ATTACHMENT 1
SECTION 1931(b) INCOME ELIGIBILITY
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ATTACHMENT 1 TO ACWDL TITLED "NEW SECTION 1931(b) MANDATORY COVERAGE GROUP"

SECTION 1931(b) INCOME ELIGIBILITY

SECTION I: INTRODUCTION

When Congress passed legislation replacing the former AFDC program with the new TANF program, Congress also established the Section 1931(b) program to continue no-SOC medical assistance under state Medicaid programs (Medi-Cal in California) for families who would have been eligible for cash assistance under the former AFDC program. By so doing, Congress provided continuity of medical care for needy families and ensured that the broad flexibility granted to states to design their TANF program to address the needs of their states' needy families would not affect such families' eligibility for Medicaid. To the federal continuity-of-medical-care for AFDC "look-alikes" mandate for the Section 1931(b) program, California added a mandate of its own: that (to the extent permitted by federal law) the Section 1931(b) no-SOC program cover persons qualifying for the State's TANF program, CalWORKs.

To effect both federal and state mandates, the income eligibility rules of the Section 1931(b) program cannot be more restrictive than the least restrictive corresponding AFDC or CalWORKs rule. While most of the income rules for the CalWORKs program are unchanged from the former AFDC program, where CalWORKs rules have changed or are dissimilar to a corresponding AFDC rule, the Medi-Cal Section 1931(b) program has used its authority under federal law to adopt the more liberal of the two corresponding rules. For example, CalWORKs no longer allows a deduction for child care. The Section 1931(b) program retains the former AFDC program child care deduction. CalWORKs has adopted a "$225 & 1/2 deduction" for certain kinds of recipients' income that frequently, but not always, provides a larger income exclusion than the old AFDC $90 work expense deduction and $30 and 1/3 deduction which it replaces. The corresponding Section 1931(b) income exclusion is designed to ensure that the most advantageous of the two exclusions is provided to the family.

SECTION II: DEFINITIONS AND EXPLANATIONS

<u>Applicant</u>: A person/family which has submitted an application for Medi-Cal and who was not on the Section 1931(b) program, separately or as a CalWORKs recipient, in any of the four months previous to the month of application.

Case: For purposes of this Attachment, references to the Medi-Cal case are meant to include the individuals in the case. For example, a statement in this Attachment that "a determination of the AFDC-MN case's eligibility for Section 1931(b) in the month is necessary" may also mean that a Section 1931(b) income eligibility determination for each individual in the case is necessary. For example, some of the members of a MFBU which cannot qualify for the Section 1931(b) program without the application of the Sneede deeming rules, may qualify for the Section 1931(b) program after a Sneede evaluation is performed, while other members of the MFBU will not and must be evaluated for eligibility for the AFDC-MN program.

Disability-Based Income (DI): Certain kinds of unearned income are considered to be disability based income, and will receive special treatment under the Section 1931(b) program. For the Section 1931(b) program, the two types of unearned income which will be treated as disability-based income are:

1) Disability insurance payments from the Social Security Administration, and

2) Private disability benefits. Private disability benefits are benefits paid to a covered disabled individual by his/her insurer under a disability insurance plan which the individual purchased through premiums.

Two other kinds of disability-based income, Temporary Workers Compensation (TWC) and State Disability Insurance payments (SDI), will be treated as earned, not disability-based, income for purposes of determining income eligibility for the Section 1931(b) program.

Note: The special treatment afforded to disability-based income is the application of a "$240" deduction which is traditionally applied to earned income. See Section V of this Attachment for more details.

Note: The term disability-based income and disability income will be used interchangeably in this ACWDL.

Recipient: A recipient is a person/family who has been determined eligible for the Section 1931(b) program or CalWORKs program in one (or more) of the 4 months preceding their application for Medi-Cal. If a new person is added to a recipient case, he/she will be treated as a recipient for purposes of evaluating his/her income.

Note: Recipients' income is subject to the "$240 and ½" deduction. This deduction is not applicable to applicants.

