

441—41.27(239B) Income. All unearned and earned income, unless specifically exempted, disregarded, deducted for work expenses, or diverted as defined in these rules, will be considered in determining initial and continuing eligibility and the amount of the FIP grant.

1. The determination of initial eligibility is a three-step process. Initial eligibility will be granted only when (1) the countable gross nonexempt unearned and earned income, exclusive of the FIP grant, received by the eligible group and available to meet the current month's needs is no more than 185 percent of the standard of need for the eligible group; (2) the countable net unearned and earned income is less than the standard of need for the eligible group; and (3) the countable net unearned and earned income, after applying allowable disregards, is less than the payment standard for the eligible group.

2. The determination of continuing eligibility is a two-step process. Continuing eligibility will be granted only when (1) countable gross nonexempt income, as described for initial eligibility, does not exceed 185 percent of the standard of need for the eligible group; and (2) countable net unearned and earned income is less than the payment standard for the eligible group.

3. The amount of the FIP grant will be determined by subtracting countable net income from the payment standard for the eligible group. Child support assigned to the department in accordance with subrule 41.22(7) and retained by the department as described in subparagraph 41.27(1)"h"(2) will be considered as exempt income for the purpose of determining continuing eligibility. Deductions and diversions will be allowed when verification is provided.

41.27(1) Unearned income. Unearned income is any income in cash that is not gained by labor or service. When taxes are withheld from unearned income, the amount considered will be the net income after the withholding of taxes (Federal Insurance Contribution Act, state and federal income taxes). Net unearned income will be determined by deducting reasonable income-producing costs from the gross unearned income. Money left after this deduction will be considered gross income available to meet the needs of the eligible group.

a. Social security income is the amount of the entitlement before withholding of a Medicare premium.

b. through e. Reserved.

f. When the applicant or recipient sells property on contract, proceeds from the sale will be considered exempt as income. The portion of any payment that represents principal is considered a resource upon receipt as defined in subrule 41.26(4). The interest portion of the payment is considered a resource the month following the month of receipt.

g. Every person in the eligible group and any parent living in the home of a child in the eligible group will take all steps necessary to apply for and, if entitled, accept any financial benefit for which that person may be qualified, even though the benefit may be reduced because of the laws governing a particular benefit. When the person claims a physical or mental disability that is expected to last continuously for 12 months from the time of the claim or to result in death and the person is unable to engage in substantial activity due to the disability, or the person otherwise appears eligible, as the person is aged 65 or older or is blind, the person shall apply for social security benefits and supplemental security income benefits.

(1) Except as described in subparagraph 41.27(1)"g"(2), the needs of any person who refuses to take all steps necessary to apply for and, if eligible, to accept other financial benefits will be removed from the eligible group. The person remains eligible for the work incentive disregard described in paragraph 41.27(2)"c."

(2) The entire assistance unit is ineligible for FIP when a person refuses to apply for or, if entitled, to accept social security or supplemental security income. For applicants, this subparagraph applies to those who apply on or after July 1, 2002. For FIP recipients, this subparagraph applies at the time of the next six-month or annual review as described in 441—subrule 40.27(1) or when the recipient reports a change that may qualify a person in the eligible group or a parent living in the home for these benefits, whichever occurs earlier.

h. Support payments in cash will be considered as unearned income in determining initial and continuing eligibility.

(1) Any nonexempt cash support payment for a member of the eligible group, made while the application is pending, will be treated as unearned income and deducted from the initial assistance grant(s). Any cash support payment for a member of the eligible group, except as described in paragraph 41.27(7) “p,” received by the recipient after the date of decision as defined in 441—subrule 40.24(4) will be refunded to child support services.

(2) Assigned support collected in a month and retained by child support recovery will be exempt as income for determining prospective or retrospective eligibility. Participants will have the option of withdrawing from FIP at any time and receiving their child support direct.

i. The applicant or recipient shall cooperate in supplying verification of all unearned income as defined in 441—paragraph 40.24(1) “b” and 441—subrule 40.27(4). When the information is available, the department will verify unemployment insurance benefits by using information supplied to the department by the department of workforce development. When the client notifies the department that the amount of unemployment insurance benefits used is incorrect, the client will be allowed to verify the discrepancy. A payment adjustment will be made when indicated. Recoupment will be made for any overpayment. The client must report the discrepancy prior to the payment month or within ten days of the date on the Notice of Decision applicable to the payment month, whichever is later, in order to receive a payment adjustment.

