross earned income. It is intended to cover general work-related expenses.

602-4B STANDARD DEDUCTION

The standard deduction amount is \$229 for all households.

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DEPENDENT CARE DEDUCTION

The maximum dependent care deduction is:

- \$200 per month per child under the age of two, including the month the child turns two;
- \$175 per month per dependent age two or older.

(1) Allowable Expenses

To be allowed, the dependent care expense must be:

- For a child or other dependent who is an eligible member of the food stamp household; and,
- Necessary to allow a household member to accept or continue employment, to seek employment, or to attend school or training. This household member must be an eligible food stamp household member or an excluded member as defined at MS 605-2B.

The expense of a paid live-in sitter or attendant necessary for dependent care is an allowable dependent care expense. **Note:** When dependent care costs qualify as both a dependent care cost and a medical deduction, treat the cost as a medical expense if it will increase the household's food stamp allotment.

Expenses not allowed include:

- Costs incurred when an adult household member is in the home, not working or actively looking for work, or not attending school or training and is judged capable of caring for the dependent.
- Costs covered by PASS I, PASS II, or PASS III child care payments. **Note:** The costs incurred by the household that is not covered by the reimbursement, up to the \$175/\$200 limit, is allowed as a deduction.
- Payment is made in the form of a non-cash benefit, such as food.
- Costs for dependent care provided by another household member.
- Costs covered by an excluded vendor payment.

(2) Verification

Dependent care expenses must be verified at initial application. If requested verification is not provided, the expense will not be allowed. For recertifications, verification is required only when the amount changes by more than \$25. Acceptable verification includes, but is not limited to: a statement from the care provider, a receipt, or a collateral contact.

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602-4D MEDICAL DEDUCTION

Medical expenses in excess of \$35 per month incurred by the household can be deducted for household members considered Special Category (SPECAT) individuals as defined at MS 600-2. Spouses or other persons receiving food stamps as a dependent of the Special Category household member are not eligible for a medical deduction unless they are also considered a Special Category individual. **Note:** Enter the full amount of the monthly medical expense on EIS. EIS will deduct the \$35 and allow the balance as a medical deduction in the food stamp budget.

(1) Allowable Medical Expenses

- (a) Medical and dental care.
- (b) Hospitalization, outpatient treatment, and nursing care, including payments by the household for persons who were household members immediately prior to entering the facility.
- (c) Prescription costs, including out-of-pocket costs, prescription plan premiums and per prescription co-payments, and over-the-counter drug costs when prescribed by a licensed practitioner.
- (d) Health and hospital insurance premiums, including Medicare and Medicare Part D premiums. However, premiums for insurance policies that pay lump-sum settlements for death or dismemberment, or income maintenance policies that make mortgage or loan payments during disability are not allowed.
- (e) Dentures, hearing aids, prosthetics.
- (f) Cost of securing and maintaining a service dog including cost of dog food and veterinarian bills.
- (g) Prescription eyeglasses.
- (h) Reasonable costs of transportation and lodging to obtain medical treatment.
- (i) Attendant care costs necessary due to age, illness, or disability. In addition, an amount equal to the maximum food stamp allotment for one person will be deducted if the household furnishes the majority of the attendant's meals. If attendant care costs qualify both as a medical and dependent care deduction, treat as a medical expense.
- (j) Costs of medical supplies, sick room equipment (including rental) or other prescribed equipment.

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(2) **Medical Expenses not Allowed**

Expenses not allowable are the cost of a special diet, medical expenses covered by vendor payments, and medical expenses covered by reimbursements.

Note: If any portion of a medical expense will be reimbursed or paid by a vendor, no deduction is allowed until verification of the vendor payment or reimbursement is provided. Any remaining expense is allowed.

(3) **Verification of Allowable Medical Expenses**

Medical expenses incurred by the household member must be verified at application and recertification. Acceptable verification includes, but is not limited to, current medical bills, statements from the medical provider, receipts, and insurance statements.

(4) Budgeting Medical Expenses

The household's monthly medical deduction is based on the information reported and verified by the household, and any anticipated changes in the household's medical expenses that can be reasonably expected to occur during the certification period.

Households may estimate medical expenses they expect during the certification period. These estimates must be based upon available information about the member's medical condition, public or private insurance coverage, and the person's current verified medical expenses. Unpaid and past due medical bills are considered when determining the amount of the household's monthly medical deduction.

One-time medical expenses may be averaged over the remaining months of the certification period. For households certified for more than 12 months, medical expenses incurred in the first 12 months will be averaged over the months remaining in that 12-month period. Expenses incurred following the first 12 months will be averaged over the months remaining in that period.

