INCOME

Revised: October 1, 2005

F. INCOME BUDGETING

Purpose: This section has the rules and procedures for budgeting income for the cash, medical and Basic Food programs.

WAC 388-450-0215	How does DSHS estimate my assistance unit's income to decide my eligibility and benefits?
WAC 388-450-0225	How are my assistance unit's benefits calculated for the first month I am eligible for cash assistance?
WAC 388-450-0230	What income does DSHS count in the month I apply for Basic Food when my assistance unit is destitute?
WAC 388-450-0245	When are my benefits suspended?
Best Estimate Guide	

Effective October 1, 2005

WAC 388-450-0215 How does the department estimate my assistance unit's income to determine my eligibility and benefits?

1. We decide if your Assistance Unit (AU) is eligible for benefits and calculate your monthly benefits based on an estimate of your AU's gross monthly income and expenses. This is known as prospective budgeting.

2. We use your current, past, and future circumstances for a representative estimate of your monthly income.
3. We may need proof of your circumstances to ensure our estimate is reasonable. This may include documents, statements from other people, or other proof as explained in WAC 388-490-0005.
4. We use two methods to estimate income:
   a. **Anticipating Monthly Income (AM):** With this method, we base the estimate on the actual income we expect your AU to receive in the month.

   b. **Averaging Income (CA):** With this method, we add the total income we expect your AU to receive for a period of time and divide by the number of months in the period.

   c. Except in the situations listed in section (5) below, you can choose the method we use to estimate your income.
5. Anticipating Monthly Income: We must use the Anticipating Monthly

method:

a. For the month you apply for benefits unless:

    (i) (i)We are determining eligibility for Children's Medical programs as listed in WAC 388-505-0210 (3-6) or Pregnancy Medical as listed in WAC 388-462-0015. For Children's and Pregnancy Medical you can choose either method; or

    (ii) (ii)You are paid less often than monthly (for example: you are paid quarterly or annually). If you are paid less often than monthly, we average your income for the month you apply. Section (6) explains how we average your income.

b. When we estimate income for anyone in your AU, if you or anyone in your AU receive SSI-related medical benefits under chapter 388-475 WAC.

c. When we must allocate income to someone who is receiving SSI-related medical benefits under chapter 388-475 WAC.

d. When you are a destitute migrant or destitute seasonal farmworker under WAC 388-406-0021. In this situation, we must use Anticipating Monthly (AM) for all your AU's income.

e. To budget SSI or Social Security Benefits even if we average other sources of income your AU receives.

6. Averaging Income: When we average your income, we consider changes we expect for your AU's income. We determine a monthly amount of your income based on how often you are paid:

a. If you are paid weekly, we multiply your expected weekly income by 4.3;

b. If you are paid every other week, we multiply your expected for the pay period income by 2.15.

c. In most cases if you receive your income other than weekly or every other week, we estimate your income over your certification period by:

    (i) Adding the total income for representative period or time;

    (ii) Dividing by the number of months in the timeframe; and

    (iii) Using the result as a monthly average.

d. If you receive your yearly income over less than a year because you are self employed or work under a contract, we average this income over the year unless you are:

i. Paid on an hourly or piecework basis; or

ii. A migrant or seasonal farmworker under WAC 388-406-0021.

7. If we used the Anticipating Monthly Income method for the month you applied for benefits, we may average your income for the rest of your certification period if we do not have to use this method for any other reason in section 5.

8. If you report a change in your AU's income, and we expect the change to last through the end of the next month after you reported it, we update the estimate of your AU's income based on this change.

9. If your actual income is different than the income we estimated, we don't make you repay an overpayment under chapter 388-410 WAC or increase your benefits unless you meet one of the following conditions:

   a. You provided incomplete or false information

   b. We made an error in calculating your benefits.

~~a.~~

WORKER RESPONSIBILITIES

The following topics are related to the above WAC and are discussed below:

- Best Estimate
- Calculation Methods for Budgeting Income
- When AM Must Be Used to Budget Income
- Client Choice
- Special Circumstances for Budgeting Income and Expenses
- Budgeting Income for Medical Programs
- Budgeting Deductions
- Effect of Incorrect Estimates
- Determining the Effective Date When a Client's Income Causes Them To Be Ineligible

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Best Estimate

1. **Steps to arrive at the best estimate of the client's income:**
   a. Identify all sources of earned and unearned income during the interview process, that are:
      i. Owned by client.

ii. Available to the client.

b. Subtract income that is excluded or disregarded.

c. Budget the income remaining using the appropriate calculation method based on the client's choice or the requirements of WAC 388-450-0215.