41.27(2) Earned income. Earned income is defined as income in the form of a salary, wages, tips, bonuses, commissions earned as an employee, income from Job Corps, or profit from self-employment. Earned income from commissions, wages, tips, bonuses, Job Corps, or salary means the total gross amount irrespective of the expenses of employment. Income will be considered earned income when it is produced as a result of the performance of services by an individual.

a. Earned income deduction. Each person in the assistance unit whose gross nonexempt earned income, earned as an employee or net profit from self-employment, is considered in determining eligibility and the amount of the assistance grant is entitled to one 20 percent earned income deduction of nonexempt monthly gross earnings. The deduction is intended to include all work-related expenses other than child care. These expenses will include all of the following: taxes, transportation, meals, uniforms, and other work-related expenses.

b. Reserved.

c. Work incentive disregard. After deducting the allowable work-related expenses as defined in paragraph 41.27(2) “a” and income diversions as defined in subrules 41.27(4) and 41.27(8), the department will disregard 58 percent of the total of the remaining monthly nonexempt earned income, earned as an employee or the net profit from self-employment, of each person whose income will be considered in determining eligibility and the amount of the assistance grant.

(1) The work incentive disregard is not time-limited.

(2) Initial eligibility is determined without the application of the work incentive disregard as described in subparagraphs 41.27(9) “a”(2) and “a”(3).

d. Self-employment. A person is considered self-employed when the person:

(1) Is not required to report to the office regularly except for specific purposes such as sales training meetings, administrative meetings, or evaluation sessions.

(2) Establishes the person’s own working hours, territory, and methods of work.

(3) Files quarterly reports of earnings, withholding payments, and FICA payments to the Internal Revenue Service.

e. Self-employment income. Earned income from self-employment as defined in paragraph 41.27(2) “d” means the net profit from self-employment. “Net profit” means gross self-employment income less:

(1) Forty percent of the gross income to cover the costs of producing the income, or

(2) At the request of the applicant or recipient, actual expenses determined in the manner specified in paragraph 41.27(2) “f.”

f. Deduction of self-employment expenses. When the applicant or recipient requests that actual expenses be deducted, the net profit from self-employment income will be determined by deducting only the following expenses that are directly related to the production of the income:

(1) The cost of inventories and supplies purchased that are required for the business, such as items for sale or consumption and raw materials.

(2) Wages, commissions, and mandated costs relating to the wages for employees of the self-employed.

(3) The cost of shelter in the form of rent; the interest on mortgage or contract payments; taxes; and utilities.

(4) The cost of machinery and equipment in the form of rent or the interest on mortgage or contract payments.

(5) Insurance on the real or personal property involved.

(6) The cost of any repairs needed.

(7) The cost of any travel required.

(8) Any other expense directly related to the production of income, except the purchase of capital equipment and payment on the principal of loans for capital assets and durable goods or any cost of depreciation.

g. Child care income. Gross income from providing child care in the applicant's or recipient's own home will include the total payment(s) received for the service and any payment received due to the Child Nutrition Amendments of 1978 for the cost of providing meals to children.

h. Income verification. The applicant or recipient shall cooperate in supplying verification of all earned income and of any change in income, as defined in 441—paragraph 40.24(1)“b” and 441—subrule 40.27(4). A self-employed individual shall keep any records necessary to establish eligibility.

41.27(3) Shared living arrangements. When an FIP parent shares living arrangements with another family or person, funds combined to meet mutual obligations for shelter and other basic needs are not income. Funds made available to the FIP eligible group, exclusively for their needs, are considered income.

41.27(4) Diversion of income.

a. Nonexempt earned and unearned income of the parent will be diverted to meet the unmet needs, including special needs, of the ineligible child(ren) of the parent living in the family group who meets the age and school attendance requirements specified in subrule 41.21(1). Income of the parent will be diverted to meet the unmet needs of the ineligible child(ren) of the parent and a companion in the home only when the income and resources of the companion and the child(ren) are within FIP standards. The maximum income that will be diverted to meet the needs of the ineligible child(ren) will be the difference between the needs of the eligible group if the ineligible child(ren) were included and the needs of the eligible group with the child(ren) excluded, except as specified in subparagraph 41.27(8)“a”(2) and paragraph 41.27(8)“b.”

b. Nonexempt earned and unearned income of the parent will be diverted to permit payment of court-ordered support to children not living with the parent when the payment is actually being made.

41.27(5) Income of unmarried specified relatives under age 19. Treatment of the income of an unmarried specified relative under the age of 19 is determined by whether the specified relative lives with a parent who receives FIP assistance, lives with a nonparental relative, lives in an independent living arrangement, or lives with a self-supporting parent, as follows.

a. Living with a parent on FIP, with a nonparental relative, or in an independent living arrangement.