The Family Income Deduction (FID): This income deduction is defined as the amount which must be added to the Section 1931(b) income standard in order for it to equal the CalWORKs MBSAC for Region 1, exempt persons. The sum of the Section 1931(b) income standard and the FID is called the Section 1931(b) Income Limit. Adopting this limit for the Section 1931(b) program ensures that all persons eligible for CalWORKs will qualify for the Section 1931(b) program. (The Section 1931(b) program income standards and income limits are listed in Table 1 and Table 2 in Appendix A.)

Note: Counties do not apply the FID as a separate income deduction. The FID is incorporated into the Section 1931(b) Income Limit.

SECTION III: SECTION 1931(b) INCOME EXEMPTIONS AND DEDUCTIONS

A family is income eligible for Medi-Cal under the Section 1931(b) program if its net non-exempt income is under (less than) the Section 1931(b) Income Limit for that size of family. The Section 1931(b) Income Limits are provided in the last column of Table 1 and Table 2 in Appendix A of this Attachment. Net non-exempt income is computed by subtracting from the family's adjusted gross income all the applicable income exemptions and deductions of the Section 1931(b) program.

SECTION IV: COMPUTING NET NON-EXEMPT INCOME AND DETERMINING INCOME ELIGIBILITY

Essentially, the process of determining the net non-exempt income of the MFBU for purposes of determining the MFBU's income eligibility for the Section 1931(b) program is the same as that used in determining net non-exempt income of the MFBU under the Medi-Cal medically needy program, except that several of the income disregards of the Section 1931(b) program are different.

When subtracting an income disregard from income which is less than the amount of the disregard, there is a "zero" remainder of that income. Income disregards applied to income never result in a negative amount of that income. See the budgeting examples in Exhibit C to this Attachment.

Until further notice, the process enumerated in the steps, below, will be used by counties to compute net nonexempt income for purposes of determining the MFBU's eligibility for the Section 1931(b) program. The steps for computing net non-exempt income of applicants and the steps for computing net non-exempt income of recipients correspond to the Section 1931(b) budget sheet. A draft of this form is in Exhibit A to this Attachment.

The net non-exempt income of the example families in Section V below have been computed using the draft Section 1931(b) Program Budget Sheets in Exhibit C of this

Attachment. Counties may find it helpful to inspect the example net nonexempt income computations in Exhibit C as they read the steps for computing net nonexempt in Part A and Part B, below. The steps described below for computing net nonexempt income follow the draft Section 1931(b) Program Budget Sheets computations.

Part A. Computing Applicants' Net Non-Exempt Income and Determining Income Eligibility

1. Determine the gross **unearned** income for all members of the MFBU. Gross unearned income is all income belonging to the MFBU which is not earned income.

2. Subtract applicable unearned income exemptions from the MFBU's gross **unearned** income. The result is the non-exempt **unearned** income of the MFBU. (This amount is entered on line 2 of the Sec. 1931(b) Applicant Program Budget Sheet. See Exhibit A for a draft of this budget sheet.)

3. Subtract applicable income deductions (such as the "Educational Expense Deduction and the $50 deduction for family support received) from the non-exempt **unearned** income. The result is the remaining non-exempt **unearned** income of the MFBU. (This amount is entered on line 5 of the Sec. 1931(b) Applicant Program Budget Sheet.)

4. Determine the gross **earned** income of all members of the MFBU (including all forms of earnings belonging to any member of the MFBU). Subtract applicable business expenses from self-employment income; subtract applicable property expenses from property income; and subtract JTPA payments to a child. The result is the adjusted gross **earned** income of the MFBU.

5. Subtract amounts corresponding to any of the applicable earned income exemptions from the adjusted gross **earned** income computed in step #4. The result is the person's non-exempt **earned** income. (These amounts are entered on line 6 of the Sec. 1931(b) Applicant Program Budget Sheet.)

   Note: Temporary workers compensation payments (TWC) and state disability insurance payments (SDI) are earned income[1] for purposes of computing non-exempt and net non-exempt earned income for the Section 1931(b) program.

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[1]Although CalWORKs has defined TWC and SDI as disability-based, unearned income, TWC and SDI were earned income under the AFDC program as a result of a court order. Section 1931(b) program will continue to treat TWC and SDI as earned income, not as disability based income. Treatment of TWC and SDI as earned income may result in a more "liberal" treatment than would result if TWC and SDI were categorized, as they are in the new CalWORKs program, as unearned, disability-based income, because certain earned income exemptions and deductions may apply.

