TABLE OF CONTENTS

NON-SSI INCOME EXCLUSIONS – INTRODUCTION **1**

1. EXCLUSION FACTS **1**

2. APPLICATION OF EXCLUSIONS **1**

2.1. EXCLUSIONS THAT APPLY TO UNEARNED INCOME 2
2.2. EXCLUSIONS THAT APPLY TO EARNED INCOME 2
2.3. EXCLUSIONS THAT APPLY TO COMBINED INCOME (GENERAL EXCLUSIONS) 2
2.4. APPLICATION OF INCOME EXCLUSIONS 2

3. $20 PER MONTH GENERAL INCOME EXCLUSION **5**

3.1. INCOME BASED ON NEED 5
3.2. COUPLE'S EXCLUSION 6

4. $65 PLUS ONE-HALF OF REMAINDER EXCLUSION **6**

4.1. COUPLE'S EXCLUSION 6

5. CHILD AT HOME EXCLUSION **6**

5.1. EXCLUSION 7
5.2. VERIFICATION 7

6. COMMUNITY EXPENSES EXCLUSION **7**

6.1. VERIFICATION 7

7. EXPENSES OF OBTAINING UNEARNED INCOME **8**

7.1. EXCLUSION 8
7.2. DEDUCTING ALLOWABLE EXPENSES 8
7.3. VERIFICATION 9

8. GUARDIANSHIP FEE EXCLUSION **9**

8.1. EXCLUSION AMOUNT 9
8.1.1. Fee Based On Percentage *9*
8.2. VERIFICATION 11
8.2.1. Verification Not Provided *11*

9. INFREQUENT OR IRREGULAR INCOME EXCLUSION (I&I) **12**

9.1. EXCLUSIONS 12
9.1.1. Earned Income Exclusion *12*
9.1.2. Unearned Income Exclusion *12*
9.1.3. Couple's Exclusion *12*
9.2. SINGLE SOURCE OF INCOME 13
9.3. IDENTIFYING INFREQUENT OR IRREGULAR INCOME 13

10. SPOUSE AT HOME EXCLUSION **15**

10.1. EXCLUSION 15
10.2. VERIFICATION 15

11. BLIND WORK EXPENSES (BWE) EXCLUSION **16**

11.1. EXCLUSION 16
11.1.1. Deductible Items *16*
11.1.2. Nondeductible Items *17*
11.2. VERIFICATION 17

TABLE OF CONTENTS

11.2.1. Allegation of BWE 17
11.2.2. Verifying Cost Of BWE 18

12. IMPAIRMENT-RELATED WORK EXPENSES (IRWE) EXCLUSION 18

12.1. ELIGIBILITY REQUIREMENTS 18
12.2. EXCLUSION 19
12.2.1. Exclusion Amount 19
12.2.2. More Than One Employer Involved 19
12.3. WORK EXPENSES OF A COUPLE 20
12.4. ALLOCATION OF WORK EXPENSES 20
12.4.1. Expenses Paid While Working 20
12.4.2. Expense Paid After Work Stops 22
12.5. VERIFICATION 22
12.5.1. Allegation of IRWE 22
12.5.2. Verification And Documentation Of Impairment 23
12.5.3. Verify The Need For An Item Or Service 23
12.5.4. Verifying Cost Of An Item Or Service 24

13. LIST OF TYPE AND AMOUNT OF DEDUCTIBLE BWE AND IRWE EXPENSES 24

Non-SSI Income Exclusions – Introduction

An income exclusion is an amount of income which does not count in determining eligibility and the AG payment amount. Exclusions are deducted from gross income to determine the amount of countable income that is to be used in determining the individual's AG payment.

There are two types of exclusions; exclusions that apply only to specific types of income and general exclusions that can be applied to any source of income. Exclusions that are specific to a type of income are addressed in Chapter I – Income Sources within the section that addresses that type of income. The general exclusions are addressed in this chapter.

Sections 1 and 2 of this chapter address general information and sections 3 through 13 address the general income exclusions. The $20 General Income Exclusion and the $65 and ½ Earned Income Exclusion are listed first and the others follow in alphabetical order.

Note: This chapter DOES NOT apply when evaluating an SSI recipient's income eligibility or payment. See Chapter D.

1. Exclusion Facts

Income eligibility and the AG payment amount are determined monthly. Therefore, all income exclusions are applied to the monthly income.

- The application of exclusions never reduces income below zero.
- Except for the $20 general exclusion, any unused earned income exclusion is never applied to unearned income.
- Any unused portion of a monthly exclusion cannot be carried over for use in subsequent months.

