

INCOME**EARNED****Interpretation:**

Gross earned income is determined based upon wage verification from the employer. In determining the effect of earnings on prospective income, a number of factors are considered in addition to the current wage verification. Some of these factors may include permanence of employment or position, permanent increase or reduction in hours worked, permanent change in rate of pay and seasonal variations or additional seasonal employment. Although income tax records are not required, in many cases where much of the income does not appear on the wage verification, it is valuable to see the income tax records of the A/R. This is also valuable when it is suspected that the A/R might have an additional source of income (a second job, an employed spouse, etc.). In these instances, it is often necessary to request income tax records, in addition to verification of wages, salary, etc. which can be obtained from pay stubs or from the employer.

Irregular earnings or income from casual employment may be extremely difficult to verify when the A/R declares that this is the method by which s/he supports him/herself. It is necessary to obtain as clear a picture of his/her income as possible. Determining the type of work, frequency of employment and prevailing wages is necessary if verification from employers is not available. In this manner, a reasonable figure consistent with the maintenance picture can be obtained from any other available source, including the A/R, to be used in determining eligibility for Medicaid.

Disposition:

When the gross earned income is determined, disregards are deducted to result in the available net income. This, in addition to any other income, is then compared to the appropriate income level in determining eligibility for Medicaid.

The following types of earned income are considered in this section:

- Wages and Salaries
- Tips
- Commissions, Bonuses and Similar Payments
- Self-Employment Income
- Earned Income Credit

**INCOME
EARNED****WAGES, SALARIES AND CONTRACTUAL INCOME**

Description: **Wages** are payments, usually money, for labor or services. Wages are paid on an hourly, daily, or piece work basis. For example: a factory worker may be paid \$5.00 an hour; a different factory worker may be paid \$.03 for every bolt s/he tightens; a farmer may pay a worker by the day during harvest; or an A/R may clean a house for an agreed upon wage, regardless of how long it takes.

Salaries are fixed compensation, paid regularly, for labor or services. Salaries are generally paid weekly, biweekly, or monthly. Salaries do not vary with the amount of labor or services produced. However, a salaried employee's income may vary occasionally due to overtime pay, bonuses, commissions, etc. (See lump sum payments, page 109).

Contractual income is income paid on a contractual basis. The income is intended to cover a specific period of time. This includes, but is not limited to school employees. For all categories, except SSI-related, the income is averaged over the months covered by the contract, regardless of whether the employee chooses to receive/pay the income in fewer or more months than the contract covers. For example: A school aid is employed under a yearly contract, but only receives a paycheck for the months of September through June. The pay for September through June should be added and divided by 12 to determine the A/R's monthly income.

For SSI-related A/Rs contractual income is budgeted as received.

Policy: All income is reviewed to determine if it is available (see page 388) and countable. Income is considered in the month it is received.

References: ADMs 93 ADM-29

Interpretation: Wages and salaries are verified. State computer matches are reviewed to determine the source of income. When determining eligibility for a retroactive period, the actual income received by the A/R is budgeted.

**INCOME
EARNED****WAGES, SALARIES AND CONTRACTUAL INCOME**

When determining eligibility for a prospective period, the local district estimates the A/R's future income. Generally, the A/R's wages/salary for the four (4) pay periods immediately preceding the determination are averaged. If the A/R received an exceptionally high or low payment during this period, that payment is disregarded. When verification is not available for 4 pay periods, the local district may use discretion to decide if sufficient information is available to determine eligibility.

When the A/R is paid a salary for labor or services provided over a period greater than one month, the salary is broken down to determine monthly income.

When to Verify:

When the A/R indicates that s/he is employed.

When the A/R indicates that s/he was employed in the recent past.

When the Resource File Integration (RFI) reports indicate that the A/R has income.

Documentation:

Sufficient to establish an audit trail:

The pay stubs; pay checks; or a written statement from the employer; or

When these are not available the A/R's income tax return, W-2 form, or records of bank deposits may be used.

**INCOME
EARNED****TIPS**

Description: Tips are a gratuity paid to persons engaged in personal service, based upon a percentage of the price of goods or services, exceptional service or preferred attention.

Policy: Tips received by the A/R and members of his/her household are considered in determining eligibility for Medicaid.

References: SSL Sect. 366.2(a)
Dept. Reg. 360-4.3

Interpretation: Tips given to people working in personal service occupations are often a significant part of their income. Wages and salaries paid to such persons are often quite low because tips are expected to provide a large portion of their income. Tips may vary seasonally or by the quality and type of service rendered. Some occupations for which tips may constitute a substantial portion of earnings are:

- Waiters and waitresses
- Taxi drivers
- Bellhops
- Buspersons
- Bartenders
- Porters
- Shoe shiners
- Delivery persons
- Barbers and beauticians
- Chambermaids
- Checkroom, locker room and washroom attendants
- Masseurs and masseuses
- Caddies
- Vending stand operators
- Entertainers who play in restaurants, bars or nightclubs
- Parking attendants

Since the list is not all inclusive, income from tips is considered for any A/R who is engaged in a personal service occupation.