

Income Types and Income Deductions

CalFresh HB Chapters 19, 20, 21

October 2019
County of Santa Clara



**SANTA CLARA COUNTY
SOCIAL SERVICES AGENCY**

Module Income Types and Income Deductions

Objectives By the end of this lesson, participants will be able to:

- Define earned income, unearned income, exempt and nonexempt income.
- Identify earned, unearned, and exempt income.
- Identify the different types of deductions.
- Apply the income and the deductions to the CalFresh Household.
- Input income and deductions into CalWIN.

Table of Contents

Lesson 1: Earned Income 19.1 4

 Countable income 4

 Wages and Salaries 19.1.2 4

 Self-Employment 5

 Verification 6

 Non-countable income 6

Lesson 2: Unearned Income 19.2 7

 Verification 10

Lesson 3: Exempt Income 19.2.1 11

 Child Support 19.5 18

 Child Support Arrearages 18

 Verification 19

 Nonrecurring Lump Sum Payments 19

 Overview 19

 Exemption 19.7.2 19

 Treatment 20

 Resources 20

 Expenses Exceed Income 20

Lesson 4: Deductions CF HB CH 20 22

 Standard Deduction 20.1 22

 Earned Income Deduction 20.2 22

 Excess Medical Costs 20.3 22

 California’s Standard Medical Deduction (SMD) Demonstration Project 23

 Allowable Expenses: 24

 Non-allowable Costs 20.3.4 26

 Forms 26

 Verification 27

 Dependent Care 27

 Definition 20.4.1 27

 Allowable Expenses 28

 Disallowable Expenses 28

 Limit 28

 Verification 28

 Reimbursements 28

Income Types and Income Deductions

Budgeting.....	29
Shelter Costs	29
Limits 20.5.1.....	29
Budgeting Expenses 20.6	29
Dependent Care 20.6.1	29
Anticipating Expenses.....	30
Fluctuating Expenses.....	30
Medical Expenses	31
Shelter Cost	31
Medical Expenses 20.6.6	32
Shelter Cost & Utility Costs 20.6.7	32
Disallowed Expenses 20.7.....	33
Paid by Some Types of Exempt Income	33
Service Provided by a HH Member	33
Repeat Bills	33
Federal Demo Project	33
Expenses Exceed Income	34
Lesson 4 Shelter Deductions.....	36
Housing.....	36
Allowable Expense 21.1.1	36
Non-allowable Expenses 21.1.2.....	37
Homeless Households	38
Utilities	39
Definition 21.2.1	39
Homeless Households	40
SUA 21.2.3.....	40
LUA 21.2.5	41
TUA 21.2.6.....	41
SUA vs LUA vs TUA	41
Decision Chart.....	41
State Utility Assistance Subsidy (SUAS) Payment	42
Overview	42
Eligibility	43
References	44

Lesson 1: Earned Income 19.1

Earned income is received as compensation for employment, whether it is full time or part-time work. As defined by the following it may be considered countable or non-countable income. The gross amount of the earned income is counted towards the CalFresh budget.

Countable income

Wages and Salaries 19.1.2

- Wages and salaries that are earned (including self-employment)
- In-Home Supportive Services (IHSS) payments received to care for a disabled person
- Vacation pay received while still employed



A client is fired on June 3rd and receives a final paycheck on June 5th which includes 20 hours vacation. Count the entire amount as earnings.

- Work study earnings

The following is NOT considered earned income:

- Earned Income Tax Credit payments received monthly. These are considered a resource.
- A meal deduction on a paycheck for a food service job. This is considered an exempt vendor payment.
- Monies withheld from earned income to repay a prior overpayment received from that income source.
- Rent paid directly to the landlord by the employer in addition to paying the household its regular wages. This is considered an exempt vendor payment, and not counted as income or a deduction.

Self-Employment

Self-employment must be determined on a case-by-case basis. A person who works for wages or commission is not self-employed. Criteria such as tax returns, employer reports to the IRS, Social Security tax withholdings, etc., can be used to determine self-employment. In most situations if a client files his or her income tax as “self-employed” they are considered self-employed for CalFresh as well however, there are other criteria that must also be taken into account when making the self-employment determination.

There are situations in which, in order to apply the self-employment rules, it should also be considered if an employer-employee relationship exists. When determining employee-employer relationship, there is certain criterion that must be explored.

Employer-Employee Relationship

1. Who has behavioral control of the work or services performed?
2. Who has financial control of the “business?”



The client is employed as a baby-sitter. She babysits the same child Monday-Friday at the child’s home and gets paid by the child’s parents. The client does not have any expenses and all the supplies are purchased and provided by the parents of the child. The parents of the child have final say in what supplies are used and where and when the baby sitting is to take place. In this situation the client is not considered self-employed. Since the parents have behavioral control of the “employment” situation, an employee-employer relationship exists.

Self-employed income includes but not limited to:

- Housekeeper
- Room Rent (only if the CF HH owns the property)
- Small Business
- Gardener

- Childcare provider/babysitter
- Hair stylist/ Barber

Determine the income that counts against the CalFresh benefit allotment by subtracting either the actual business expenses or a 40% standard deduction, whichever the client chooses, from the total self-employment income. The client must only verify self-employment expenses when selecting the “actual” self-employment deduction. Verification is not required for the 40% deduction to self-employment income. They can switch from actual to standard deduction at RRR or every six months, whichever occurs first.

Verification

All income must be verified:

Gross Income may be verified with pay stubs
Earned Income-in-kind may be verified with a statement

Non-countable income

The following are NOT considered income:

- Earned Income Tax Credit (EITC) payments received monthly. These are considered a resource.
- A meal deduction on a paycheck for a food service job. This is considered an exempt vendor payment.
- Monies withheld from earned income to repay a prior overpayment received from that income source.
- Rent paid directly to the landlord by an employer in addition to paying the household its regular wages. This is considered an exempt vendor payment, and not counted as income or a deduction.

Lesson 2: Unearned Income 19.2

Unearned income is any income which is not earned through employment. The chart below lists types of income which are classified as unearned.

UNEARNED INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
ADOPTION ASSISTANCE PROGRAM (AAP)	Exempt if the child is not yet adopted or if the payment is a reimbursement for expenses such as medical or dependent care. Exempt if the adoptive parent is an SSI/SSP recipient. AAP payments are considered "incentive payment" to the adoptive parents of hard-to-place children.
ALIMONY	
ANNUITIES	
CALIFORNIA TRAINING BENEFIT (CTB)	Count as unearned income.
CASH GIFTS	Count as unearned income.
CHILD/SPOUSAL SUPPORT	<p>Includes direct payments, pass-on payments, and excess payments. An MFG child's receipt of child support from DCSS is considered unearned income.</p> <p>Also includes the first \$50/month of child/spousal support paid (including arrearages) to or on behalf of a household.</p> <p>Exception:</p> <p>For CalWORKs recipients, direct child support payments (including court-ordered arrearages) are considered exempt income in CalFresh budgeting. The direct child support payments do not need to have been turned over to the DCSS in order to be considered exempt for CalFresh. Once the client signs the agreement (CW 2.1) with DCSS to turn in child support payments, these payments are exempt from the CalFresh budget.</p> <p>Child support collected by the Department of Child Support Services (DCSS) in a month the household (HH) was not on CalFresh but issued to the HH by DCSS in a month the HH is on CalFresh is considered a lump sum payment and is counted as a resource. It is NOT counted as income.</p>