(1) The income of the unmarried, underage specified relative who is also an eligible child in the grant of the specified relative's parent will be treated in the same manner as that of any other child. The income for the unmarried, underage specified relative who is not an eligible child in the grant of the specified relative's parent will be treated in the same manner as though the specified relative had attained majority.

(2) The income of the unmarried, underage specified relative living with a nonparental relative or in an independent living arrangement will be treated in the same manner as though the specified relative had attained majority.

b. Living with a self-supporting parent. The income of an unmarried specified relative under the age of 19 who is living in the same home as one or both of the person's self-supporting parents will be treated in accordance with subparagraphs 41.27(5)“b”(1), “b”(2), and “b”(4) below.

(1) When the unmarried specified relative is under the age of 18 and not a parent of the dependent child, the income of the specified relative will be exempt.

(2) When the unmarried specified relative is under the age of 18 and a parent of the dependent child, the income of the specified relative will be treated in the same manner as though the specified relative had

attained majority. The income of the specified relative's self-supporting parent(s) will be treated in accordance with paragraph 41.27(8) "c."

(3) Reserved.

(4) When the unmarried specified relative is age 18, the income of the specified relative will be treated in the same manner as though the specified relative had attained majority.

41.27(6) Exempt as income and resources. The following will be exempt as income and resources:

a. Food reserves from home-produced garden products, orchards, domestic animals, and the like, when utilized by the household for its own consumption.

b. The value of the supplemental nutrition assistance program benefit.

c. The value of the United States Department of Agriculture donated foods (surplus commodities).

d. The value of supplemental food assistance received under the Child Nutrition Act and the special food service program for children under the National School Lunch Act, both as amended to December 31, 2024.

e. Any benefits received under Title III-C, Nutrition Program for the Elderly, of the Older Americans Act, as amended to December 31, 2024.

f. Benefits paid to eligible households under the Low Income Home Energy Assistance Act of 1981, as amended to December 31, 2024.

g. Any payment received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the Federal-Aid Highway Act of 1968, both as amended to December 31, 2024.

h. Any judgment funds that have been or will be distributed per capita or held in trust for members of any Indian tribe. When the payment, in all or part, is converted to another type of resource, that resource is also exempt.

i. Payments to volunteers participating in the Volunteers in Service to America (VISTA) program, except that this exemption will not be applied when the director of ACTION determines that the value of all VISTA payments, adjusted to reflect the number of hours the volunteers are serving, is equivalent to or greater than the minimum wage then in effect under the Fair Labor Standards Act of 1938, as amended to December 31, 2024, or the minimum wage under the laws of the state where the volunteers are serving, whichever is greater.

j. Payments for supporting services or reimbursement of out-of-pocket expenses received by volunteers in any of the programs established under Titles II and III of the Domestic Volunteer Services Act, as amended to December 31, 2024.

k. Tax-exempt portions of payments made pursuant to the Alaskan Native Claims Settlement Act, as amended to December 31, 2024.

l. Experimental housing allowance program payments made under annual contribution contracts entered into prior to January 1, 1975, under Section 23 of the U.S. Housing Act of 1936, as amended to December 31, 2024.

m. The income of a supplemental security income recipient.

n. Income of an ineligible child.

o. Income in-kind.

p. Family support subsidy program payments.

q. Grants obtained and used under conditions that preclude their use for current living costs.

r. All earned and unearned educational funds of an undergraduate or graduate student or a person in training. Any extended social security or veterans benefits received by a parent or nonparental relative as defined in subrule 41.22(3), conditional to school attendance, will be exempt. However, any additional amount received for the person's dependents who are in the eligible group will be counted as nonexempt income.

s. Reserved.

t. Any income restricted by law or regulation that is paid to a representative payee, living outside the home, other than a parent who is the applicant or recipient, unless the income is actually made available to the applicant or recipient by the representative payee.

u. The first \$50 received and retained by an applicant or recipient that represents a current monthly support obligation or a voluntary support payment, paid by a legally responsible individual, but in no case will the total amount exempted exceed \$50 per month per eligible group.

v. Bona fide loans. Evidence of a bona fide loan may include any of the following:

- (1) The loan is obtained from an institution or person engaged in the business of making loans.
- (2) There is a written agreement to repay the money within a specified time.

