General Assistance Handbook: 90-05.151. Earned Income Computation / Incentive

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Summary:

The information in this handbook covers some information that was previously detailed in the General Assistance (GA) regulations. Process information was moved from the regulations to handbooks.
This Handbook provides instructions on:

- Determining if General Assistance (GA) applicant households with earnings are financially eligible;
- Computing any earned income allowance for eligible GA applicant and recipient households.
- Determining payable grant for households with earned income.

Note: This Handbook replaces 90-03.10. Information regarding all other income is in Handbook 90-05.15, *Excluded, Unearned, and Lump Sum Income*.

GENERAL:

GA allows applicants and recipients an earned income allowance as a deduction from earned income, when the individual has complied with the GA reporting responsibilities.

SPECIFICS:

Examples provided below assume households eligible for a maximum Standard of Need, and maximum payable grant.

1. Financial Eligibility for GA Applicant Households with Earned Income

When an applicant household applying for GA has earned income, a financial eligibility determination must be made. If the household is financially eligible, an earned income allowance is determined and used to calculate the payable grant amount. (See Section 2).

- Net Earned Income & Financial Eligibility Determination:

Applicant Household financial eligibility is determined as follows:

1. Determine the gross earned income by reviewing all wage stubs, or other acceptable verification of income.
2. Calculate 25% of the gross earned income, as the applicant work-related deduction.
3. Subtract the applicant work-related deduction from the gross earned income. The remainder is the net earned income.
4. Add the net earned income to any unearned income for a total net income.
5. Compare the total net income to the applicable Standard of Need. If the total net income is less than the Standard, the household is financially eligible. If the total net income equals, or is more than the Standard, the household is ineligible.

EXAMPLE 1:

Mr. Smith's gross earned income is $400 per month. He has no other income.
Mr. Smith's net earned income of $300 is less than the maximum grant of $336. He meets the financial eligibility requirement.
$400 (gross income) X 25% = $100 (applicant work-related deduction)
$400 (gross income) – $100 (applicant work-related deduction) =
$300 (total net income)
$336 (applicable Standard of Need) – $300 (total net income) = $36 payable grant

EXAMPLE 2:

Mr. Brown is applying for GA with his wife (as a married couple). He has gross earned income of $600 per month. Mrs. Brown receives UIB of $400 per month. Their net earned income of $450 plus unearned $400 UIB equals $850; this is more than the maximum grant for 2 ($548). They do not meet the financial eligibility requirement.
$600 (gross income) X 25% = $150 (applicant work-related deduction)
$600 (gross income) – $150 (applicant work-related deduction) = 450 (net earnings)
$450 (net earnings) + $400 (UIB) = $850 (total net income)
$548 (applicable Standard of Need) – $850 (total net income)= <0

EXAMPLE 3:
Ms. Miller's gross earned income is $500 per month. She has no other income. Her net earned income of $375 is more than the applicable Standard of Need of $336. She does not meet the financial eligibility requirement.
$500 (gross income) X 25% = $125 (applicant work-related deduction)
$500 (gross income) – $125 (applicant work-related deduction) =
$375 (total net income)
$336 (applicable Standard of Need) – $375 (total net income) = <0

2. Earned Income Allowance for Eligible Households

To encourage gainful employment, GA applicant households determined financially eligible in Section A above, and GA recipient households who obtain employment while receiving GA are eligible for an earned income allowance.
(See 3 below, for when the Earned Income Allowance is disallowed.)

- Calculating the Earned Income Allowance

The deduction and payable grant are determined as follows:

1. Determine the gross earned income by reviewing wage stubs or other acceptable verification of income.
2. Determine the take home pay.
   Subtract the following payroll deductions from the gross income
   (when deducted from the gross earnings by the employer):
   Mandatory retirement contributions
   Income taxes
   Social Security taxes
   Other federal state, and local mandatory deductions.

   NOTE: Child support payments, garnishments, union dues, or other deductions are not allowable deductions in GA.
3. Calculate 50% of the take home pay to determine the Earned Income Allowance.
4. Subtract the Earned Income Allowance from the gross earned income. The remainder is net earned income used in the budget.
5. Add the net earned income to any unearned income. Subtract the total countable from the applicable Standard of Need.
   The remainder, if greater than zero, will be the payable grant.
   If the remainder is zero or the total income exceeds the applicable Standard of Need, the household is not financially eligible for GA.

EXAMPLE 1:
Ms. William's gross earned income is $400 per month.
She has no other income. A total of $60 per month is taken out for regular payroll taxes. She shares an apartment with one other person.
$400 (gross income) - $60 (taxes) = $340 (take home).
$340 (take home) X 50% = $170 (earned income allowance).
$400 (gross income – $170 (earned income allowance) =
$230 (total countable income).
$336 (applicable Standard of Need) - $230 (total countable income) = $106 payable grant.

EXAMPLE 2:
Mr. and Mrs. Johnson have the following income:
Mrs. Johnson receives UIB of $400 per month. Mr. Johnson has a job earning $200 per month. A total of $30 per month is taken out for regular payroll taxes. They are eligible for a GA grant of $33.
$200 (gross income) - 30 (taxes) = $170 (take home).
$170 (take home) X 50% = $85 (earned income allowance).
$200 (gross income) –$ 85 (earned income allowance) = $115 (net earned income).
$115 (net earnings) + $400 (UIB) =$ 515 (total countable income).
$548 (applicable Standard of Need) - $515 (countable income) = $33 payable grant.

EXAMPLE 3:
Mr. Davis reports he obtained employment and his gross earned income is $600 per month. He has no other income. A total of $90 per month is taken out for regular payroll taxes. He is no longer eligible for GA because the net earned income after applying the Earned Income Allowance is over the applicable Standard of Need.
$600 (gross income) - $90 (taxes) = $510 (take home).
$510 (take home) X 50% = 255 (earned income allowance).
$600 (gross income) – $255 (earned income allowance) =

$345 (total countable income).
$336 (applicable Standard of Need) – $345 (total countable income) = <0, not eligible.

3. Disallowance of Earned Income Allowance

1. When the household fails to meet their reporting responsibilities, the total gross income is used to compute any payable grant.
2. If the earned income is subsidized by County funds, do not allow any earned income incentive deduction.

EXAMPLE 1:
Mr. Garcia's gross earned income is $300 per month. He has no other income. A total of $40 per month is taken out for regular payroll taxes. Mr. Garcia's Quarterly Report was late. He is only eligible for $36 in the payment month.
$336 (applicable Standard of Need) – $300 (total countable income) = $36 payable grant.

EXAMPLE 2:
Ms. Martinez's gross earned income is $200 per month. She has no other income. A total of $45 per month is taken out for regular payroll taxes. She did not meet the ten (10) working days reporting requirement. She is eligible for a GA grant of $136 in the payment month.
$336 (max grant) – $200 (total countable income) = $136 payable grant.

EXAMPLE 3:
Mr. Jones's gross earned income is $250 per month. He has no other income. A total of $45 per month is taken out for regular payroll taxes. Mr. Jones did not report his earnings. The Earned Income Allowance is disallowed. Mr. Jones lives with another person: He is eligible for a GA grant of $86:
$336 (applicable Standard of Need) – $250 (total countable income) = $486 payable grant.

4. Determining the Payable Grant

- Total all net earned, deemed, unearned and in-kind income.
- If the total income is less than the applicable Standard of Need for the household, the remainder is the potential payable grant
- Add any verified Special Need allowances to the potential payable grant.
  The total is the payable grant.

Reference:

9-5-1.13, 9-5-1.32, 9-5-1.5

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