Income Types and Income Deductions

UNEARNED INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
DEPARTMENT OF DEFENSE FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE (FSSA) BENEFITS	Any FSSA benefits are to be treated as UNEARNED income. The amount of FSSA is shown on the member's leave and earnings statement that is the standard wage information form used by the military.
DISABILITY INSURANCE BENEFITS	Includes State Disability Insurance (DIB) and payments from any other disability plan. [Refer to "UIB/DIB Offsets," page 19-31], if all or part of a DIB payment is withheld, for a chart listing the various offsets and their treatment.]
DIVIDENDS FROM STOCKS AND BONDS	
EDUCATIONAL GRANTS	[Refer to "Students," page 30-1].]
ENERGY ASSISTANCE PAYMENTS	Includes any state or local energy assistance program payment that is not specifically exempted. [Refer to "Exempt Income [63-502.2]," page 19-11].]
INTEREST FROM BANK ACCOUNTS	
LOANS	Includes personal and deferred educational loans. [Refer to "Students," page 30-1] for more information on deferred educational loans.]
LOTTERY WINNINGS	Counted as income when received in annual installments, but exempt as income and counted as a resource (nonrecurring lump sum) when received in a one-time payment. Lottery winnings that are paid <u>annually</u> and not made in monthly installments shall be averaged over a 12-month period.
Non-Minor Dependent (NMD) Foster Care Payments	Any portion of the NMD's foster care payment that is received directly by the NMD is considered unearned income and included when determining the household's eligibility and benefit level. [Refer to "Exempt Income [63-502.2]," page 19-11] for excluded vendor payments.
PAID FAMILY LEAVE (PFL)	All Paid Family Leave payments linked to State Disability Insurance (SDI) are considered unearned income. Note: Prior to receiving PFL the individual has the option to take up to two weeks vacation or sick leave. If this occurs, the vacation or sick leave payments are considered earned income.
PUBLIC ASSISTANCE (PA) PAYMENTS BASED ON NEED	Includes: CalWORKs, RCA, GA, CAPI, Foster Care (FC), Adoption Assistance payments (AAP), Tribal TANF, and the child support disregard payments. This also includes funds withheld from a PA grant to repay a Fraud or client-caused "other" overpayment and the amount of a grant reduction due to the client's failure to meet another program's requirements. [Refer to "Public Assistance Grant Reductions - Failure to Comply [63-503.5]," page 19-26].]

Income Types and Income Deductions

UNEARNED INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
Reception and Placement (R&R) Income/VOLAG Funds	<p>Refugees are eligible to receive R&P income of \$1,100 or more per person within the refugee's first 90 days in the U.S. Income is treated according to the way the VOLAGs disburse the funds:</p> <ul style="list-style-type: none"> Funds disbursed in several payments in more than one calendar month are counted as unearned income and prospectively budgeted. <p>Note:</p> <p>Income "earmarked" by the VOLAGs to be used for specific purposes (rent, utilities, furniture, etc.) are considered excluded income.</p> <ul style="list-style-type: none"> Funds disbursed as Lump Sum or Vendor Payments are exempt. [Refer to "Exempt Income [63-502.2]," page 19-11]
REIMBURSEMENTS	[Refer to "Exempt Income [63-502.2]," page 19-11] ; HUD payments for rental/utility assistance are not considered a reimbursement but are counted as unearned income.
RETIREMENT BENEFITS	
ROSS GRANTS	Count as unearned if received while attending a training program without work requirements.
SOCIAL SECURITY (SSA)	If all or part of an SSA payment is withheld: To repay an overpayment, count only the reduced amount as income. For any other reason, count the full SSA amount before the reduction as income.
STRIKER BENEFITS	Except for any portion paid as compensation for picketing.
TRUST FUND WITHDRAWALS OR DIVIDENDS	If actually, or could be, received from an exempt trust fund.
UNEMPLOYMENT BENEFITS (UIB)	<p>If all or part of a UIB payment is withheld:</p> <ul style="list-style-type: none"> To repay an overpayment, count only the reduced amount as income. Due to earnings received during the period for which the payment is being issued, count only the reduced amount as income. Due to a benefit garnishment, voluntary withholdings or child support, count the FULL UIB amount before the reduction as income. Allow child support deduction if benefits are garnished for child support payment. <p>[Refer to "UIB/DIB Offsets," page 19-31] for a chart listing the various offsets and their treatment.]</p>
VETERERAN'S BENEFITS	This also includes Aid and Attendance (AA) benefits paid to an elderly or disabled veteran, their spouse, surviving spouses and parents.
WORKERS COMPENSATION (WC) BENEFITS	Both temporary and permanent benefits are considered unearned.

* Count gross amount if money is being withheld to pay child support, unpaid taxes, and overpayments from other agencies, voluntary withholdings (e.g., taxes).

Income Types and Income Deductions

Verification

Source of Income:	Verification:
Social Security	SSA Award letter, MEDs screens (INQT/INQX)
UIB	UIB Award letter, UIB pay stub, PVS040 Report, or IEVS
DIB	DIB Award letter, DIB pay stub, PVS040 Report, or IEVS
Child/Spousal Support	Pay stubs or Child Support contact with family support officer (FSO)
Pensions, Retirement, etc.	Award letter

Lesson 3: Exempt Income 19.2.1

The income shown on this chart shall be considered exempt (excluded) for CalFresh.

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
CALWORKS HOMELESS ASSISTANCE PAYMENTS	Exempt under court injunction from <i>Hamilton v. Lyng</i> .
CALWORKS SPECIAL NEED PAYMENTS	<p>Exempt if not issued as a reimbursement for normal living expenses. Exemptions include:</p> <ul style="list-style-type: none"> • Special transportation (work or medical) • Housekeeping services • Special telephone service/equipment for medical reasons • Occupational or trade tools • Distilled water for medical reasons • Work-related clothing required by an employer, such as uniforms, hard hat, steel toe boots. <p>Exception:</p> <p style="padding-left: 40px;">Therapeutic diets and Pregnancy Special Need payments count as unearned income in the CalFresh budget.</p>
CALWORKS WORK STUDY	All work study payments are excluded as income.
CHARITABLE CONTRIBUTIONS	Exempt \$300 or less received from one or more private, nonprofit charitable organizations in a calendar quarter. [Refer to "Charitable Contributions," page 19-19.]
CHILD CARE PAYMENTS	<p>Exempt only those payments from the following sources. (The exemption applies only to the individual who incurs the cost of child care, and does not apply to the child care provider.)</p> <ul style="list-style-type: none"> • At Risk Block Grant • Child Care and Development Block Grant • CalWORKs child care program payments issued to the client as a reimbursement.
CHILD'S EARNINGS	<p>Exempt if child is:</p> <ul style="list-style-type: none"> • Under 18, and • Under parental control [Refer to "Parental Control [63-102p(1)]," page 9-9], and • At least a half-time elementary or secondary (high school) student. <p>For this exemption, the child must be under the "parental control" of another household member. [Refer to "Parental Control [63-102p(1)]," page 9-9.]</p> <p>Note:</p> <p style="padding-left: 40px;">If the child becomes 18 during the certification period, the child's earning should be counted effective the month following the month in which the child turns 18. Changes are treated as county-initiated mid period action.</p>