6. Apply the $90 deduction for work expenses to the non-exempt **earned** income of each MFBU member in an applicant case.

   Note: this deduction is not applicable to the earned income of recipients because their earned income is subject to the larger percentage deduction.

7. Subtract any qualifying dependent care expenses from the MFBU's remaining non-exempt **earned** income. (The result is entered on line 11 of the Sec. 1931(b) Applicant Program Budget Sheet.)

8. Total the MFBU's **unearned** income from step #3, and the MFBU's **earned** income earned income from step #7. Subtract qualifying spousal or child support payments from this total. Round down to the next nearest dollar. The result is the **net non-exempt income** of the MFBU. (This amount is entered on line 14 of the Sec. 1931(b) Applicant Program Budget Sheet.)

9. Compare the net non-exempt income from step #8 with the Section 1931(b) Income Limits corresponding to the number of individuals in the MFBU. These income limits are provided in Table 1 and Table 2 in Appendix A to this Attachment. If the MFBU's net non-exempt income is less than the Section 1931(b) income limit, the MFBU is eligible for the Section 1931(b) program.

10. If the MFBU is found to be ineligible under step #9, and one or more children in the MFBU receive income, or the parents are unmarried, eligibility for Section 1931(b) must be re-determined by applying the Sneede/Gamma rules. (See the Section in this ACWDL with the subheading "Sneede Requirements" for a discussion of Sneede requirements). Any of the Sneede mini-budget units of the MFBU not eligible for Section 1931, must also have its eligibility for Medi-Cal evaluated under the medically needy, and, if appropriate, the Medi-Cal percentage programs.

Part B. Computing Recipients' Net Non-Exempt Income and Determining Income Eligibility

1. Determine the gross **unearned** income for all members of the MFBU. Gross unearned income is all income belonging to the MFBU which is not earned income. Separate gross unearned income into two subcategories: gross **disability-based** income (DI) (for the definition of disability-based income, see Section II of this Attachment) and gross **other unearned** income. For purposes of the numbered paragraphs below, the term unearned income will henceforth refer to unearned income from which disability-based income has been excluded.

Note: Disability-based income is subject to a special deduction that other types of unearned income do not qualify for. See Section V, below, for details.

2. Subtract applicable unearned income exemptions from the MFBU's gross **unearned** income. The result is the non-exempt **unearned** income of the MFBU. (This amount is entered in line #2 of the Sec. 1931(b) Recipient Program Budget Sheet. See Exhibit A for a draft of this budget sheet.)

3. Subtract applicable income deductions (such as the "Educational Expense Deduction and the $50 deduction for family support received) from the non-exempt **unearned** income. The result is the remaining non-exempt **unearned** income of the MFBU. (This amount is entered on line 5 of the Sec. 1931(b) Recipient Program Budget Sheet.)

4. Subtract applicable income exemptions from the gross **disability-based** income (DI) income. If an exemption (for example the board and care exemption described in Section 50515(a)(3) of Title 22 of the California Code of Regulations) is applicable to both unearned income and disability-based income, first apply the exemption to the unearned income, and then apply any unused portion of the exemption to disability-based income. The result is the non-exempt **disability-based** income of the MFBU. (This amount is entered on line #7 of the Sec. 1931(b) Recipient Program Budget Sheet.)

5. Subtract a $240 deduction from the non-exempt **disability-based** income according to the instructions in Section V, below, of this Attachment. (This amount is entered on line #9 of the Sec. 1931(b) Recipient Program Budget Sheet.)

6. Determine the gross **earned** income of all members of the MFBU (including all forms of earnings belonging to any member of the MFBU). Subtract applicable business expenses from self-employment income; subtract applicable property expenses from property income; and subtract JTPA payments to a child. The result is the adjusted gross **earned** income of the MFBU.

7. Subtract amounts corresponding to any of the applicable earned income exemptions from the adjusted gross **earned** income computed in step #6. The result is the person's non-exempt **earned** income. (This amount is entered this amount on line #10 of the Section 1931(b) Recipient Program Budget Sheet.)

