



Department of Human Resources  
311 West Saratoga Street  
Baltimore MD 21201

Family Investment Administration  
**ACTION TRANSMITTAL**

Control Number: #04-38

Effective Date: Immediately

Issuance Date: July 1, 2004

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

**FROM: KEVIN M. MCGUIRE, EXECUTIVE DIRECTOR**

**RE: EXCLUSION OF INCOME TAX REFUNDS AS INCOME OR A  
RESOURCE**

**PROGRAM AFFECTED: TEMPORARY CASH ASSISTANCE**

**ORIGINATING OFFICE: OFFICE OF POLICY, RESEARCH AND SYSTEMS**

**SUMMARY:**

Recently, we have received several questions from local departments regarding income tax refunds. TCA policy does not specifically address income tax refunds. It does however exclude the Earned Income Tax Credit (EITC) as income. This includes EITC payments calculated with an individual's wages and the EITC portion of an income tax refund.

Current policy gives instructions to apply lump sum policy to the income tax refund, excluding any EITC. In an effort to match programs, simplify policy and avoid the possible double counting of income, we are revising the income tax refund policy to match Medical Assistance policy.

**ACTION REQUIRED:**

Effective immediately, **exclude** as income or a resource, all income tax refunds received during the customer's certification period for TCA. Do not enter any amounts into CARES.

If the customer has any portion of the tax refund remaining by the next redetermination, count as a resource, the remaining portion **minus** the verifiable Earned Income Tax Credit (EITC). Enter the amount on the customer's AST1 screen. If the customer is ineligible as a result of the refund, send a timely and adequate adverse action notice. Close the case at the expiration of the adverse action period. Narrate all case activity.

**Food Stamp Note and Reminder:**

Note: Food stamp policy regarding income tax refunds has not changed. We consider a tax refund other than EITC, as a nonrecurring lump sum payment. It is a countable resource in the month it is received. It continues to count as a resource as long as it is available to the household. Exclude the resources of a categorically eligible household.

**Reminder: TCA households are categorically eligible. The resources of a TCA household do not count for food stamps.**

EXAMPLE Ms. Brown receives TCA and Food Stamps for herself and 2 children. Her TCA consideration period is January through June. Ms. Brown works part time at Dairy Queen. She filed her income taxes and received a refund of \$1500 March 10<sup>th</sup>, of which \$700 is EITC. Ms. Brown reports to her case manager on March 25<sup>th</sup> that she received the refund. The case manager excludes the refund for TCA. The refund does not count for food stamps because the household is categorically eligible.

On May 20<sup>th</sup> Ms. Brown comes in for her redetermination. She has \$800 left from her tax refund. The case manager calculates the resource as follows:

\$800. (Remaining tax refund)  
-\$700. (Verifiable EITC which is disregarded)  
\$100. (Remaining tax refund counted as a resource to the customer)

The case manager counts \$100 towards the customer's TCA resource limit. The customer remains eligible for benefits.

**INQUIRIES:**

Direct all TCA policy inquiries to Gretchen Simpson at 410-767-7937 or Marilyn Lorenzo at 410-767-7333.

cc: DHR Executive Staff  
FIA Management Staff  
Constituent Services  
Help Desk