2. Application of Exclusions

There are nine general income exclusions. Some apply only to unearned income, others apply to earned income, and others apply to the total of the two income types. Guidelines specify which ones apply to which and in what order they must be applied. The basic procedure is

- Determine countable unearned income and deduct the unearned income disregards.
- Determine countable earned income and deduct the earned income disregards.

- Determine the total income.
- Deduct the exclusions that apply to the combined countable income.
- The result is the total countable income, the amount that will be used in determining the AG payment amount.

2.1. Exclusions That Apply To Unearned Income

There are three types of general exclusions that apply to unearned income;

- The $20 General Exclusion,
- The exclusion of Expenses To Obtain Unearned Income, and
- The exclusion of Infrequent or Irregular Income.

2.2. Exclusions That Apply To Earned Income

- $20 General Income Exclusion, if not used on unearned income.
- Infrequent Or Irregular Income Exclusion,
- $65 and ½ of Earned Income Exclusion,
- Blind Individuals (BWE) Work Expenses Exclusion,
- Impairment-Related Work Expenses (IRWE) Exclusion.

2.3. Exclusions That Apply To Combined Income (General Exclusions)

- Community Expenses Exclusion
- Spouse and Child Or Child At Home
- Spouse At Home
- Guardianship Fee Exclusion

2.4. Application Of Income Exclusions

Income exclusions must be applied in the order outlined in the following chart.

Steps	Application Order of Income Exclusions ACTIONS
Step 1	**Does the individual have unearned income?** **Yes** – Go to Step 2 **No** – Go to Step 8
	The Unearned Income Exclusions Must be Applied In The Following Order
Step 2	Exclude unearned income items that are defined as **Not Income**. These are identified in the section that addresses the specific income.
Step 3	Apply the exclusions that are specific to each income type. These are identified in the section that addresses the specific income. (Example – Exclude the portion of educational grants that are used for educational expenses.)
Step 4	Apply the **Infrequent Or Irregular Exclusion.** (A max of $60 of unearned income may be excluded in a quarter) Do not apply the infrequent or irregular exclusion to an amount remaining after another exclusion has been applied to a particular type of income (e.g., the remaining amount of educational grants after the educational expenses have been excluded).
Step 5	Deduct the **Expenses Of Obtaining Unearned Income** from the related income
Step 6	Total the unearned income.
Step 7	Deduct the **$20 General Income Exclusion**.

Step 8	The result is the **countable unearned income**. Does the individual have earned income? **Yes** – Go to Step 9 **No** – Go to Step 19
	The Earned Income Exclusions Must be Applied In The Following Order
Step 9	Apply the exclusions that are specific to the type of income being received. These exclusions are in the section that addresses each income type.
Step 10	Apply the **Infrequent Or Irregular Exclusion**. (A max of $30 earned income may be excluded in a quarter)
Step 11	Total the earned income.
Step 12	Deduct any portion of the **$20 Monthly General Income Exclusion** which was not used to exclude unearned income in the same month
Step 13	Deduct **$65 of Earned Income** in a month
Step 14	Deduct the **Impairment-Related Work Expenses (IRWE) Of Disabled Individuals**
Step 15	Deduct **One-half** of remaining earned income in a month
Step 16	Deduct the **Blind Individuals (BWE) Work Expenses**
Step 17	The result is the **total earned income.**
Step 18	Total the countable earned and unearned income.

	The Combined Income Exclusions Must be Applied In The Following Order
Step 19	Deduct the **Community Expenses Exclusion**
Step 20	Does the individual have a spouse and a minor child or a minor child at home? **Yes -** Deduct the **Spouse and Child/Child At Home Exclusion.** Go to Step 22. **No** – If the individual has a spouse but no child at home go to Step 21. If the individual does not have either a spouse or child at home, go to Step 22.
Step 21	Deduct the **Spouse At Home Exclusion**
Step 22	Deduct the **Guardianship Fee Exclusion**
Step 23	**The result is the total countable income to be used in determining the AG payment.**

3. $20 Per Month General Income Exclusion

Applicable To Unearned and Earned Income

The first $20 per month of income, other than income based on need (IBON), is excluded. The $20 General Income Exclusion is first applied to any unearned income the individual has. If the individual's unearned income is less than $20, the remainder of the exclusion may be applied to the individual's earned income. Example – TANF.

3.1. Income Based on Need

Income based on need is a benefit that uses financial need as measured by income as a factor to determine eligibility. The $20 exclusion does **not** apply to a benefit based on need that is totally or partially funded by the Federal Government or by a nongovernmental agency.

