

## 2505 – INCOME DEDUCTIONS

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| <b>POLICY STATEMENT</b>           | Income deductions are subtracted from income when budgeting to determine income eligibility for ABD Medicaid.<br><br>These deductions are not allowed in Medicaid CAP cases.   |
| <b>BASIC CONSIDERATIONS</b>       | Income deductions apply to all earned and unearned income except Income Based On Need (IBON). IBON includes, but is not limited to, the following types of income: <ul style="list-style-type: none"> <li>TANF</li> <li>IV-E Foster Care/Adoption Assistance</li> <li>SSI</li> <li>VA Pension</li> <li>VA compensation only when received by a parent(s) due to his/her child's military related death</li> <li>Other needs based on payment from private organizations (e.g., Salvation Army, Catholic charities).</li> </ul>   |
| <b>PROCEDURES</b>                 |  |
| <b>Unearned Income Deductions</b> | Subtract a \$20 general deduction from each month of unearned income.<br><br>Subtract only one \$20 general deduction from the unearned income of each of the following: <ul style="list-style-type: none"> <li>a Medicaid Individual</li> <li>a Medicaid Individual and his/her Ineligible Spouse</li> <li>a Medicaid Couple</li> <li>a Medicaid Child</li> <li>an Ineligible Parent(s).</li> </ul><br>Subtract one third of the amount of any child support payments received for the child A/R. Child support payments are considered as income for the child for whom the payments are intended. |
| <b>Earned Income Deductions</b>   | Subtract earned income deductions for each month of earned income in the following order: <ul style="list-style-type: none"> <li>Deduct up to \$400 per month, but not more than \$1,620 in a calendar year, of the earned income of a blind or disabled child who is a student.</li> <li>Subtract the remainder of the \$20 general deduction from the combined earned income of the following A/Rs and/or deemors:</li> </ul>  |

**PROCEDURES**  
(cont.)**Earned Income  
Deductions  
(cont.)**

- a Medicaid Individual
  - a Medicaid Couple or a Medicaid Individual with an Ineligible Spouse
  - a Medicaid Child
  - Ineligible Parents.
- Deduct \$65 of gross earned income. Subtract the deduction from the combined earned income of the following A/Rs and/or deemors:
    - a Medicaid Individual
    - a Medicaid Couple or a Medicaid Individual with an Ineligible Spouse
    - a Medicaid Child
    - Ineligible Parents.
  - Deduct the earned income of disabled Individuals used to pay impairment-related work expenses.
  - Deduct one-half of any remaining earned income.
  - Deduct the earned income of blind Individuals used to meet work expenses. Deduct any earned income used to fulfill an approved Plan to Achieve Self Sufficiency (PASS).

**Applying Earned  
Income Deductions**

Use the following guidelines when applying the earned income deductions:

- Never reduce earned income below zero.
- Do not apply any unused portion of an earned income deduction to unearned income.
- Do not apply any unused portion of an earned income deduction in subsequent months.

**PROCEDURES**  
(cont.)**Student Child  
Earned Income  
Deduction**

Deduct up to \$400 per month, but not more than \$1,620 in a calendar year, of the earned income of a blind or disabled child A/R who is a student regularly attending school.

Give the student earned income deduction to an Individual who meets all the following criteria:

- is a child under age 22
- is unmarried
- is not the head of the household
- is a student regularly attending (or expects to attend) school at least one month of the current calendar quarter.

Apply the deduction using the following guidelines:

- Apply the deduction consecutively to months in which the child has earned income until the deduction is exhausted or the Individual is no longer a student child.
- Apply the deduction only to a student child's own earned income.
- Do not count earnings received prior to the first month of Medicaid eligibility toward the \$1,620 annual limit.

Develop the following factors and document them:

- whether the child was regularly attending school in at least one month of the current calendar quarter, or expects to attend school for at least one month in the next calendar quarter;
- the amount of the child's earned income, including payments from Neighborhood Youth Corps, Work-Study, and similar programs;
- the amount of the student earned income deduction for each month it is allowed in the eligibility budget.

**PROCEDURES**

(cont.)

**Deduction of Blind  
Work Expenses  
(BWE)**

Deduct the amount of earned income of a blind person which is used to meet any expenses reasonably attributed to earning the income if the blind person meets one of the following criteria:

- is under age 65
- is age 65 or older and received SSI payments or payments under a former state plan for aid to the blind for the month before he/she attained age 65.

Deduct the BWE from earned income only. Do not deduct BWE in excess of the earned income from unearned income.

Deduct BWE from the earned income which remains after applying the \$20 general income deduction and all other earned income deductions except income used to fulfill an approved Plan to Achieve Self Support (PASS).

**Impairment Related  
Work Expenses  
(IRWE) Deductions**

Contact the Medicaid Unit at the State Office for instructions on allowing this deduction for a disabled Individual who is currently employed.