EXAMPLE Client who is paid yearly $18,000.00 in June, applies in June and estimates they will continue to earn $18,000.00/year. Budget $1,500.00/month **for the month of application**, then budget $1,500.00/month on-going.
EXAMPLE Client who is a seasonal farmworker is in the office for a Basic Food/TANF re-certification. The client is not currently working and has no other income. In the past several years, he has always worked this season and had an average monthly income of $900.00. The client states he intends to work as soon as the farms start hiring. Since you don't have a source of income identified, you would not budget any income. When the client starts working, it is a change he must report.

See **INTERVIEW REQUIREMENTS** for information on interviews.

See **INCOME - Treatment of Income** and **INCOME - Special Income Types** to find out if a specific type of income is excluded or disregarded.

See WAC 388-450-0005 to decide if income is owned by and available to the client.

2. **How to determine the best estimate of a client's income:**

   The best estimate of a client's income is the income you can reasonably expect a client to receive. This may vary depending on:

   - Employment.
   - Consistency of hours, wages, and anticipated changes. See Best Estimate Guide.

EXAMPLE A client ends their job at Burgertown on June 30, 2003 to work at

Lotsabooks.com. Burgertown pays weekly on Fridays with a one-week period between the end of a pay period and the payday for that week's work. The job at Lotsabooks starts on July 5, 2003. Pay periods at Lotsabooks are the 1st - 15th and 16th - End of month. The client is paid ten days after the pay period ends (the 10th and 25th). When you estimate the income for July, consider that the client will:

- Receive the last check for Burgertown on July 7.
- Receive the first check for Lotsabooks on July 25th, which will be for a partial pay period.

3. **Items to include in a best estimate:**
   a. The time frame the estimate covers.
      i. If the estimate is for part of the certification period, adjust the monthly income for changes you anticipate for the rest of the certification period.
      ii. If the estimate is for the whole certification period, adjust the income you budget only if there is a change.
   b. The information used to establish the estimate.
      i. Did you use pay stubs from an earlier period, or an employer statement?
      ii. If your estimate is based on what the client earned last month, show the income and situation for the last 30 days.
   c. Clear and complete **documentation** of the calculation method, the income budgeted, and why this most accurately reflects income the client is expected to receive. This includes the reason you used some pay stubs as a basis for the income, but disregarded others because they didn't reflect what the client is likely to receive. See **DOCUMENTATION** for more instructions on documenting a best estimate.

EXAMPLE

Compare the client's documents to see if they support what the client is telling you.

- Did the client tell you they are paid twice a month, but the pay stubs are for two-week periods?
- Does the hourly rate on the documents match what the client is telling you?
- Do all of the pay stubs you are using show the same pay rate?

Calculation Methods for Budgeting Income

Estimate income using one of the following methods based on the client's circumstances and preference:

1. **Anticipating Monthly (AM):**

   When you use AM, estimate income by totaling the actual amount of income you expect the client to receive in each benefit month. Benefits will vary based on changes in monthly income.

   See "When AM Must Be Used to Budget Income" for details and examples of circumstances where you must always use AM.

   See "Client Choice" for examples of when choosing AM might be appropriate.

2. **Averaging:**

   Use the Combined Average (CA) method to calculate income when clients expect their income to change from month to month, but want their benefits to stay the same. Budgeting will depend on how often the person is paid.

   a. To estimate the income per pay period:
      i. Total the gross income from all pay periods where the income represents what the client should receive.
      ii. Divide by the number of pay periods used in step (i) above to get the average income for each pay period.

   b. Using the estimate from step (a), we decide the monthly amount as follows:
      i. If a client is paid **weekly or every-other week**, we must convert the income to a monthly amount using the following formula:
         A. Weekly, we multiply the weekly amount by 4.3.
         B. Every-other week we multiply by 2.15.
         C. Round the result to the nearest penny.
      ii. If the client is **not** paid weekly or every-other week, such as monthly or twice per month, we decide the monthly income by multiplying the estimate by pay periods per month.

NOTE:	We convert income using the 4.3 or 2.15 multiplier to calculate monthly income **only** if the client is paid weekly or every-other week.
NOTE:	If you are using past work history to estimate future income, remember that the **rate of pay may have changed**. Use the average hours from the previous pay and the new pay rate to calculate income.

c. If we are estimating the amount of income expected for a new job or changed circumstances, we project the amount based on the employer's estimate of hours per pay period and rate of pay. We then use the appropriate budgeting method to decide the monthly income for the certification period.