Note: Temporary workers compensation payments (TWC) and state disability insurance payments (SDI) are earned income[2] for purposes of computing non-exempt and net non-exempt earned income for the Section 1931(b) program.

8. Subtract the "unused" fixed deductions that are part of the "$240 and ½ deduction" from the recipient MFBU's non-exempt **earned** income according to the instructions provided in Section V, below, of this Supplement. (This amount is entered on line 13 of the Section 1931(b) Recipient Program Budget Sheet.)

9. Reduce the non-exempt **earned** income from step #8 by 50 percent according to the instructions in Section V, below, of this Supplement.

10. Subtract the dependent care deduction, if applicable, from the remaining non-exempt **earned** income of the MFBU. (The result is entered on line 16 of the Section 1931(b) Recipient Program Budget Sheet.)

11. Add the:
    - Remaining non-exempt unearned income from line 3;
    - Remaining disability based income from line 5; and the
    - Remaining non-exempt earned income from line 10;

    and then subtract from this total any qualifying spousal or child support payments. Round down to the next nearest dollar. The result is the total **net non-exempt income** of the MFBU. (This amount is entered on line 19 of the Section 1931(b) Recipient Program Budget Sheet.)

12. Compare the net non-exempt income from step #11 with the Section 1931(b) Income Limits corresponding to the number of individuals in the MFBU. These income limits are provided in Table 1 and Table 2 in Appendix A to this Attachment. If the MFBU's net non-exempt income is less than the Section 1931(b) income limit, the MFBU is eligible for the Section 1931(b) program.

13. If the MFBU's is found to be ineligible under step #12, and one or more children in the MFBU receive income, or the parents are unmarried, eligibility for Section 1931(b) must be re-determined by applying the Sneede/Gamma rules. (See the Section in this ACWDL with the subheading "Sneede Requirements" for a discussion of Sneede requirements). Any of the Sneede mini-budget units of the MFBU not eligible for Section 1931, must also have its eligibility for Medi-Cal

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[2] Although CalWORKs has defined TWC and SDI as disability-based, unearned income, TWC and SDI were earned income under the AFDC program as a result of a court order. Section 1931(b) program will continue to treat TWC and SDI as earned income, not as disability based income. Treatment of TWC and SDI as earned income may result in a more "liberal" treatment than would result if TWC and SDI were categorized, as they are in the new CalWORKs program, as unearned, disability-based income, because certain earned income exemptions and deductions may apply.

evaluated under the medically needy, and, if appropriate, the Medi-Cal percentage programs.

SECTION V: THE NEW DEDUCTION FOR THE EARNED AND "DISABILITY BASED" INCOME OF RECIPIENTS

The Section 1931(b) program is adopting a deduction that is applicable to the earned income and disability-based income of recipients. The deduction does not apply to applicants. The deduction is made up of two parts: a fixed amount of either $240 or $120 (see below), and a percentage amount of 50 percent. The deduction is called the "percentage" deduction.

If this deduction exceeds the amount of earned or disability income to which it applies, the amount of earned or disability income remaining after the deduction is "0". Never use a negative amount of income when determining the net nonexempt income of a MFBU. Deductions which apply to a specific kind of income cannot be used to offset other kinds of income. For example, suppose in a MFBU the mother earns $100 per month while the father receives $400 in Unemployment Insurance Benefits (UIB). The mother's earned income of $100 is subject to the $240 deduction described above. Only $100 of the $240 deduction can be used because the unused portion of the $240 cannot be applied to the father's UIB.

<u>Applying the Percentage Deduction To MFBUs With No More Than Two Persons With Earnings</u>:

1) Total the MFBU's non-exempt disability-based income and subtract the $240 deduction;

2) Total the MFBU's non-exempt earned income and subtract the unused portion of the $240 deduction (if any);

3) Decrease the remaining earned income by 50%.

<u>Applying the Percentage Deduction To MFBUs With Three Or More Persons With Earnings</u>:

1) Total the MFBU's non-exempt disability-based income and subtract the $240 deduction.

2) Total the non-exempt earned income of the two persons with the highest earned income and subtract the unused portion of the $240 deduction.

