

Operations Bulletin 2017-3: Cross Programs: Income Tax Refunds and Lump Sum Rules: Policy Refresher (Issued 1/19/2017)

As tax season approaches, some clients will be filing and receiving Federal and State Tax Refunds. This policy refresher will review the existing policy, addressing income received from tax refunds and earned income credits (EIC) for SNAP and Cash Programs. In addition, this policy refresher will outline nonrecurring lump sum payment rules, which may apply to income tax refunds.

As of recent news reports, the IRS has announced that they will be delaying 2016 tax refunds for families claiming the earned income tax credit (EITC) and additional earned income credits (EIC), due to a change in federal law which was established to prevent fraud. The delay will affect low and middle income families that claim these credits.

SNAP Households

Income tax refunds are considered nonrecurring lump sum payments and are therefore excluded noncountable income. However, these payments shall be counted as an asset in the month received for non-categorically eligible households. State and Federal earned income credits (EIC) are excluded as income and are noncountable as an asset in the month received and the following month. For non-categorically eligible SNAP households, the remaining portion of the earned income credit (EIC) is a countable asset in the third month.

If a lump sum payment places a non-categorically eligible household's total assets over the asset limit, the Department shall notify the household by mailing a verification checklist and allow 10 days for the household to update its entire asset statement(s) before a determination of eligibility is made. If the household declines to submit the updated information, the Department shall initiate adverse action in accordance with 106CMR 366.200.

REMEMBER: Asset eligibility does not apply to categorically eligible SNAP households. For more information on asset eligibility in SNAP, please see 106 CMR 363.100 through 363.140.

Verifications

The majority of SNAP households are categorically eligible and therefore exempt from asset rules. SNAP households are required to report changes based on the reporting rules of the household's certification type.

Nonrecurring Lump Sum Payments

These payments shall be verified by:

- a copy of the benefit or award letter;
- a copy of the check or payment document; or
- a written statement from the agency or person making the payment

TAFDC and EAEDC Households

Income tax refunds and the earned income credit (EIC) are noncountable as income, although the EIC portion of the refund is considered a countable asset. The State and Federal earned income credit (EIC) is noncountable as an asset in the month of receipt and the following month. The remaining portion of the earned income credit (EIC) is a countable asset in the third month.

Countable assets are considered in the determination of program eligibility. In a TAFDC household, the combined assets of the filing unit cannot exceed \$2,500. For EAEDC, the combined assets of the filing unit may not exceed: \$250 for an assistance unit of one or \$500 for an assistance unit of two or more. For more information on countable assets, please see 106 CMR 204.100 for TAFDC and 321.100 for EAEDC.

Verifications

TAFDC and EAEDC households are required to report tax refunds within 10 days of receipt.

Tax refunds shall be verified by one of the following:

1. a copy of the check or payment document;
2. a written statement from the agency making the payment; or
3. a copy of the tax return

REMEMBER: For TAFDC and EAEDC households, BEACON will automatically utilize the asset amount for eligibility calculation or period of ineligibility.