(3) If the loan is obtained from a person not normally engaged in the business of making a loan, there is a borrower's acknowledgment of obligation to repay (with or without interest), or the borrower expresses intent to repay the loan when funds become available in the future, or there is a timetable and plan for repayment.

w. Payments made from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.).

x. The income of a person ineligible due to receipt of state-funded foster care, IV-E foster care, kinship caregiver program, or subsidized adoption assistance.

y. Payments for major disaster and emergency assistance provided under the Disaster Relief Act of 1974 as amended by Public Law 100-707, the Disaster Relief and Emergency Assistance Amendments of 1988, as amended to December 31, 2024.

z. Payments made to certain United States citizens of Japanese ancestry and resident Japanese aliens under Section 105 of Public Law 100-383, as amended to December 31, 2024, and payments made to certain eligible Aleuts under Section 206 of Public Law 100-383, entitled "Wartime Relocation of Civilians," as amended to December 31, 2024.

aa. Payments received from the Radiation Exposure Compensation Act as amended to December 31, 2024.

ab. Deposits into an IDA when determining eligibility and benefit amount. The amount of the deposit is exempt as income and will not be used in the 185 percent eligibility test. The deposit will be deducted from nonexempt earned and unearned income that the client receives in the same budget month in which the deposit is made. To allow a deduction, verification of the deposit shall be provided by the end of the report month or the extended filing date, whichever is later. The client will be allowed a deduction only when the deposit is made from the client's money. The earned income deductions in paragraphs 41.27(2) "a" and "c" will be applied to nonexempt earnings from employment or net profit from self-employment that remain after deducting the amount deposited into the account. Allowable deductions will be applied to any nonexempt unearned income that remains after deducting the amount of the deposit. If the client has both nonexempt earned and unearned income, the amount deposited into the IDA account will first be deducted from the client's nonexempt unearned income. Deposits will not be deducted from earned or unearned income that is exempt.

ac. Assigned support collected in a month and retained by child support recovery as described in subparagraph 41.27(1) "h"(2).

41.27(7) Exempt as income. The following are exempt as income.

a. Reimbursements from a third party.

b. Reimbursement from the employer for job-related expenses.

c. The following nonrecurring lump sum payments:

- (1) Income tax refund.
- (2) Retroactive supplemental security income benefits.
- (3) Settlements for the payment of medical expenses.
- (4) Refunds of security deposits on rental property or utilities.
- (5) That part of a lump sum received and expended for funeral and burial expenses.
- (6) That part of a lump sum both received and expended for the repair or replacement of resources.

d. Foster care or kinship caregiver program payments received by the family that is:

- (1) Providing foster care to a child or children when the family is operating a licensed foster home, or
- (2) Caring for a relative or fictive kin child or children placed in the home by a court order.

e. Reserved.

f. A small monetary nonrecurring gift, such as a Christmas, birthday or graduation gift, not to exceed \$30 per person per calendar quarter.

When a monetary gift from any one source is in excess of \$30, the total gift is countable as unearned income. When monetary gifts from several sources are each \$30 or less, and the total of all gifts exceeds \$30, only the amount in excess of \$30 is countable as unearned income.

g. Federal or state earned income tax credit.

h. Supplementation from county funds providing:

(1) The assistance does not duplicate any of the basic needs as recognized by the FIP, or

(2) The assistance, if a duplication of any of the basic needs, is made on an emergency basis, not as ongoing supplementation.

i. Any payment received as a result of an urban renewal or low-cost housing project from any governmental agency.

j. A retroactive corrective payment.

k. The training allowance issued by the division of vocational rehabilitation, department of education.

l. Payments from the PROMISE JOBS program.

m. Reserved.

n. The training allowance issued by the department for the blind.

o. Payment(s) from a passenger(s) in a car pool.

p. Support refunded by child support services for the first month of termination of eligibility and the family does not receive the FIP.

q. and *r.* Reserved.

s. Income of a nonparental relative as defined in subrule 41.22(3) except when the relative is included in the eligible group.

t. and *u.* Reserved.

v. Compensation in lieu of wages received by a child funded through an employment and training program of the U.S. Department of Labor.

w. Any amount for training expenses included in a payment funded through an employment and training program of the U.S. Department of Labor.

x. Reserved.

y. Earnings of an applicant or recipient aged 19 or younger who is a full-time student as defined in paragraph 41.24(2) "e." The exemption applies through the entire month of the person's twentieth birthday.