Income Types and Income Deductions

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
ACHIEVING a BETTER LIFE EXPERI ENCE (ABLE) ACCOUNTE/CalABLE Accounts (ACL 17-61)	A tax-advantaged savings count that allows individuals with disabilities to save and invest money for disability-related expenses (Qualified Disability Expenses, or QDEs). Excluded as both income and resources.
ADOPTION SUBSIDIES FOR MEDICAL OR DEPENDENT CARE	Exempt Title IV adoption subsidies, such as AAP (Adoption Assistance Program) payments, when earmarked for reimbursement of medical or dependent care expenses.
AGENT ORANGE PAYMENTS	Exempt payments from the Agent Orange Settlement Fund or any other fund established in connection with settling liability claims concerning Agent Orange. DO NOT exempt Veterans Administration (VA) benefits for Agent Orange-caused disabilities. [Refer to "Agent Orange," page 19-18].]
ALEUT RESIDENT PAYMENTS	Paid to residents of the Pribilof Islands and the Aleutian Islands west of Unimak Island under the Aleutian and Pribilof Islands Restitution Act for injustices suffered while under United States control during World War II.
AMERICAN RECOVERY & REINVESTMENT ACT (ARRA) PAYMENTS	One-time payments of \$250 paid to recipients of: <ul style="list-style-type: none"> • Social Security • Supplemental Security Income/State Supplementary Payment (SSI/SSP) • Railroad Retirement and • Veterans Disability Compensation or Pension benefits.
BALL V. SWOAP PAYMENTS	Issued by DHS or CDSS for late State Hearing decisions.
BOARD OF GOVERNOR'S GRANT (BOGG) fee waiver	The value of the BOGG fee waiver is exempt.
CALCAP INCENTIVE PAYMENTS	Exempt a CalWORKs Career Advancement Program (CalCAP) incentive payment issued in the form of a gift certificate/voucher to a local store or business as an in-kind payment.
CALIFORNIA VICTIMS OF CRIMES	Exempt payments received under the California Victims of Crimes Program.
CAL-LEARN PAYMENTS	Exempt as income, but count as a resource.
CALWORKS DIVERSION PAYMENTS	Exempt a CalWORKs Diversion payment issued to divert a family from becoming dependent on welfare as a nonrecurring lump-sum payment if the diversion payment is not defined as assistance.
CALWORKS FUNDED VENDOR PAYMENTS FOR HOUSING	Exempt CalWORKs funded housing assistance VENDOR paid by the Housing Authority on behalf of the household. These funds are ONLY excluded if paid directly to the vendor. If the funds are received by the household, they are counted as unearned income.

Income Types and Income Deductions

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
CHILD SUPPORT THAT MUST BE TURNED OVER TO THE DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS)	<p>Exempt when the PA CalFresh household must turn over child support (including court-ordered arrearages) to maintain CalWORKs eligibility, regardless of whether the C/S is actually turned over to the DCSS.</p> <p>Note:</p> <p style="padding-left: 40px;">Direct child support payments are considered unearned income and are not exempt for non-assistance CalFresh households, CalWORKs/ CalFresh applicants, MFG children, and Tribal TANF/CalFresh applicants and recipients.</p>
CONTRIBUTIONS FROM PERSONS OR ORGANIZATIONS	<p>Contributions from persons or organizations that a donor would not make available for an expenditure unless the contribution is used in accordance with conditions imposed by the donor.</p> <p>The contribution can be for any general purpose and as long as it is used for the specified purpose it is exempt. The contribution is exempt when there is verification that the money was used for the intended purpose. The verification can be a simple written statement from the contributor.</p> <p>Example:</p> <p style="padding-left: 40px;">An uncle gives \$400 to the household to purchase new tires. The \$400 is not considered income when the receipts for the tire expenditure verify the donor's intended purpose for the contribution.</p>
DEMONSTRATION PROJECT DIRECT PAYMENTS	Received in lieu of in-kind benefits when the household participates in a demonstration project authorized under federal law or created by a waiver of federal provisions.
DEPARTMENT OF REHABILITATION TRAINING ALLOWANCES	Allowances for training expenses paid to recipients participating in Department of Rehabilitation programs.
DISASTER ASSISTANCE PAYMENTS	<p>Exempt:</p> <ul style="list-style-type: none"> • Federal major disaster and emergency assistance issued under the Disaster Relief Act of 1974, and • Comparable assistance provided due to a major disaster by state and local governments, and disaster assistance organizations.
DISASTER GOVERNMENT PAYMENTS DESIGNATED TO RESTORE A HOME	Exempt if the home was damaged in a disaster, and the household is subject to legal sanction if the funds are not used as intended.
DISASTER RELIEF EMPLOYMENT INCOME	Exempt any Disaster Relief Employment income received during a nationally declared disaster. [63-507(a)(4)]
DISASTER UNEMPLOYMENT ASSISTANCE (DUA)	<p>Paid only when a natural disaster has been declared by the President of the United States. (Checks have a "greenish" background.)</p> <p>Note:</p> <p style="padding-left: 40px;">Disaster Unemployment payments are limited to 26 weeks. This income can be verified through the MEDS system, which is used to determine existing Unemployment Insurance Benefits (UIB).</p>

Income Types and Income Deductions

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
DIVERTED MILITARY PAYMENTS	Exempt if diverted to an ex-spouse by court order.
EARNED INCOME TAX CREDIT (EITC) PAYMENTS	Exempt advance monthly payments and lump sums. MAY count as a resource. [Refer to "Resources [63-501]," page 15-1.]
ENERGY ASSISTANCE PAYMENTS OR ALLOWANCES	Exempt any payment made for the purpose of providing energy assistance under any federal law other than Part A of Title IV of the Social Security Act (Block TANF grants) such as the Low Income Home Energy Assistance Act (LIHEAA), Housing and Urban Development (HUD), or the Farmer's Home Administration (FmHA) programs. Also exempt any one time federal, state or local energy assistance payment made for weatherization or emergency repair or replacement of heating or cooling devices.
FILIPINO VETERANS EQUITY COMPENSATION	Exempt the one-time payment of up to \$15,000 for certain veterans who served in the military of the Government of the Commonwealth of the Philippines during World War II and their spouse.
FLEXIBLE SPENDING ACCOUNTS	Exempt any flex spending account that is offered by employers that cannot be received in the form of money payable directly to the household.
FOOD PROGRAM BENEFITS	Exempt any benefits received by CHILDREN under the following programs: <ul style="list-style-type: none"> • Child and Adult Care Food Program • Commodity Distribution Programs School • Breakfast Program • School Lunch Program • Special Milk Program • Summer Food Service Program for Children.
FOSTER CARE WRAPAROUND SERVICES PROGRAM PAYMENTS	Direct services provided to such families are excluded as income. Also payments made to a vendor or third party on the behalf of the household for an expense, are excluded as income. Exception: Any cash paid directly to the CalFresh household would be treated as income.
GA SPECIAL NEED PAYMENTS	Exempt if not issued as a reimbursement for normal living expenses. Exemptions include: <ul style="list-style-type: none"> • Therapeutic diets • Special transportation (work or medical) • Housekeeping services • Special telephone service/equipment for medical reasons • Occupational or trade tools • Distilled water for medical reasons • Work-related clothing required by an employer, such as uniforms, hard hat, steel toe boots.
HEALTH INSURANCE BENEFITS	Exempt any health insurance benefits, offered by employers, that cannot be received in the form of money paid directly to the household.

Income Types and Income Deductions

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
HOUSING AND URBAN DEVELOPMENT (HUD) PAYMENTS	Exempt HUD payments to a landlord or mortgagee (person who owes the mortgage) for housing or utilities.
INDEPENDENT LIVING PROGRAM (ILP)	Income and incentive payments earned by a child 16 years of age or older who is participating in the ILP when income is received as part of the ILP written transitional independent living plan. There is no limit to the amount exempted under this subsection.
INDIAN PAYMENTS	Exempt only those payments listed under "Indian Payments." [Refer to "Indian Payments [63-506]," page 19-21.]
INFREQUENT OR IRREGULAR INCOME	Income that is received too infrequently or irregularly to be anticipated.
IN-KIND BENEFITS	Exempt any gain or benefit which is not in the form of money (such as meals, clothing, or public housing).
JAPANESE ANCESTRY RESTITUTION PAYMENTS	Paid under the Civil Liberties Act of 1988 to persons interned during World War II.
JOB TRAINING PARTNERSHIP ACT (JTPA)	<ul style="list-style-type: none"> • Earned income of a child derived from participating in the JTPA. (See Child's earnings for definition of child.) • All payments, other than earnings, to a child which are derived from participation in JTPA programs. • Payments to an adult which are derived from participation in JTPA programs to the extent the payment reimbursements do not exceed actual expenses.
<i>KING V. MCMAHON</i> PAYMENTS	Exempt \$100 per month paid by CDSS for State Hearing decisions issued beyond the 90-day or legally extended time period.
LOANS	Exempt all loans other than deferred educational loans. (Only verify if questionable.) A statement signed by both parties stating that the payment is for a loan that must be repaid is sufficient.
MEDICARE DRUG DISCOUNT CARD PROGRAM	Exempt as income any discount and/or credit received by a Medicare beneficiary through the drug discount card.
MILITARY PAY	Exempt a portion of military pay only if paid to military personnel deployed to a designated combat zone, and was not received immediately prior to serving in the combat zone. Only exempt the portion of military pay, which exceeds the amount of pay which was being issued prior to deployment. [Refer to "Combat Zone," page 19-6] for further information.]

