DEPARTMENT OF HEALTH SERVICES

714/744 P STREET
P.O. BOX 942732
SACRAMENTO, CA   94234-7320

August 28, 1989

TO: All County Welfare Directors   Letter No.: 89-71
    All County Administrative Officers

SUBJECT: IMPLEMENTATION OF THE MEDI-CAL INCOME CHANGES FOR AFDC-MN AND MI
         PERSONS DUE TO THE FAMILY SUPPORT ACT OF 1988

The purpose of this letter is to inform you of certain changes resulting from
the federal Family Support Act of 1988 (Public Law 100-485). These changes
will affect income calculations and lower the Medi-Cal share of cost (SOC)
for AFDC-MN and MI persons who are employed or receiving child support
payments from an absent parent. These changes are effective October 1, 1989.

EARNED INCOME TAX CREDITS

Earned income tax credit (EITC) payments have been exempted as income for
AFDC-MN and MI persons. Please note, however, that EITC payments, whether
received as advance payments or tax refunds, are still considered earned
income for ABD-MN persons in accordance with Title 22, California Code of
Regulations (CCR), Section 50503 (a) (10).

REVISIONS TO EMPLOYMENT RELATED DEDUCTIONS

The standard work expense deduction for AFDC-MN and MI persons has been
raised from $75 to $90 per month for employed persons. In addition, the
deduction for child care expenses has been raised to the actual amount paid
up to:

> a. $200 for a child under 2 years of age.
>
> b. $175 for a child 2 years of age or older and/or incapacitated
>   person.

The order in which deductions are to be taken has also been revised. The
child care deduction is to be taken after all other deductions have been
allowed. Thus, a family entitled to the "$30 and 1/3" deduction will have
that deduction calculated prior to the child care deduction and will,
therefore, receive a larger deduction for the "1/3".

CHILD SUPPORT PAYMENTS

The current allowable deduction for child support only allows a deduction of
$50 per SOC month regardless of the number of months of child support
received by the Medi-Cal beneficiary. This deduction has been revised to
allow $50 to be deducted from each child support month received provided the

absent parent paid the child support in the month when due and the amount was not received by the payee parent until the SOC month due to circumstances beyond the control of either parent. The proposed regulation gives specific guidelines to be used to make this determination.

IMPLEMENTATION DATES AND METHODOLOGY

These changes are effective October 1, 1989. All SOC cases involving employed AFDC-MN and MI persons are to be reviewed in order to implement these changes in a timely manner. AFDC-MN and MI cases with no share of cost must be reviewed and recalculated at redetermination or the first case change to insure correct budgeting methodology is used.

Form MC 176W has been revised and will be available for order August 15, 1989. Only a limited supply is available as this form will be revised to reflect other changes effective January 1, 1990. Counties may order a three month supply of the 10/89 revision by submitting the usual order form and indicating the 10/89 revision is being requested. Please do not over-order as only a limited supply of the 10/89 revision is being printed.

A copy of the proposed regulations is attached as is a copy of the revised MC 176W. If you have any questions, please contact Toni Bailey at (916) 324-4967.

Sincerely,

Original signed by

Frank S. Martucci, Chief
Medi-Cal Eligibility Branch

Enclosures

cc: Medi-Cal Liaisons
       Medi-Cal Program Consultants

ALLOCATION/SPECIAL DEDUCTION WORKSHEET

County Use	Date This Form Effective
Case Name	
	Case Number	Number In MFBU

I. CHILDREN WITH SEPARATE INCOME OR PROPERTY EXCLUDED FROM THE MFBU   NO. _____

1. Maintenance need for MFBU plus excluded child(ren)	$
2. Maintenance need for MFBU	$
3. Excluded child(ren)'s share of maintenance need (line 1 minus line 2)	$
4. Net nonexempt income of excluded child(ren)	$
5. Allocation to excluded child(ren) (line 3 minus line 4)	$

Enter above amount on MC 176 M, column III, line 5

II. SSI/SSP OR IHSS RECIPIENT(S) IN FAMILY—INCOME AVAILABLE/ALLOCATED

1. SSI/SSP appropriate payment level (plus IHSS authorization for IHSS only)	$	
2. Actual SSI/SSP payment (or IHSS payment)	$	
3. Net nonexempt income used to determine grant (or IHSS) (line 1 minus line 2)		$
4. Gross unearned income of SSI/SSP or IHSS recipient (other than grant or IHSS payment)	$	
5. SSI/SSP unearned income deductions and exemptions	$	
6. Net nonexempt unearned income (line 4 minus line 5)	$	
7. Gross earned income of SSI/SSP or IHSS recipient	$	
8. SSI/SSP earned income deductions and exemptions	$	
9. Net nonexempt earned income (line 7 minus line 8)	$	
10. Total net nonexempt income (add lines 6 and 9)		$
11. If line 10 is greater than line 3, the difference is income available to the MFBU and is entered here and on MC 176 M, column I or II, line 3, as "PA recipient income available"		$
12. If line 10 is less than line 3, the difference is the allocation to the SSI/SSP or IHSS recipient and is entered here and on MC 176 M, column III, line 6.		$