Exception: When the twentieth birthday falls on the first day of the month, the exemption stops on the first day of that month.

z. Income attributed to an unmarried, underage parent in accordance with paragraph 41.27(8) "c" effective the first day of the month following the month in which the unmarried, underage parent turns age 18 or reaches majority through marriage. When the unmarried, underage parent turns age 18 on the first day of a month, the income of the self-supporting parent(s) becomes exempt as of the first day of that month.

aa. Reserved.

ab. Incentive payments received from participation in the adolescent pregnancy prevention programs.

ac. Payments received from the comprehensive child development program, funded by the Administration for Children, Youth, and Families, provided the payments are considered complimentary assistance by federal regulation.

ad. Incentive allowance payments received from the work force investment project, provided the payments are considered complimentary assistance by federal regulation.

ae. Interest and dividend income.

af. and *ag.* Reserved.

ah. Welfare reform and regular household honorarium income. All moneys paid to an FIP household in connection with the welfare reform demonstration longitudinal study or focus groups will be exempted.

ai. Diversion or self-sufficiency grants assistance as described in 441—Chapter 47.

aj. Payments from property sold under an installment contract as specified in paragraphs 41.26(4) “*b*” and 41.27(1) “*f*.”

ak. All census earnings received by temporary workers from the Bureau of the Census.

41.27(8) *Treatment of income in excluded parent cases, stepparent cases, and underage parent cases.*

a. Treatment of income in excluded parent cases.

(1) A parent who is living in the home with the eligible child(ren) but whose needs are excluded from the eligible group is eligible for the earned income deduction described in paragraph 41.27(2) “*a*,” the work incentive disregard described in paragraph 41.27(2) “*c*,” and diversions described in subrule 41.27(4).

(2) The excluded parent will be permitted to retain that part of the parent’s income to meet the parent’s needs as determined by the difference between the needs of the eligible group with the parent included and the needs of the eligible group with the parent excluded except as described in subrule 41.27(11).

(3) All remaining income of the excluded parent will be applied against the needs of the eligible group.

b. Treatment of income in stepparent cases. The income of a stepparent who is not included in the eligible group but is living with the parent in the home of the eligible child(ren) will be given the same consideration and treatment as that of a parent subject to the limitations of subparagraphs 41.27(8) “*b*”(1) and 41.27(8) “*b*”(3) through “*b*”(10).

(1) The stepparent’s monthly gross nonexempt earned income, earned as an employee or monthly net profit from self-employment, will receive a 20 percent earned income deduction.

(2) Reserved.

(3) Any amounts actually paid by the stepparent to individuals not living in the home, who are claimed or could be claimed by the stepparent as dependents for federal income tax purposes, will be deducted from nonexempt monthly earned and unearned income of the stepparent.

(4) The stepparent will also be allowed a deduction from nonexempt monthly earned and unearned income for alimony and child support payments made to individuals not living in the home with the stepparent.

(5) Except as described in subrule 41.27(11), the nonexempt monthly earned and unearned income of the stepparent remaining after application of the deductions in subparagraphs 41.27(8) “*b*”(1), “*b*”(3), and “*b*”(4) will be used to meet the needs of the stepparent and the stepparent’s dependents living in the home, when the dependents’ needs are not included in the eligible group and the stepparent claims or could claim the dependents for federal income tax purposes. These needs will be determined in accordance with the FIP standard of need for a family group of the same composition.

(6) The stepparent will be allowed the work incentive disregard described in paragraph 41.27(2) “*c*” from monthly earnings. The disregard will be applied to earnings that remain after all other deductions in subparagraphs 41.27(8) “*b*”(1) and 41.27(8) “*b*”(3) through “*b*”(5) have been subtracted from the earnings. However, the work incentive disregard is not allowed when determining initial eligibility as described in subparagraphs 41.27(9) “*a*”(2) and “*a*”(3).

(7) The deductions described in subparagraphs 41.27(8) “*b*”(1) and 41.27(8) “*b*”(3) through “*b*”(6) will first be subtracted from earned income in the same order as they appear above.

When the stepparent has both nonexempt earned and unearned income and earnings are less than the allowable deductions, then any remaining portion of the deductions in subparagraphs 41.27(8) “*b*”(3) through “*b*”(5) will be subtracted from unearned income. Any remaining income will be applied as unearned income to the needs of the eligible group.

If the stepparent has earned income remaining after allowable deductions, then any nonexempt unearned income will be added to the earnings and the resulting total counted as unearned income to the needs of the eligible group.

(8) A nonexempt nonrecurring lump sum received by a stepparent will be considered as income in the month received. Any portion of the nonrecurring lump sum retained by the stepparent in the month following the month of receipt will be considered a resource to the stepparent.

(9) When the income of the stepparent, not in the eligible group, is insufficient to meet the needs of the stepparent and the stepparent’s dependents living in the home who are not eligible for FIP, the income

of the parent may be diverted to meet the unmet needs of the child(ren) of the current marriage except as described in subrule 41.27(11).

