

STATE UPDATE

April 29, 2008

TAX RETURNS AND ECONOMIC STIMULUS BENEFITS

Many of our clients have received or will receive income tax returns as well as the new Economic Stimulus Benefit. It is important to know that the type of benefit received can affect TANF, Medicaid and Food Stamp benefits.

Tax Returns

Source: PM 07-01-11 (TANF); PM 07-02-13 (AABD); PM 07-03-07 (GA); PM 07-04-16 (FS)

IDHS considers the regular income tax refund as a nonexempt asset for all programs. When a client reports receipt of a tax refund the caseworker is to:

- Verify the refund amount, by viewing the tax refund check or the client's Federal Tax Return.
- Determine how much of the tax return is an EITC and how much is the actual tax refund
- Add the tax refund portion to other nonexempt assets, and compare the total to the asset limit*.

When your client files a joint return with an absent spouse, 1/2 of the return is to be counted unless the client reports that less than half is received. If the client reports that she receives less than half of a joint income tax refund, IDHS is to accept their statement as to the amount received.

EITC (State and Federal)

Source: State policy manual chapters PM 08-01-01-g (TANF); PM 08-03-01-c (GA); PM 08-04-01-a (FS); PM 08-04-04-v (FS)

The Earned Income Tax Credit is exempt as both an asset and as income. The IDHS caseworker is not to use this portion of the tax refund to determine eligibility for cash, food or medical benefits.

Economic Stimulus Source: Economic Stimulus Memo 4/25/08

- ❖ Starting in April 2008, the U.S. Treasury is sending economic stimulus payments to eligible persons who filed a 2007 tax return.
- ❖ Economic stimulus payments are exempt income for Food Stamps and all cash and medical programs.
- ❖ Economic stimulus payments are exempt as an asset in the month of receipt and for two months following the month of receipt for cash and Food Stamps, and medical programs for which assets are counted. Any amount remaining after this period will be counted included with the client's other assets and applied to the *.

Q and A (adapted from the State memo dated 4/25/08):

- How is the payment counted if direct deposited into an account?
 - *The caseworker reduces the value of the account for three months starting with the month of receipt. For all programs where assets are counted (Food Stamps, Medicaid due to age, blind or disabled), the caseworker counts any remaining balance as an asset in the fourth month.*



DuPage Federation on Human Services Reform
146 West Roosevelt Road, Villa Park, Illinois 60181
www.dupagefederation.org
Telephone: (630) 782-4782 Fax: (630) 516-1306

- Is IDHS staff required to verify economic stimulus payments?
 - *An economic stimulus payment does not need to be verified unless it becomes an asset that affects eligibility.*
- How can the economic stimulus payment be verified?
 - *IRS is sending a notice confirming their eligibility for the payment, the payment amount, and the approximate time table for the payment. This notice can be used.*
- What will happen if the stimulus benefit is transferred (this applies to Long Term Care residents only)?
 - *Economic stimulus payments given away during the three-month period in which they are not counted as income or assets are not subject to a transfer penalty. Payments given away after the three-month exempt period are subject to penalty.*
- What about estate recoveries?
 - *If the economic stimulus payment becomes part of a person's estate during the three-month exempt period, it would not be subject to recovery. If it becomes part of the estate after the three-month exempt period, it would be subject to recovery.*

***Program asset limits:**

- ❖ All Kids- does not apply
- ❖ TANF/Medicaid (Aged, Blind or Disabled): one person - \$2000; 2 persons - \$3000; and 3 or more persons - \$3000 for the first 2 people, plus \$50 for each additional person.
- ❖ Food Stamps: \$3,000 for an FS unit with at least one person who is a qualifying member ([see PM 05-06-01](#)); or \$2,000 for all other FS units.