Income Types and Income Deductions

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
NATIONAL AND COMMUNITY SERVICE ACT TITLE I PAYMENTS	<p>EXEMPT:</p> <p>This applies to income from:</p> <ul style="list-style-type: none"> • Serve America American Conservation and Youth Corps Higher Education Program • Service-Learning Program • AmeriCorps State and National • National Civilian Community Corps (NCCC) • AmeriCorp VISTA (only for individuals who are receiving CalFresh at the time they joined VISTA) • Summer for Safety Program • School-to-Work Opportunities Program • Youthbuild Program.
NAZI PERSECUTION VICTIM PAYMENTS	
NONRECURRING LUMP SUM PAYMENTS	Exempt as income, but count as a resource. [Refer to "Nonrecurring Lump Sum Payments," page 19-24.]
RADIATION EXPOSURE COMPENSATION TRUST FUND PAYMENTS	Exempt payments made under the Radiation Exposure Compensation Act of 1990 for certain diseases caused by radiation exposure.
Reception and Placement (R&P) Income	<ul style="list-style-type: none"> • R&P funds disbursed as a one-time payment, or issued in more than one payment in the same calendar month, it is considered a non-recurring lump sum payment and a resource in the month received. • R&P funds disbursed as vendor payments are excluded income. An expense paid with vendor payment is not allowed as a deduction for the month the payment is intended to cover. • Income "earmarked" by the Voluntary Agency (VOLAG) to be used for specific purposes (rent, utilities, furniture, etc.) are considered excluded income. <p>Note: Acceptable VOLAG verification must include information to determine if the R&P income received by the refugee was required to be spent for a specific purpose.</p>
REIMBURSEMENTS	Exempt any portion that does not exceed the expense or otherwise result in a gain or benefit. Do not exempt reimbursements for normal household living expenses (such as rent, mortgage, utilities, clothing, or food eaten at home). [Refer to "Reimbursements," page 19-29.]
RELOCATION ASSISTANCE BENEFIT	A Relocation Assistance Benefit paid by a public agency to a household that has been relocated as a result of redevelopment, urban renewal, freeway construction or any other public development involving demolition or condemnation of existing housing.
REPRESENTATIVE PAYMENTS	Exempt money received and used for the care and maintenance of a third-party beneficiary who is not a household member.

Income Types and Income Deductions

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
RETROACTIVE PAYMENTS FROM AN ASSISTANCE PROGRAM	Exempt payments for retroactive approval of an application; and court-ordered retroactive, supplemental, or corrective payments received for a previous month.
RICKY RAY HEMOPHILIA RELIEF FUND ACT PAYMENTS	Exempt payments (allowances) received under Public Law 105-369 by individuals who have contracted HIV due to contaminated blood products used in the medical treatment of their blood-clotting disorder.
SCHOLARSHIPS	Any award or scholarship provided to or on behalf of a dependent child based on the child's academic or extracurricular activity.
SECTION 8 HOUSING ASSISTANCE - VENDOR PAYMENTS	Exempt that portion of the rent which is vendor paid to the landlord by the Housing Authority under the Section 8 program.
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM (SCSEP) FUNDS	Paid under Title V of the Older Americans Act to persons age 55 and older.
SPINA BIFIDA ALLOWANCES (PAYMENTS)	Exempt payments (allowances) received under Public Law 104-204 by Vietnam veterans' children who are born with Spina Bifida.
STUDENT INCOME	[Refer to "Students," page 30-1] for a list of student income exemptions.]
UNIFORM RELOCATION ASSISTANCE PAYMENTS	Paid under the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970.
VENDOR PAYMENTS (CalWORKs, RCA, ECA)	Exempt if: <ul style="list-style-type: none"> • Paid to a third party for a household expense by a person or organization outside of the household, AND • Not legally obligated to be paid to the household. [Refer to "Vendor Payments," page 19-32].]
VENDOR PAYMENTS (NMD)	Any portion of the foster care payment that is paid directly to a transitional housing placement provider for the Non-Minor Dependent (NMD) is considered exempt.
VENDOR PAYMENTS (GA)	Exempt unless issued for housing (rent/mortgage). [Refer to "Vendor Payments," page 19-32].]
VETERANS BENEFITS IMPROVEMENT AND HEALTH CARE PAY DEDUCTIONS	Exempt the amount by which the basic pay of an individual is reduced under the Veterans Benefits Improvement and Health Care Authorization Act of 1986 (PL 99-576, Sec. 303[a][i]).
WORKFORCE INVESTMENT ACT (WIA), INCLUDING ALLOWANCES, EARNINGS & PAYMENTS	<p>Exception:</p> <p>WIA on-the-job training earnings are only exempt for a dependent household member who is:</p> <ul style="list-style-type: none"> • Less than 19 years of age, and • Under parental control.

EXEMPT INCOME	ADDITIONAL INFORMATION OR RESTRICTIONS
VOLUNTEER PAYMENTS	<p>Exempt only those payments issued under the following program:</p> <ul style="list-style-type: none"> • Title I of the Domestic Volunteer Services Act, only if the individual was already receiving CalFresh or federal CalWORKs when they joined the volunteer program. Include payments from: <ul style="list-style-type: none"> • AmeriCorps*VISTA payments • University Year for Action • Urban Crime Prevention Program. • Title II of the Domestic Volunteers Act, including: <ul style="list-style-type: none"> • Retired Senior Volunteer Program (RSVP) • Foster Grandparents • Senior Companion Program. • Senior Community Service Employment Program (SCSEP) under Title V of the Older Americans Act, including: <ul style="list-style-type: none"> • Green Thumb • National Council on Aging • National Council of Senior Citizens • American Association of Retired Persons (AARP) • U.S. Forest Service • National Association for Spanish-Speaking Elderly • National Urban League • National Council on Black Aging.

Child Support 19.5

Legally obligated child support payments (including arrearages) that a household member pays to or for an individual living outside of the household are excluded as income by allowing them as a deduction. The child support exclusion/deduction is first deducted from the unearned income and any remainder is deducted from the earned income, with the 20% earned income deduction taken prior to the child support exclusion. In addition, if all or part of the UIB/DIB payment is withheld to pay owed child support, the child support amount being withheld is allowed as a deduction in the budget.

Child support payments made to a third party (i.e. landlord or utility company) on behalf of the non-household member in accordance with the support order are to be included in the child support exclusion.

Child Support Arrearages

Child support arrearages being paid by a household member for children who are now in the home with the household member are excluded as income by allowing it as a deduction if the following conditions are met:

- The responsible parent whose child is back in the home is making the payments OUTSIDE the home (e.g., local child support agency), AND
- The outstanding amount remains a legal obligation.

Verification

Payments of child support must be verified. If the household fails or refuses to cooperate by not supplying the necessary verifications, their eligibility and benefit level will be determined without a child support exclusion.