(10) When the needs of the stepparent, living in the home, are not included in the eligible group, the eligible group and any child(ren) of the parent living in the home who is not eligible for FIP will be considered as one unit, and the stepparent and the stepparent's dependents, other than the spouse, will be considered a separate unit.

c. Treatment of income in underage parent cases. In the case of a dependent child whose unmarried parent is under the age of 18 and living in the same home as the unmarried, underage parent's own self-supporting parent(s), the income of each self-supporting parent will be considered available to the eligible group after appropriate deductions. The deductions to be applied are the same as are applied to the income of a stepparent pursuant to subparagraphs 41.27(8)"b"(1) and 41.27(8)"b"(3) through "b"(7). Nonrecurring lump sum income received by the self-supporting parent(s) will be treated in accordance with subparagraph 41.27(8)"b"(8).

When the self-supporting spouse of a self-supporting parent is also living in the home, the income of that spouse will be attributable to the self-supporting parent in the same manner as the income of a stepparent is determined pursuant to subparagraphs 41.27(8)"b"(1) and 41.27(8)"b"(3) through "b"(7). Nonrecurring lump sum income received by the spouse of the self-supporting parent will be treated in accordance with subparagraph 41.27(8)"b"(8). The self-supporting parent and any ineligible dependents of that person will be considered as one unit; the self-supporting spouse and the spouse's ineligible dependents, other than the self-supporting parent, will be considered a separate unit.

41.27(9) Budgeting process. Both initial and ongoing eligibility and benefits will be determined using a projection of income based on the best estimate of future income.

a. Initial eligibility.

(1) At time of application, all earned and unearned income received and anticipated to be received by the eligible group during the month the decision is made will be considered to determine eligibility for the FIP, except income that is exempt. All countable earned and unearned income received by the eligible group during the 30 days before the interview will be used to project future income. If the applicant indicates that the 30-day period is not indicative of future income, income from a longer period or verification of anticipated income from the income source may be used to project future income.

When income is prorated in accordance with subparagraph 41.27(9)"c"(1) and paragraph 41.27(9)"i," the prorated amount is counted as income received in the month of decision. Allowable work expenses during the month of decision will be deducted from earned income, except when determining eligibility under the 185 percent test defined in rule 441—41.27(239B). The determination of eligibility in the month of decision is a three-step process as described in rule 441—41.27(239B).

(2) When countable gross nonexempt earned and unearned income in the month of decision, or in any other month after assistance is approved, exceeds 185 percent of the standard of need for the eligible group, the application will be rejected or the assistance grant canceled. Countable gross income means nonexempt gross income, as defined in 441—41.27(239B), without application of any disregards, deductions, or diversions. When the countable gross nonexempt earned and unearned income in the month of decision equals or is less than 185 percent of the standard of need for the eligible group, initial eligibility under the standard of need will then be determined. Initial eligibility under the standard of need is determined without application of the work incentive disregard as specified in paragraph 41.27(2)"c." All other appropriate exemptions, deductions and diversions are applied. Countable income is then compared to the standard of need for the eligible group. When countable net earned and unearned income in the month of decision equals or exceeds the standard of need for the eligible group, the application will be denied.

(3) When the countable net income in the month of decision is less than the standard of need for the eligible group, the work incentive disregard described in paragraph 41.27(2)"c" will be applied when there is eligibility for this disregard. When countable net earned and unearned income in the month of decision, after application of the work incentive disregard and all other appropriate exemptions, deductions, and diversions, equals or exceeds the payment standard for the eligible group, the application will be denied.

When the countable net income in the month of decision is less than the payment standard for the eligible group, the eligible group meets income requirements. The amount of the FIP grant will be

determined by subtracting countable net income in the month of decision from the payment standard for the eligible group, except as specified in subparagraph 41.27(9)“a”(4).

(4) Eligibility for the FIP for any month or partial month before the month of decision will be determined only when there is eligibility in the month of decision. The family composition for any month or partial month before the month of decision will be considered the same as on the date of decision. In determining eligibility and the amount of the assistance payment for any month or partial month preceding the month of decision, income and all circumstances except family composition in that month will be considered in the same manner as in the month of decision. When the applicant is eligible for some, but not all, months of the application period due to the time limit described in subrule 41.30(1), FIP eligibility will be determined for the month of decision first, then the immediately preceding month, and so on until the time limit has been reached.

b. Ongoing eligibility.

(1) The department will prospectively compute eligibility and benefits when review information is submitted as described in 441—subrule 40.27(3). All countable earned and unearned income received by the eligible group during the previous 30 days will be used to project future income. If the participant indicates that the 30-day period is not indicative of future income, income from a longer period or verification of anticipated income from the income source may be used to project future income.

(2) When a change in eligibility factors occurs, the department will prospectively compute eligibility and benefits based on the change, effective no later than the month following the month the change occurred.

(3) Reserved.

