
FOOD AND NUTRITION SERVICES CERTIFICATION
INCOME AND RESOURCES
FNS 315 SPECIAL BUDGETING

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Change 01-2022
January 11, 2022

**315.01 AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
(ASCS) CASH PAYMENTS**

- A. The ASCS provides payments for crop losses. These include, but are not limited to, Commodity Credit Corporation and acreage reduction and conservation payments. These payments may be one-time payments or installment payments. Such payments are counted as earned self-employment income except when provided as a loan. Farm loans are excluded from income.
- B. If ASCS payments are the result of a Presidential declared disaster or emergency, they are excluded from income and resources in accordance with the Disaster Relief Act of 1974 as amended.

315.02 ALIEN SPONSORS

- A. Calculation of income is dependent on when the sponsor signed or re-signed the affidavit of support. Count as unearned income the full amount of countable income for the sponsor and his spouse (if living together) if the affidavit was signed on or after December 19, 1997. Continue to count this income until whichever of the earliest occurs:
 - 1. The alien becomes a citizen; **or**
 - 2. The alien has worked or can be credited with 40 qualifying quarters of social security coverage. Beginning January 1, 1997, a quarter in which the wage earner received federal means-tested assistance (Work First Family Assistance [WFFA], Food and Nutrition Services (FNS) benefits, Medicaid, North Carolina Health Choice, or Supplemental Security Income [SSI]) is not counted as a qualifying quarter; **or**
 - 3. The alien sponsor dies.
- B. If the sponsor has signed an affidavit for more than one alien, prorate the sponsor's income among the sponsored aliens.
- C. If the affidavit of support was signed or re-signed on or after December 19, 1997, deem the income of the sponsor and spouse for three years from the date signed or re-signed as follows.
 - 1. Determine the total monthly countable earned income of the sponsor and spouse. Allow the earned income deduction of 20%. Add the calculated

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earned income to the total countable unearned income of the sponsor and spouse.

2. Subtract the actual payment of alimony and child support paid to individuals not living with the sponsor and spouse. Subtract the FNS income limit for the household size of the sponsor's family. Include in the sponsor's household size any dependent that he or his spouse claim or could claim for federal income tax purposes.
3. The remaining income amount is deemed as unearned income to the sponsored alien's FNS unit.
4. If the sponsor has signed an affidavit for more than one alien, prorate the income from 3. above among the sponsored aliens.
5. Review the income of the sponsor and spouse at each application, recertification, and reported change in situation.

D. Battered Aliens

If it is determined that the sponsored alien has been battered by a spouse, parent, or member of the spouse or parent's household, and the battering is the reason the alien is seeking assistance, do not count the sponsor's (or spouse's) income for 12 months. After the initial 12 months, deeming from the sponsor will be permanently eliminated provided the battery was recognized by a judge or administrative law judge in a court order or by a prior determination of Immigration and Naturalization Service (INS). Also, it is required that the battered individual no longer live in the same household as the batterer and the battered individual's FNS unit must continue to need assistance as a substantial result of the battery. The battered individual must provide verification of being battered and of having petitioned INS for permanent resident status. These provisions do not apply if the battered individual lives with the batterer.

315.03 ATTENDANT CARE PAYMENTS

- A. Determine if the attendant care payment is received as wages by a FNS unit member for care provided to a non-FNS unit member. Count these payments as earned income.
- B. Determine if the attendant care payment is received as wages paid by one FNS unit member to another FNS unit member.
 1. The attendant care payments provided by an outside source, such as a state or federal agency, is to be treated as **earned income** to the person providing the attendant care.

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2. If the attendant care payment is provided by a FNS unit member to another FNS unit member from his/her own pocket, do not count payments to the member providing the care as income. Such attendant care payments are not counted as earned income because the money is moving between FNS unit members.
- C. Determine if the attendant care payment is received as wages by a FNS unit member for care provided to a FNS unit member and paid by a non-FNS unit member. Count these payments as earned income.

EXAMPLE: Household size of two includes adult niece and elderly aunt. They have chosen to receive FNS benefits together. The elderly aunt requires attendant care and niece provides the care. Elderly aunt's son pays the niece for this care. Count payment to niece as earned income.

- D. Do not count payments paid by an outside source to a provider for care of a FNS unit member.

315.04 BONUS/VACATION PAY

- A. Bonus/vacation pay is money given by the employer to an employee in addition to the employee's regular pay.
1. Count bonus/vacation pay in the month of receipt when the amount and date of receipt **can be reasonably anticipated**.
 2. If bonus/vacation pay was received in the base period, determine if is representative. (This means that the next payment will be about the same amount, and there is some certainty of expected receipt, and the pay will be received during the certification period.)
 3. If this pay will be received monthly, anticipate for each month of the certification period.
 4. If this pay is received less frequently than monthly and anticipated during the next certification period, review payment history to determine anticipated dates of receipt and payment amounts. Prorate the anticipated gross amount over the certification period.

315.05 CAFETERIA PLANS AND FLEXIBLE BENEFITS

Some companies make monetary credits available to employees. The credits may be used for a variety of things, e.g, to buy health insurance, life insurance, annual leave, or sick leave, but the employee cannot elect to receive a cash payment. The credit shows up on the pay stub. If the employee does not use the credits, the employee loses them. These credits are not counted as income as they are not legally obligated and otherwise payable to the employee as earnings.