3.2. Couple's Exclusion

When both the individual and **spouse are in the same assistance unit**, the dollar amount of the exclusion does not increase even if both the individual and spouse have unearned income. An eligible couple receives only one $20 exclusion per month.

4. $65 Plus One-Half Of Remainder Exclusion

Applicable To Earned Income

$65 per month of earned income plus one-half of the remaining earned income in the month is excluded.

Example

Mrs. Kowalski receives $100 a month in earned income. $100 - $65 = $35 X 50% = $17.50 countable earned income (without the application of other exclusions)

Note: If an individual has Impairment-Related Work Expenses (IRWE), the $65 and ½ exclusion is applied in two separate steps. The $65 portion is deducted before the deduction of the IRWE and the ½ after the IRWE deduction.

4.1. Couple's Exclusion

The $65 earned income exclusions are applied only once to a couple, even when both members have income, since the couple's earned income is combined in determining AG payments.

5. Child At Home Exclusion

Applicable To the Combined Total of Earned and Unearned Income

If the applicant/recipient has a spouse and minor children or just minor children at home who have applied and are ineligible for TANF for a reason other than resources, a portion of the applicant's/ recipient's non-exempted income will be excluded to provide for the spouse and child at home.

5.1. Exclusion

To determine the amount of the exclusion, total the income of the spouse and children and subtract it from the appropriate Medicaid Medically Needy level. The resulting amount will be deducted from the AG individual's net countable income, the amount remaining after all other exclusions, other than guardian fees, have been applied.

Medicaid Medically Needy level link –

http://localagency.dss.virginia.gov/divisions/bp/files/me/manual/Manual/s08.pdf

5.2. Verification

Verify the spouse and children's income by documents in their possession. Verify the spouse and children's ineligibility for TANF through the ADAPT system. It is not necessary to determine if the money is actually given to the spouse/child.

6. Community Expenses Exclusion

Applicable To the Combined Total of Earned and Unearned Income

When an individual enters an ALF or AFCH and applies for AG in the same month, any income used to pay for expenses incurred prior to entering the ALF/AFCH is excluded from income for the month of entry only. To be excluded, the expenses must be for things not related to the ALF or AFCH.

If an expense has been incurred but not paid, assume that the individual will pay the expense unless you have reason to question the situation.

Note: The month of entrance into the ALF or AFCH could be the month the home is licensed or approved if the individual was living there prior to the licensure/approval.

6.1. Verification

Use bills, receipts, contact with the provider, etc., to verify all community expenses. If none of these are available, the individual's written statement will be accepted.

7. Expenses of Obtaining Unearned Income

Applicable To Unearned Income

An **expense** of obtaining unearned income is one that is an essential factor in obtaining a particular payment(s).

7.1. Exclusion

Unearned income does not include that part of a payment which is for an essential expense incurred in getting the payment. The expenses are deducted from the specific income for which they were incurred. They cannot be used to reduce other countable income.

Examples:

- From a payment received for damages in connection with an accident, subtract **legal, medical, and other expenses** connected with the accident.
- From a retroactive check from a benefit program other than AG, subtract legal fees connected with that claim.

7.2. Deducting Allowable Expenses

Deduct any expenses which have been verified as essential from the first and any subsequent amount(s) of related income. Deduct even those verified expenses which the recipient has **previously** paid (e.g., a partial payment to an attorney made from the individual's savings account) as long as the expenses are essential.

Note: The remainder is unearned income subject to the general rules pertaining to income and income exclusions.

Examples

Document Fees - A fee to acquire documentation to establish that an individual has a right to certain income (e.g., a fee for a birth certificate or medical examination) is an essential expense**.**

Guardianship Fees - A guardianship fee is an essential expense only if the presence of a guardian is a requirement for receiving the income.

Note: Guardianship fees are **never** an essential expense for obtaining Title II or Title XVI benefits because the appointment of a legal guardian is never an SSA requirement.

7.3. Verification

Use bills, receipts, contact with the provider, etc., to verify all essential expenses.

If an expense has been incurred but not paid, assume that the individual will pay the expense unless you have reason to question the situation.

8. Guardianship Fee Exclusion

When the individual has a guardian or conservator, the fee paid to the guardian or conservator to manage the individual's income may be excluded from the individual's net countable income if the court order stated a fee would be paid.

The court order establishing the guardianship will specify what sources of income will be managed and the fee to be paid for managing those sources of income.