(4) The earned income deduction for each wage earner as defined in paragraph 41.27(2)“a” and the work incentive disregard as defined in paragraph 41.27(2)“c” will be allowed.

c. Lump-sum income.

(1) Recurring lump-sum income. Recurring lump-sum earned and unearned income, except for the income of the self-employed, will be considered as income in the month received. Income received by an individual employed under a contract will be prorated over the period of the contract. Income received at periodic intervals or intermittently will be considered as income in the month received, except periodic or intermittent income from self-employment will be treated as described in paragraph 41.27(9)“i.” When the income that is subject to proration is earned, appropriate disregards, deductions and diversions will be applied to the monthly prorated income. Income that is subject to proration is prorated when a lump sum is received before the month of decision and is anticipated to recur; or a lump sum is received during the month of decision or at any time during the receipt of assistance.

(2) Nonrecurring lump-sum income. Moneys received as a nonrecurring lump sum, except as specified in subrules 41.26(4) and 41.26(7) and paragraphs 41.27(8)“b” and “c,” will be treated in accordance with this rule. Nonrecurring lump-sum income will be considered as income in the month received and counted in computing eligibility and the amount of the grant unless the income is exempt. Nonrecurring lump-sum unearned income is defined as a payment in the nature of a windfall, for example, an inheritance, an insurance settlement for pain and suffering, an insurance death benefit, a gift, lottery winnings, or a retroactive payment of benefits, such as social security, job insurance or workers’ compensation. When countable income, exclusive of the FIP grant but including countable lump-sum income, exceeds the needs of the eligible group, the case will be canceled or the application rejected. In addition, the eligible group will be ineligible for the number of full months derived by dividing the income by the standard of need for the eligible group. Any income remaining after this calculation will be applied as income to the first month following the period of ineligibility and disregarded as income thereafter. The period of ineligibility will begin with the month the lump sum is received.

1. When a nonrecurring lump sum is timely reported as required by 441—paragraph 40.27(4)“f,” recoupment will not be made for the month of receipt. When a nonrecurring lump sum is timely reported, but the timely notice as required by rule 441—16.2(17A) requires that the action be delayed until the second calendar month following the month of change, recoupment will not be made for the first calendar month following the month of change. When a nonrecurring lump sum is not timely reported, recoupment will be made beginning with the month of receipt.

2. The period of ineligibility will be shortened when the schedule of living costs as defined in subrule 41.28(2) increases.

3. The period of ineligibility will be shortened by the amount that is no longer available to the eligible group due to a loss or a theft or because the person controlling the lump sum no longer resides with the eligible group.

4. The period of ineligibility will also be shortened when there is an expenditure of the lump sum made for the following circumstances unless there was insurance available to meet the expense: Payments made on medical services for the former eligible group or their dependents for services listed in 441—Chapters 78, 81, 82 and 85 at the time the expense is reported to the department; the cost of necessary repairs to maintain habitability of the homestead requiring the spending of over \$25 per incident; cost of replacement of exempt resources as defined in subrule 41.26(1) due to fire, tornado, or other natural disaster; or funeral and burial expenses. The expenditure of these funds shall be verified. A dependent is an individual who is claimed or could be claimed by another individual as a dependent for federal income tax purposes.

5. When countable income, including the lump-sum income, is less than the needs of the eligible group, the lump sum will be counted as income for the month received. For purposes of applying the lump-sum provision, the eligible group is defined as all eligible persons and any other individual whose lump-sum income is counted in determining the period of ineligibility. During the period of ineligibility, individuals not in the eligible group when the lump-sum income was received may be eligible for the FIP as a separate eligible group. Income of this eligible group plus income, excluding the lump-sum income already considered, of the parent or other legally responsible person in the home will be considered as available in determining eligibility and the amount of the grant.

d. The third digit to the right of the decimal point in any computation of income and hours of employment will be dropped. This includes the calculation of the amount of a child support sanction as defined in paragraph 41.22(6) “*f.*”

e. In any month for which an individual is determined eligible to be added to a currently active FIP case, the individual’s needs will be included subject to the effective date of grant limitations as prescribed in rule 441—40.26(239B).

(1) When adding an individual to an existing eligible group, any income of that individual will be considered prospectively.