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Under some pay plans an employee can choose to have the employer withhold money to pay certain expenses such as child care and medical expenses when they are incurred. If any amount is left at the end of the year, the employee loses the money. The amount withheld is counted as earned income as the money is legally obligated and otherwise payable to the employee.

315.06 CAPITAL GAIN INCOME

- A. The actual capital gain from the sale of capital goods or equipment is included as income. Determine the actual capital gain as follows.
1. Determine if the FNS unit has capital assets. The following is a listing of capital assets.
 - a. Real property;
 - b. Equipment;
 - c. Machinery; and
 - d. Other items expected to last at least 12 months.
 2. Ask the FNS unit if any member has sold or transferred a capital asset.
 3. Determine if there was a capital gain realized from the sale or transfer of capital assets.
 4. Compute the capital gain as follows.
 - a. Subtract depreciation from the original purchase price of the capital asset to establish the “adjusted basis.”
 - b. Subtract the “adjusted basis” from the sales price to establish the capital gain.

EXAMPLE: A farmer purchased a tractor for \$3000 in 1984. Over a period of ten years, he claimed \$2500 in depreciation on the tractor. In 1994, he sold the tractor for \$1100.

Purchase Price	\$3000	Sales Price	\$1100
Depreciation Claimed	<u>-\$2500</u>	Minus Adjusted Basis	<u>-\$500</u>
Adjusted Basis	\$500	Capital Gain	\$600

- B. Budget a capital gain in the same manner as self-employment income. Prorate the gain over 12 months. Count the \$600 capital gain as self-employment income prorated over 12 months.

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**315.07 CASH RECEIVED INFREQUENTLY OR IRREGULAR
(CONTRIBUTIONS)**

Determine if the cash is received infrequently or irregularly. This means that the cash is not expected to exceed \$30 per calendar quarter **and** cannot be reasonably anticipated to recur.

- A. Do not count infrequent/irregular income
- B. If the income does not meet the definition of infrequent/irregular, these payments will be counted as unearned income when they can be reasonably anticipated during the certification period.

315.08 CHILD SUPPORT

- A. Child support income includes the following:
 - 1. A payment made by a child's absent parent which is available to meet the child's basic needs.
 - 2. It may be paid voluntarily, under a court order or enforced in compliance with a State agreement under title IV-D.
 - 3. Includes both direct and indirect payments.
 - 4. Includes both current and arrearage payments.
- B. When budgeting child support income, a child is defined as:
 - 1. Any individual under the age of 18 **or**
 - 2. Any individual age 18 & 19, if attending High school full time.
- C. Child support income belongs to the child. If the child is included in the FNS unit, the child support income must be budgeted regardless of the actual payee.
- D. Child support income received for an individual that no longer meets the definition of a child is considered income to the individual that receives and/or benefits from the income.
- E. Base Period.
 - 1. Ongoing child support income.
 - a. Received 3 months or more:
 - Three months prior to the month of application or recertification.
 - b. Received less than 3 months:

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- Use any full representative months received during the base period.
2. New, changed, or terminated child support income:
- Explore alternate budgeting methods to project the amount expected to be received during the certification period.

F. Calculating Monthly Child Support Amount.

Child support income is budgeted using the same methodology as all other income. Budget both current and arrearage using the same method. Do not use a 3-month average unless the frequency is determined to be monthly or sporadically.

1. Child support received during the 3-month base period is representative of ongoing income.
 - a. Review the payments received during the 3-month base period to determine the number of representative pays received during the base period. Do not count any one-time lump sum payments or non-representative payments.
 - i. Allow two business days after the payment has been applied to the client's case in ACTS for direct deposit and nckIDScard (child support debit card).
 - ii. If child support is verified through ACTS, remember the date shown in the system is the date the check was written. It is mailed on the next workday.
 - b. Determine if there is a pattern such as weekly, bi-weekly, or bi-monthly to the child support payments or if the payments are sporadic.
 - c. Calculate monthly countable child support income based on meeting a pattern or being sporadic.
 - i. Pattern.
 - Add all representative payments received during the base period. Result is total child support received.
 - Divide the total child support received by the number of payments received. Result is average child support payment per pay period.
 - Multiply the average child support payment per pay period by the frequency conversion. Result is total countable monthly child support.

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Example: The calendar below shows the dates the child support was received by the FNS unit. After reviewing the payments, the worker can reasonably conclude that the frequency of payments received is every two weeks.

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 \$150.00	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19 \$166.25	20	21
22	23	24	25	26	27	28
29	30					
July						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 \$185.56	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21 \$166.35	22	23	24	25	26
27	28 \$162.56	29	30	31		
Aug						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13 \$187.25	14	15	16
17	18	19	20	21	22	23
24	25 \$150.00	26	27	28	29	30
31						

\$150.00 +
 \$166.25 +
 \$185.56 +
 \$166.35 +
 \$162.56 +
 \$187.25 +
 \$150.00 =
 \$1167.97
 _____ / 7 Divided by # of pays
 \$166.85 Amount per pay period
 \$166.85 X 2.15 = \$358.73 monthly

ii. Sporadic (No pattern).

- Use the 3-month base period and average. Result is countable monthly child support. Document the case record to support the decision to use a 3-month average.

Example: The calendar below shows the dates the child support was received by the FNS unit. After reviewing the payments, the worker cannot reasonably conclude that there is a pattern to the frequency of payments. The record is documented that the payments are received sporadically.