3) Subtract $120 from the non-exempt earned income of the person with the third highest earned income, then subtract $120 from the non-exempt earned income of the person with the fourth highest earned income, and so on. The $120 deduction does not apply to the income of the two persons in the MFBU with the highest earned income. The $120 deduction does not apply to disability income.

4) Total the remaining earned income of all persons in the MFBU and decrease it by 50%.

The examples below illustrate the application of the "$240 and ½" deduction in the determination of the net non-exempt income for <u>recipient</u> families:

1. Married parents with 2 mutual children; the mother earns $1200/month; no other income to family. Subtract $240 from mother's earnings of $1200/month, resulting in a $960 earned income remainder from this step. Reduce the $960 by 50% (i.e. divide $960 by 2). The result is a <u>$480 earned income remainder</u>. This is the total net non-exempt income of the MFBU. (The family has no disability-based income or unearned income.) See Exhibit C, Example 1.

   Note: This family would be eligible for the Section 1931(b) program because their net nonexempt income of $480 is less than the Section 1931(b) Program Income Limit of $920 for a family of four.

2. Married parents with 2 mutual children; mother earns $ 800/month and the father receives $180/month in Social Security Disability. No other income to the family. Subtract $240 from the father's disability income of $180, resulting in a <u>$0 disability income remainder</u> to the MFBU. Subtract the $60 unused portion of the $240 deduction from the mother's $800 in earnings, resulting in a $740 earned income remainder to the MFBU. Reduce this earned income remainder by 50% (i.e divide by 2), resulting in a <u>$370 earned income remainder</u> to the MFBU. This is the total net non-exempt income of the MFBU. (The family has no unearned income and a $0 disability income remainder.) See Exhibit C, Example 2.

   Note: This family would be eligible for the Section 1931(b) program because their net nonexempt income of $370 is less than the Section 1931(b) Program Income Limit of $920 for a family of four.

3. Married parents with 2 mutual children; mother earns $800/month and the father receives $600 per month in Social Security Disability. No other income to the family. Subtract $240 from the fathers disability income, resulting in a <u>$360 disability income remainder</u> for the MFBU. There is no unused portion of the $240 deduction to apply against the mothers earned income. Reduce the

mother's \$800 earned income by 50% (i.e. divide by 2), resulting in a \$400 earned income remainder for the MFBU. Add the \$360 disability income remainder and the \$400 earned income remainder. The resulting \$760 sum is the net non-exempt income of the MFBU. See Exhibit C, Example 3.

Note: This family would be eligible for the Section 1931(b) program because their net nonexempt income of \$760 is less than the Section 1931(b) Program Income Limit of \$920 for a family of four.

4. Married parents with 2 mutual children; mother earns \$800/month and the father receives \$200/month in Social Security disability income. Child #1 (who is not in school) has earnings of \$300/month. Child #2 receives \$400/month in Social Security Disability. Add the father's \$200 and child's \$400 disability income amounts together, resulting in \$600 of disability income. Subtract the \$240 deduction from the MFBU's \$600 disability income, resulting in a \$360 disability income remainder for the MFBU. Add the mother's \$800 and child #1's \$300 earned income amounts together, resulting in \$1100 of earned income.** Reduce the MFBU's \$1100 of earned income by 50% (i.e. divide by 2), resulting in a \$550 earned income remainder for the MFBU. Adding the \$360 disability income remainder and the \$550 earned income remainder results in \$910 of net non-exempt income for the MFBU. See Exhibit C, Example 4.

   **Note: There is no unused portion of the \$240 deduction to apply against the MFBU's earnings (mother's \$800 and child #1"s \$300) so these earnings are subject only to the 50% deduction.

   Note: This family would be eligible for the Section 1931(b) program because their net nonexempt income of \$910 is less than the Section 1931(b) Program Income Limit of \$920 for a family of four.

