

**GENERAL INFORMATION SYSTEM****DIVISION: Temporary Assistance****February 23, 2005**

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**TO:** Commissioners; TA, Medicaid, HEAP and FS Directors; TSP Coordinators**FROM:** Russell Sykes, Deputy Commissioner, Division of Temporary Assistance**SUBJECT:** Treatment of Income Tax Refunds and EITC**EFFECTIVE DATE:** Immediately**CONTACT PERSON:** Cash Assistance Bureau at 1-800-343-8859, ext. 4-9344; Food Stamp Bureau at ext. 3-1469; HEAP Bureau at ext. 3-0322; Medicaid Local District Support Unit Upstate at 518-474-8216, NYC at 212-268-6855

The purpose of this GIS is to assist local districts with questions regarding how Income Tax refunds are treated for eligibility purposes for Temporary Assistance (TA), Food Stamps (FS), Medicaid, and HEAP.

**Temporary Assistance Implications:**

**Earned Income Tax Credits (EITC) are exempt as a resource or income whether received as a refund or an advanced payment.**

To determine the EITC amount (exempt) from the non-EITC refund (non-exempt), the worker will need to review the applicant's/recipient's Income Tax return form (1040, 1040EZ), as the refund is issued in one check. On federal FORM 1040, EITC is found on page 2, line 65. On federal FORM 1040A, it is found on page 2, line 41. Regardless of which form is filed, the client may have an EITC Worksheet. On NYS FORM IT-201, it is found on page 2, line 60, or a NYS EITC Worksheet (IT-205).

If the income tax refund plus other resources does not exceed \$2,000 (or \$3,000 as appropriate), permit the household to retain the refund and still be eligible for assistance.

If the income tax refund (the total check amount minus any EITC amount) plus other resources exceeds of \$2,000 (or \$3,000 as appropriate), give the applicant/recipient the option of voluntarily transferring the excess amount to the local district to be applied against past assistance. The excess amount paid back to the local district is limited to the amount of assistance received. This applies to both FA and SNA cases. If the applicant/recipient does not voluntarily transfer the excess amount to the local district, the case will be ineligible for assistance because of excess resources.

The income tax refund is a resource and never counts as a lump sum.

*Note: "Rapid" refunds are to be treated as if they were the actual tax refund.*

For more information regarding Income Tax Refunds see TASB Section 19. J.

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Districts should also be aware that an "EITC" LCM has also been drafted and is in the process of being released.

**Food Stamps Implications:**

The EITC portion of an income tax refund is excluded as a resource for determining food stamp eligibility. The non-EITC portion of an income tax refund is treated as a lump sum resource for food stamp purposes. Advance payments of federal EITC are excluded as income in food stamp eligibility and benefit level determinations.

**HEAP Implications:**

EITC payments, whether received as advance payments or as a refund, are not counted as income or resources for HEAP eligibility and/or benefit calculation purposes. Income tax refunds are also excluded as income. However, income tax refunds are countable as a resource for purposes of emergency HEAP.

**Medicaid Implications:**

An income tax refund or EITC received by an Applicant/Recipient (A/R) is disregarded as income in the month received. An income tax refund is exempt as a resource in the month following the month of receipt. For categories other than SSI-related, an EITC is exempt as a resource in the month following the month of receipt. For an SSI-related A/R, an EITC is disregarded resource for nine months following the month of receipt.