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315.10 CONTRACT WAGES

This is money paid to an individual, such as teachers and other school employees, based on a written or verbal agreement (contract). Verify contract information with the employer. Budget contract income using the following instructions.

- A. Prorate contract income that represents the FNS unit's annual support over 12 months unless the income is paid hourly or on a piecework basis. If the income has been averaged over 12 months and the employment ends after he or she has been paid the full contract amount, the average monthly amount must continue to be counted as income for the remainder of the 12-month period.
- B. Prorate contract income that is not the FNS unit's annual income over the period it is intended to cover unless it is paid on an hourly or piecework basis.
- C. Count hourly or piecework income derived by contract that can be anticipated in the month received using base period as an indicator.

Note: Do not consider contract wages unless a written or verbal agreement exist. While most school employees that work in areas such as bus driving or food services work 10 months a year, they do not generally work under a contract with the school system. React to changes in income for non-contract employees per instructions in FNS 515 Changes during Certification Period.

315.11 CONTRIBUTIONS

- A. Determine if the contribution received by a FNS unit member is infrequent/irregular income as defined in 315.07 Cash Received Infrequently or Irregularly. Do not count irregular/infrequent income.
- B. Determine if the contribution is received from a non-profit organization.
 - 1. Charitable contributions of \$300 or less during a calendar quarter from a non-profit organization are excluded from income.
 - 2. If the contribution from a non-profit organization exceeds \$300, count the amount over \$300 that can be anticipated during the certification period as unearned income. Prorate the countable amount over the entire certification period.
- C. All other cash contributions received by a FNS unit member are counted as unearned income when they can be reasonably anticipated during the certification period.

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315.12 COURT-ORDERED RESTITUTION

- A. Determine if the court-ordered restitution anticipated to be received by the FNS unit member is a reimbursement for a loss or damages incurred. Do not count reimbursements for losses or damages incurred.
- B. If the court-ordered restitution anticipated to be received by the FNS unit member is a lump sum for pain and suffering:
 - 1. Do not count as income.
 - 2. Count as a resource in the month of receipt.
- C. All ongoing court-ordered payments are counted as unearned income unless excluded in FNS 300 Sources of Income.

315.13 DEPENDENT CARE PAYMENTS

- A. Determine if the dependent care payment is received as wages by a FNS unit member for care provided to a non-FNS unit member. Count these payments as earned income.
- B. Determine if the dependent care payment is received as wages paid by one FNS unit member to another member within the same FNS unit.
 - 1. The dependent care payments provided by an outside source, such as a state or federal Child Care and Development Fund (CCDF), is to be treated as **earned income** to the person providing the dependent care.

EXAMPLE: Household size of three includes mother and child and the child's grandmother. The mother works. She receives a child care reimbursement from a State's CCDF. The grandmother watches the child and the mother pays her with the CCDF child care reimbursement. The money paid to the grandmother is to be counted as earned income.
 - 2. If the dependent care payment is provided by a FNS unit member to another FNS unit member from his/her own pocket, do not count payments to the member providing the care as income. Such child care payments are not counted as earned income because the money is moving between FNS unit members. A deduction for child care would not be allowed in this situation.
- C. Determine if the dependent care payment is received as wages by a FNS unit member for care provided to a dependent FNS unit member by a non-FNS unit member. Count these payments as earned income.

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- D. Do not count vendor payments paid to a provider for care of a FNS unit member.

315.14 DOMESTIC EMPLOYMENT

Determine if there is an employee/employer relationship such as when the employer pays taxes or FICA. If such as relationship exists, count the income as wages. If no such relationship exists, treat as self-employment.

315.15 EDUCATIONAL ASSISTANCE

- A. The **only** sources of countable educational assistance is assistance for normal living expenses, which are room and board. The designation of funds for room and board must be made by the source of the income, not the school. Count this assistance as unearned income.
- B. Prorate the countable educational assistance over the period of time intended to cover. Budget the income either in the month it is received or in the month the FNS unit anticipates receiving the first installment payment or the full amount of income. Regardless of the date of receipt, prorate the income over the period it is intended to cover.
- C. If the educational assistance is prorated as income and the student drops out of school, continue to count the assistance as income for the period it was intended to cover.
- D. Verify assistance only if client indicates that they receive educational assistance for Room and Board.

315.16 FEDERAL CROP INSURANCE CORPORATION (FCIC)

- A. The FCIC is a separate agency within the U. S. Department of Agriculture.
- B. FCIC also provides payments to farmers for crop losses but, unlike ASCS payments, the farmer must pay a premium for FCIC insurance.
- C. The federal government subsidizes the premiums.
- D. The insurance payments are paid out as a nonrecurring lump-sum payment. Therefore, they are considered a resource.
- E. Other crop insurance settlements from private companies that are made as a nonrecurring lump-sum payment are counted as a resource in the month of receipt and until spent.

315.17 FOSTER CARE / GUARDIANSHIP PAYMENTS

Foster care / Guardianship payments are counted as unearned income only when the FNS unit chooses to include the child in the FNS unit.

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In some circumstances foster care payments may continue past the age of 18, those payments are countable as unearned income. Refer to NC FAST HELP for instructions on entering unearned income.

315.18 GAMING PROCEEDS OF THE EASTERN BAND OF CHEROKEE INDIANS

This is the distribution of profits from gaming operations on the reservation to the Eastern Band of Cherokee Indians.