Nonrecurring Lump Sum Payments

Overview

To be considered a nonrecurring lump sum payment, a payment must be:

- Money owed to the household for a period prior to the current month, and/or
- Represent a return of a payment or part of a payment that was made in the past by the household and/or
- A one-time payment resulting from a government policy/law.

Exemption 19.7.2

Income received as a nonrecurring lump sum payment is exempt.

Lump sum payments fall into three categories and include but are not limited to the following:

Retroactive Payments

- Retroactive Social Security or Railroad Retirement (subtract the current month benefit).
- Retroactive State Unemployment or Disability benefits (subtract the current month benefit).
- Retroactive public assistance payments due to
 - Approval of an application,
 - Supplemental or corrective payments from a previous month, or
 - Court order.
- Child support COLLECTED by the Department of Child Support Services (DCSS) in a month in which the household is NOT on CalFresh which is issued to the household in a later month when the household is on CalFresh.

Return of Resources

- Rental or security deposit refunds
- Utility deposit refund
- Keogh Plans
- IRAs

One-time Payments Resulting from a Government Policy or Law

- Tax refunds
- Rebates or credits
- CalWORKs homeless payments for temporary or permanent housing
- CalWORKs diversion payments made to divert a family from becoming dependent on welfare if the payment is not defined as assistance
- Lottery winnings received in a single payment
- Vacation pay received in a single payment after employment ceases
- Insurance settlements

Treatment

Nonrecurring lump sum payments are counted as resource in the quarter received, unless otherwise exempt.

Resources

Nonrecurring lump sum resources are counted as a resource in the quarter, unless otherwise exempt.

Expenses Exceed Income

If a household's expenses exceed its income, the household must be given a chance to explain the discrepancy. The client correspondence "How Meeting Needs" (CSC 32) should be mailed to the client for clarification.

Housing +Utilities +Food (Thrifty Food Plan per HH) +Car Payment +Dependent Care +Other <hr style="border: 0.5px solid black;"/>	are greater than	Net earned +Unearned income + CalFresh allotment <hr style="border: 0.5px solid black;"/>
= Expenses		Income

If the household is able to offer a reasonable explanation as to how it meets its monthly expenses, this information should be documented in the case record.

If the household will be able to meet its expenses for a limited time only, the EW may determine that further verification on the client's statement, living situation, or household composition is needed.



Note

Allow the client 30 days from the date of application of recertification to provide verification before denying the case.

Lesson 4: Deductions CF HB CH 20

Standard Deduction 20.1

Allow one per household, per month. Standard deduction is generated by system in a standard amount determined by household size.

Earned Income Deduction 20.2

Allow 20% of gross earned income. Earned income deduction is generated by the system.



Exception:

- Do not allow the earned income deduction when computing an overissuance for that portion of the earned income which the household intentionally failed to report, as proven by:
 - An administrative disqualification hearing, or
 - A court of appropriate jurisdiction.

- Do not allow the 20% earned income deduction on any unreported portion of the earned income.

Excess Medical Costs 20.3

Allow a deduction for unreimbursed medical expenses in excess of \$35.00 per month incurred by any household member who is:

- Receiving disability benefits on their own account, **or**
- Elderly (age 60 or older).

When a one-time medical expense is averaged, the medical expense is averaged over the remaining months of the certification period and \$35 is deducted from the average for each month.

California’s Standard Medical Deduction (SMD) Demonstration Project

For the period beginning October 1, 2017, and ending September 30, 2021, the SMD Project will establish a standard deduction of \$120 for households with an elderly and/or disabled member, with verified medical expenses between \$35.01 and \$155 per month, instead of requiring those households with an elderly or disabled member to verify actual medical expenses in excess of \$35 a month.

(Refer to CF HB Ch. 20.3.2 and the SMD Handouts provided to you for guidelines on applying medical deductions at intake and recertification.)

The following table summarizes establishing medical deductions:

Verified Medical Expenses	Eligibility
Under \$35 a month	Not eligible for medical deduction
\$35.01 to \$155 a month	Eligible for the SMD (i.e. \$120)
\$155.01 a month and over	Eligible to deduct actual medical expenses in excess of \$35

The following are guidelines for applying medical deductions at intake and recertification.

At...	Then allow...	And verify...
Intake: If the household has medical expenses between \$35.01 to \$155,	Standard Medical Deduction	The household has medical expenses greater than \$35 a month. Verification of expenses exceeding \$35 must be received to allow the SMD.
Intake: If the household has monthly medical expenses greater than the \$155,	Actual Medical Expenses	The actual monthly medical expense(s). If the household chooses not to provide verification of expenses exceeding the SMD (<\$155), then allow the SMD instead of actual expenses.

At...	Then allow...	And verify...
<p>Redetermination: If the household has actual medical expenses between \$35 and \$155, and</p> <ul style="list-style-type: none"> • There is no change, or there is a change in the amount, but the monthly medical expense is the range of \$35.01 to \$155, 	<p>Standard Medical Deduction</p>	<p>No verification is required unless the household's declaration is questionable.</p>
<p>Redetermination: If the household has not already claimed medical deductions, and the household states that an eligible member has medical expenses between \$35 and \$155,</p>	<p>Standard Medical Deduction</p>	<p>Verification of expenses exceeding \$35 <i>must be</i> received to allow the SMD.</p>
<p>Redetermination: If the household has monthly medical expenses greater than the \$155,</p>	<p>Actual Medical Expenses</p>	<p>The actual monthly medical expense(s). If the household chooses not to provide verification of expenses exceeding the SMD (<\$155), then allow the SMD instead of actual expenses.</p>

Allowable Expenses:

Excess medical cost shall include expenses for:

- Medical and dental care, including psychotherapy and rehabilitation services provided by a licensed practitioner or other qualified health professional authorized by state law.
- Hospitalization or outpatient treatment, nursing care, and nursing home care, including payments by the household for an individual who was a household member immediately prior to entering a hospital or nursing home, provided by a facility authorized under state law.
- Prescription drugs and over-the-counter medications (including insulin) when prescribed by a licensed practitioner or other qualified health professional. In addition, costs of medical supplies, sick-room equipment (including rental) or other prescribed equipment (e.g. teletypewriter for the deaf) are deductible.
 - Postage and handling costs associated with the shipment of prescription drugs are considered a deductible expense
 - The cost of postage for mail-in order prescription medication is part of the cost of the prescription medication, therefore it is also a deductible expense.
- Health and hospitalization insurance policy premiums. DO not allow the cost of:

Income Types and Income Deductions

- Sickness and accident policies such as those payable in lump sum settlements for death or dismemberment.
- Income maintenance policies such as those that continue mortgage or loan payments while the beneficiary is disabled.
- Medicare Premiums
- Medicare Prescription Drug Card Program:
 - The \$600 prescription drug credit will be allowed to any card holders whose income is no more than 130% FPL.
 - The \$50 per month is allowed regardless of whether out-of-pocket expenses are incurred by the participants.

- Any share of cost or spend down expenses for medical cost uncared by Medi-Cal recipients, including any allowable medical expense incurred, reported and verified that's NOT covered by Medi-Cal.

- The cost of securing and maintaining any service animal such as, but not limited to a seeing eye, hearing or service dog (guard dog for the disabled), and the cost of the dog food and veterinarian bills. An animal must be specially trained to perform a function that the elderly or disabled person cannot readily perform on their own.

- Eyeglasses or contact lenses prescribed by a physician skilled in eye disease or by an optometrist; dentures, hearing aids and prosthetics (including assistive devices).

- The actual cost of transportation provided the it does not exceed the actual cost of the least expensive mode of transportation (including public transportation s) reasonably available to the recipient. When a more costly means of transportation, such as a taxi or private auto, is the only means available or is determined by the county to be reasonable and necessary given the individual's medical circumstances, the actual costs of such transportations shall be allowed. DO NOT use the CalWORKs standard medical mileage allowance.

