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

RE: INCREASE IN EARNED INCOME DISREGARD

PROGRAM AFFECTED: TEMPORARY CASH ASSISTANCE

ORIGINATING OFFICE: OFFICE OF POLICY, RESEARCH AND SYSTEMS

SUMMARY:

The Maryland General Assembly has approved an increase in the TCA Earned Income Disregard from the current 35% to **40% effective October 1 2002**. **There is no change in the 20% initial test for applicants or in the 50% disregard allowed to TCA self-employed applicants or recipients. Customers receiving the 40% disregard remain exempt from federal or state time limits. These families are considered part of the state-funded TCA program.**

ACTION REQUIRED:

Effective October 1, apply the 40% earned income disregard to employed TCA applicants and recipients. The procedure for applying the disregard to applicants and recipients outlined in Action Transmittal #99-48 remains the same.

- **TCA Applicants**

  ❑ Employed applicants continue to have an initial 20% income test conducted on **CARES**, allowing verified child care costs (up to the allowable limit) and child support paid outside of the assistance unit as part of the test to determine their eligibility for TCA.

  ❑ If the assistance unit passes the initial 20% test, CARES automatically allows the **new 40% earned income disregard**, verified child care costs and child support paid outside the unit when determining the TCA benefit amount.

  ❑ These families are not subject to federal or state time limits. The CARES counter will not advance for these assistance units.

EXAMPLE 1: Passed Initial Needs Test

Mr. Dorchester applies for himself and two children. He is employed and has gross earnings of $400 per month. There are no child care costs, however, he pays $80 per month in child support for his child not living in his home. All other TCA requirements have been met.

Step 1:				**Step 2:**			
Gross monthly earnings	=	$400		Gross Monthly Earnings	=	$400
20% Disregard	**=**	**-80**		**40% Disregard**	**=**	**-160**
Net Countable earnings	=	$320		Net Countable earnings	=	$240
Child support paid	**=**	**-80**		**Child support paid**	**=**	**-80**
Net countable earnings		**= $240**		Net countable earnings	=	$160
TCA benefit for 3	=	$472		TCA benefit for 3		= $472
Passed initial 20% income test				Net countable earnings	=	-160
				Grant Amount		**= $312**

EXAMPLE 2: Failed Initial Needs Test

Ms. Howard applies for herself and two children. She is employed and has gross earnings of $725 per month. She pays $100 per month in childcare. All other TCA requirements have been met.

Step 1:

Gross monthly earnings	=	$725
20% Disregard	**=**	**-130**
Child Care	**=**	**-100**
Net countable earnings	=	$495
TCA benefit for 3	=	$472
Failed 20% Initial needs test		

The applicant's net countable earnings exceed the allowable grant for her household size, the assistance unit fails the initial needs test and the case is denied.

<u>NOTE: The 20% Initial Needs Test Is Only Given at Application</u>

- **TCA Recipients**

  - Employed recipient's earned income disregard will increase automatically from 35% to 40% effective October 1 2002. The increased disregard affects cases:

- In an active, no-pay status for grants under $10
- Receiving the 35% earned income disregard
- Closing because of income over scale using the 35% disregard

❑ **CARES will automatically allow the new 40%** earned income disregard and all other verified allowable deductions for recipients who become employed on or after October 1.

❑ The CARES time limited eligibility counter for recipients who become employed on or after October 1 will not advance beyond the first month the earnings affect the grant, as long as a member of the assistance unit has countable earnings showing on CARES.

❑ Local departments are not required to take any actions regarding the CARES counter for these cases.

<u>NARRATE ALL CASE ACTIVITY CAREFULLY:</u>

Local departments must ensure that narration of case activity is clear, concise, and complete according to the action taken by the case manager. Good narration also supports the local department decision in the event of a fair hearing or selection of the case for Quality Control review.

<u>RIGHT TO APPEAL:</u>

As a reminder, local departments shall advise households of their right to appeal a local department decision and the procedures for requesting a fair hearing. Local departments must also advise households of any legal services that might be available to represent them during a fair 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.

<u>ACTION DUE:</u>

The 40% earned income deduction is effective October 1, 2002.

<u>INQUIRIES:</u>

Please direct policy questions to Juanita Brouwer at 410.767.7683, Bureau of Policy and Training. Direct systems questions to Emma Tisdale-Clary at 410.238-1298,

cc: FIA Management Staff
       Constituent Services
       DHR Help Desk
       RESI

CARES PROCEDURES:

- Enter the appropriate wage information on the Earned Income 1 **(ERN1)** screen. Use the valid value 'EI' in the earned income **TYPE** field. The customer's starting date of employment is entered in the **BEGIN DATE** field. Complete the **Employer Ins Avail** field. Indicate whether the customer is late in reporting the change by entering **Y** (yes) or **N** (no) in the **Late Report** field. Press enter.

- Enter the appropriate wage information on the Earned Income 2 **(ERN2)** screen. Press enter.

- If the customer is paying child care expenses, enter the appropriate provider information and payment amount on the head of household's Dependent Care Expenses (**CARE**) screen. Press enter.

- If paying legally obligated child support/alimony, enter the payment amount in the **Monthly Child Support Payment** or **Monthly Alimony Payment** field on the Dependent Care Expenses **(CARE)** screen. Press enter.

- Fast path to **DONE**.

- Narrate all case activity.