

2327 - PROPERTY ESSENTIAL TO SELF-SUPPORT

POLICY STATEMENT	Personal or non-homeplace real property that produces income, goods or services may be partially or totally excluded.
BASIC CONSIDERATIONS Current Use Requirements	<p>Property, including property used by an individual as an employee, must be in current use in the type of activity that qualifies it as essential to be excluded as essential to self- support. Current use is evaluated on a monthly basis. Property not in current use can be excluded as essential to self-support only if the following conditions are met:</p> <ul style="list-style-type: none"> • It has been in use • There is a reasonable expectation that the use will resume. <p>Resumption of use must be expected within 12 months of last use. For example, if property was last used in October, resumption of use must reasonably be expected to occur before the end of the following October.</p> <p>The 12 month period can be extended for an additional 12 months if non-use is due to a disabling condition.</p>
Categories of Property Essential to Self Support	<p>There are three categories of property essential to self-support:</p> <ul style="list-style-type: none"> • <i>Business Property</i>, such as the following: <ul style="list-style-type: none"> - property used in a trade or business, such as farmland, barber shop, etc. - property that represents government authority to engage in an income producing activity, such as commercial fishing permits, tobacco crop allotments - property used by an individual as an employee for work, such as the tools of an employed mechanic. • Non-business property used to produce goods or services for home consumption, such as land or equipment used to produce vegetables or livestock solely for home consumption. • Non-business income producing property such as rental property that produces a net annual return, This does not include homeplace property. Please refer to Section 2316 Homeplace: ABD Medicaid for treatment of homeplace rental property.

PROCEDURES

Business Property

Totally exclude business property as a resource, regardless of its value or rate of return.

**FBR and
Non-FBR COAs**

When an individual alleges owning trade or business property not already being excluded, consider if a valid trade or business exists and whether the property is in current use. Obtain a statement giving the information below:

- a description of the trade or business
- a description of the assets of the trade or business
- the number of years it has been operating
- the identity of any co-owners.

Obtain a copy of the business tax return (Form 1040 and the appropriate schedules) for the tax year prior to the application or redetermination. Use the return to determine the net earnings from self-employment and validity of the trade or business. The following can be particularly helpful:

- Schedule C, Profit or Loss from Business or Profession
- Schedule SE, Computation of Social Security Self-employment
- Schedule F, Farm Income and Expenses
- Form 4562, Depreciation and Amortization
- Form 1065, U.S. Partnership Return of Income.

If the current tax return is not available, obtain a copy of the latest tax return available.

**Property That Produces
Goods/Services for
Home Consumption
FBR & Non-FBR COAs**

Exclude as a resource up to \$6000 of the equity value of non-business property used to produce goods or services for home consumption, regardless of the rate of return. Any portion of the equity value in excess of \$6000 is a countable resource.

NOTE: While this category of property may encompass a vehicle used solely in a non-business self-support activity, such as a garden tractor or boat used for subsistence fishing, it does not include any vehicle that qualifies as an automobile.

PROCEDURES

**Property That Produces
Goods/Services for
Home Consumption
FBR & Non-FBR COAs
(cont.)**

When an individual alleges owning property that he or she uses to produce goods or services necessary for daily activities, obtain his or her statement on the following:

- a description of the property
- how it is used
- an estimate of its CMV and any encumbrances.

If evidence to the contrary is absence, accept their statement.

Determine the CMV of real property and, if necessary, the EV of real property.

Have the individual obtain a CMV estimate of personal property from a knowledgeable source. The estimate must include the following:

- the identity of the source of the statement
- a description of the item whose CMV is being estimated
- the basis for the estimate.

NOTE: If a knowledgeable source provides a value range, use the lower end of the range.

**Non-Business Income
Producing Property**

When an individual alleges owning non-business real property that produces income such **as land or a house for rent**, obtain his or her signed statement on the following:

- the number of years s/he has owned the property
- any co-owners of the property
- a description of the property
- the estimated CMV of the property and any encumbrances on it
- the estimated net and gross income from the property for the current year.

If evidence to the contrary is absent, accept the individual's statement with respect to years of ownership, identity of owners and description of the property.

PROCEDURES**Non-Business Income
Producing Property
FBR & Non-FBR COAs
(cont.)**

Effective October 1, 2006, but implemented February 1, 2007, on all applications (new or pending, including three months prior) and reviews/specials, exclude up to \$6000 of the equity value of non-business income producing property as a resource only if the property produces a net annual return of at least 6% of the excluded portion. Any portion in excess of \$6000 is a countable resource.

If an individual owns more than one piece of non-business income producing property, apply the following rules:

- The 6% return requirement applies individually to each
- The \$6000 EV limit applies to the total EV of all properties meeting the 6% return requirement

If all properties meet the 6% test but the total EV exceeds \$6000, that portion of the total EV in excess of \$6000 is not excluded under this provision.

Determine the rate of return based on income and value figures shown on the individual's Schedule E (Supplemental Income Schedule) of Form 1040 for the year prior to filing of the application. If no tax return is available, obtain other appropriate evidence from the individual, such as a copy of the lease agreement for the period in question.

NOTE: When redetermining the status of property already excluded under this provision, only the value and income need to be redeveloped.

Also reference [Section 2410](#), Rental Income, if needed.

**SPECIAL
CONSIDERATIONS
for Business Property
Government Permits**

If an individual alleges owning a government license, permit, or other property that represents government authority to engage in an income producing activity, and that has value as a resource, obtain his or her signed statement as to the following:

- the type of license, permit, or other property
- the name of the issuing agency, if appropriate
- whether the law requires such license, permit, or property for engaging in the income producing activity at issue
- how the license, permit, or other property is being used, or
- if it is not being used, why not.

**SPECIAL
CONSIDERATIONS
for Business Property**

**Government Permits
(cont.)**

Have the individual submit a copy of the license, permit, and/or other pertinent documents. For example, an individual engaged in fishing in Alaska would have a permit. In North Carolina, a person growing flue-cured tobacco would have a marketing sales card to sell it. If the individual cannot submit the necessary evidence, verify his or her allegations with the issuing agency. Do this by telephone if possible.

**Tobacco Crop
Allotment
(TCA)**

The TCA is the other most commonly encountered type of property representing government authority to engage in an income producing activity. It is issued by the U.S. Department of Agriculture's Agricultural Stabilization and Conservation Service. It is required for the growing and selling of flue-cured tobacco, which is grown mostly in the southeastern United States. Do not confuse a TCA with a price support or subsidy, or a soil bank program.

Exclude a TCA only when the grower who has it is restricted to growing a certain quantity of the crop.

**Items Used for
Employment**

If an individual alleges owning items that are used in his or her work as an employee, obtain his or her statement on the following:

- the name, address, and telephone number of the employer
- a general description of the items
- a general description of his or her duties
- whether the items are currently being used.

Absent evidence to the contrary, accept the individual's statement.

**Liquid Resource
Used in a Trade
or Business**

All or a portion of a liquid resource used in the operation of a trade or business, such as a checking account, can be excluded from resources. This applies to all classes of assistance.

- Obtain the A/R's signed allegation that the liquid resource is used in a trade or business.
- Obtain verification of average monthly business expenditures in order to determine what portion of the resource is used in the trade or business.
- Exclude up to three times the average monthly business expenditures as the portion of the liquid resource used in the trade or business.