- Lodging to obtain medical treatment or services.

- The cost of maintaining an attendant, homemaker, home health aide or childcare services housekeeper necessary due to age, infirmity or illness. In addition, an amount equal to the one-person coupon allotment will be deducted I the household furnishes the majority of the attendant's meals. The allotment for this meal related deduction shall be that in effect that the time of the los recent certification. The EW shall update the allotments amount at the next scheduled recertification, the next re-computation, or the next reported change by the household, whichever is earlier. If a household incurs attendant care costs that could qualify under both the medical deduction and dependent care deduction, it will be treated as a medical expense.

- 20 % of the total medical bills (other than for hospital expenses) will be used as the household's medical cost when the eligible household member is covered by Medicare or Blue Cross/Blue Shield or private insurance and the unreimbursed portion of actual cost is UNKNOWN.
- Unpaid medical bills occurred prior to certification and obligated to pay during the certification.

Non-allowable Costs 20.3.4

Do not allow a deduction for:

- Medical bills paid before the month of initial application.
- Special diet expenses (e.g. "Boost" or "Ensure").
- Premiums for accident policies.
- Medical expenses that are reimbursable by insurance or other public or private sources.
- Medical marijuana.
- Vitamins and supplements unless prescribed by a physician.

Forms

- The household must complete the Medical Expenses Section of the CF 285 or SAWS 2 Plus at the Intake and Recertification.
- The CF 31 - "CalFresh Supplemental Form for Special Medical Deductions" is a recommended form and is used when:
 - Adding a person to an existing case and the person being added is elderly (60 or older) or disabled (disability approved by Social security), or
 - An existing CalFresh household member turn 60 or is determined disabled mid-period.

Verification

The household member must provide verification before any deduction can be applied to the CalFresh budget. If the applicant or recipient fails to provide required verification, the medical deductions should NOT be allowed.



Examples of various types of verifications are:

- ✓ Medical bills or receipts
- ✓ Medical transportation bills or receipts
- ✓ Health or dental insurance policies or premiums
- ✓ Medicare card (for MediCal only)
- ✓ Doctor statement or disability finding by an agency (SSA/SDI/VA, etc.)
- ✓ Medical verification form (CW 61)

Dependent Care

Definition 20.4.1

Allow actual costs for the care of a child or other dependent (such as an aged or disabled person) in the home, when necessary for the household member to:

- Seek employment.
- Accept employment.
- Continue employment.
- Pursue training/education which is preparatory to employment.

The person receiving care must live in the home, but does not have to be a household member, to allow a deduction for dependent care.

Allowable Expenses

- The cost of the dependent care;
- Co-payments for subsidized childcare;
- Transportation cost;
- Cost for non-reimbursed care; and
- Cost incurred when care is not actually provided.

Disallowable Expenses

- Care by another member of the same CalFresh household,
- In-kind payments to the care provider,
- Payments to excluded vendors,
- Already reimbursed dependent care expenses,
- Expenses paid by an ineligible household member whose income is not counted, and
- Expenses qualifying as medical costs.

Limit

As of October 1, 2008, there is no limit for dependent care deduction.

Verification

Verification of dependent care expenses is not mandatory under federal rules. Self-declaration of dependent care expenses is sufficient unless questionable. A recommended form to use is the "Dependent Care Cost Affidavit" (CF 10).

Reimbursements

Dependent care costs for which the household is reimbursed shall not be allowed as a deduction when the reimbursement income is exempt. For example, a childcare expense that is paid for by the CalWORKs child care program is not allowed as a deduction. If the actual verified cost of childcare exceeds the reimbursement, then the unreimbursed amount can be allowed as a deduction.

Budgeting

If the household is REASONABLY CERTAIN to receive a CalWORKs childcare program payment, then:

- Subtract the anticipated CalWORKs childcare program payment from the childcare cost,
- Count the remainder as a deduction, and
- Average over the period.

Shelter Costs

Limits 20.5.1

Excess shelter costs are limited to the chart values in “Charts, Tables, and Miscellaneous”, except that there is no limit to excess shelter costs for households which include a member that is:

- Age 60 or over, or
- Receiving Social Security Disability.

Budgeting Expenses 20.6

Deduction for medical, dependent care, and shelter expenses are based on amounts the household expects to be billed rather than payments.

- Calculate expenses based on those for which the household expects to be billed during the certification period.
- Use the most recent month’s bills, unless the household is reasonably certain a change will occur.

Dependent Care 20.6.1

Dependent care deduction will be determined as follows:

Prospective Budgeting

A deduction should be allowed only in the month the expense is billed or otherwise become due, regardless of when the household intends to pay the expense. For example,

a dependent care expense which is due each month should be a deduction even if the household has not yet paid the expense. Amounts carried forward from the past billing periods are not deductible, even if included with the most recent billing and actually paid by the household. In any event, a particular expense may only be deducted once.

Anticipating Expenses

A household's expense should be calculated based on the expenses the household expects to be billed for during the certification period. Anticipation of the expense would be based on the most recent month's out-of-pocket expenses, unless the household is reasonably certain a change will occur.

If the household just started with a provider and has not yet paid for dependent care, the household's expenses based on the out-of-pocket payments the household expects to pay during the certification period should be calculated.

Fluctuating Expenses

Some recipients may have childcare expenses that vary from month to month. Current CalFresh rules allow households to elect to have expenses which are billed less often than monthly averaged forward over the cycles between scheduled billings. If there is no scheduled cycle, households can elect to have expenses which are billed less often than monthly averaged forward over the period the expense is intended to cover or over the remaining months of the certification period.

- Expenses paid on a weekly or bi-weekly basis may be converted to a monthly deductible expense by multiplying the appropriate multiplier (4.33 or 2.167). Document the determination of the anticipated expense deduction in the case comments.

Verifying Questionable Information

To be considered questionable, the information on the application must be inconsistent with statements made by the applicant and/or inconsistent with the other information received by the EW. When determining if information is questionable, the EW must base the decision on the household's individual circumstances.

- A household's report of no income while still meeting its financial obligations could require additional verification. These circumstances may not, in and of themselves, be grounds for a denial. The EW must explore with the household how it is managing its finances, whether the household receives excluded income or has resources and how long the household has managed under these circumstances.

- ☑ Where verification is required to resolve questionable information, the EW must document why the information was considered questionable, or at a minimum indicate where in the case file the inconsistency exists, and what documentation was used to resolve the questionable information.

Medical Expenses

For qualifying household deductions for medical expenses are determined as follows:

If . . .	And . . .	Then . . .
Recurring medical expense	is billed monthly,	Budget the medical expenses as billed.
Recurring medical expense	fluctuates from month to month and is declared and verified at certification or recertification or during the certification period,	The HH may choose to have the expenses allowed in the month billed, or in the month the bill becomes otherwise due, or averaged over the certification period.
Non-recurring medical expense *** (Is one time only)	The HH chooses to have the expense deducted in the month billed or in the month the bill becomes otherwise due,	Prospectively budget.
Non-recurring medical expense *** (Is one time only)	The HH chooses to have expense averaged over the remainder of the certification period,	Averaged medical expenses MUST be Prospectively budgeted.
***NOTE: Any medical expense which occurred, was reported and verified during the certification period but was not anticipated and deducted MUST be considered a one-time only (non-recurring) expense.		

Shelter Cost

Shelter costs are determined at application and recertification and must remain fixed unless the household moves or reports a change.

