TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT
FAMILY INVESTMENT SUPERVISORS AND ELIGIBILITY STAFF

FROM: CHARLES E. HENRY, EXECUTIVE DIRECTOR, FIA
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RE: INCOME-PRODUCING PROPERTY

PROGRAM AFFECTED: TEMPORARY CASH ASSISTANCE AND MEDICAL
ASSISTANCE

ORIGINATING OFFICE: OFFICE OF POLICY, RESEARCH AND SYSTEMS

SUMMARY:

This is one of several action transmittals for Temporary Cash Assistance (TCA) that is being issued as the result of the adoption of new Family Investment Program (FIP) Code of Maryland Regulations (COMAR 07.03.03.01 - .26). Previous FIP regulations were repealed and new FIP regulations were adopted February 18, 2002. Prior to adoption of the new regulations, there was no regulation for how to treat income-producing property for TCA customers.

This action transmittal notifies local departments to:

- Exclude property as an asset when that property produces income consistent with the fair market value in that area;
- Count the income as self-employment; and
- Ensure self-employed TCA customers are meeting work participation hours as required by the local department.

Once again, in an effort to match program policies, the TCA income-producing property policy is being changed to match food stamp policy.
ACTION REQUIRED:

Temporary Cash Assistance

1. **Exclude As An Asset.** Income-producing property owned by a TCA customer is excluded as an asset. The property must be annually producing income that is consistent with the fair market value. This means that the amount charged by the TCA customer must be similar to the amount charged for comparable income producing property in the area where the property is located.

   (a) Fair market value may vary between communities.

   (b) Consider the accepted rate in the area and the condition of the property when determining the fair market value.

   (c) This includes rental property that is rented for an amount consistent with other rentals in the same area, and land contracts for buildings and/or land when payments are made according to the terms of the contract.

   (d) Case managers may refer to newspapers, realtors' listings, or other community/county/city listings available to determine if the amount charged for the income producing property owned by the customer is comparable to other property in the area.

2. **Counting Income.** Count the income received from income-producing property as self-employment and apply the 50 percent disregard. Since this income will most likely be income from rental property, count it as monthly income and project it for each month of the TCA certification period.

3. **Verifications.** Verification of the amount paid to the TCA customer from rental property includes, but is not limited to, a lease, copy of check or money order, or rent book.

4. **Work Requirements.** Self-employment does not automatically exempt TCA customers from work requirements. To be exempt, the customers must be meeting the number of work activity hours established by the local department. If customers do not meet the local department's required number of work participation hours through self-employment, local departments should require customers to participate in other activities.

Medical Assistance

1. **FAC Change to Exclude As An Asset.** Income-producing property owned by an FAC unit is now excluded as an asset, according to the rules specified above for TCA. Previously, only income-producing farm machinery, livestock,
tools, and business equipment were excluded for FAC, not buildings or land.

**Income-producing property is already excluded as an asset for ABD.** Although the ABD rules for income-producing property are different than the rules specified in this AT for TCA and FAC, the **ABD rules for exclusion of income-producing property are not changing.** For ABD, non-home income producing real property may be excluded if the applicant/recipient (A/R) has an equity interest in the property of $6,000 or less and the property produces a net annual return of at least 6 percent of the equity value.

2. **No Change to Counting Income.** MA rules for FAC and ABD will not be changed to use the TCA and Food Stamps rules, which count the income received from income-producing property as self-employment income. For FAC and ABD, continue to count the **profit** from rental income as **unearned income.** Profit is defined as the amount remaining after deducting the documented expenses of producing the income, when the source of income is rental of a home or apartment not associated with the person’s home, or other real property such as ground rents, land, and garages.

**ACTION DUE:**

July 1, 2002

**NARRATE ALL CASE ACTIVITY CAREFULLY:**

Local departments must ensure that narration of case activity is clear, concise, and complete explaining what the customer did or did not do that was required, and the actions taken by the local department (case manager, supervisor, over/under payments, appeals representative, etc.). Good narration also supports local department decisions in the event of an administrative hearing or selection of the case for Quality Control review.

**RIGHT TO APPEAL**

As a reminder, local departments shall advise households of their right to appeal a local department decision and the procedures for requesting an administrative hearing. Local departments must also advise households of any legal services that might be available to represent them during an administrative hearing. To find out the number of their local Legal Aid office, customers may call Legal Aid’s toll-free number, 1.800.999.8904.

