



I. PURPOSE

We are informing local districts of the recent amendments to Department Regulations increasing and re-aligning the order of public assistance earned income disregards and disregarding as income the Federal Earned Income Tax Credit (EITC) received as either a refund or advance payment.

II. BACKGROUND

In order to comply with the required implementation of the Family Support Act of 1988, amendments to Department Regulations were necessary. These amendments change the amounts and order of the public assistance earned income disregards and also provide for the disregard of federal earned income tax credits. Chapter 734 of the Laws of 1989 extended these changes to the HR program.

III. PROGRAM IMPLICATIONS

The increase and change in order of the public assistance earned income disregards and the exemption of EITC as income for public assistance purposes will provide the recipient with increased disposable earned income and a slightly higher public assistance grant. These provisions will also provide additional incentives for some recipients to remain or become employed. The changes to the income disregard will result in a similar increase in the maximum amount available for Transitional Child Care. Transitional Child Care is for families who have recently become ineligible for PA due to earned income and are using unregulated care. The additional amount available for Transitional Child Care will provide better access to child care slots that are currently inaccessible due to their cost.

The changes in provisions are as follows:

- A. Increase of the \$75 monthly earned income disregard to \$90.
- B. Increase of the \$160 monthly dependent child incapacitated adult care disregard to \$175, or \$200 when the dependent child is under age 2.
- C. Change of sequential order of the earned income disregard to:
  - 1. prescribed work expense disregard (i.e., \$90)
  - 2. applicable amount of exempt earned income (i.e., \$30 & 1/3 or \$30)
  - 3. prescribed child care expenses.
- D. Disregard of the Federal Earned Income Tax Credit (EITC) whether received as a refund or as an advance payment.
- E. Payments for Transitional Child Care are increased to a maximum of \$175 or \$200 when the dependent child is under age 2.

IV. REQUIRED ACTION

A. Public Assistance

Effective October 1, 1989, all applicant/recipient PA cases must be budgeted in conformance with the changes to the earned income disregards as detailed above. Local districts should open effective October 1, 1989 any otherwise eligible applications received in September that are ineligible under current regulations but which will be eligible under the revised earned income disregards. All undercare cases must be re-budgeted with an October 1, 1989 effective date. All necessary actions must be completed by first client contact or first recertification after October 1, 1989, whichever is sooner. Local districts are reminded that a Notice of Change should be sent to inform the household of the Public Assistance increase.

B. Food Stamps

Food Stamp budgets must be recalculated to reflect any increase to the Public Assistance grant. Because increases in Food Stamp standards also take effect on October 1, 1989, many households may not experience a decrease in food stamp benefits even though the Public Assistance grant increases. Notice of change must be given to the food stamp household to explain the effect of the Public Assistance change on the food stamp benefit. If the notice informs of a food stamp benefit decrease, timely (10 day) notice must be given. If there is not sufficient time to provide timely notice of reduction before the month in which the Public Assistance increase takes effect, the change to the food stamp benefits must be made for the month following the month in which the Public Assistance benefits are increased. Districts are cautioned to coordinate the wording on any adverse action notice which results from this change with any other notice of increase that Food Stamp recipients may have been given regarding the October 1, 1989 Food Stamp standards changes.

The Food Stamp policy regarding the federal Earned Income Tax Credit (EITC) is the same as the policy for Public Assistance. The EITC is disregarded as income whether the EITC is received as a refund or an advance payment.

C. Services

Effective October 1, 1989 all payments for Transitional Child Care are eligible for a maximum reimbursement of \$175 or \$200 when the dependent child is under age 2.

D. Medical Assistance

The changes in the amounts of and order of the earned income disregards authorized under the Family Support Act of 1988 apply to Medical Assistance as well as Public Assistance.

For ADC and HR-related A/Rs, effective October 1, 1989, the amount of the earned income disregard has been increased from \$75 to \$90, the child care disregard from \$160 to \$175 for children aged 2 and over, and to \$200 for children under age 2.

Similarly, the order of the disregards has been revised so that the child care expense is deducted after the \$30 and 1/3 rather than before, as is currently the case.

The Earned Income Tax Credit shall be disregarded as income as well.

NOTE: These changes do not relate to SSI-related A/Rs.

These revised figures and procedures shall be used in Medical Assistance eligibility determinations for HR-related and ADC-related individuals effective October 1, 1989.

The Medical Assistance Budget Logic system will support these revisions as of October 10, 1989.

Undercare cases shall have eligibility recomputed at next recertification or client contact. Spenddown liability shall be adjusted to correct any recipient overpayments. If the amount of the recipient's excess income is eliminated, the local district shall reimburse the recipient for any overpayment.

A separate Medical Assistance Administrative Directive including these changes will be issued shortly.

V. SYSTEMS IMPLICATIONS

A. ABEL Upstate

System revisions resulting from the above-mentioned changes were effected August 14, 1989 on ABEL for budgets with Effective Dates of October 1, 1989 or later. Full details of screen and calculation changes are contained in ABEL Transmittal 89-4.

Since the affected cases have earned income, and are subject to monthly reporting, no mass rebudgeting will be held to effect the changes.

B. ABEL NYC

The changes detailed in this directive will be available shortly on Downstate ABEL software. An ABEL transmittal will be forthcoming containing details on the implementation of these changes in NYC.

VI. ADDITIONAL INFORMATION

There is no change to the \$75 monthly standard work deduction when using "stepparent deeming" or "grandparent deeming" of income. "Grandparent deeming" applies when the minor parent is under 18 years old.

VII. EFFECTIVE DATE

February 1, 1990 retroactive to October 1, 1989.

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