EXAMPLE 1

Client starts a new job. The employer states the client will work 15 – 25 hours per week at $8.00 per hour and will be paid twice a month. The employer doesn't expect this to change. The client wants to use averaging. One way to determine the anticipated income per pay period is as follows:

- 15 hrs/wk + 25 hrs/wk = 40 hrs/wk ÷ 2 = 20 hrs/wk
- 20 hrs/wk x $8/hr = $160/wk
- $160/wk x 52 wks/year = $8320/yr
- $8320/yr ÷ 24 paychecks/yr = $346.67/pay check

We would then multiply the estimated amount per pay period by expected checks per month to get the average amount to budget:

- $346.67/pay check x 2 paychecks monthly = **$693.34 monthly**.

EXAMPLE 2

Client applies for cash and Basic Food benefits. He works 20-30 hours per week and is paid every-other Friday. The client earns the minimum wage of $7.35. The client provides three pay stubs that show 40, 50, and 54 hours per pay period. The client states he expects his hours to remain about the same as they have been over these periods. You may calculate the average as follows:

- 40 hrs + 50 hrs + 54 hrs ÷ 3 = 48 hrs/period
- 48 hrs/period x $7.35/hr = $352.80/period
- $352.80/period x 2.15 = **$758.52 monthly**.

NOTE:	Since the client is paid minimum wage, it's important to take the annual adjustment to minimum wage into account when you estimate the client's earnings. The Department of Labor and Industries adjusts the state minimum wage every January. The current minimum wage for the state is available at: http://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/default.asp

EXAMPLE 3

Client is hired at a new job. The employer says the client will start work on July 15th. Because of the time lag in the employer's payroll system, the client won't receive their first weekly check until the first Friday in August. The client will receive a $400 weekly salary every Friday. You may calculate the client's monthly income as follows:

- Budget no income for this job in July

- For August, multiply the $400/week x 4.3 = **$1720.00 monthly**.

To find information on entering income in ACES, see Income Eligibility and Budgeting – (EARN) Earned Income Screen

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When AM Must Be Used To Budget Income

1. **You must use AM to budget income for the month of application:**
    a. Budget the **exact amount** of income already received and the best estimate of the expected actual income for the rest of the month to get the total income.
    b. If you don't have to use AM for any other reason, you may use either AM or averaging for the remainder of the certification period. This includes the second month in those circumstances when the client is interviewed after the month of application.

EXAMPLE 1 Client applied for assistance March 1st. The worker interviewed the client on March 18th. In this example, the worker must budget the actual amounts the client received between March 1st and March 18th and use the best estimate of the client's anticipated income between March 19th and March 31st.
EXAMPLE 2 Person applies for assistance March 1st, and is interviewed the same day. The applicant has a consistent source of income and will receive pay in March. Because the person hasn't received any income by the time of the interview, we must use 'best estimate' to budget all of the actual expected March income using the AM method.

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2. **For Basic Food only, if an AU is destitute under WAC 388-406-0021:**
    a. Use AM for the month of application. If you don't have to use AM for any other reason, you may use either AM or averaging for the rest of the certification period.
    b. Provide **expedited service** if their available cash resources are $100 or less under WAC 388-406-0015.
    c. See WAC 388-450-0230 to decide if we exclude any of the AUs income for the month of application.
3. **AM and SSI-related medical:**
    a. Use AM to budget all of the client's income if:

i. A client receives SSI-related medical.

ii. The AU has income allocated to someone receiving SSI-related medical. The following program codes in ACES require AM:

C	C01, C95, C99
G	G03, G95, G99
K	K01, K03, K95, K99
L	L01, L02, L04, L95, L99
S	S01, S02, S03, S04, S05, S07, S95, S99

b. You don't have to use AM to budget the income of a client in **the Basic Food AU** with someone receiving SSI-related medical if the client doesn't:

i. Receive SSI-related medical.

ii. Have income allocated to someone receiving SSI-related medical.

iii. Meet any of the other requirements to use AM under WAC 388-450-0215.

EXAMPLE

Client receives SSI; Spouse has earned income that Social Security allocates to the client. You must budget the client's SSI income using AM because the income is SSI. Budget the spouse's income using either AM or averaging. Don't allocate income to a spouse receiving SSI medical.

