

+-----+
 | ADMINISTRATIVE DIRECTIVE |
 +-----+

TRANSMITTAL: 92 ADM-6

TO: Commissioners of
 Social Services

DIVISION: Income
 Maintenance

DATE: February 11, 1992

SUBJECT: Treatment of Earned Income Tax Credit (EITC)

SUGGESTED DISTRIBUTION: Directors of Food Stamps
 Directors of Income Maintenance
 Staff Development Coordinators

CONTACT PERSON: Greg Nolan, Bureau of Income Support Programs at 1-800-342-3715, extension 4-9313
 Food Stamp County Representative at extension 4-9225

ATTACHMENTS: None

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
91 ADM-8	90 ADM-24	352.18	131(a)	PASB	
90 ADM-24		352.30	131(n)	XVI-J-1.4	GIS 91
90 ADM-3		352.23	PL 100-485	FSSB	IM/DC020
84 ADM-39		387.9(b)(3) (xvii)	PL 101-508	XII-G-7 XVI-C-6 XVI-C-8	GIS 91 IM/DC014 GIS 91 MA012

I. PURPOSE

This is to inform local districts of a change in the Department's policy concerning the treatment of Earned Income Tax Credits (EITC).

II. BACKGROUND

For public assistance eligibility, EITC is currently exempt as income, but is counted toward the \$1,000 resource limit in the month following receipt. For food stamp eligibility EITC is also exempt as income, but is counted as a resource in the month received.

The Omnibus Budget Reconciliation Act of 1990 (OBRA '90) changed the treatment of EITC as a resource for both public assistance and food stamps so that it is exempt as a resource not only in the month of receipt but also in the following month.

Districts were notified of this change for public assistance in GIS message 91 IM/DC020 and for food stamps in GIS message 91 IM/DC014.

III. PROGRAM IMPLICATIONS

Local districts are required to apply the new policy when determining a family's eligibility for public assistance and food stamps. The impact of this change is expected to be minimal since relatively few families can be expected to retain EITC beyond the period for which it is exempt.

IV. REQUIRED ACTION

A. Public Assistance

1. Attempt to identify any PA cases discontinued since January 1, 1991 because of excess resources resulting from the receipt of EITC and determine whether the case would have been eligible for PA under the new policy.
2. If the identified case would have been eligible, benefits must be restored retroactive to the closing date if the case is otherwise eligible.
3. For current cases, when determining a family's eligibility, local districts must not count EITC payments towards the \$1,000 resource limit during the month in which the EITC is received and the following month.

B. Food Stamps

Social services districts are to exclude EITC payments as a FS resource in the month received and the following month. This exclusion is to be applied at certification, recertification or next agency contact as of April 1, 1991. This exclusion is to be applied retroactively to any such payments received as of January 1, 1991. Restored benefits must be provided back to January 1, 1991 to any households adversely affected by having such payments counted as a resource.

EITC payments continue to be excluded as food stamp income in the month received.

An EITC payment retained in the second month after the month of receipt must be counted as a resource. Assessment regarding the effect of the EITC payment on the resource level must be made and notice of adverse action must be given during the month after receipt if it is anticipated that the household will have excess resources during the second month after receipt due to retaining the EITC payment.

C. Medical Assistance Implications

In determining the Medical Assistance eligibility for all applicants/recipients, any EITC continues to be exempt as income in the month of receipt and exempt from resources in the following month. Any funds remaining from an EITC in subsequent months are applied to the resource standard.

V. ADDITIONAL INFORMATION

Food Stamps

Because the states were required to implement this policy retroactively, quality control reviewers did not code errors in this area for the period January 1, 1991 through March 31, 1991. In addition there was a 60 day variance exclusion period starting April 1, 1991 during which QC reviewers excluded any variances that resulted from a misapplication of the new EITC resource exclusion regulation. Thus these were not counted as errors until the June 1991 sample.

VI. EFFECTIVE DATE

These procedures are effective March 1, 1992, retroactive to January 1, 1991.

Oscar R. Best, Jr.
Deputy Commissioner
Division of Income Maintenance