

**INCOME
UNEARNED**

DIVIDENDS AND INTEREST

Description: Dividends and interest are returns on capital investment.

Policy: Dividends and interest are considered unearned income. **Interest or dividend income from certain resources are exempt for SSI-related A/Rs.**

NOTE: Certain trust funds, which are unavailable as a resource may pay interest or dividends and, therefore, are carefully reviewed. Trust instruments are often very complicated documents. They may need to be reviewed by an attorney to determine the availability of the trust principal and any dividends or interest they may pay. See page 295 for treatment of trusts as resources.

References: GISs **05 MA/01**
 04 MA/027

Interpretation: **Except for interest or dividend income derived from certain resources for SS-related A/Rs**, income from dividends and interest is included with all other sources of income in the eligibility determination process. Dividends and interest often vary from month to month depending on deposits, withdrawals or company profits. Since dividends and interest credited to an individual account are generally not reflected until the end of the quarter, local districts project the amount of monthly dividends or interest based on the most current information available. If dividends or interest are credited/paid quarterly, one third of the quarterly interest or dividend is counted as income each month. Interest or dividends credited on other than a monthly or quarterly basis generally are annualized and divided by twelve to determine a monthly amount.

NOTE: Account service fees or penalties for early withdrawal do not reduce the amount of dividend or interest income.

The following describes when dividends or interest are considered **countable** unearned income **for categories other than SSI-related:**

INCOME

DIVIDENDS AND INTEREST

Series H/HH U.S. Savings Bonds - Series H/HH bonds pay interest semi-annually by check or electronic funds transfer. Count interest on these bonds as unearned income in the month available to the individual, either when the check is received or when the interest is electronically transferred to the individual's account.

NOTE: Series E/EE U.S. Savings Bonds - Interest on series E/EE U.S. Savings Bonds is only available to the individual upon expiration of the minimum retention period. When series E/EE bonds are redeemed, the interest is to be counted as an increase in the value of the resource (it is not income).

Zero Coupon Bonds - Owners of zero coupon bonds do not receive interest payments, even though the accruing interest may be taxed by the Internal Revenue Service (IRS). Interest accrues on zero coupon bonds and is paid when the bond matures. The accrued interest is to be considered countable unearned income in the month the bond matures. It is not prorated. The equity value of the zero coupon bond is a countable resource.

Dividend Reinvestment - When an individual chooses to reinvest rather than receive interest or dividends on stocks, bonds or mutual funds, the reinvested interest or dividends is counted as unearned income in the month credited to the A/R's account and available for use, and is an available resource the following month.

Capital Gains - Capital gains on property (e.g., stocks or real estate) are an increase in the value of the resource. A capital gain distribution **outside of a trust** is **considered** unearned income in the month received. **A capital gain distribution within a trust is considered a part of the trust principal, unless specified otherwise in the trust. (See page 295 for more information on trusts.)** Capital gains distributions are generally made at the end of the year. Taxes or transaction fees are not deducted in determining the value of capital gains.

Life Insurance Policy - The dividends paid on a life insurance policy are not income. If the life insurance policy pays interest on dividends, the interest is income. See page 264 for treatment of life insurance.

INCOME

DIVIDENDS AND INTEREST

Promissory Note or Other Loan Agreement - A promissory note held by the A/R pays interest or pays principal and interest in the same payment. The interest is unearned income.

Interest or dividend income derived from most resources is disregarded for SSI-related A/Rs.

Although most interest/dividends are treated as excludable income, there are some exceptions when interest and dividends are counted. Interest/dividend income is still countable for SSI-related A/Rs if generated by the following resources:

Retroactive SSI and Retirement, Survivors and Disability (RSDI) payments for nine months following the month of receipt;

Unspent State or local government relocation payments (but not federal or federally assisted funds) for nine months following the month of receipt;

Unspent tax refunds related to an earned income tax credit (EITC), paid either as a refund from the Internal Revenue Service or as an advance from an employer, or child tax credit (CTC) for the period beginning with the second calendar month following the month of receipt through the ninth month.

Excluded funds (i.e., from an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 which is exempt from taxation under Section 501(a)) from gifts to children under 18 years of age with life threatening conditions, if the funds are an in-kind gift of any amount that is not converted to cash, or if cash gifts, up to \$2,000 in any year; and

Unspent State victims' crime compensation payments for nine months following the month of receipt.

INCOME**DIVIDENDS AND INTEREST**

NOTE: The SSI-related interest/dividend income exclusion only applies to community budgeting, not to chronic care budgeting, regardless of whether the resources are above or below the appropriate resource level.

Although life insurance policies pay dividends, these dividends are generally treated as a resource.

Periodic payments received by an SSI-related A/R from an annuity and/or IRA continue to be treated as countable unearned income. Capital distributions (e.g. from mutual funds) noted on Internal Revenue Form 1099-DIV, Dividends and Distributions, whether paid as cash or reinvested, are to be treated as a resource.

When to Verify:

- (a) When the A/R declares in the application that s/he receives dividends or interest.
- (b) When the A/R declares in the application that s/he has bank accounts, stocks/bonds, trust funds, or life insurance.
- (c) When the case record indicates that the A/R received income from dividends or interest, but the A/R does not now declare that it is being received.
- (d) When the A/R declares membership in a credit union.
- (e) When the Resource File Integration (RFI) report indicates that the A/R has income.
- (f) If the A/R voluntarily reports a change in interest income.

Verification:

Income from dividends and interest can frequently be verified by seeing bankbooks, benefit check stubs, correspondence, etc. If the A/R is not able to obtain these records, they are cleared through the usual local district procedure with stockbrokers, life insurance companies, banks, mutual fund companies, etc. The local district obtains the consent of the A/R before it can obtain such information.

INCOME**DIVIDENDS AND INTEREST**

Documentation: Sufficient to establish an audit trail:

Include such facts as type of resource from which income is obtained, amount and frequency of payment and the name and address of person(s) or institution(s) making the payment and the type of documentation seen;

In all cases, a returned clearance filed in the case record is adequate documentation if it includes the appropriate facts.