8.1. Exclusion Amount

The amount of the exclusion will equal the amount designated by the court order. The court order may state an exact amount or state the fee will be a percentage of the managed funds. The exclusion amount cannot exceed the amount designated by the court nor include fees for managing income that is not included in the court order.

8.1.1. Fee Based On Percentage

If the court order states the fee will be a percentage of the managed funds, the worker will be responsible for computing the exclusion amount. The exclusion computation method to be used is determined by whether or not the AG payments are included in the managed funds.

8.1.1.1. Managed Funds Do Not Include AG Payment

If the guardian/conservator will not manage the individual's AG, use the following procedure to determine the exclusion amount.

STEPS	ACTIONS
Step 1	Determine the gross amount of the individual's income that is managed by the guardian/conservator. Note: Do not include any income that is not addressed in the court order. The result will be considered the amount of income the guardian/conservator is managing.
Step 2	Multiply the total managed income by the percentage specified in the court order. The result will be the total guardianship fee.
Step 3	Compute the individual's AG payment. Subtract all appropriate exclusions including the Guardianship Fee Exclusion from non-exempt income to obtain net countable income. See Chapter J for Grant Computation and issuance.

8.1.1.2. Managed Funds Will Include AG Payment

If the guardian/conservator will manage the individual's AG as well as other income, the guardianship fee must be computed using the following procedure.

STEPS	ACTIONS
Step 1	Determine the AG payment amount allowing all appropriate exclusions except the Guardianship Fee Exclusion. The result will be considered the amount of AG income the guardian/conservator is managing.
Step 2	Add the AG amount determined in Step 1 to the gross amount of all other managed income. The result will be the total amount of managed income.
Step 3	Multiply the total managed income as determined in Step 2 by the percentage specified in the court order. The result will be the total guardianship fee.
Step 4	Recompute the individual's AG payment. Subtract the guardianship fee from the net countable income. See Chapter J for Grant Computation and issuance.

8.2. Verification

Obtain a signed and dated statement from the guardian/conservator and a copy of the court order. The guardian's/conservator's statement must include the monthly amount and source of funds managed for the applicant/recipient and whether or not the guardian/conservator will manage the AG payment.

8.2.1. Verification Not Provided

If the proper verification is not provided, the exclusion cannot be allowed.

9. Infrequent or Irregular Income Exclusion (I&I)

Applicable To Earned and Unearned Income

Definitions:

Infrequent Income Beginning September 8, 2006

Income is considered to be received infrequently if an individual receives it only once during a calendar quarter from a single source **and** the individual did not receive it in the month immediately preceding that month or in the month immediately subsequent to that month, regardless of whether or not these payments occur in different calendar quarters.

Infrequent Income Prior to September 8, 2006

Income is considered to be received infrequently if an individual receives it no more than once in a calendar quarter from a single source.

9.1. Exclusions

There are two exclusions. One is applicable to both earned income and the other is applicable to unearned income. Each is computed separately and each has a different exclusion amount. An individual may qualify for one or both of the exclusions. Each exclusion is applicable only once per quarter. Infrequent or regular income received in excess of the excluded amount is countable income.

9.1.1. Earned Income Exclusion

The first **$30 per calendar quarter** of irregular or infrequent (I&I) earned income is excluded. Total the value of all I&I earned income received and subtracts the exclusion amount from it.

9.1.2. Unearned Income Exclusion

The first **$60 per calendar quarter** of irregular or infrequent (I&I) unearned income is excluded. Total the value of all I&I unearned income received and subtract the exclusion amount from it.

9.1.3. Couple's Exclusion

When both the individual and **spouse are in the same assistance unit**, the dollar amount of the exclusion does not increase even if both the individual and spouse have infrequent or irregular income.

9.2. Single Source of Income

- A single source of **earned income** is an employer, a trade, or a business.
- A single source of unearned income is an individual, a household, an organization or an investment.
  - A household in which an individual lives is a single source even if the household composition changes due to a move by the individual or by other household members.
  - An organization is the Federal Government, a single State or local government, a business or corporation, a charitable agency, or a similar entity which provides an individual with income.
  - An investment is a single financial account, life insurance policy, rental property, or any other resource providing a return to its owner. Two separate accounts, even if with a single financial institution, are two different investments.

9.3. Identifying Infrequent Or Irregular Income

Each payment received must be evaluated separately to determine if it is considered infrequent or irregular.

STEPS	Identifying Infrequent Or Irregular Income ACTIONS
Step 1	**Have any other payments been received within the same quarter from the same source and if relevant, the same investment account**? **Yes** – Go to Step 2 **No** – The payment is infrequent. The exclusion applies.