- A. This income is received semi-annually (in December and June) and is prorated over the six-month period covered.
- B. Tribal members may refuse to accept the per capita distribution by signing a waiver. If this occurs, obtain a copy of the waiver, and do not count the payment as income.
- C. Some payments made directly into a trust fund administered by the tribe for minors and incompetent adults are also excluded from income. Verify that the trust fund is only accessible upon petition to the tribe and withdrawals are only allowed for medical and educational purposes. See 315.32 Trust Funds and Dividends From Trust Funds, for further details.

315.19 GI Bill

Do not count income from the GI Bill with the **exception** of the monthly housing allowance (MHA) issued through the Post 9/11 GI bill which is effective August 1, 2009. The MHA is countable unearned income.

315.20 INHERITANCE

If an inheritance or insurance settlement is paid to the FNS unit member in the form of a lump sum, do not count as income. Treat as a resource. If paid in installments determine if countable as an annuity.

315.21 INSTALLMENT PAYMENTS RECEIVED FOR THE SALE OF A RESOURCE

This is money paid to an individual based on a written or verbal agreement (contract) involving the sale of a resource. Budget the payments as unearned income using the terms of the agreement (contract) and the following instructions. Subtract the cost of doing business (interest on a mortgage, property taxes, etc.) from the gross payment amount.

- A. Prorate the contract income over 12 months if the FNS unit receives an annual payment.

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- B. Count the income for the month it is intended to cover if payment is made monthly.
- C. Convert income to a monthly amount if income is received more frequently than monthly.

NOTE: Prorate the contract income over the period it is intended to cover if received less than annually but not in monthly installments or converted to a monthly amount. For example, if the contract specifies quarterly payments, average the payment over a three-month period to determine the monthly amount to budget.

315.22 INSURANCE SETTLEMENTS

Crop insurance settlements and insurance settlements on stock-in-trade held for resale (but not settlements on property, such as buildings, vehicles, etc.) are earned income subject to the cost of doing business. The settlements shall be considered as if they were the actual earned income from the self-employment enterprise and shall have the costs incurred in the attempted production of income deducted.

EXAMPLE: A farmer may lose a cotton crop due to a hailstorm and, subsequently, receive a \$1000 crop insurance settlement. In attempting to produce this crop, the farmer had spent \$300 for seed, fertilizer, etc. The \$300 would be deducted from the \$1000 as identifiable costs of doing business, thus leaving \$700 of the insurance settlement to be treated as actual self-employment income for food stamp purposes.

315.23 LEGALLY OBLIGATED MONEY

- A. Money that is otherwise payable to a member of the FNS unit, but is diverted by the provider of the payment to a third party for a household expense, shall be counted as income and not excluded.

Example: The court orders child support payable to the client, but the absent parent chooses to pay the mortgage directly instead of paying the FNS unit. Count the payment as income and allow the mortgage payment as a shelter deduction.

- B. Payments specified by a court order or other legally binding agreement to go directly to a third party rather than the FNS unit are excluded as income because the payment is not otherwise payable to the FNS unit.

Example: A divorce decree orders an individual to pay the monthly mortgage payment directly to the mortgage company and not to the FNS unit. Do not count the payment as income to the FNS unit and do not allow the mortgage payment as a shelter deduction.

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315.24 MILITARY PAY

A. Count military pay as earned income in the month intended, not received. Refer to FNS 350 Whose Income is Counted, to determine if the military member should be included in the FNS unit. Count the following income for a FNS unit member in the military.

1. Base Pay;
2. Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), and/or Basic Allowance of Quarters (BAQ) are considered countable income when included on the Leave and Earnings Statement (LES) statement;

Note: For those who live off base, allow shelter and utility deductions based on the amount the household is responsible for. For those who live on base, allow the shelter deduction for the amount of housing that is subtracted on the LES. Determine if the household is eligible for the SUA, BUA or TUA based on the utility expenses the household is responsible for.

2. Family Subsistence Supplemental Allowance (FSSA);
3. Variable Housing Allowance (VHA);
4. Leave Rations;
5. Separate Rations; **and**
6. Sea Duty Pay, Career Sea Pay, Jump Pay, and Flight Pay.

B. Do not count the following as income.

1. Clothing Maintenance Allowance (CMA);
2. Any in-kind benefit **not** in the form of money, such as housing and meals;
3. Mandatory salary reduction which is used to fund the Veterans Education Act of 1984 (GI Bill); **and**
4. Combat pay. Exclude for the duration of the deployment.
5. Special pay and Incentive pay may be excluded (non-countable) if they are paid under Chapter 5 of the Title 37 act and meet the following criteria:
 - a. Received in addition to the service member's basic pay.

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- b. Received as a result of the service member's deployment to or service in an area designated as a combat zone as determined pursuant to Executive Order or Public Law.
 - c. Not received by the service member prior to the service member's deployment to or service in a Federally designated combat zone.
- C. If military pay is received from someone stationed away from the FNS unit, determine the length of absence. If absent less than 30 days, continue to include the member in the FNS unit and count his income. If absent 30 days or more, do not include the individual or their income in the FNS unit. Count any contributions made to the FNS unit as unearned income. Also, consider any deposits made to a joint account as unearned income to the FNS unit.