When the household reports medical expenses that come due during the certification period, use the information in determining the household's monthly medical deduction for the remainder of its certification period. The household is not required to report or verify any changes in medical expenses during the certification period.

The household may report at recertification the medical expenses that occurred during the prior certification and have these expenses considered in determining its monthly medical deduction for the new certification period.

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602-4E SHELTER DEDUCTION

Households are allowed a shelter deduction from their countable income when the total shelter costs are more than 50% of their net income.

- Regular households are allowed the excess shelter amount that exceeds 50% of their countable net income, up to the maximum shelter deduction. Refer to Addendum 4 for the current maximum shelter deduction.
- Special Category (SPECAT) households with a disabled or elderly household member are allowed the excess shelter amount that exceeds 50% of their countable net income. These households have no maximum shelter deduction.

(1) Shelter Costs

To determine the shelter deduction, the caseworker must identify the allowable shelter costs and verify that the household is responsible for paying the expense. Generally, the costs must be for the home currently occupied by the household. Exceptions are listed at MS 602-4E(5).

(a) Shelter Costs Allowed

- Regularly charged rental payments, including payments for a trailer or mobile home space or boat berth
- For households living in public housing and those getting Section 8 Housing Choice Voucher subsidies, the amount of rent they are required to pay. The amount designated as a utility allowance is not included in the amount allowed as the household's rent.
- Mortgage payments, including payments on a trailer, mobile home or boat, and the property on which the trailer, mobile home, or boat usually rests. Payments on surrounding property that is not separated from the home by property owned by others.
- Payments on second mortgages secured by the home
- Payments related to a reverse mortgage, including mortgage interest payments, mortgage insurance and bank fees
- Property taxes and other assessments levied against the home property. Property taxes and assessments are also allowed for surrounding property that is not separated from the home by property owned by others.

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- Condominium and association fees. If a portion of the fee covers the cost of a heating or non-heating utility, the household is allowed the heating or non-heating utility standard in addition to the condominium fee.
- Mortgage and homeowner's insurance
- The charges for repair of the home damaged or destroyed through a natural disaster such as fire or flood are allowed.
Exception: Do not deduct the costs of repair or replacement that have been or will be reimbursed.
- Allowable utility costs, which are:

Fuel for home heating, cooking, or lighting, including fuel oil, natural gas, liquefied petroleum gas, coal, wood, and other home heating, cooking or lighting fuel

Electricity

Telephone service – allow one phone utility standard per household

Water, including water delivery

Sewage disposal, including pumping of septic tanks and holding tanks and commercial honey-bucket service

Garbage collection, including pickup of recyclable household containers

Initial installation of utilities

Home energy costs for home heating and/or electricity paid by the Heating Assistance Program or an energy assistance program administered by a Native organization

Utility costs charged by a landlord, including charges for water for a washing machine and charges for outside electric outlets for vehicles

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(b) Shelter Costs Not Allowed

- One-time deposits on utilities, including telephone
- Mandatory fees such as furniture charges, pest control charges, and maintenance fees. **Exception:** The entire condominium fee is allowed as a shelter cost even if all or a portion of the fee covers these items.
- Home mortgage or loan closing costs, unless itemized to identify allowable deductions such as insurance and taxes
- Collision insurance and gasoline costs for mobile homes
- Payments made on vehicles not used as a home
- Costs for repairing or replacing essential items of property for which the household will be or has been reimbursed
- Costs covered by in-kind income, an excluded reimbursement, or an excluded vendor payment. For example, Section 8 Housing Choice Voucher subsidies, Alaska Power Cost Equalization Program payments, or rent reduced in exchange for managing the apartment complex are not considered part of the household's shelter cost. **Exception:** Home heating and/or electricity paid by the Heating Assistance Program or an energy assistance program administered by a Native organization are an allowable deduction.
- Late fees
- Damage or advance deposits on rental property
- Separate insurance costs for furniture and personal belongings (i.e., "renter's insurance")
- Costs charged or paid between individuals who are included in the same food stamp household
- Past due expenses previously billed

(2) **Calculating Utility Costs**

Utility costs are included in determining the shelter deduction by using the heating utility standard or non-heating utility standards. In certain circumstances, actual costs are allowed.