4. **When clients get SSI, but no one in the AU gets SSI-related medical:**

Budget SSI and Social Security using AM. If there is no other situation that requires us to use AM, use either method for the other sources of income.

Client Choice

1. If you don't **have to use** AM, clients can choose the method you use to budget their income for the certification period. The client's choice should be guided by whether:
   a. They want their benefits to remain consistent through the certification period.
   b. They want their benefits to change based on anticipated changes in income.

2. Sometimes the client's circumstances make AM a likely choice to budget the income. Examples of when a client may want to choose AM include when the client:
    a. Has stable income such as a regular monthly salary.
    b. Is paid daily.
    c. Expects several changes at different times within the month (e.g. regular hours for the first week, no hours for the second week due to unpaid leave, raise in wages on the third week).
    d. Expects to get less than a full month's income due to the beginning or end of a source of income.
3. There are times when one method will cause a client to be eligible for benefits, and another method may cause a client to be ineligible. If a client is ineligible using one method, review the case to see if the client would prefer another method.

EXAMPLE

Single-person Basic Food AU. Client is paid $470.00 gross income every-other Friday. Three month certification is July - September 2005.

Anticipating Monthly	July:	$1410.00
	August:	$ 940.00
	September	$ 940.00
Averaging	July	$1010.50
	August:	$1010.50
	September	$1010.50

In the example, the client is eligible for two of three months using AM, but totally ineligible using averaging.

4. **Calculation methods can't be changed during a certification period just to maximize a client's benefits:**

    Changing calculation methods to give clients more benefits doesn't result in the best estimate of a client's income for the entire certification period.

    a. If you aren't required to use AM, clients may choose the method used to budget their income at:
        i. Application.
        ii. Eligibility review or re-certification.
    b. Change the calculation method during a certification period **only when** clients report a change that was not considered in the original estimate.
5. **When clients are paid weekly or biweekly and choose AM:**

When a client chooses AM, we adjust the client's case for changes you anticipate through the certification period as follows:

a. Determine which months the client will receive an extra check.
b. Set an alert to for the month for the expected change.
c. Make the change to the appropriate month to allow timely and adequate notice and affect the client's benefits.

NOTE:	Inform the client how the choice of methods will affect their benefits and let them choose the method.

NOTE:	If you average income using the weekly or every-other week conversion, you are better protected against payment errors because it accounts for extra periodic checks. Since conversion is based on an annual average, it's safe to convert income received weekly or every-other week even if the client will not get an extra check.

6. **When clients report a change in income:**

   If a client reports a change in their income, take the following steps:

   a. Determine if the change will last at least a month beyond the date the client reported the change.
   b. If the change will last at least a month beyond the date the client reported the change, re-calculate this source of income.
   c. Document the reported change as well as whether or not the change was expected to last at least a month beyond the month the client reported the change.

NOTE:	See WAC 388-418-0020 to determine the effective date of a change in the client's benefits.

Special Circumstances for Budgeting Income and Expenses

1. **Self-employment income and expenses:**

Self-employment income may be earned monthly, seasonally, or annually. When a client earns self-employment income, average the income and expenses over the period the income is intended to cover.

Self employment income:

a. If a client gets their annual self-employment income over a period of less than a year, we average this income over the year;

b. If a client's income is from self-employment for only part of the year, we average the income over the period of time the self-employment income covers.

c. If the income averaged over the year or portion of the year doesn't represent what the client will receive due to a significant increase or decrease in business:

    i. Anticipate the client's self-employment income for each month.

    ii. Average any capital gains the client will receive over the year. A capital gain is **profit** from selling business property or equipment.

Self-employment expenses:

Average or anticipate self-employment expenses for the same period you use for the income. Refer to WAC 388-450-0080 and WAC 388-450-0085 for more information on self-employment budgeting.

EXAMPLE If a client is self-employed as a hot dog vendor from June to October to supplement their income from other sources during the rest of the year, we average the self-employment income and expenses over the months of June through October instead of the 12-month period.

2. **Clients that receive their annual income over a timeframe less than a year under contract:**

    a. When a client gets their annual income over a period of less than a year as a part of the client's employment contract, we average their annual income over a 12-month period unless the client is:

        i. A migrant or seasonal farmworker.

        ii. Paid on an hourly or piecework basis.

    b. If a client's income is paid under contract is not the client's annual income, we average the income over the period of time the contract income covers unless the client is:

        i. A migrant or seasonal farmworker.

        ii. Paid on an hourly or piecework basis.

    c. Examples of employees that may receive their income under contract include:

        i. School Employees.

        ii. Bus Drivers.

        iii. Farmers.

iv. Fishers.