(2) The needs of an individual determined to be ineligible to remain a member of the eligible group will be removed prospectively effective the first of the following month.

f. Reserved.

g. When income received weekly or biweekly (once every two weeks) is projected for future months, it will be projected by adding all income received in the period being used and dividing the result by the number of instances of income received in that period. The result will be multiplied by four if the income is received weekly or by two if the income is received biweekly, regardless of the number of weekly or biweekly payments to be made in future months.

h. Income from self-employment received on a regular weekly, biweekly, semimonthly or monthly basis will be budgeted in the same manner as the earnings of an employee. The countable income will be the net income.

i. Income from self-employment not received on a regular weekly, biweekly, semimonthly or monthly basis that represents an individual’s annual income will be averaged over a 12-month period of time, even if the income is received within a short period of time during that 12-month period. Any change in self-employment will be handled in accordance with subparagraphs 41.27(9) “*i*”(3) through “*i*”(5).

(1) When a self-employment enterprise that does not produce a regular weekly, biweekly, semimonthly or monthly income has been in existence for less than a year, income will be averaged over the period of time the enterprise has been in existence and the monthly amount projected for the same period of time. If the enterprise has been in existence for such a short time that there is very little income information, the worker will establish, with the cooperation of the client, a reasonable estimate that will be considered accurate and projected for three months, after which the income will be averaged and projected

for the same period of time. Any changes in self-employment will be considered in accordance with subparagraphs 41.27(9) “i”(3) through “i”(5).

(2) These policies apply when the self-employment income is received before the month of decision and the income is expected to continue, in the month of decision, and after assistance is approved.

(3) A change in the cost of producing self-employment income is defined as an established permanent ongoing change in the operating expenses of a self-employment enterprise. Change in self-employment income is defined as a change in the nature of business.

(4) When a change in operating expenses occurs, the department will recompute the expenses on the basis of the change.

(5) When a change occurs in the nature of the business, the income and expenses will be computed on the basis of the change.

j. Special needs.

(1) A special need as defined in subrule 41.28(3) must be documented before payment will be made.

(2) A one-time special need occurs and is considered in determining need for the calendar month in which the special need is entered on the automated benefit calculation system.

(3) An ongoing special need is considered in determining need for the calendar month following the calendar month in which the special need is entered on the automated benefit calculation system.

(4) When the special need continues, payment will be included, prospectively, in each month’s FIP grant. When the special need ends, payment will be removed prospectively. Any overpayment for a special need will be recouped.

k. When a family’s assistance for a month is subject to recoupment because the family was not eligible, individuals applying for assistance during the same month may be eligible for the FIP as a separate eligible group. Income of this new eligible group plus income of the parent or other legally responsible person in the home will be considered as available in determining eligibility and the amount of the grant. The income of an ineligible parent or other legally responsible person will be considered prospectively in accordance with subrules 41.27(4) and 41.27(8).

41.27(10) *Aliens sponsored by individuals.* When an alien admitted for lawful permanent residence is sponsored by a person who executed an enforceable affidavit of support as described in 8 U.S.C. Section 1631(a)(1) (as amended to December 31, 2024) on behalf of the alien, the income of the alien will be deemed to include the income of the sponsor (and of the sponsor’s spouse if living with the sponsor). The amount of the income of the sponsor and the sponsor’s spouse deemed to the alien will be the total gross earned and unearned income remaining after allowing the earned income deduction described in paragraph 41.27(2) “a,” the work incentive disregard described in paragraph 41.27(2) “c,” and diversions described in subrule 41.27(4). The following are exceptions to deeming of a sponsor’s income:

a. Deeming of the sponsor’s income does not apply when:

(1) The sponsored alien attains citizenship through naturalization pursuant to Chapter 2 of Title III of the Immigration and Nationality Act (as amended to December 31, 2024);

(2) The sponsored alien has earned 40 qualifying quarters of coverage as defined in Title II of the Social Security Act (as amended to December 31, 2024) or can be credited with 40 “qualifying quarters” as defined in rule 441—40.21(239B); or

(3) The sponsored alien or the sponsor dies.

b. An indigent alien is exempt from the deeming of a sponsor’s income for 12 months after indigence is determined. An alien will be considered indigent if:

(1) The alien does not live with the sponsor; and

(2) The alien’s gross income, including any income received from or made available by the sponsor, is less than 100 percent of the federal poverty level for the sponsored alien’s household size.

c. A battered alien as described in 8 U.S.C. Section 1641(c) (as amended to December 31, 2024) is exempt from the deeming of a sponsor’s income for 12 months.

41.27(11) *Restriction on diversion of income.* No income may be diverted to meet the needs of a person living in the home who has been sanctioned under subrule 41.24(8) or 41.25(5), or who has been disqualified under subrule 41.25(10) or rule 441—46.29(239B), or who is required to be included in the

eligible group according to paragraph 41.28(1)“a” and has failed to cooperate. This restriction applies to paragraph 41.27(4)“a” and subrule 41.27(8).

[ARC 9277C, IAB 5/14/25, effective 7/1/25]