Eligibility Worker Signature

III. ALLOCATION FROM LTC OR BOARD AND CARE PERSON TO SPOUSE AND/OR CHILDREN AT HOME

1. Maintenance need for spouse and/or children at home (other than excluded children)		$
2. Total countable income of spouse and/or nonexcluded children	$	
3. Total allocations/deductions of spouse and/or nonexcluded children	$	
4. Total net nonexempt income of spouse and/or nonexcluded children (line 2 minus line 3)		$
5. Unmet needs of spouse and/or nonexcluded children (line 1 minus line 5)		$
6. Total countable income of person in LTC or board and care	$	
7. Health insurance for person in LTC or board and care	$	
8. Total net nonexempt income of person in LTC or board and care (line 6 minus line 7)		$
9.	$	
10. Maintenance need for person in LTC or board and care	$	
11. Total amount needed for maintenance (add lines 9 and 10)		$
12. Amount available for allocation to spouse and/or children (line 8 minus line 11)		$
13. Allocation to spouse and/or children (line 5 or line 12, whichever is less)		$

A   For share of cost determination of the ABD person or the spouse of the ABD person, enter above amount on MC 176 M, Column III, line 3
B   For share of cost determination of spouse and/or children at home, enter above amount on MC 176 M, column II, line 4

Worker Number	Date of Computation

IV. AFDC MN/MI EARNED INCOME

	a.		b.		c.	
1. Name						
2. Gross earnings	////	$	////	$	////	$
3. Work expenses	$	////	$	////	$	////
4. Net earnings (line 2 minus line 3)		$	////	$	////	$
5. Enter $30 if applicable		$	////	$	////	$
6. Subtotal (line 4 minus line 5)		$	////	$	////	$
7. Enter 1/3 of line 6 if applicable		$	////	$	////	$
8. Subtotal (line 6 minus line 7)		$	////	$	////	$
9. Dependent care	$	////	$	////	$	////
10. Countable earnings (line 8 minus line 9)	////	$	////	$	////	$
11. Total countable earnings of AFDC MN/MI persons (add lines 10a, b, and c)	$					

Enter this amount in line 6, column II on the MC 176 M or MC 176 M- LTC, column II, line 8

V. A. ESTABLISHMENT OF THE STEPPARENT UNIT

1. Maintenance for: Stepparent Parent Stepparent's children # _____ Mutual children # _____		$
2. Stepparent's gross earned income	$	////
3. Mandatory deductions (actual)	$	////
4. Net earned income (line 2 minus line 3)	$	////
5. Stepparent's gross unearned income	$	////
6. Stepparent's total income (line 4 plus line 5)	$	////
7. Court ordered child support	$	////
8. Stepparent's net income (line 6 minus line 7)	////	$

Is line 1 greater than line 8? If NO, complete Part B. ☐ Yes ☐ No

B. STEPPARENT COMPUTATION

1. Stepparent's gross earned income	$
2. Work expenses ($90)	$
3. Net earned income (line 1 minus line 2)	$
4. Stepparent's gross unearned income	$
5. Stepparent's total income (line 3 plus line 4)	$
6. Contributions to tax dependents	$ ////
7. Child support/alimony	$ ////
8. Stepparent's deductions (line 6 plus line 7)	$
9. Stepparent's total net income (line 5 minus line 8)	$
10. Maintenance need for stepparent unit: Stepparent Stepparent's children # _____ Mutual children # _____	$
1. Stepparent's income deemed available (line 9 minus line 10). If less than $\emptyset$, enter $\emptyset$	$

Enter amount in line 11, on MC 176 M or MC 176 M—LTC in column I or II, line 3 or 4 as "from stepparent."

MC 176 W (10/89

VI. ABD INCOME DEDUCTIONS (for use with MC 176 M only)

A. NONEXEMPT UNEARNED INCOME

	a. ABD—MN	b. Spouse or Parent
1. Social Security	$	$
2. Net income from property		
3. Other — itemize	$	$
4.	$	$
5. Total (add lines 1 through 4)	$	$
6. Deductions	$	$
7. Remainder (line 5 minus line 6)	$	$
8. Combined unearned income (add lines 7a and 7b)	$	

Enter amount in line 8 on MC 176 M, column I, line 6.

B. NONEXEMPT EARNED INCOME

	a. ABD—MN	b. Spouse or Parent
1. Gross earned income	$	$
2. Deductions	$	$
3. Remainder (line 1 minus line 2)	$	$
4. Combined earned income (add lines 3a and 3b)	$	

Enter amount in line 4 on MC 176 M, column I, line 10.