Medical Expenses 20.6.6

For SAR households medical expenses will be determined as follows:

- Determine the expense amount that is reasonable anticipated in the certification period.
-
- Medical expenses paid on a weekly basis shall be covered to a monthly deductible expense by multiplying the weekly expense by the 4.33 conversion factor in the income is also multiplied by the same conversion factor.
-
- Medical expenses paid on a bi-weekly basis shall be converted to a monthly deductible expense by multiplying the bi-weekly expense by the 2.167 conversion factor if the income is also multiplied by the same conversion factor.
-
- Document in the case comments the determination of the anticipated expense deduction.

Shelter Cost & Utility Costs 20.6.7

Shelter costs are determined at application and recertification and must remain fixed at the determined amount unless the household moves or reports a change on the SAR 7 or makes a voluntary mid-period report.

If a mid-period reported change in shelter costs results in an increase of benefits, the benefits must be increased mid-period. The change does not need to be reported on the next SAR 7.

If a mid-period reported change in shelter costs results in a decrease of benefits, the benefit must not be decreased mid-period. A "No Change" NOA must be sent to the household with a reminder to report the new change on the next SAR 7.

Disallowed Expenses 20.7

Paid by Some Types of Exempt Income

Expenses paid by the three types of exempt income listed below are not allowed deductible:

- Reimbursement
- Vendor payment
- Income-in-Kind

Expense paid by another type of exempt income may be allowed as a deduction.

For example, the portion of rent covered by an exempt vendor payment cannot be counted as a part of the household's shelter cos. However, that portion of an allowable medical expense which is not reimbursable shall be included as part of the household's medical expenses. Rent paid by exempt student income is allowable as a deduction.

Service Provided by a HH Member

Expenses are only deductible if the service is provided by someone outside the household and the household makes a money payment for the service. For example, a dependent care deduction is not allowed if:

- Another household member or excluded member provides the care, or
- Compensation for the care is provided in the form of in-kind benefits, such as food.

Repeat Bills

Amounts carried forward from a previous billing period are not allowed.

Federal Demo Project

An expense which is covered by an excluded vendor payment that has been converted to a direct cash payment under the approval of a federally authorized demonstration project.

Expenses Exceed Income

If a household's expenses exceed its income, the household must be given a change to explain the discrepancy. The client correspondence "How Meeting Needs" (CSC 32) should be mailed to the client for clarification.

Housing	
+Utilities	Net earned
+Food	+Unearned
+Car Payment	+CalFresh allotment
+Dependent Care	
+Other	
_____	_____

= Expenses are greater than Income

If the household is able to offer a reasonable explanation as to how it meets its monthly expenses, this information should be documented in the case record.

If the household will be able to meet its expenses for a limited time only, the EW may determine that further verification of the client's statements, living situation, or household composition is needed.

In and of itself, this is not a reason to deny or discontinue the household.

It is the recipient's responsibility to report a change in income or circumstances.

If the household fails to provide a reasonable explanation as to how it manages, deny the application or recertification.

Document in the maintain case comments window in CalWIN the explanation provided by client, reason for disallowing expenses, or the reason for denying or discontinuing the case.

Obtain verification of make collateral contacts to support explanations.



Allow the client 10 days from the date of application or recertification to provide verification before denying the case.

Lesson 4 Shelter Deductions

Housing

Allowable Expense 21.1.1

Include the following expenses in the housing deduction.

Allowable expenses	Additional information or restrictions
Rent	<p>Allow rent only for the month the expense is billed, regardless of when the rent is actually paid to the landlord.</p> <p>Even though a household may pay for the first and last month of rent in the first month, only the first month rent is allowed in that month as a shelter deduction. The last month rent will be allowed in the last month, even though it was paid in the first month.</p> <p>Example:</p> <p>A client chooses to pay a few months of rent in advance. The shelter deduction is allowed for each month that the rent is billed, regardless of when the rent was actually paid to the landlord.</p> <p>Example:</p> <p>The rental agreement requires that the client must pay for both the first and last month, when moving into their new apartment. Even though the client is paying for the last month in the first month, the last month rent deduction will be allowed in the last month.</p> <p>Example:</p> <p>The client cannot afford to pay both the first and last month's rent, which is required by the rental agreement. As a result, the landlord allows the client to pay the last month's rent in installments. Even though the client is paying the rent for the last month in installments, the expense for the last month will be allowed in the last month of the rental agreement.</p> <p>Include rent billed for the old and new address when the household moves in the middle of the month.</p> <p>Include rent paid with a loan or other exempt income. (Exception: Expenses paid by an exempt reimbursement, vendor payment or income-in-kind are not allowable.)</p> <p>Include rent paid with a nonexempt GA vendor payment.</p>
Mortgage Payments	<p>Include principal and interest billed on mortgage payments.</p> <p>Include a second mortgage payment, regardless of the use of the money obtained from the mortgage.</p>
Loan Repayments for a Mobile Home Purchase	<p>Include principal and interest billed on these payments.</p>
Property Tax	<p>Include state and local taxes.</p>
Insurance on the Structure	<p>Only on the structure; not for separate costs on furniture or personal belongings</p>

Allowable expenses	Additional information or restrictions
Mandatory Homeowners Association Fees	Only if the household: <ul style="list-style-type: none"> • Occupies the dwelling, or • Rents the dwelling and the fees are part of the rent.
Home Repairs	Only when homes have been substantially damaged or destroyed due to a natural disaster, such as fire, flood, or earthquake; and the costs have not or will not be reimbursed by private or public relief agencies, insurance companies, or any other source.
Vacant Residence	Only when the home is temporarily unoccupied by the entire household due to: <ul style="list-style-type: none"> • Employment away from home, or • Training away from home, or • Illness, or • Abandonment caused by natural disaster or casualty loss. To allow a deduction: <ul style="list-style-type: none"> • The household must intend to return to the home, and • Any current occupants cannot be claiming the same shelter cost(s), and • The home must not be rented or leased in the household's absence.

Non-allowable Expenses 21.1.2

Do not allow the following expenses as a housing deduction.

Do not allow	Additional information
Late Charges	
Security or Cleaning Charges/Deposits	
Home Equity Loan	Defined as a loan which uses the property as collateral, but which is not used to purchase property. (This is different from a second mortgage, which is allowable.)
Garage Rental	When rental expenses are broken out with a separate charge for the garage, only the expense for living quarters is allowable.
Appliance Rental	When expense for appliances are broken out as an identifiable cost, these are not allowable. Example: A recipient pays \$250 each month for rent and has a separate agreement (and provides a separate receipt or identification on the rent receipt) to pay an additional \$35 each month for the use of a refrigerator, dishwasher and the laundry room. Only the \$250 is allowed. Note: A recipient provides verification that his/her rent is \$285 each month (without the breakdown of the cost for the refrigerator, dishwasher and laundry room use). \$285 is used to compute the shelter deduction.
Insurance on the Dwelling's Contents	Allow insurance only on the structure itself. Insurance on the furniture and personal belongings within the dwelling is not allowable.