STEPS	Identifying Infrequent Or Irregular Income ACTIONS
Step 2	**Were the additional payments for the same purpose?** **Yes** – The payments are not infrequent. Go to Step 3 **No** – Each payment is infrequent. The exclusion applies.
Step 3	**Could the individual have reasonably expected to receive it?** **Yes** – The payments are not irregular. The exclusion does not apply. **No** – Each payment is irregular. The exclusion applies.

Examples:

Situation 1: In July, an individual's friend repays, with interest, money the individual had loaned him. In August, the same friend gives the individual a gift of some football tickets. The individual has received two different types of income — interest and a gift — from the same source. Evaluating each receipt separately, we see that each can qualify separately as infrequent. The first $60 of their combined value is excludable even if the total received exceeds $60. The remainder is countable unearned income.

Situation 2: The recipient receives a birthday gift of $15 cash and wins $25 playing the State lottery, both of which were received in the last month of a calendar quarter.

Analysis: Since the income received is no more than once a quarter, its receipt is infrequent. Since neither could be anticipated, both are also irregular. All the income may be excluded under the infrequent/irregular income provision.

Situation 3: An individual receives a royalty payment of $85 for artwork published, an unexpected birthday gift of $30 in cash from his daughter, and wins $15 playing Bingo. He receives a monthly SSA II check of $750.

Analysis: The $30 gift is irregular unearned income. The $15 Bingo winnings are irregular unearned income. The $45 of unearned income from these sources may be excluded. The SSA is paid monthly. Therefore, it is not excludable as infrequent or irregular. The royalty payment is infrequent earned income and the first $30, of the $85 received, is excludable. The remaining $55 of earned income will be counted using normal income counting rules unless the earned income can be excluded using other income exclusions.

10. Spouse At Home Exclusion

Applicable To the Combined Total of Earned and Unearned Income

If the applicant/recipient has a spouse at home who has applied and is ineligible for **SSI** because he or she is not aged, disabled, or blind, a portion of the applicant's/ recipient's non-exempted income will be excluded to provide for the spouse at home.

10.1. Exclusion

To determine the amount of the exclusion, total the income of the spouse and subtract it from the appropriate Medicaid Medically Needy level. The resulting amount will be deducted from the AG individual's net countable income, the amount remaining after all other exclusions, other than guardian fees, have been applied.

Note: If there is a spouse and children at home, the Child At Home Exclusion must be used instead of this one.

Medicaid Medically Needy level link –

http://localagency.dss.virginia.gov/divisions/bp/files/me/manual/Manual/s08.pdf

10.2. Verification

Verify the spouse's income and SSI ineligibility by documents in his/her possession.

11. Blind Work Expenses (BWE) Exclusion

Applicable To Earned Income

Blind Work Expenses are monies used by a blind person to meet any expenses reasonably attributable to earning income. BWE are deducted from earned income if the blind person:

- Is under age 65; or
- Is age 65 or older; and received AG payments due to blindness for the month before attaining age 65

11.1. Exclusion

The BWE exclusion applies only to earned income. BWE in excess of the earned income an individual receives during the month are never deducted from unearned income. The BWE exclusion is applied to earned income immediately after applying:

- Any portion of the general income exclusion which has not been deducted from unearned income; and
- All other earned income exclusions.

Note: This exclusion does not need to be pursued if the individual's gross earnings are less than $65.

11.1.1. Deductible Items

- Except as noted below, the cost of any work-related item paid by a blind person may be deducted as BWE, regardless of:
  - Any non-work benefit that may be derived from the item; **or**
  - The item's relationship to the person's blindness.
- A blind individual can claim the amount withheld for Federal, State, and local income taxes even though other factors may affect his or her tax liability (e.g., number of dependents, business loss, etc.).
- Examples of items which may be deductible as BWE are identified in the chart in Section 13 of this chapter.

11.1.2. Nondeductible Items

The following items cannot be deducted from earned income as BWE:

- In-kind payments
- Expenses deducted under other provisions
- Expenses which will be reimbursed
- Life maintenance expenses. Although not all inclusive, life maintenance items include the following:
  - Meals consumed outside of work hours;
  - Self-care items (including items of cosmetic rather than work-related nature);
  - General educational development;
  - Savings plans (e.g., individual retirement accounts (IRA's) or voluntary pensions);
  - Life and health insurance premiums.
- Items furnished by others that are needed in order to work (the value of such items is not income)

  Example: Mrs. Terry Peters, a blind individual, works as a typist. A community organization bought her a special typewriter that she needed to perform satisfactorily on the job. The value of the typewriter is not income to Mrs. Peters, nor is it deducted as a BWE since she did not pay for it.