(a) **Heating Utility Standard**

Households that are responsible for paying primary heating costs separate from their rent or mortgage are allowed the heating utility standard. The heating utility standard includes the costs for home heating fuel (fuel oil, natural gas, liquefied petroleum gas, coal, wood or other heating fuel), and other non-heating utility costs including electricity, water, sewer, phone, garbage collection, and cooking fuel. The heating utility standard is given to:

- Households responsible for paying heating fuel costs to a vendor or utility company, even when charged irregularly, such as periodic propane or fuel oil fill-ups.
- Households responsible for paying heating fuel costs to their landlords, who charge the tenant on the basis of individual usage, a flat rate separate from their rent, or for excess heating costs.
- Households receiving Heating Assistance or energy assistance administered by a Native organization.
- Households in public housing or that receive Section 8 Housing Choice Voucher subsidies that are charged for heating costs.

Temporary use of another heating source for which the household is not charged does not end entitlement to the heating utility standard.

When the residence is shared, each household who is responsible for paying at least a portion of the heating costs is entitled to the full heating utility standard.

See Addendum 4 for the heating utility standard amounts by utility region. For additional instructions, refer to EIS Procedures 2004-1.

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Households are not entitled to the heating utility standard when:

- They use wood for their primary heating source but do not pay for it. The costs of gathering the wood, such as gas and oil for chain saws and transportation to get the wood, cannot be counted since the shelter cost is only allowed for the heating fuel itself.
- The only heating costs they are responsible for are for supplemental heating sources, such as the operation of a space heater, electric blanket, or heat lamp.

(b) **Non-Heating Utility Standards**

Non-heating utility standards are given to households that are responsible for electricity, water, sewer, and/or phone costs, yet are not responsible for paying heating costs. Each utility standard is separate; households may be entitled to one or all of the non-heating utility standards. The non-heating utility standard is given to:

- Households responsible for paying utility costs to a vendor or utility company.
- Households responsible for paying utility costs to their landlords, who charge the tenant on the basis of individual usage, a flat rate separate from their rent, or for excess utility costs.
- Households in public housing or that receive Section 8 Housing Choice Voucher subsidies that are charged for non-heating utility costs.

When the residence is shared, each household responsible for paying at least a portion of the non-heating utility is entitled to the full non-heating utility standard.

See Addendum 4 for the non-heating utility standard amounts by utility region. For additional instructions, refer to EIS Procedure 2004-1.

(c) **Actual Utility Costs**

Households are allowed actual utility costs when:

- They are not entitled to the heating utility standard and have costs such as garbage collection, cooking fuel, and natural gas for water heaters that are not covered by a non-heating utility standard.
- Some or all of the members of a household occupy two residences because of employment or training away from home, and the household is responsible for the cost of heating at least one of the residences. In this case, the household may claim either one heating utility standard or actual utility costs for both residences. **Exception:** If actual costs are used, only the basic service fee for one telephone is allowed.

(3) **Shared Shelter Costs**

The household is allowed the full heating or non-heating utility standard when:

- The household shares a heating or non-heating utility cost with an individual who is not a member of the food stamp household.
- The household in a shared living situation is solely responsible for the utility cost.

The household must provide documentation showing:

- A member of the household is responsible for the shelter cost when a shelter cost is billed to the individual who is not a member of the household.
- The amount of the shelter cost they are responsible for when the household is responsible for only a portion of a non-utility shelter cost, such as when they are responsible for paying only half the rent.

(4) Shelter Costs Paid by a Third Party

Shelter costs are allowed when paid by:

- The Heating Assistance Program or an energy assistance program administered by a Native organization; or,
- A countable vendor payment. Shelter costs paid by a non-household member with funds that are legally obligated and otherwise payable to the household (such as court-ordered child support) are allowed as a shelter cost. The money used to pay this cost is countable unearned income per MS 602-3B(6), Countable Vendor Payments.

(5) Shelter Costs Allowed for an Unoccupied Home

Shelter costs for a home temporarily unoccupied by the household because of medical reasons, a natural disaster, casualty loss, employment or training are allowed as long as:

- The household intends to return to the home
- Any current occupants are not claiming shelter costs for food stamp purposes; and,
- The home is not rented or leased during the household's absence.

Shelter costs for two residences are allowed when the household moves in the middle of the month and has shelter expenses for both residences. The household is allowed the heating utility standard or non-heating utility standard for only one residence.

(6) **Verification of Shelter Costs**

Acceptable verification of shelter costs is documentation from the company or person charging the cost (such as the landlord, utility company, mortgage holder) showing the amount and who is responsible for paying it.

The household must verify each shelter cost:

- At initial application, when the cost would result in an increased benefit.

