TO: Local Commissioners, Medicaid Directors

FROM: Betty Rice, Director
Division of Consumer and Local District Relations

SUBJECT: Interest/Dividend Income Exclusion for SSI-related Applicants/Recipients

EFFECTIVE DATE: July 1, 2004

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The Social Security Protection Act of 2004, Public Law 108-203, includes an interest/dividend income exclusion for Supplemental Security Income (SSI). The law exempts interest or dividend income derived from resources that are either: (a) not excluded under section 1613(a) of the Social Security Act, or (b) excluded pursuant to federal law other than section 1613(a). Therefore, interest and dividend income from most resources is excluded from countable income.

The Medicaid program must be no more restrictive than the SSI program when determining eligibility for persons who are 65 years of age or older, certified blind, or certified disabled. The SSI interest/dividend income exclusion must be used in determining Medicaid eligibility for SSI-related A/Rs.

Although most interest/dividends are treated as excludable income under the Social Security Protection Act, there are some exceptions when interest/dividends are counted. Interest/dividend income is still countable for SSI-related A/Rs if generated by the following resources:

- retroactive Supplemental Security Income (SSI) and Retirement, Survivors and Disability (RSDI) payments for nine months following the month of receipt;

- unspent State or local government relocation assistance payments (but not federal or federally assisted funds);

- unspent tax refunds related to an earned income tax credit (EITC), paid either as a refund from the Internal Revenue Service or as an advance from an employer, or a child tax credit (CTC) for the period beginning with the second calendar month following the month of receipt through the ninth month;

- excluded funds (i.e., from an organization described in Section 501[c][3] of the Internal Revenue Code of 1986 which is exempt from taxation under Section 501[a]) from gifts to children under 18 years of age with life threatening conditions, if the funds are an in-kind gift of any amount that is not converted to cash, or, if cash gifts, up to $2,000 in any calendar year;

- unspent State victims' crime compensation payments for nine months following the month of receipt.

The interest/dividend exclusions apply, regardless of whether the resources are above or below the appropriate Medicaid resource level. The Medicaid program generally treats income as countable in the month received and as a countable resource if held by the individual until the month following the month of receipt. If excluded interest/dividends are retained until the following month, regular resource counting rules continue to be in effect.

NOTE: The new interest/dividend income exclusion for SSI-related A/Rs only applies to community budgeting, NOT to chronic care budgeting.

Although some life insurance policies pay dividends, the Medicaid program does not treat the dividends as income for SSI-related A/Rs. Generally, these dividends are treated as a resource.

In addition, periodic payments received by an SSI–related A/R from an annuity and/or IRA continue to be treated as countable unearned income. Capital gain distributions (e.g., from mutual funds), noted on Internal Revenue Form 1099-DIV, Dividends and Distributions, whether paid as cash or reinvested, continue to be treated as unearned income.

The exemption of interest/dividends as countable income for SSI-related A/Rs is effective July 1, 2004. Interest/dividend income exclusions must be rebudgeted for SSI-related A/Rs at the next client contact or recertification, whichever is earlier. If rebudgeting results in a change to full eligibility or eligibility with a reduced spenddown, consult the New York State Fiscal Reference Manual for Local Departments of Social Services (Volume 1, Chapter 7, pages 15-18, and Volume II, Chapter 5) for procedures for processing Medicaid payments and/or reimbursements as a result of an agency redetermination. Appropriate notices should be sent to affected A/Rs.