Department of Human Resources **311 W. Saratoga St.** **Baltimore, MD. 21201-3521**	**FIA ACTION TRANSMITTAL**
Issuance Date: **May 31, 1997**	**Effective Date:** July 1, 1997 **Control Number:** FIA/OPA # 97-90

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

FROM: KEVIN MAHON, EXECUTIVE DIRECTOR, FIA

RE: EARNED INCOME DISREGARD

PROGRAMS AFFECTED: TEMPORARY CASH ASSISTANCE

ORIGINATING OFFICE: OPA/ DIVISION OF PROGRAM POLICY AND REGULATION

BACKGROUND INFORMATION:

Currently 20% of an employed individual's regular earnings are disregarded and 50% of their earnings are disregarded if self employed. The 50% allowance includes the cost to produce income.

NEW EARNED INCOME DISREGARD POLICY EFFECTIVE JULY 1, 1997

As required by a provision of the Welfare Innovation Act of 1997, Maryland must implement a two tiered earned income disregard for **Temporary Cash Assistance (TCA)** effective July 1, 1997. Local Departments must conduct an initial 20 % income test for FIP applicants to determine their eligibility for the program. Employed applicants who pass the initial 20% income test will be **allowed a 26% income disregard** when determining their countable income for the Temporary Cash Assistance program. There is no change for self employed applicants. TCA recipients who get a job will also be allowed a 26% disregard when calculating their countable income.

ACTION REQUIRED:

Effective July 1, 1997, to calculate the monthly net countable earnings:

- Determine the Gross Monthly Earnings
  - **Test** the gross monthly earnings against the 20% income test
  - If the gross monthly earnings exceed the 20% income test deny the application
  - If gross monthly income passes the 20% income test, **disregard 26%** of the customer's earnings when calculating the benefit amount

- Subtract the verified child care cost up to the allowable limit to determine the Net Monthly Countable Earnings

Example 1: A FIP parent applies for herself and her two children. She has gross earnings of $400 per month. There are no child care costs. All other FIP requirements have been met.

$400 (gross monthly earnings)
- 80 (20% Disregard)
320 (net monthly countable earnings) **PASSED 20% income test**

$400 (gross monthly earnings)
-104 (26% Disregard)
296 (net monthly countable earnings)

377 (Maximum TCA benefit amount for household of three)
-296 (net monthly countable earnings)
$81.00 (TCA benefit amount)

Example 2: A FIP parent applies for herself and her two children. She has gross earnings of $650 per month. There are no child care costs. All other FIP requirements have been met.

$650 (gross monthly earnings)
-130 **(20% Disregard)**
520 (net monthly countable earnings) **FAILED 20% income test**

Customer's net countable earnings exceeded the initial 20% income test and the customer's case will be denied because the income exceeds the program limits.

Example 3: A FIP parent applies for herself and her two children. She has gross earnings of $700 per month. Customer pays $200 per month for child care costs. All other FIP requirements have been met.

$700 (gross monthly earnings)
<u>-140</u> **(20% Disregard)**
560
<u>-200</u> Child Care
360 (net monthly countable earnings) **Passed 20% income test**

$700
<u>-182</u> **(26% Disregard)**
518
-<u>200</u> Child Care
318 (net monthly countable earnings)

377 (Maximum TCA benefit for a household of three)
<u>-318</u> (net monthly countable earnings)
59 (TCA benefit amount)

AIMS

<u>Existing Cases:</u>
A simulated mass change will be run on June 17, 1997. AIMS will be modified on June 27, 1997 to increase the earnings disregard to 26% effective June 30, 1997.

<u>New Applications & Redeterminations:</u>
The case manager must manually determine the monthly gross earned income and test it against the 20% disregard. If the customer is over scale net income the case manager must enter a denial code of '124' on the ADNB. If the customer passes the 20% test, then the case manager proceeds with allowing a 26% earned income disregard.

CARES

<u>Existing Cases:</u>
On June 14, 1997 a mass modification will be done on CARES to allow the 26% disregard on all earned income cases.

<u>New Applications:</u>
CARES will automatically complete the 20% income test during the finalization process (Option 'Q' from AMEN). Once the AU passes this test, CARES will automatically allow the 26% earned income deduction.

Reinstating Closed TCA AUs:

If a TCA AU is closed in error, the case manager must reinstate the AU using Option '**M**' from the **AMEN** and entering the **closed AU number**. CARES will not subject these AUs to the 20% income test.

If the paid thru date has passed, the case manager must:

- Notify IV-D Child Support that the TCA case has been reinstated to ensure that any child support collections are not forwarded to the customer. (Failure to do so could result in an agency error overpayment.)
- Check MMIS II to ensure that the customer's medical assistance did not close. If the medical assistance did close, the case manager must complete an 8001 to reinstate the medical coverage.

ACTION REQUIRED OF: **All Local Departments**

ACTION DUE DATE: **July 1, 1997**

Inquiries may be directed to Yolanda M. Parker, Division of Program Policy and Regulations, at (410) 767-7259.

cc: FIA Management Staff
Constituent Services
DHR Executive Staff
Help Desk
Cares Testing Facility (CTF)
DHMH