315.25 PASS THROUGH PAYMENTS

When a FNS unit member receives payment for shared expenses such as rent and utilities, and it was received from and used on behalf of a third party, it is not considered income to the FNS unit member as it passes through to the landlord or utility company. Pass through payments do not apply to Social Security Benefits, Supplemental Security Benefits, or Child Support.

EXCEPTION: The exception to this rule is a residence that is owned or being purchased by the FNS unit. In this situation, count payments as earned income, roomer income to the landlord's FNS unit.

EXAMPLE: When separate households share rent and one receives a rent payment from the other and pays the landlord, the household that pays the landlord would not have the rent payment received counted as income. Therefore, a rent payment which a household receives from and uses on behalf of a third-party, i.e., a rent payment that passes through, should be excluded.

315.26 REIMBURSEMENTS

A reimbursement is considered to be payment that does not represent a gain or benefit to the FNS unit. Do not count money received as a reimbursement for out-of-pocket expenses other than for normal living expenses such as rent, mortgage, personal clothing, or food eaten at home. Reimbursements include, but are not limited to:

- A. Reimbursements or flat allowances for job-related or training-related expenses such as travel, per diem, uniforms, and transportation to and from the job training site.
- B. Reimbursements for travel expenses incurred by migrant and seasonal farm workers.

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- C. Reimbursements for out-of-pocket expenses incurred by volunteers in the course of their work.
- D. Reimbursements for medical or dependent care.
- E. Reimbursements to pay for services provided by Title XX of the Social Security Act.
- F. Reimbursement to students for allowable educational expenses such as tuition and mandatory fees.
- G. Reimbursements received by FNS unit members complying with Employment and Training Requirements, Workfare, or Employment Services.
- H. Reimbursements received by FNS unit members participating in the Comprehensive Improvement Assistance Program (CIAP). This is a training program for public housing residents administered by the local housing authority.

315.27 REPRESENTATIVE PAYMENTS

Representative Payments are monies received by a protective payee and legally intended to be used for the care and maintenance of a beneficiary.

- A. Money received by a protective payee, that is intended for the care and maintenance of the beneficiary, must be counted in full as income to the household of the beneficiary.
- B. Any portion of the payment received by a protective payee, that is not given and/or not used for the care and maintenance of the beneficiary who is not a household member of the protective payee, must also be counted as unearned income to the household of the protective payee.

Example: FNS unit 1 contains Grandmother and Grandchild. Grandchild receives SSA in the amount of \$600. Grandchild's mother is the protective payee for the SSA check and grandmother states that the mother keeps \$300 of the SSA check each month to pay her own rent. FNS unit 2 contains the Grandchild's mother and no other individuals or income.

Income counted in each case:

FNS unit 1 will have \$600 in SSA benefits counted because the child is the beneficiary, and the full income is countable to the beneficiary.

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FNS unit 2 will have \$300 in unearned income counted because the mother is the protective payee and is keeping a portion of the income for her own use.

- C. If a single payment is intended for both FNS unit and non-FNS unit members, any identifiable portion of the payment intended and used for the care and maintenance of the non-FNS unit household member must be excluded as income for the FNS unit.

Example: A grandmother receives child support for two children. Child 1 is in the FNS unit with the grandmother and child 2 is living with the father. The child support received is \$300 total. Verification was provided that shows \$100 is for child 1 and \$200 is for child 2. The income counted in the grandmothers FNS unit is \$100.

- D. If the non-FNS unit member's portion cannot be readily identified, evenly prorate the payment among the intended FNS unit and non-FNS unit members and count the prorated share for all FNS unit members.

Example: A grandmother receives child support for two children. Child 1 is in the FNS unit with the grandmother and child 2 is living with the father. The child support received is \$300 total. There is no verification provided as to the distribution of the funds. Prorating the share between the children and count \$150 in the grandmothers FNS unit.

315.28 SELF EMPLOYMENT

- A. Types of self-employment.

1. **Unincorporated:** A FNS unit in which one or more members are engaged in an enterprise for gain, such as an independent contractor, franchise holder, owner/operator, or operator, have self-employment income.

- When an individual is responsible for paying his own social security taxes (FICA) and other taxes, he will be determined to be self-employed.
- The income and resources of an unincorporated business are treated as self-employment income and resources to the owner of the business.
- If the unincorporated business is owned by multiple individuals (partnership), treat the income and resources as self-employment income with each partner receiving a proportional share of the income and resources.

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2. **‘S’ and ‘LLC’ corporations:** If the business is incorporated as a ‘LLC’ or ‘S’ corporation budget the income the same as self-employment income.
 - Unlike the income from other corporations, which is reported to the IRS through separate corporate income tax returns, the income of these corporations is reported together with the household’s other income on its tax return. Accordingly, income from these corporations would be treated as self-employment income and annualized.
3. **‘C’ corporation:** If the business is incorporated as a ‘C’ corporation do not use self-employment budgeting, count income received from the business as wages.
 - Income of a ‘C’ corporation is countable to a shareholder only if it is distributed to a shareholder.
 - ‘C’ corporation assets are not countable to the household but stock which represents the value of non-income producing corporate property is not excluded.
 - Corporate assets such as but not limited to vehicles, real estate, and equipment should be registered clearly in the name of the corporation. Otherwise, these would be considered property of the household and counted or excluded as appropriate.
 - Checks made out for cash or household expenses paid from corporate checking accounts should be considered “distributions” and counted as earned income.
 - The percentage of shares of stock which represents the value of non-income producing property owned by the corporation could be determined and counted as a resource.