5. Married parents with 2 mutual children; mother earns \$800/month and the father earns \$200/month. Child #1 (who is not in school) has earnings of \$300/month. Child #2 receives \$100/month in Social Security Disability. The total disability income of the MFBU consists of child #2's \$100 disability income. Subtract \$240 from this \$100 in disability income, resulting in a \$0 disability income remainder for the MFBU. There is a \$140 unused portion of the \$240 deduction remaining. Add the two highest earnings in the MFBU, mother's \$800 & child #1's \$300, for a total of \$1100 of earned income. Subtract the \$140 from this \$1100, resulting in a \$960 earned income remainder for the two family members with the highest earnings. Subtract \$120 from the MFBU's 3rd highest earnings, father's \$200 earned income, resulting in a \$80 earned income remainder for him. Add the \$960 and \$80 earned income remainders and reduce the resulting \$1040 earned income by 50% (i.e divide by two), resulting

in a $520 earned income remainder for the MFBU. This is the total net non-exempt income for the MFBU. (The MFBU had no unearned income and had no remaining disability income after the $240 deduction was applied to it.) See Exhibit C, Example 5.

Note: This family would be eligible for the Section 1931(b) program because their net nonexempt income of $520 is less than the Section 1931(b) Program Income Limit of $920 for a family of four.

SECTION VI: DEPENDENT CARE DEDUCTION AND COURT ORDERED CHILD/SPOUSAL SUPPORT

Sections 50553.5, the "Dependent Care Deduction", and Section 50554, the "Court Ordered Alimony/Child Support" Deduction, of Title 22 of the CCR (Medi-Cal Eligibility Manual) are applicable to income eligibility determinations for the Section 1931(b) Program. The Dependent Care Deduction is applied to earned income only.
The Court Ordered Child/Spousal Support Payment Deduction applies to all categories of income: earned, unearned and disability-based income.

The dependent care deduction is subtracted from the MFBU's earned income that remains after the $240 and ½ deduction has been applied. After the subtraction of the dependent care deduction, add the earned income remainder of the MFBU to the MFBU's previously computed disability and unearned income remainders and then subtract, if applicable, the court ordered child/spousal support deduction. The income remainder of the MFBU after this step will be the net non-exempt income of the MFBU. (See Example 5 in Exhibit C.)

SECTION VII: THE HEALTH INSURANCE PREMIUM DEDUCTION

Neither the former AFDC program, nor the CalWORKs program provides for a deduction for Health Insurance Premium payments. Accordingly, the Section 1931(b) program provides for no deduction for health insurance premium payments.

SECTION VIII: SELF-EMPLOYMENT INCOME EXCLUSION

For purposes of determining income eligibility under the Section 1931(b) program, allow a MFBU with one or more self-employed persons the choice of one of two income exclusion methods to be applied to the MFBU's self-employment income: Method 1) a deduction of each self-employed person's actual allowable business expenses from their self-employment income, or Method 2) a deduction of 40% from the MFBU's total self-employment income (in lieu of the actual business expense deductions.) The method chosen applies to the entire MFBU. The two alternative methods cannot be simultaneously applied to the same MFBU, even though the MFBU has two or more persons with self-employment income. Once a method is chosen, it cannot be changed until the next redetermination or passage of 6 months, whichever occurs first.

Counties are NOT required to provide advice as to which election is the more beneficial. Counties will obtain the beneficiaries choice of methods in writing. If a beneficiary fails to submit his/her choice in writing after being requested to do so, the county will apply the business deduction method of allowing actual business expenses. The beneficiary will have the opportunity to change the method at the next redetermination or passage of 6 months, whichever occurs first.

Except as modified by this section, Section 50505 on "Net Profit from Self-Employment Income" of Title 22 of the CCR (Medi-Cal Eligibility Manual) continues to be applicable. If the beneficiary chooses the deduction for actual business expenses, these expenses must be verified per current Medi-Cal procedures. If the beneficiary chooses the flat 40% deduction, no verification of business expenses is necessary.

SECTION IX: LUMP SUM INCOME

At this point in time, lump sum income is counted as income in the month received and there is no period of ineligibility associated with its receipt.

Note: The rules of the Medi-Cal medically needy program apply to lump sum payments. Nonrecurring social insurance payments, when paid as a "lump sum," are considered to be property in the month of receipt. Such payments are not income. See Sections 50455 and 50507 of Title 22 of the California Code of Regulations.

SECTION X: IN-KIND INCOME

For purposes of determining Section 1931(b) income eligibility, the provision of in-kind income (IKI) from an individual to one or more members of the MFBU will be determined pursuant to the draft Section 50509 (Medi-Cal regulations) provided in Exhibit B to this ACWDL attachment.