**INQUIRIES**

Please direct TCA policy questions to Edna McAbier at 410.767.8805 or email at
emcabier@dhr.state.md.us, Food Stamp policy questions to Marilyn Lorenzo at 410.767.7333 or email at mlorenzo@dhr.state.md.us, Medical Assistance policy questions to Cynthia Davis at 410.767.7495 or email at cdavis@dhr.state.md.us and Systems questions to Gina Roberts at 410.238.1297.

c:   DHR Executive Staff
    DHMH Executive Staff
    FIA Management Staff
    DHMH Management Staff
    Constituent Services
    DHR Help Desk
    RESI
CARES INSTRUCTIONS FOR INCOME-PRODUCING PROPERTY

Procedures for entering the income-producing property on CARES for TCA are as follows:

- On the ERN1 screen, enter the self employment business in the Employer Name field followed by SE in the Type field. Enter N in the Employer Ins Avail indicating no available insurance through this employment. Press enter.
- On the ERN2 screen, enter the amount of money received per month through this particular income-producing property in the Amt 1 field, the number of hours/month the customer works this business in the Hrs field, the appropriate verification code of the income in the V field, and AC in the Freq field. Press enter.
- Fast path to DONE.
- When finalizing, CARES will first divide the monthly amount by 4.3 and multiply by 4 and then give a 50% deduction from the income, the remainder of which will be counted towards calculating the TCA grant amount.
- In excluding the income-producing property, do not enter on CARES. Simply narrate effectively as to the property.
- For the attached food stamp case, CARES will calculate properly given these procedures.

Procedures for entering the income-producing property on CARES for FAC and ABD cases are as follows:

- On the UINC screen, enter MU (Medical Assistance Only) in the Source field, the amount of the Profit (income minus any documented expenses associated with producing that income) in the Amt 1 field, the appropriate code in the V field, and AC in the Freq field. Fastpath to DONE.
- CARES will count the unearned income towards determining eligibility for Medical Assistance FAC or ABD.
- For FAC, the income-producing property will be excluded in accordance with TCA policy therefore do not enter on CARES. Simply narrate effectively as to the property.
- For ABD, a determination needs to be done whether the income-producing property is excludable based on equity value and the net annual return. If it is not excludable, on the AST1 screen, enter the appropriate code corresponding to the property in the Type field (either IM or IC), the value of the asset in the Amount field, and the appropriate code in the V field. If the property is excludable, do not enter in CARES. Simply narrate effectively as to the property.

If there is a food stamp case attached to the MA case, use the following
workaround to process the food stamp case:

- To allow for the 30% deduction for the cost to produce and the 20% earned income deduction, take the monthly self employment income from the income-producing property and multiply it by .56.
- On the UINC screen, enter OF in the Source field, enter the result after multiplying by .56 in the Amt1 field, the appropriate verification in the V field, and AC in the Freq field on the UINC screen. This amount will then be used towards the food stamp benefit calculation.

EXAMPLE:

Ms. Williams owns a house out-of-state that she rents for $500/month. She has $400 worth of monthly expenses that are associated with that income of $500, leaving her with a $100/month profit. She and her three boys apply for assistance. The following is the proper way to enter for all three programs and their combinations:

- For TCA and/or Food Stamps:
  - On the ERN1 screen, enter the self employment business in the Employer Name field followed by SE in the Type field. Enter N in the Employer Ins Avail indicating no available insurance through this employment. Press enter.
  - On the ERN2 screen, enter $500 in the Amt 1 field, the number of hours/month the customer works this business in the Hrs field, the appropriate verification code of the income in the V field, and AC in the Freq field. Press enter.
  - Fast path to DONE.

NOTE: When finalizing, for the TCA case, CARES will first divide $500 amount by 4.3 and multiply by 4, totalling $465.11, and then give a 50% deduction from the income, equalling $232.55 which will be counted towards calculating the TCA grant amount. [When finalizing, for the FS case, CARES will first give the 30% deduction ($500 x .3 = $150/ $500 - $150 = $350) followed by the 20% deduction $350 x .2 = $70/ $350 - $70 = $280) or (simply $500 x .56), resulting in a net earned income of $280 which will be counted towards calculating the FS benefit.] In excluding the income-producing property, do not enter on CARES. Simply narrate effectively as to the property.

- For Medical Assistance:
  - On the UINC screen, enter MU (Medical Assistance Only) in the Source
field, $100 (the amount of the profit (income minus any documented expenses associated with producing that income)) in the Amt1 field, the appropriate code in the V field, and AC in the Freq field. Fastpath to DONE.

- CARES will count the $100 unearned income towards determining eligibility for Medical Assistance FAC or ABD.
- For FAC, the income-producing property will be excluded in accordance with TCA policy therefore do not enter on CARES. Simply narrate effectively as to the property.
- For ABD, a determination needs to be done whether the income-producing property is excludable based on equity value and the net annual return. If it is not excludable, on the AST1 screen, enter the appropriate code corresponding to the property in the Type field (either IM or IC), the value of the asset in the Amount field, and the appropriate code in the V field. If the property is excludable, do not enter in CARES. Simply narrate effectively as to the property.

- For Food Stamps with a Medical Assistance:
  - To allow for the 30% deduction for the cost to produce and the 20% earned income deduction, offline, take the monthly self employment income of $500 and multiply it by .56 resulting in $280.
  - On the UINC screen, enter OF in the Source field, enter the amount of $280 in the Amt1 field, the appropriate verification in the V field, and AC in the Freq field on the UINC screen. This amount will then be used towards the food stamp benefit calculation.

**NOTE:** Remember to always clearly narrate concerning the circumstances around the income-producing property.