11.2. Verification

11.2.1. Allegation of BWE

Assume that any working blind individual earning more than $65 a month has BWE. For example, most earnings are subject to income taxes which qualify as BWE.

When earnings are above $65 per month, obtain an allegation from the individual that either:

- Claims a BWE, specifying the type and amount of expense; or
- Explains why he/she has no BWE.

11.2.1.1. Requirement To Maintain Records

Inform the individual of the requirement to maintain records of work expenses and to produce such records when requested. Explain why they are needed.

11.2.2. Verifying Cost Of BWE

Document the file with photocopies of bills, receipts, etc., from the individual to corroborate the allegations.

Accept the individual's allegation of the expense amount when:

- Bills, receipts, etc., cannot be obtained (e.g., lack of receipts for food purchased for a dog guide, meals, transportation, etc.);**and**
- The allegation appears reasonable.

Note: A change in the amount of earnings of a blind worker implies a change in expenses since the amount of taxes deducted probably changed.

12. Impairment-Related Work Expenses (IRWE) Exclusion

Applicable To Earned Income

IRWE are expenses for items or services which are directly related to enabling a person with a disability (other than blindness) to work and which are necessarily incurred by that individual because of a physical or mental impairment. An expense may meet the criteria for an IRWE even if it also is used for daily activities other than work.

12.1. Eligibility Requirements

A payment for a service or item is excludable as IRWE when:

- The individual is disabled (but not blind); **and** is under age 65; **or** received AG as a disabled individual for the month before attaining age 65; **and**

- the severity of the impairment requires the individual to purchase or rent items and services in order to work; **and**

- The expense is reasonable; **and**

- The cost is paid in cash (including checks or other forms of money such as money orders, credit and/or charge cards) **by the individual** and is not reimbursable from another source (e.g., Medicare, private insurance); **and**

- The payment is made in a month the individual receives earned income for a month in which he/she **both** worked **and** received the services or used the item; **or**

- The individual is working but makes a payment before the earned income is received.

12.2. Exclusion

The IRWE exclusion only applies to earned income. IRWE in excess of the earned income an individual receives during the month are never deducted from unearned income.

The IRWE exclusion is applied to earned income in the sequence below:

- Immediately after deducting any portion of the general income exclusion which has not been deducted from unearned income; and

- After the $65 earned income exclusion; and

- Immediately **before** deducting one-half of the remaining earned income.

12.2.1. Exclusion Amount

Deduct the actual amount paid for IRWE unless the amount is unreasonable. The amount is within reasonable limits if it is no more than the prevailing charge for the same item or service. Prevailing charges are those which fall within the range of charges that are most frequently and widely used in a community for a particular item or service. The top of this range establishes the standard or normal cost that can be accepted as within reasonable limits for a given item or service.

12.2.2. More Than One Employer Involved

Add total earnings from all employers. Deduct combined work expenses from this total.

Note: There is no need to relate a specific expense to a particular source of earnings.

12.3. Work Expenses of a Couple

If both members of a couple are eligible and both work, deduct from the couple's earned income each individual's work expenses to the extent that they do not exceed that individual's earnings. Do not deduct excess work expenses of one member of the couple from the earned income of his or her spouse.

12.4. Allocation of Work Expenses

Generally, IRWE is deducted in the month paid. However, in certain circumstances, as discussed below, the individual is given a choice as to when the expenses will be deducted. Document the file to support the allocation of work expenses.

12.4.1. Expenses Paid While Working

12.4.1.1. Expenses Paid Prior to Receipt of Income

Begin deducting the amount paid in the first month income is received. Continue the deductions in subsequent months until the full amount of the expenses has been deducted.

12.4.1.2. Monthly Recurring Expenses

- **No down payment involved**

  Deduct the amount of a monthly recurring work expense in the month in which the expense is paid.

- **Down payment involved**

  - Have the individual decide whether the down payment is to be deducted in the month paid; **or** prorated over a consecutive 12-month period.

    - If the full down payment is to be deducted in the month paid, deduct it when paid.

    - If the down payment is being prorated, deduct 1/12 of it each month for 12 months beginning with the month in which it was paid.

12.4.1.3. Less Frequently Than Monthly

Have the individual decide whether the work expense is to be deducted in the month paid or prorated for the months in the billing period.

12.4.1.4. Daily/Weekly/Biweekly

- Use the submitted receipts, bills, etc., in conjunction with any allegation obtained to determine the number of days the expense is paid each month; **and** whether the expense fluctuates or remains the same.