EXAMPLE 1

Client is employed as a teacher for Evergreen School District. As allowed under the client's contract, she receives her annual salary of $31,002 in the months of September through June of each year. Because this is the client's annual income, we budget 1/12 of the client's yearly income ($2583.50) for each month even though she doesn't receive a paycheck from the school district in July or August.

EXAMPLE 2

Client applying for GA-U receives $12,600 every December from a trust fund that was set up to distribute an inheritance from their grandmother. The fund can't be accessed in any other manner. We average this income throughout the entire year and budget $1,050 monthly.

3. **Budgeting the earned income of a child turning age 18:**
   a. Count or exclude the earned income of a child according to WAC 388-450-0070. For cash assistance, consider a client to be a child if they meet the requirements of WAC 388-404-0005.
   b. We use a child's age on the first day of the month as the child's age for that month.

EXAMPLE

If a child turns 18 on August 8, consider them as 17 in August and 18 in September. For Basic Food, you wouldn't budget the child's earnings for August and would budget the income in September.

NOTE:	ACES reads the age of the child as well as their student status and applies this rule.

4. **Budgeting child support that fluctuates:**

You can use either AM or CA to budget child support you expect a client to receive. Determine the amount to budget based on what you can reasonably expect

- Based on the client's current support.
- What they received in the past.
- Changes you anticipate.

Document your decision as described in **DOCUMENTATION**.

When you know of a change in child support income, decide if the new amount is something you can expect to continue or if the original estimate was valid.

a. If the support is paid through DCS, you can contact DCS and the client to determine if:
    i. There was a change that would impact your estimate for the monthly support (such as a new support order).
    ii. The change could be explained by some short-term situation. Reasons for the different amount could include when the paying parent:
        A. Changes jobs, and there was a lag between the start of the job and the start of the payroll deduction for support.
        B. Was making larger payments for a period of time to pay arrears, and is now caught up.
        C. Was off work for a period of time and DCS was unable to collect support.
b. If the support isn,t paid through DCS, you can contact the client and request information to help determine why the support changed.

	If you decide the amount budgeted should be changed, see WAC 388-418-0020 to determine the effective date of the change. For clients who receive support through DCS, consider the change as known to the department and don't require additional verification of the amount.
	For Basic Food, if the entire amount of child support arrears is paid off in a single payment, consider the amount for arrears as a lump sum payment and count it as a resource. Count any amount for current support as unearned income. See WAC 388-470-0055 for information on lump sums.

5. **Budgeting additional cash assistance payments for Basic Food:**
    a. If a cash supplement is issued due to a change in income or expenses, don't budget the additional cash against the Basic Food without ten days' notice.
    b. When issuing a cash supplement along with a Basic Food supplement due to adding a person to both AUs, budget the cash supplementary amount when determining the Basic Food supplementary amount for that month.

See **LETTERS** for information on timely and adequate notice.

Budgeting Income for Medical Programs

1. Budget the income the client received or expects to receive for the month of application.
2. Use the income you can reasonably expect the client to receive for the months you authorize medical care.
3. See WAC 388-418-0020 - How the department decides the date a change affects my benefits, and WAC 388-418-0025 - Effect of Changes on Medical, for changes in income after certification.

Budgeting Deductions

1. Budget allowable expenses for the month you expect the client to have the expense using AM budgeting or an offline average. Dependent care expenses can be converted using ACES.
2. See **INCOME - Effect on Eligibility and Benefit Level** to determine if an expense is allowed as a deduction for cash or Basic Food.
3. Refer to the ACES User Manual for information on entering expenses for deductions.

NOTE:	If you choose to average an expense outside of ACES, your documentation must clearly show you averaged the expense and how you decided the amount you entered for the expense.

Effect of Incorrect Estimates

1. **When clients receive less income than estimated, don't** supplement benefits unless you made an error in calculating the client's benefits.
2. If a TANF/SFA-eligible assistance unit receives less income than you anticipated, see **EMERGENCY ASSISTANCE** to determine if this created an emergent need and if the client may be eligible for AREN.

Determining the Effective Date When a Client's Income Causes Them To Be Ineligible

For information regarding changes that cause ineligibility, see WAC 388-418-0020.

ACES PROCEDURES

See Income Eligibility and Budgeting

See Interview - EDOC

See Change of Circumstances