Specify type of deduction(s) shown in B—2:

Eligibility Worker Signature And Date	Worker Number

TITLE 22, CALIFORNIA CODE OF REGULATIONS (CCR) IS REVISED AS FOLLOWS:

Section 50543.5. Earned Income Tax Credit - AFDC-MN and MI Persons. (a) The actual Earned Income Tax Credit (EITC) payment received by an AFDC-MN or MI person shall be exempt as·income whether received as a tax refund or an advance payment.

NOTE: Authority Cited: Sections 10725 and 14125.5, Welfare and Institutions

Code

Reference: Section 14005.7, Welfare and Institutions Code.

Section 50553. Deductions from Earned Income -- AFDC-MN, MI or Ineligible Members of the MFBU. (a) The deductions specified in Sections 50553.1 through 50553.3 50553.5 shall be subtracted in sequence from the nonexempt gross earned income of each AFDC-MN or MI person or persons who who are ineligible members of the MFBU, except as specified in (b).

(b) An AFDC-MN or MI person, or an ineligible member of the MFBU who is included in the same MFBU as the person's aged, blind or disabled spouse or child shall not receive the deductions specified in Sections 50553.1 through 50553.3 50553.5.

NOTE: Authority Cited: Sections 10725 and 14124.5, Welfare and Institutions

Code.

Reference: Section 14005.7, Welfare and Institutions Code.

Section 50553.1 Deductions for Work Expenses. (a) Seventy-five Ninety dollars for mandatory deductions and work related expenses shall be deducted from the earned income of each AFDC-MN or MI person.

(b) The provisions of this regulation also apply to eligibility determinations or redeterminations made retroactively to October 1, 1984. 1989.

NOTE: Authority Cited: Sections 10725 and 14124.5, Welfare and Institutions Code.

Reference: Section 14005.7, Welfare and Institutions Code.

Section 50553.2. 50553.5. Deduction for Dependent Care. (a) The amount as determined in accordance with (b) shall be deducted from the remaining earned income of an AFDC-MN or MI person when both of the following conditions are met:

(1) The person has reasonable and necessary costs of obtaining child care for a child in the MFBU or care for an incapacitated person in the MFBU.

(2) The county department determines that adequate dependent care cannot be provided by another member of the MFBU.

(b) The amount deducted in accordance with (a) shall be the actual amount paid as limited by the following:

(1) A maximum of $160 $200 per child or incapacitated person if the person with earnings meets both of the following conditions: under 2 years of age.

(2) A maximum of $159 $175 per child or incapacitated person in all other instances. 2 years of age or older.

(A) Is employed at least 100 in a month.

(B) Is self employed or an employee for at least 13 days in the month. 2 years of age or older.

(3) A maximum of $175 per incapacitated person.

(c) This deduction shall also apply when the care is provided by a member of the MFBU, other than a spouse or parent, who terminated employment specifically to provide the necessary care.

(d) The provisions of this regulation also apply to eligibility determinations or redeterminations made retroactively to October 1, 1989.

NOTE: Authority Cited: Sections 10725 and 14124.5, Welfare and Institutions Code.

Reference: Section 14005.7, Welfare and Institutions Code.

Section 50554.5 Child/Spousal Support Received by AFDC-MN and MI Family Members. (a) Fifty dollars per month shall be deducted from the total of all child/spousal support received by AFDC-MN and MI family members, whether provided voluntarily or by court order, when received and due in the current month.

(b) The provisions of this regulations also apply to eligibility determination or redeterminations made retroactively to October 1, 1984.

(b) Fifty dollars for each month shall be deducted from child support received by AFDC-MN and MI family members for past months if both of the following conditions are met:

(1) The payments for past months are received by the family member in the current month.

(2) The payments were made by the absent parent in the month the payment was due as defined in (c).

(c) Past months child support payments considered to meet the conditions described in (b) (2) shall be limited solely to cases where the absent parent makes payment as described and required in the court order, agreement with the district attorney or voluntary payment schedule and one of the following conditions is met:

(1) The agreement or court order specifies a payment schedule which requires annual, semi-annual, quarterly or other multiple month payments for reasons other than payment of past due amounts.

(2) Payment is made but not received due to administrative processing problems beyond the control of both the absent parent and the AFDC-MN or MI family member. Such circumstances include, but are not limited to the following:

(A) Payment is made timely to the district attorney or court and not passed on to the AFDC-MN or MI person until a subsequent month.

(B) Payment for each month is made through payroll deduction or garnishment of wages and is not forwarded to the AFDC-MN or MI person until a subsequent month.

(d) The provisions of this regulation also apply to eligibility determinations or redeterminations made retroactively to October 1, 1989.

NOTE: Authority Cited: Sections 10725 and 14124.5, Welfare and Institutions Code.

Reference: Section 14005.7, Welfare and Institutions Code.