Do not allow	Additional information
<p>Housing Costs Claimed as a Business Expense</p>	<p>The PORTION of the total housing costs that is being claimed as a self-employment business expense is not allowable as part of the household's shelter expense.</p> <p>Example:</p> <p>Client rents a 4-room apartment for \$700 per month. She is self-employed as a manicurist and uses one of the bedrooms as her salon. She chooses actual business expenses.</p> <p>Total rent \$700 divided by 4 rooms x 1 room used for business = \$175 allowed as a business expense. Total rent (\$700) minus amount claimed as a business expense (\$175) = Allowable housing expense (\$525) to be used in the CalFresh budget.</p>
<p>Paid by Exempt Income-in-Kind</p>	<p>Example:</p> <p>The head of HH works as an apartment manager and receives free rent in addition to his salary. The free rent is exempt as income-in-kind. Do not allow a rent deduction.</p>
<p>Paid By Exempt Vendor Payment</p>	<p>Example:</p> <p>A relative is paying the rent, for a household, directly to the landlord each month. This is an exempt vendor payment. Do not allow a deduction for the rent.</p> <p>If the vendor payment is paid in lieu of legally obligated money payment, it would not be considered a vendor payment and the amount paid would be counted as unearned income and the shelter deduction would be allowed.</p> <p>Example:</p> <p>An absent parent is court ordered to pay \$1,000 monthly to his ex-wife and children. The client and her husband decide that it would be easier if he paid the \$750 monthly rent and gave her the remaining \$250 per month. Because the payment is legally obligated and otherwise payable to the household, the entire \$1,000 must be counted as unearned income and the household is entitled to the shelter deduction.</p>

Homeless Households

Households which are homeless and incur, or reasonably expect to incur housing costs during the month may choose between:

- The Homeless Shelter Deduction, OR
- The actual cost of housing and SUA, LUA or TUA. In order for one of these utility deductions to be allowed the homeless households must verify shelter costs.



A four person household is receiving \$1000 UIB monthly. They are evicted and temporarily move into a kitchenette motel, where they must pay \$200 weekly. Since they are now considered homeless, they may claim their actual housing cost.

The following chart shows the computation of their excess shelter deduction based on their actual housing costs.

STEPS	Computation of Excess Shelter Deduction
(1)	\$1000 UIB minus \$134 Standard Deduction equals \$866
(2)	\$866 divided by 2 = \$433 (1/2 of income)
(3)	\$866 (\$200 x 4.33) rent minus \$433 equals \$433 actual excess shelter deduction (\$417 MAXIMUM excess shelter deduction).

Utilities

Definition 21.2.1

Utility expenses are defined as the costs billed for:

- Heating and cooking fuel; cooling and electric, such as:
 - Gas
 - Electricity
 - Butane
 - Propane (and tank rental)
 - Coal oil
 - Coal, or
 - Firewood
- Water
- Sewage
- Garbage and trash collection fees
- Basic service for one telephone. This includes tax on basic service and telephone rental fee. However, telephone purchase costs are not allowed.

Homeless Households

Homeless households which choose the Homeless Shelter Deduction are not entitled to a separate deduction for utilities (i.e. SUA, LUA, or TUA)

SUA 21.2.3

The Standard Utility Allowance (SUA) is allowed for ALL households which incur heating or cooling costs when that expense is:

- Separate and apart from the household's rent or mortgage payment.
- Billed to the household (the cost does not have to be paid to allow the deduction).
- Verified, if questionable, before allowing the deduction.
- Based on actual metered utility usage.

Metered usage means that the actual amount of utility services used at a residence is measured by an individual meter.

Households which choose to average these costs over a period of months, and do pay the same amount each month with a periodic adjustment based on metered usage, are eligible to SUA.



The household pays PG&E and telephone separately from its rent payments. The PG&E bill is determined each month by measuring the amount of gas and electric used which is down on the meter when household is eligible to receive SUA.

If the house or apartment complex provides a primary heating source and the cost is included in the rent, the household's decision to use a different or supplemental source of heating does not qualify them for SUA. A household which chooses to use only one heat source still qualifies for SUA if it is responsible for paying for both heat services.



A household lives in a cottage behind the landlord's house. The cottage's only heat source is a wood burning stove. The household is responsible for providing the firewood per the rental contract. The household chooses to cut their own firewood. Since the household is responsible for their heating/cooling costs, they are entitled to SUA.

LUA 21.2.5

The Limited Utility Allowance (LUA) is allowed for households that are not eligible for the SUA, but may incur expenses for at least two separate types of utilities (other than heating and cooling). Allowable utilities include telephone, water, sewage, and garbage or trash collection.

TUA 21.2.6

The Telephone Utility Allowance (TUA) of \$20 is allowed for households that are not eligible for either SUA or LUA, but incur telephone costs only. The TUA must only be used in instances where the household has a telephone or in its absence, an equivalent form of communication (i.e. cell phone, pre-paid phone cards, \$10/ month to use the neighbor's home phone, etc.).

If the telephone or cell phone bill is not in the client's name, the household is still entitled to TUA and as long as the household incurs the cost.

SUA vs LUA vs TUA

Decision Chart

Follow the chart below to determine whether to allow SUA, LUA or TUA for the household.

Income Types and Income Deductions

SITUATION (assume verification, if required, is on file unless stated otherwise)	ALLOW SUA, LUA or TUA
HH is billed for heating or cooling separate & apart from rent	ALLOW SUA
HH receives Energy Assistance direct/vendor payments funded by Low Income Home Energy Assistance Act (LIHEA)	ALLOW SUA
HH receives Energy Assistance vendor payments & incurs out-of-pocket expenses for heating or cooling	ALLOW SUA
HH claims billed for heating/ cooling costs. There is no verification of heating or cooling costs on file, but there is verification of other utilities	ALLOW SUA, UNLESS QUESTIONABLE
Heating or cooling costs are included in the cost of housing, but HH is billed for at least <u>two</u> other utility costs	ALLOW LUA
HH lives in public/rental housing with one central utility meter and is only billed for excess utility costs (which include heating/cooling expenses)	ALLOW SUA
HH lives in public/rental housing with one central utility meter and is only billed for excess utility costs (which include only garbage and water expenses)	ALLOW LUA
All utilities are included in the cost of housing except for the household's telephone or cell phone expense	ALLOW TUA
All utilities are included in the cost of housing	DO NOT ALLOW SUA, LUA or TUA; INCLUDE UTILITIES IN HOUSING

SITUATION (assume verification, if required, is on file unless stated otherwise)	ALLOW SUA, LUA or TUA
HH is homeless	USE \$143 HOMELESS SHELTER DEDUCTION Note: If the Homeless Shelter Deduction is not allowed, then SUA, LUA or TUA may be allowed.

State Utility Assistance Subsidy (SUAS) Payment

Overview

The enactment of the Agricultural Act of 2014 (aka Farm Bill) mandated that households receive a payment greater than \$20 annually in energy assistance payment in order to automatically qualify for the Standard Utility Assistance (SUA) in the computation of their CalFresh allotment.

The receipt of a SUAS payment during the certification period entitles households to receive the SUA deduction used in their computation of their CalFresh allotment.

Eligibility

The SUAS cash payment (\$20.01) is only to be provided to those households who would receive additional CalFresh benefits or become eligible for CalFresh as a result of receiving the payment. These are households who:

- Are otherwise not eligible for the SUA
- Are not receiving the maximum CalFresh allotment for their household size, or
- Are not receiving the maximum shelter deduction (only for those household which contain no elderly or disabled members).



Note

If the homeless household is entitled to the Homeless Shelter Deduction (HSD) and the HSD gives more CalFresh benefits than the SUA deduction, the HSD must be granted. The household is not entitled to the SUAS payment.



A homeless household with income applied for CalFresh on July 5, it was verified that the household incurs shelter expenses. The budget computation indicates that SU gives more CalFresh benefits than HSD. The household will receive SUAS instead of HSD.

Households are NOT entitled to SUAS if they receive:

- The maximum CalFresh allotment, or
- SUA based on incurred heated or cooling expense, or
- The maximum shelter deduction (Excluding Elderly/Disabled households)

References

CalFresh Handbook

- Chapter 19
- Chapter 20
- Chapter 21

CalFresh Handbook Updates

- 2012-03
- 2014-08
- 2014-13
- 2015-02
- 2017-07
- 2017-09
- 2017-11
- 2017-12

Program Directive

- 2018-1

Handouts

- CalFresh Standard Medical Deduction (SMD) Desk Guide
- Quick Reference Chart – Standard Medical Deduction (SMD) or Actual Medical Expenses
- DEBS Flash #16-23 – Dependent Care Expenses