B. Records of Self-employment

Records containing the total business income (including business invoices and accounts receivable) and business expenses (allowable costs of doing business) are essential to determine eligibility and correct benefit level.

Tax forms and accounting methods vary widely, and it is impossible to specify forms, line numbers, or types of verification. Accept any verification that reasonably verifies the required information. Use the following guidelines for requesting verifications:

1. Request the previous year’s tax records (Form 1040 and all Schedules to show the business income and expenses) when they are representative.

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Additional verification of deductions is not required if the previous year's tax records are used.

- a. If last year's tax records are not available, request business income and expense records for the previous 12 months.
 - b. If the business has not been in operation for 12 months, request income and expense records for the period of time the business has operated.
2. If these records are not representative due to an increase or decrease in business, average, and anticipate income for the certification period based on the most accurate information available. Document why the records were not representative and how the determination of countable income was made.
 3. When first working with a household applying for FNS, if the previous year's tax records or business records are not available, the county department can anticipate income and expenses based on the best available information from the self-employed individual. Remember, deductions from self-employment income must be **allowable** (reasonable to the cost of doing business).
 - a. If tax records are not available, receipts of expenses must be provided.
 - b. Business records must include mileage as it occurs and receipts to ensure that the deduction does not exceed the federal mileage rate for income tax purposes.
 - c. To determine which deductions may be allowed, see 315.28. D. Allowable Costs of Doing Business.
 4. If records were not available at this first contact, the county department should inform the household that the household is responsible for keeping adequate records and receipts to provide future verification of income and expenses.
- C. Budgeting of Self-employment
1. If the business has been in existence at least one year and the household states this is representative:
 - a. Obtain income and expense verification for the previous year.
 - b. Subtract the allowable and reasonable costs of producing the income. See 315.28 D. for a listing of these deductions.

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- c. Divide the result by 12 to obtain the average monthly income to count for the certification period.
- d. Continue to budget this amount for the certification period unless the FNS unit reports an increase or decrease in income.
 - i. Enter the anticipated averaged monthly income in NC FAST.
 - ii. If there was a loss in farm income, see 315.28 F.

Example: Jane reports that she is self-employed and provides her previous year's tax returns. Jane states that the return is representative of her annual income. The worker reviews the tax returns and determines that the gross income (prior to any deductions) is \$25,000. The client claimed \$15,000 in deductions on her tax return. The client wrote herself checks totaling \$10,000 during the year as wages. Because this is not an allowable cost of doing business the \$10,000 portion of the deduction cannot be allowed. The calculation would be as follows:

Total Gross Income prior to deductions		\$25,000	
Total Allowable Deductions	-(minus)	\$5,000	
Countable Self-employment Income	=(equals)	\$20,000	
Divided by # of months in business	/(divided)	12	
Monthly Self-employment Income		\$1,666.67	

- 2. If the business has been in existence for less than one year and the household states this is representative:
 - a. Obtain income and expense verification for the number of months that the business has been in existence.
 - b. Subtract the allowable and reasonable costs of producing the income. See 315.28 C. for a listing of these deductions.
 - c. Divide the result by the number of months that the business has been in existence.
 - d. Continue to budget this amount for the certification period unless the FNS unit reports an increase or decrease in income.
 - e. Enter the anticipated averaged monthly income in NC FAST.
 - f. If there was a loss in farm income, see 315.28 F.

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3. If the average of the previous records is not representative due to an increase or decrease in business, average, and anticipate income for the certification period based on the most accurate information available. Document why the records were not representative and how the determination of countable income was made.

NOTE: Do not consider normal business or seasonal fluctuations as a change. Do not consider a client who does sporadic or odd jobs that do not reoccur as self-employed.

4. When the FNS unit reports an increase or decrease in business that is expected to continue for more than one month, react to the change. If reacting to the change:
 - a. Estimate the annual income and expenses based on the most accurate information available. Average and anticipate this income for the remainder of the certification period.
 - b. Enter the anticipated averaged monthly income in NC FAST.
 - c. If there was a loss in farm income, see 315.28 F.

NOTE: Do not consider normal business or seasonal fluctuations as a change.

D. Allowable Costs of Doing Business Include:

1. Costs of maintaining a place of business, other than the individuals place of residence, such as, rent, utilities, insurance on the business and its property, and property taxes.

NOTE: If a business is operated in the home, allow only those costs identified for the part of the home used exclusively for the business. If expenses for the business are not separately identifiable, use a prorata share of household expenses as a cost of doing business. Payments on the principal cannot be allowed as a cost of doing business.

2. Principal and interest paid on loans used to purchase income producing equipment and property.
3. Taxes paid on income producing property.
4. Repairs and maintenance related to the business.
5. Employee labor costs including commissions paid, taxes, FICA insurance, etc.

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6. Cost of goods, supplies, and materials, livestock, seed, and fertilizer.

NOTE: Allow the expense for purchase of goods for resale in the month incurred.

EXAMPLE: An Avon representative purchases \$300 worth of products in October to sell in December. Allow the \$300 expense in October when incurred. Count the income from resale in December when received.