Note: If obtaining verification of expenses would delay the initial application, the household may choose to have the application processed without the deduction. The caseworker will determine the household's eligibility and allotment without the deduction if the expense is not verified within 30 days of the application filing date.

- During the certification period, when the household reports their shelter costs have changed.
- At recertification, when the household reports new shelter costs or when the previously verified expenses have changed by more than \$25 or the amount becomes questionable.

When the heating utility standard or non-heating utility standard is allowed, the household's responsibility for the heating cost must be verified, however, it is not necessary to verify the amount.

When the household has recently moved into the home and has not yet received a bill, the caseworker can verify the household's responsibility for the cost by confirming with the utility company that the household has an active account with them.

Itemized receipts showing monthly charges are acceptable verification of the monthly charges. Receipts showing only an amount paid are generally not acceptable since the amount paid may include additional charges such as late fees that are not allowed.

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The following table provides examples of acceptable shelter cost verification.

<u>Shelter Cost</u>	<u>Acceptable Verification</u>
Rent	Bill for rent, lease agreement, or contact with person or agency the household is renting from
Mortgage	Current mortgage payment coupon, or mortgage loan documentation, or contact with mortgage company or bank
Utility	Current utility bill, or contact with utility company When the person or agency the household is renting from charges for utilities, the lease agreement or contact with the person or agency the household is renting from
Heating Cost	Current bill or receipt showing recent purchase of heating fuel, or documentation that the household will be required to purchase heating fuel in the future
Property Taxes	Current property tax bill, or contact with tax office
Home Insurance	Current insurance bill, or other insurance documents showing the amount of the insurance premium, or contact with the insurance company

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CHILD SUPPORT DEDUCTION

Legally obligated child support payments incurred by a household member or an excluded household member can be allowed as a deduction. Child support payments that are not legally obligated are not allowed as a deduction. Allowable deductions include payments made or anticipated to be made to a person who is not a member of the food stamp household and payments made or anticipated to be made to any Child Support Enforcement Agency.

(1) **Legally obligated child support payments include:**

- (a) Child support payments to a person or agency outside the household. Payments are allowed even if the child for whom the support is for is a food stamp household member. Payments made less often than monthly may be allowed in the month it is billed or becomes due, or prorated over the months they are intended to cover. See MS 602-4.
- (b) Past due child support.
- (c) Payments to a third party. These payments may include rent, utility payments, and health insurance premiums.

(2) **Verification**

The legal obligation to pay child support, the amount of the monthly obligation, and the amount of child support the household has been paying must be verified.

The household is responsible for providing this verification. Without verification, the deduction is not allowed.

Acceptable verification of the legal obligation can include: Child Support Enforcement Division computer information or hard copy documentation; a court or administrative order; or a legally enforceable separation agreement. This verification shall not be accepted as verification of the amount of the actual child support payment paid.

Acceptable verification of paid child support can include: Child Support Enforcement Division computer information or hard copy documentation; canceled checks; wage withholding statements; verification of withholding from unemployment compensation; or statements from the custodial parent regarding direct payments or third party payments.

(3) **Budgeting the Child Support Deduction**

Child support payments must be paid or reasonably anticipated to be paid in order to be allowed.

- (a) For households with a record of paying child support in prior months:
- If paid once a month, the amounts do not vary, and the payment amount is expected to continue, use this monthly amount as the household anticipated monthly child support deduction.
 - If paid once a month and the amounts vary, calculate an average payment amount by adding together recent monthly payments representing what is likely to be paid and dividing this amount by the number of monthly payments used in this calculation. Use this monthly average as the household anticipated monthly child support deduction.
 - If paid more than once a month, the amounts do not vary, and the payment amounts are expected to continue, multiply the payment by the number of payments expected in the month, and use this amount as the household's anticipated monthly child support deduction. When the payments are made weekly, multiply the payment by 4.3; when paid every two weeks, multiply the payment by 2.15.
 - If paid more than once a month and the amounts vary, calculate an average payment by adding together recent payments representing what is likely to be paid and dividing this amount by the number of payments used in this calculation. Multiply this average payment by the number of payments expected in the month, and use this amount as the household's anticipated monthly child support deduction. When the payments are made weekly, multiply the average payment by 4.3; when paid every two weeks, multiply the average payment by 2.15.

See MS 603-1B and 603-1C for policy on averaging payments and conversion factors. See MS 603-1E for policy on irregular income.

- (b) For households with no child support payments made in prior months:
- Estimate the anticipated monthly payment. Use this estimate as the household's anticipated monthly child support deduction. Verification of the anticipated payment must be obtained before allowing the deduction.