Step 2: Determine the 185% of Need amount in Appendix A of this Chapter, for the appropriate AG size.

Step 3: If the amount in Step 1 is greater than the amount in Step 2, the AG is ineligible.

Step 4: If the amount in Step 1 is equal to or less than the amount in Step 2, the AG is eligible for further determinations.

2. Determining Eligibility - 100% Of Need Test

After the 185% of Need test (item 1 above) is met, it is necessary to determine if the 100% of Need test is applicable. The following situations require that the 100% of Need test be met:

- The applicant AG has never received AFDC/U, TANF or AFDC Medicaid.
- When the AG has been inactive for at least 4 consecutive months preceding the month of reapplication.
- An individual who has never received AFDC/U, TANF AFDC Medicaid is added to an existing AG. The test is made for the entire AG, without application of the $30 + 1/3 Disregard to the earnings of the new member.
- An individual, who has not received AFDC Medicaid for the 4 consecutive months preceding the month he is added to the AG, is added to an existing AG. The test is made for the entire AG, without application of the $30 + 1/3 Disregard or the $30 Disregard to the earnings of the new member.

When the 100% of Need test is applicable, the determination is made as follows:

Step 1: Add together total non-excluded gross income of the AG and any sanctioned person(s).

Step 2: The Standard Work Deduction and Dependent Care Deduction are applied to the earned income of each AG member and each sanctioned person, if applicable.

Step 3: Determine the 100% of Need amount in Appendix A for the appropriate AG size.

Step 4: If the amount resulting from Step 2 is greater than Step 3, the AG is ineligible.

Step 5: If the amount resulting from Step 2 is equal to or less than Step 3, the AG is eligible for further determinations.

3. Determining Countable Income

Once the 100% of Need test is met, if applicable, the following steps are taken. For cases which do not require the 100% of Need test, the following steps are taken after the 185% of Need test.

Step 1: Add together the non-excluded gross earned income of the AG and any sanctioned persons.

Step 2: Subtract the Standard Work Deduction for each person who works.

Step 3: Subtract the $30 + 1/3 or $30 Disregard for each person who is eligible for it.

Step 4: Subtract the Dependent Care Deduction for each person who pays dependent care.

Step 5: Add the non-excluded unearned income of the AG and any sanctioned person. The resulting amount is the countable income.

Step 6: Determine the AFDC Medicaid limit amount for the AG size, using Appendix A.

Step 7: If the amount arrived at in Step 5 equals or exceeds the amount in Step 6, the case is ineligible. If the amount arrived at in Step 5 is less than the amount in Step 6 the AG is eligible for AFDC Medicaid.

D. SPECIAL SITUATIONS

1. Categorical Eligibility

SNAP Categorical Eligibility has no bearing on AFDC Medicaid.

2. Expedited Service

The **SNAP** requirement of Expedited Service has no bearing on AFDC Medicaid.

3. Destitute AG's

The **SNAP** requirement of Destitute AG's has no bearing on AFDC Medicaid.

4. Self-Employment Income

When the AG member or sanctioned individual(s) receives self-employment income, the instructions below must be used to arrive at the gross profit which is used to calculate countable income. This is determined by subtracting allowable business expenses from the gross income.

a. Determining Gross Income

The method used to determine monthly gross income from self-employment varies with the nature of the enterprise. It is necessary to determine which of the following types of self-employment applies to the client's situation. Once the pattern of self-employment is determined, this is used to determine how the income is counted.

(1) Persons Receiving Regular Income

These persons receive income on a more or less regular schedule (weekly, monthly, etc.), or receive a specific amount from the business each week or month and/or receive the balance of profit from the enterprise at the end of the business year.

The income of people in this situation is converted to a monthly amount according to item A above.

Business expenses may be computed on a monthly basis or prorated over a 12-month period, at the client's option.

(2) Persons Receiving Irregular Income

Many persons derive income from short-term seasonal self-employment. This seasonal enterprise may be the major source of income for the year, or the income may be only for the period of time the person is actually engaged in this enterprise, with other sources of income being available during the remainder of the year. Persons who are seasonally self-employed include vendors of seasonal commodities (produce, Christmas trees, etc.), or other seasonal farmers.

Cash-crop farmers and other persons similarly self-employed receive their annual income from self-employment in a short period of time and budget their money to meet their living expenses for the next 12 months. Included in this category are some seasonal farmers, when the seasonal income is the primary support for the year.

Since the income is seasonal, it must be averaged over the period of time it is intended to cover, even if it is the major source of income for the year. However, if the averaged amount of past income does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the income is calculated based on anticipated earnings.

Business expenses may be computed on a monthly basis or prorated over a 12-month period, at the client's option.