7. Advertising costs.
8. Accounting and legal fees.
9. State and local sales taxes paid.
10. Professional licenses, permits, and taxes, if necessary, to practice a profession or trade.
11. Transportation costs necessary to produce income. The transportation deduction is not to exceed the federal mileage rate for income tax purposes.
12. Actual costs of providing meals as part of the business, such as baby-sitting.
13. Insurance premiums on business equipment
14. For sharecroppers, the percentage of gross sales paid to the landowner for the use of the land
15. For operation of non-commercial boarding houses, deduct the greater of the following:
- a. The maximum FNS benefit allotment (also known as the Thrifty Food Plan) for a FNS unit size that is equal to the number in the boarder household; **or**
 - b. The verified actual separate and identifiable costs of providing room and meals if the actual costs exceed the appropriate Thrifty Food Plan for the number in the boarder household.

If an item is used for purposes other than producing income, prorate the expense using the percentage of time the item is used to produce income.

EXAMPLE: A self-employed child-care provider uses her vehicle 50% of the time in her business. The other 50% of the time she

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uses it for her own personal use. She is entitled to 50% of the vehicle expenses as a deduction for her business.

E. Non-allowable Costs of Doing Business Include:

1. Costs of maintaining a business in the individuals place of residence such as rent, utilities, and property taxes are not allowed if the client receives these deductions per FNS 340.05 Shelter Deductions and FNS 340.09 Utility Expenses.

Example: A self-employed individual provides a tax return that list a portion of the home's rent and utilities as a business deduction. The household is receiving a shelter deduction for rent and the Standard Utility Allowance (SUA). Because the household has already been given a deduction for these expenses they cannot be allowed again as a business expense. Add those expenses back into the gross income.

2. Losses from previous periods.
3. Current or anticipated losses (except for self-employed farmers).
4. Depreciation claimed for tax purposes.
5. Deposits into the self-employed individual's retirement account and/or payment for his life and health insurance.
6. The self-employed individual's work-related expenses accounted for by the earned income deduction including federal, State, and local income taxes, and other work-related personal expenses, such as transportation expenses for the commute to and from the individual's place of business.
7. Other personal expenses not related to the business, such as meals, clothing, etc.
8. Capital assets or equipment.
9. Expenses paid or incurred from last year's crop production.
10. Wages, salaries, advances paid to the business owner.

F. Procedures to Offset Farm Losses:

1. A loss from farming occurs when the cost of doing business is greater than the income received. When the annual gross receipts of a farmer are expected to be at least \$1000, offset losses against other FNS unit income.

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- c. Compute the total gross farm income (which must be at least \$1000) and subtract the allowable costs of doing business. See 315.28 C.
 - d. Subtract any losses from the self-employment income first; **and**
 - e. Subtract any remaining losses from other earned and unearned income.
2. Continue to budget the loss for the remainder of the certification period. If the farm operation discontinues remove the monthly offset when income from the farm operation ceases.

315.29 SPECIAL ASSISTANCE

The Special Assistance (SA) In-Home Program allows individuals living at home to receive a Special Assistance payment. Count the SA payments as unearned income for the FNS unit. If the client is responsible for payment of medical bills including payment for a nursing attendant, give a medical deduction. See FNS 340 Deductions.

315.30 STRIKERS

- A. Households with striking members are not eligible to participate in FNS unless the striker is exempt from work registration or the FNS unit would have been eligible for benefits the day prior to the strike and is otherwise eligible at the time of application.
- B. These FNS units shall not receive an increased allotment as the result of a decrease in the income of the striking member(s).
- C. Eligibility is determined by comparing the striking member's income before the strike (calculated by considering the day prior to the strike as the day of application and assuming the strike did not occur) to the striker's current income (including picket pay) and counting the higher of the two. Add this amount to the current income of non-striking members.

315.31 SUPPLEMENTAL SECURITY INCOME (SSI) PAYMENTS

- A. If a SSI check is reduced due to a client responsible overpayment, do not increase the FNS unit's allotment as a result of the decrease in the SSI payment. Count the gross amount of the SSI payment as unearned income.
- B. If DSS is not successful in obtaining the necessary cooperation from the Social Security Administration to verify the status of an overpayment, count the net SSI payment. The DSS will not be held responsible for noncompliance as long as the agency has made a good faith effort to obtain the information. Document attempts made to verify information with Social Security Administration.

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315.32 TRUST FUNDS AND DIVIDENDS FROM TRUST FUNDS

Count periodic disbursements or dividends as unearned income received by the FNS unit member from the trust fund when these amounts can be anticipated with reasonable certainty.

315.33 VENDOR PAYMENTS

- A. A vendor payment is a payment made in money on behalf of a household/individual by an outside party. Vendor payments are not considered countable income.

EXAMPLE: A non-FNS unit member pays the FNS unit members' rent directly to the landlord.

- B. Payments made with money that is legally obligated to the FNS unit are not considered vendor payments. Refer to Section 315.21 Legally Obligated Money.

EXAMPLE: FNS unit members' wages are garnished to pay the rent. Gross wages are counted and the rent deduction is given.

315.34 VOLUNTEERS IN SERVICE TRAINING ACT (VISTA)

If the FNS unit member was receiving Public Assistance (AFDC, Work First Family Assistance, or TANF) or FNS at the time he joined VISTA, do not count as income. If he was not a recipient, count as earned income.

315.35 WAGES, SALARIES, TIPS

Wages, salaries, and tips received for performing services as an employee of an employer.