Note: The in-kind income values (for housing, utilities, food, and clothing) are the federally approved AFDC State Plan values for in-kind income. These values are published in Table 1 in Appendix B to this Attachment.

When assessing IKI, 22 CCR Section 50511 also applies, with the following modifications: 1) ignore all references in Section 50511 to the in-kind levels for the medically needy program, and 2) subsections (b) and (d) of section 50511 are not applicable.

SECTION XI: OTHER SECTION 1931(b) INCOME EXCLUSIONS

CalWORKs Diversion Payments: CalWORKs "diversion" payments are exempt for purposes of determining Section 1931(b) income eligibility.

SECTION XII: SPECIAL NEEDS DEDUCTION

Any payment from the CalWORKs program to meet the "special needs" of a person or family will be excluded from income.

SECTION XIII: FORMS

A new budgeting form is being prepared. Counties will be notified when it is available at the warehouse. A draft of the form is provided as Exhibit A.

SECTION XIV: TREATMENT OF PENSIONS

For unearned income from pensions and similar sources, mandatory, involuntary expenses which must be incurred to receive such income are allowed as a deduction. Mandatory taxes on such income are deductible. A mandatory tax is an individual's tax liability after all the tax exemptions and deductions to which he/she is legally entitled to have been taken. The monthly deduction allowable for an individual is his/her mandatory year-end tax liability pertaining to the receipt of the pension or similar income prorated on a monthly basis. Monthly withholding on such income which exceeds this prorated amount is not deductible.

SECTION XV: OTHER APPLICABLE REGULATIONS AND RULES

In addition to the rules discussed in this ACWDL, draft income regulations applicable to the Section 1931(b) program are provided in Exhibit B. Many of these draft regulations are modifications of regulations currently applicable to the medically needy program, and are proposed for adoption for the medically needy program as well as the Section 1931(b) program. Until counties are notified otherwise, the draft regulations in Exhibit B are applicable only to the Section 1931(b) program, NOT to the medically needy program.

Except as provided in this ACWDL, or in Exhibit B, when determining net non-exempt income for the Section 1931(b) program, apply the income exclusions[3] provided for in

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[3]The term "income exclusions" refers to all the kinds of income which may be subtracted from gross income when determining net non-exempt income. The two major subcategories of income exclusions are income exemptions and income deductions. Income exemptions are subtracted from gross income when determining non-exempt income. After non-exempt income has been determined, income deductions are subtracted to determine net non-exempt income.

Sections 50501 through 50555 of Title 22 of the California Code of Regulations (Medi-Cal Eligibility Manual) which are applicable to AFDC-MN/MI medically needy persons. Income exclusions applicable to only ABD-MN are not applicable to the Section 1931(b) program eligibility determinations.

The deduction for the AFDC-MN program, set forth in Section 50555.1, for beneficiaries whose income was used to determine a family member's cash grant from a public assistance program, does not apply to the income eligibility determination for the Section 1931(b) program. The Section 1931(b) program follows AFDC and CalWORKs rules and neither the former AFDC program nor the CalWORKs program have allowed a deduction for an individual's income which was counted by the SSI program to reduce the grant for a family member. There is no Section 1931(b) income exclusion applicable to the income of an individual applying for "Medi-Cal only" for his/her income arising from the fact that that income was used to determine, and resulted in a reduction of, the CalWORKs or other public assistance program cash grant to that individual's family member.

The medically needy regulations in Sections 50501 through 50555 which are superseded by the draft regulations in Exhibit B are Sections: 50508, 50509, 50523.5, 50527, 50533, 50539, and 50543 . Exhibit B also provides draft regulations for which there are no current corresponding medically needy regulations. There draft regulations are Sections: 50527.1, 50527.5, 50535.2, 50536.1, 50536.2, 50536.3, 50538.3, and 50538.4.

SECTION XVI: SECTION 1931(b) PROGRAM RULES SUBJECT TO CHANGE

As DHS becomes aware of any differences between the income regulations applicable to the AFDC MN/MI medically needy and the regulations in place for the AFDC program, DHS will modify the Section 1931(b) income rules accordingly.