- If the expense remains the same, multiply the amount of the expense by the number of days the expense is paid each month.

- If the expense fluctuates, add the individual amounts paid in each month.

Note: If the computation is being based on the individual's allegation, assume that the expense remains the same.

12.4.1.5. Expense Is One-Time Payment

Have the individual decide whether the work expense is to be:

- Deducted entirely in the month of payment; or

- Prorated over a consecutive 12-month period beginning with the month of payment.

12.4.1.6. Self-Employment

Deduct the work expenses related to a self-employment activity for an individual who is disabled and self-employed, provided the expenses were not used to compute the net earnings from self-employment (NESE). If it is to the person's advantage, prorate the work expenses over **all** the months of the tax year.

12.4.1.7. Documenting Allocation Decision

Obtain a signed statement to document the individual's decision regarding the allocation of expenses to one month or a 12-month period **only if** it would not be discernable from the file that the method of allocation is advantageous to the individual.

12.4.2. Expense Paid After Work Stops

12.4.2.1. Before Earned Income Stops

Deduct a work expense that is paid in a month after work has stopped from earned income received in a month after work has stopped only when:

- The income is based on work activity (e.g., not income received as a silent partner in a business); and
- The work activity was performed in a period when the individual required the item or service.

12.4.2.2. After Earned Income Stops

Deduct the work expense from the earned income received in the last month of work when:

- The work expense is paid in a month after the individual last worked and received earned income; and
- The payment was for an item or service used while working.

12.5. Verification

12.5.1. Allegation of IRWE

When a disabled individual's earned income exceeds $65 in any month, ask if he/she has IRWE. Record the individual's response by a statement describing the IRWE claimed or that no IRWE is alleged.

12.5.2. Verification And Documentation Of Impairment

Ask the person with a disability to explain for which impairment(s) the reported item or service is needed. For example, if the person alleges two impairments, and reports the use of two medical devices, four drugs, and a physician's treatment on a regular basis, record the person's understanding of which impairment is treated by each of the alleged items and services. Verify that the alleged impairment agrees with either:

- The DDS established medical basis of disability, and/or
- A disability supported by other medical records.

The medical records must establish the existence of an impairment that is being treated by a physician or other health care provider.

12.5.3. Verify The Need For An Item Or Service

- Accept an allegation, as **verification of need**, that a prescription drug is used to control the disabling condition, enabling the individual to function at work, when:
  - There is a paid bill for the drug; and
  - The information on the container indicates that:
  - A physician and a licensed pharmacist were involved in providing the drug; and
  - The drug is for the individual.
- Verify the need for other items or services by a statement from the individual’s physician or other authoritative source, that includes the following information:
  - The impairment(s) for which the person is being treated;
  - The item or service is necessary for the person to have the physical and/or mental capacity to perform the job duties as described, or to travel to and from work (describe job duties).

12.5.4. Verifying Cost Of An Item Or Service

- Accept the individual's allegation as to the recurring use and cost of an IRWE when:
  - At least one available receipt documenting the cost is submitted;
  - Additional receipts are unavailable for the recurring expense (e.g., hearing aid batteries, incontinence pads, etc.); and
  - The allegation of use is consistent with the nature of the expense (e.g., the individual states that he has only a couple of receipts for the box of 60 incontinence pads he buys every month as his condition requires him to use two pads a day).
- Document the file with photocopies of bills, receipts, etc., from the individual to verify other expenses.

  Accept the individual's allegation of the expense amount when:
  - Bills, receipts, etc., cannot be obtained (e.g., lack of receipts for food purchased for a dog guide, meals, transportation, etc.); **and**
  - The allegation appears reasonable.

13. List of Type and Amount of Deductible BWE and IRWE Expenses

The following chart provides guidance on types of expenses that are deductible as BWE, IRWE, or both, and the amount deductible. The chart is not intended to be all-inclusive. Refer to the manual to determine whether an expense, which is not listed, can be deducted as a work expense.

TYPE OF EXPENSE	DEDUCTIBLE AS		AMOUNT DEDUCTIBLE
	BWE	**IRWE**	
Attendant care services which are rendered in the: • home (with certain limitations as described below); • process of assisting an individual in making the trip to and from work; or • Work setting. This is applicable only to those services which can be shown to be needed to enable the person with a disability to work. Attendant care services can include services provided to help a person with a disability in performing the functions of his or her job, such as a reader or a job coach.	X	X	The amount paid.
Drugs and medical services which are essential to enable the individual to work (e.g., medication to control epileptic seizures)	X	X	The amount paid.