Includes but not limited to:

- Sick pay,
- Vacation pay,
- Held wages,
- Pay advances,
- Attendant care payment,
- Commercial fisherman,
- Contract wages,

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- Migrant income,
- Seasonal employment,
- Census income,
- Commissions,
- Strike duty,
- Longevity Pay, count if reasonably expected to reoccur during the certification period,
- Guardianship payments, which is income received as a guardian to take care of dependent,
- Students' wages, which may or may not be countable based on program,
- Certain types of employees' benefits:
 - Held wages (only if at the request of employee, count when received),
 - Attendant care payments (payments must be from outside the home) and pay advances.
- Contract employee's income is divided by the number of months covered by the contract. The monthly amount is counted throughout the contract period regardless of how the employee chooses to receive the income.

315.36 WORK FIRST FAMILY ASSISTANCE (WFFA), TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

- A. If assistance payments are made under any of these programs for retroactive months, do not count that portion as income for the current month.
- B. If a payment is received that includes retroactive payments and the current month amount, count only the current month's portion as unearned income.
- C. If the WFFA assistance is reduced, terminated or not issued because of a penalty or sanction for failure to comply with WFFA, refer to Section 315.35, Work First Family Assistance (WFFA) Non-Compliance.
- D. If a WFFA or TANF payment is reduced due to an overpayment, other than a client responsible overpayment, subtract the recoupment amount from the gross, and count the net payment amount as unearned income.

NOTE: This does not include Benefit Diversion (BD), since BD is not countable income.

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315.37 WORK FIRST FAMILY ASSISTANCE (WFFA) NON-COMPLIANCE

Do not increase a FNS unit's benefits when a FNS unit's WFFA payment is reduced, terminated, or not issued because of a penalty or sanction for failure to comply with WFFA and the household is certified for benefits at the time the sanction is imposed.

This policy does not apply to initial applications or reapplications as long as the FNS unit was not receiving FNS when the penalty or sanction was imposed.

Use the following criteria to determine how to count the WFFA payment.

A. Child Only WFFA households

1. If the WFFA payment is not released due to a penalty or sanction during the certification period, continue to count the payment for the full penalty period. If a penalty or sanction is in place at reapplication/recertification, determine if it is the same penalty or sanction or a new penalty or sanction. Continue to count the WFFA payment amount if it is the same penalty or sanction. If it is a new penalty or sanction, determine when the penalty or sanction was imposed. Budget the WFFA payment amount if the penalty or sanction was imposed while the case was certified to receive FNS benefits.
2. If the WFFA case is terminated due to a penalty or sanction during the certification period delete the payment effective with the month after the case terminates.
3. If the WFFA payment is terminated due to a penalty or sanction imposed effective the month of application/reapplication or in a non-certified month, do not count the WFFA payment amount when determining benefits. If a penalty or sanction is in place at reapplication/ recertification, determine if it is the same penalty or sanction or a new penalty or sanction. If it is a new penalty or sanction, determine when the penalty or sanction was imposed. If the WFFA check is terminated due to a penalty or sanction imposed effective the month of application/reapplication or in a non-certified month, no WFFA payment amount will be budgeted. Budget the payment amount if the penalty or sanction was imposed while the case was certified to receive FNS benefits.

B. Work Eligible WFFA households

1. If the WFFA payment is not released due to a penalty for noncompliance with the MRA, and the household is certified for FNS benefits at the time of noncompliance, the WFFA payment will continue to be counted in the FNS allotment. Delete the payment the month after the WFFA payment terminates, providing the client has not reapplied and been reapproved. If the WFFA is terminated due to a penalty for noncompliance with the MRA

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effective the month of application/reapplication or in a non-certified month, do not count the WFFA payment amount when determining benefits.

2. If the WFFA payment is not released due to a sanction for noncompliance with Child Support, and the household is certified for FNS benefits at the time of noncompliance, the WFFA payment will continue to be counted in the FNS allotment for the full sanction period. Delete the payment the month after the WFFA payment terminates, providing the client has not reapplied and been reapproved. If the WFFA is terminated due to a sanction for noncompliance with Child Support effective the month of application/reapplication or in a non-certified month, do not count the WFFA payment amount when determining benefits.
 3. If the WFFA payment is reduced due a penalty for Substance Abuse Treatment noncompliance during the certification period, continue to count the gross payment amount for the full penalty period. If a reduction penalty is in place at reapplication/recertification, determine if it is the same penalty or a new penalty. Continue to count the gross payment amount if it is the same penalty. If it is a new penalty, determine when the penalty was imposed. Budget the gross payment amount if the penalty was imposed while the case was certified to receive FNS benefits. If the penalty was imposed when the case was not certified for FNS benefits, count the actual payment.
- C. If a WFFA payment is reduced due to a client responsible overpayment, continue to count the gross amount of the WFFA payment as unearned income.

NOTE: This does not include Benefit Diversion (BD), since BD is not countable income.

315.38 WORK FORCE INVESTMENT ACT (WIA) or WORK FORCE INNOVATION AND OPPORTUNITY ACT (WIOA)

Earnings to recipient participating in WIA on-the-job training are counted as earned income except for youths, under age 19, who are under the parental control of an adult FNS unit member participating in the Summer Youth Employment Opportunities Program. **Exclude other allowances, earnings, or payments (including reimbursements) to all individuals participating in other programs under WIA.**