(3) New Business

AG’s with a new business that has been in existence less than a year have their income averaged over the amount of time the business has been in operation. From this, the monthly amount is projected for the coming year. However, if the averaged amount of past income does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the income is calculated based on anticipated earnings.

Incurred business expenses are also averaged over the amount of time the business has been in operation. However, if the averaged amount of past expenses does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the expenses are calculated based on anticipated costs.

b. Determining Gross Profit

Gross Profit from self-employment is the income remaining after deducting any identifiable costs of doing business from the gross income.

These individuals have their annual income prorated over a 12-month period. Additional earnings, such as for summer work, are added to the prorated amount during the time additional earnings are received.

Although a person may not have signed a new annual contract, he is still considered employed under an annual contract when the contract is automatically renewable, or when he has implied renewal rights.

Implied renewal rights are most commonly associated with school contracts.

NOTE: This section does not apply during strike and disaster situations when the other party to the contract cannot fulfill it; or, when labor disputes interrupt the flow of earnings specified in the contract.

7. Educational Income

All student financial assistance, funded in whole or in part under Title IV of the Higher Education Act or the Bureau of Indian Affairs, is excluded in its entirety.

Treatment of educational income and expenses depends upon the source of income and the intended use.

a. Sources Which are Totally Excluded

Funds from the following sources are totally excluded:

- **Federal** Pell Grants
- **Federal Supplemental Educational Opportunity Grants (FSEOG)**
- Guaranteed Student Loans, including **William D. Ford Federal Direct Loan Program and Federal Direct** PLUS loans and Supplemental Loans for Students, **Federal Family Education Loan (FFEL) Program**
- **Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) Programs, formerly known as** State Student Incentive Grants
- **Federal** Perkins Loans
- **Federal Stafford Loans**

- **Federal Work-Study. See item b below.**

- **Robert C. Byrd Honors Scholarship**

- Loans for educational expenses which meet the definition of a bona fide loan, as found in Section 10.1, Definitions.

b. College Work Study (CWS) Program

Income received from CWS Programs, funded in whole or in part under Title IV of the Higher Education Act, is excluded.

Income received from CWS Programs not funded under Title IV **that is needed for the educational program or course of study** is excluded. Any portion specifically earmarked for shelter, utilities, clothing **or incidentals** not needed for the **educational program** or the course of study **is income.**

Because income is usually paid to the student on the basis of work performed, not in one lump sum, its treatment is different than that of other educational benefits. Treatment of this income depends upon whether or not the amount to be earned in one semester is known at the beginning of the semester.

(1) Earnings Known At Beginning of Semester

When the amount of the earnings, or maximum amount which can be earned, is known at the beginning of the semester, the Worker prorates any portion, specifically earmarked for **shelter, utilities, food, clothing or incidentals, not needed for the program or course of study,** over the period of time it is intended to cover.

(2) Earnings Unknown At Beginning of Semester

When the amount of the earnings is not known at the beginning of the semester, any portion of the CWS income specifically earmarked for **shelter, utilities, food, clothing or incidentals, not needed for the program or course of study,** is treated as earned income and converted to a monthly amount according to item A. All earned income disregards and deductions apply.

c. Other Sources

Educational funds from any source, other than those listed in items a and b above, are totally excluded as being earmarked for educational purposes, unless any portion of the funds is specifically earmarked for shelter, utilities, food, clothing **or incidentals** not needed for the program or course of study.

Any of the funds specifically earmarked for **shelter, utilities, food, clothing or incidentals, not needed for the program or course of study,** are counted as unearned income and prorated over the period of time they are intended to cover.

11. Lump Sum Payments

The lump sum payment policy applies to applicants, when the lump sum is received in the month of application, and to all recipients. Because the client is expected to use the lump sum for general living expenses, a period of ineligibility must be calculated.

The **DFA**-RR-1 notifies all applicants and recipients of the lump sum payment policy. However, the Worker must also advise the client of the lump sum payment policy when the client notifies the Worker of receipt, or the possibility of receipt, of a lump sum payment.

NOTE: Assets converted from one form to another are not counted as lump sum payments. See Chapter 11.

The number of months in the period of ineligibility is determined by dividing the lump sum amount by the Standard of Need for the AG size. See item 8,e,(2) for deeming a lump sum payment from a sanctioned person.

For any partial month remaining after the division, the amount of the lump sum payment which remains is counted as income. The number of months the case is ineligible, because of the receipt of the lump sum payment, and the amount of income counted for any remaining partial month, is determined as follows.

a. Determining Countable Amount

The total amount of the lump sum payment is counted, except for the amount used as described below. The following portions of a lump sum payment are not counted.