Expendable medical supplies **Examples:** • Bandages • Catheters • Face masks • Incontinence pads	X	X	The amount paid.
Federal, State and local income taxes and Social Security taxes	X		The amount withheld. Assume the amount withheld reflects the individual's tax liability.
Dog Guide	X	X	The cost of purchasing the dog and all associated expenses (e.g., its food, breast straps, licenses, veterinary services, etc.).
Fees **Examples:** • Licenses • Professional association dues • Union dues	X		The amount paid
Mandatory contributions **Examples:** • Pensions	X		The actual amount of the mandatory contribution.

• Disability			For example, mandatory pension contributions are considered reasonably attributable to earning income and, therefore, deductible. Voluntary pension contributions are considered savings plans and, as such, are life maintenance expenses and not deductible.
Meals consumed during work hours	X		The actual value of the meals whether bought during work hours or brought from home.
Medical devices **Examples:** • Braces • Inhalers • Pacemaker • Respirator • Wheelchair	X	X	The cost of the items plus maintenance and repair of such items whether the individual works at home or at the employer's place of business.
Non-medical equipment/services **Examples:** • Air cleaners • Air conditioners • Child care costs	X	X*	The cost of the item plus maintenance and repair of such item whether the individual works at home or at the employer's place of business.

• Humidifiers • Portable room heaters • Posture chairs • Safety shoes • Tools used on the job • Uniforms			*To be deductible as an IRWE, the item or service must be impairment-related.
Other work-related equipment/services **Examples:** • Job coaching fees • One-handed typewriters • Special tools designed to accommodate an individual's impairment • Telecommunications devices for the deaf • Translation of materials into Braille • Typing aids (e.g. page turning devices) • Vision and sensory aids for the blind	X	X	The cost of the item plus maintenance and repair of such item whether the individual works at home or at the employer's place of business.

Physical therapy	X	X	The amount paid.
Prosthesis	X	X	The cost of the item plus maintenance and repair of such item.
Structural modifications to the individual's home to create a work space or to allow the individual to get to and from work.	X	X	The cost of the modifications.
Training to use an impairment-related item or an item which is reasonably attributable to work **Examples** • Braille • Cane travel • Computer program course for a computer operator • Grammar • Stenotype instruction for a typist • Use of one-handed typewriter • Use of special equipment	X	X	The cost of the training plus travel expenses to and from the training facility. Compute travel expenses to and from the training facility in the same manner as transportation to and from work (shown below in this chart).

<table>
<tr><td>

- Use of vision and sensory aids for the blind

NOTE: Training does not include general education courses.

</td><td></td><td></td><td></td></tr>
<tr><td>Transportation to and from work</td><td>X</td><td>X</td><td>

BWE

In own vehicle:

The standard mileage rate permitted by IRS for non-governmental business use.

<table>
<tr><td>IRS STANDARD MILEAGE RATE for Business</td></tr>
<tr><td><u>Year - Cents Per Mile</u></td></tr>
<tr><td>2014-56.0
2015-57.5
2016-54.0</td></tr>
</table>

For other than in own vehicle: The actual cost of the bus, car pool, or cab fare.

</td></tr>
</table>

IRWE

Unmodified Vehicle

If a person's impairment(s) prevents him or her from taking available public transportation and he or she must drive an unmodified vehicle to and from work, deduct a mileage allowance.

IRS STANDARD MILEAGE RATE for Business
Year - Cents Per Mile
2014-56.0 2015-57.5 2016-54.0

No separate amount can be deducted for maintenance and repair of the automobile or van. A physician, Vocational Rehabilitation counselor, or other medical provider must verify the person's inability to use available public transportation.

Other Transportation

			Situations If a person's impairment(s) prevents him or her from taking available public transportation and he or she must use driver assistance, taxis, or other hired vehicles to work, deduct amounts paid to the driver as IRWE
Vehicle modification	X	X	A person with a disability may have deductible transportation costs if his or her impairment(s) requires structural or operational modifications to a vehicle in order to drive or be driven to work. The modification must be critical to the operation or use of the vehicle, and must be directly related to the person's impairment(s). The cost of the modification, but not the cost of the vehicle, may be deducted as an IRWE. The maintenance and repair costs for the **impairment-related modification** may also be deducted as an IRWE, **but not the cost for maintenance and repair** of the automobile or van. A mileage allowance for the

			trip to and from work is also deductible. IRS STANDARD MILEAGE RATE for Business Year - Cents Per Mile 2014-56.0 2015-57.5 2016-54.0