- Lump sum payments that are earmarked and used for the purpose for which they are intended (e.g., monies for back medical bills resulting from injury, or funeral and burial costs) are deducted. In addition, lump sum payments that are intended and used for replacement or repair of an asset (e.g., monies to replace a defective automobile) are deducted.

- Any of the lump sum funds, obligated and used for legal fees as a result of the efforts of the attorney to obtain the lump sum payment, are deducted.

EXAMPLE: A client's home is destroyed by fire. He receives an insurance settlement of $16,500. With $10,000 of this settlement, he purchases a mobile home. Only $6,500 is counted as a lump sum payment.

b. Computing the Period of Ineligibility

After applying appropriate exclusions, disregards and deductions to other income received for the month, add the lump sum payment to all other monthly income. When the total amount is less than the AFDC Medicaid limit for the number in the Needs Group, the lump sum payment is counted as income in its entirety for one month.

When the total amount is less than the Standard of Need for the number in the Needs Group, but more than the AFDC Medicaid limit for the Needs Group found in Appendix A, the AG is ineligible for one month. The amount in excess of the AFDC Medicaid limit is not counted as income for the following month.

When the total amount is greater than the appropriate Standard of Need, divide the lump sum payment by the appropriate Standard of Need.

The case is ineligible for the full number of months equal to the result of the division. Ineligibility begins the month of receipt, although the AG cannot be closed until properly notified of ineligibility.

When a fractional amount remains, there is an amount that must be counted as income in the month following the month the period of ineligibility ends. The procedure to determine this amount is as follows:

- Multiply the Standard of Need by the number of full months the case has been determined ineligible.
- Subtract this figure from the total lump sum.
- The remaining amount is counted as income in the month after the last month of ineligibility.

The persons in the AG when the lump sum payment is received, remain ineligible for the period determined by the above procedures, regardless of any changes which may occur during that period, unless the period of ineligibility is shortened as found below in item c. When an individual is born or returns to a family whose members are ineligible due to receipt of a lump sum payment, the individual is treated as a separate AG. If all other eligibility factors are met, the individual is eligible. None of the lump sum amount is deemed to the new family member. All other policy and procedures for counting income apply.

Only the new family member(s) is included in the AG and is used when determining the appropriate eligibility limits.

EXAMPLE: A child is born to a family whose members are ineligible due to the prior receipt of a lump sum payment. A separate AG is established for the child. The parent's income is $130 unearned income per month, not counting the lump sum payment. The child is eligible for AFDC Medicaid.

The lump sum payment is treated as described above, even if it is spent in a shorter time period, unless the period of ineligibility can be shortened as found below.

c. Shortening the Period of Ineligibility

The period of ineligibility may be shortened only for the following reasons and by the following procedures:

(1) Reasons

When all or part of the lump sum payment becomes unavailable to the AG, due to circumstances beyond its control, as specified below, the period of ineligibility is shortened. This may be done at any point between the time the lump sum payment is received and the period of ineligibility expires. Once the period of ineligibility expires, no consideration is given to shortening the time period retroactively. The lump sum amount is considered unavailable only in the following situations:

- The lump sum payment was, totally or in part, destroyed by fire, flood or other natural disaster. This refers to destruction of the money itself, not the goods purchased with it or destruction of replaceable checks or bonds.

- The lump sum payment was, totally or in part, stolen from the AG. This refers to the money itself, not the theft of goods purchased with it or the theft of replaceable checks or bonds.

- A member of the AG gained access to all or part of the lump sum payment, abandoned the remaining AG members and left them without access to it. The loss of all or part of the lump sum in this way refers to the loss of the money itself or checks, bonds, etc., when payment cannot be stopped, not the taking of goods purchased with it. Moving to another place of residence, with the family relationship still intact, is not sufficient to justify shortening the period of ineligibility. There must be abandonment of the other AG members. If one or both of the parents left with the lump sum, the definition of absence must be met.

  When the AG member who left with all or part of the lump sum returns to the home, the period of ineligibility resumes the month he returns and continues until the month the original period of ineligibility was due to expire.

- The lump sum payment has been or will be expended, totally or in part, to meet a life-threatening situation. To meet this criteria for shortening the period of ineligibility, it must be shown that the funds in question were used or will be used to avert a life-and-death situation for a AG member or a situation which is seriously detrimental to the health of a AG member.

  NOTE: For cases involving life-threatening situations, the **DFA** Policy Unit must be contacted in writing. The memorandum must fully explain the situation and include: how the money was or will be spent, the date spent or to be spent and the nature of the life-threatening situation. The final decision is made by the Director of the Policy Unit. Examples of situations which have been approved are: purchase of a refrigerator to store a baby's milk, medical needs, purchase of vehicles for regular ongoing visits to medical facilities. If the Worker has any doubt about referring a case to the Policy Unit, he must make the referral.