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participation is excluded from assistance payments in which the State refuses to participate because of the failure of a local authority to apply such State plan provisions.

(2) The following is a summary statement regarding the groups for whom Federal financial participation is available. (More detailed information is given elsewhere.)

(i) OAA—for needy individuals under the plan who are 65 years of age or older.

(ii) AFDC—for:

(a) Needy children under the plan who are:

(1) Under the age of 18, or age 18 if a full-time student in a secondary school, or in the equivalent level of vocational or technical training, and reasonably expected to complete the program before reaching age 19;

(2) Deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, or unemployment of a principal earner, and

(3) Living in the home of a parent or of certain relatives specified in the Act.

(b) The parent(s) of a dependent child, a caretaker relative (other than a parent) of a dependent child, and, in certain situations, a parent's spouse.

(iii) AB—for needy individual's under the plan who are blind.

(iv) APTD—for needy individuals under the plan who are 18 years of age or older and permanently and totally disabled.

(v) AABD—for needy individuals under the plan who are aged, blind, or 18 years of age or older and permanently and totally disabled.

(3) Federal financial participation is available in assistance payments made for the entire month in accordance with the State plan if the individual was eligible for a portion of the month, provided that the individual was eligible on the date that the payment was made; except that where it has been determined that the State agency had previously denied assistance to which the individual was entitled, Federal financial participation will be provided in any corrective payment regardless of whether the individual is eligible on

the date that the corrective payment is made.

(4) Federal financial participation is available in assistance payments which are continued in accordance with the State plan, for a temporary period during which the effects of an eligibility condition are being overcome, e.g., blindness in AB, disability in APTD, physical or mental incapacity, continued absence of a parent, or unemployment of a principal earner in AFDC.

(5) Where changed circumstances or a hearing decision makes the individual ineligible for any assistance, or eligible for a smaller amount of assistance than was actually paid, Federal financial participation is available in excess payments to such individuals, for not more than one month following the month in which the circumstances changed or the hearing decision was rendered. Federal financial participation is available where assistance is required to be continued unadjusted because a hearing has been requested.

[36 FR 3866, Feb. 27, 1971, as amended at 38 FR 8744, Apr. 6, 1973; 39 FR 26912, July 24, 1974; 40 FR 32958, Aug. 5, 1975; 47 FR 5674, Feb. 5, 1982; 47 FR 47828, Oct. 28, 1982; 51 FR 9204, Mar. 18, 1986; 57 FR 30158, July 8, 1992]

**§ 233.20 Need and amount of assistance.**

(a) *Requirements for State Plans.* A State Plan for OAA, AFDC, AB, APTD or AABD must, as specified below:

(1) *General.* (i) Provide that the determination of need and amount of assistance for all applicants and recipients will be made on an objective and equitable basis and all types of income will be taken into consideration in the same way except where otherwise specifically authorized by Federal statute and

(ii) Provide that the needs, income, and resources of individuals receiving SSI benefits under title XVI, individuals with respect to whom Federal foster care payments are made, individuals with respect to whom State or local foster care payments are made, individuals with respect to whom Federal adoption assistance payments are made, or individuals with respect to whom State or local adoption assistance payments are made, for the period for which such benefits or payments

are received, shall not be included in determining the need and the amount of the assistance payment of an AFDC assistance unit; except that the needs, income, and resources of an individual with respect to whom Federal adoption assistance payments are made, or individuals with respect to whom State or local adoption assistance payments are made are included in determining the need and the amount of the assistance payment for an AFDC assistance unit of which the individual would otherwise be regarded as a member where the amount of the assistance payment that the unit would receive would not be reduced by including the needs, income, and resources of such individual. Under this requirement, "individuals receiving SSI benefits under title XVI" include individuals receiving mandatory or optional State supplementary payments under section 1616(a) of the Social Security Act or under section 212 of Public Law 93-66, and "individuals with respect to whom Federal foster care payments are made" means a child with respect to whom Federal foster care maintenance payments under section 472(b) and defined in section 475(4)(A) of title IV-E of the Social Security Act are made, and a child whose costs in a foster family home or child care institution are covered by the Federal foster care maintenance payments made with respect to his or her minor parent under sections 472(h) and 475(4)(B) of title IV-E. "Individuals with respect to whom Federal adoption assistance payments are made" means a child who receives payments made under an approved title IV-E plan based on an adoption assistance agreement between the State and the adoptive parents of a child with special needs, pursuant to sections 473 and 475(3) of the Social Security Act.

(iii) For AFDC, when an individual who is required to be included in the assistance unit pursuant to § 206.10(a)(1)(vii) is also required to be included in another assistance unit, those assistance units must be consolidated, and treated as one assistance unit for purposes of determining eligibility and the amount of payment.

(iv) For AFDC, when a State learns of an individual who is required to be included in the assistance unit after

the date he or she is required to be included in the unit, the State must redetermine the assistance unit's eligibility and payment amount, including the need, income, and resources of the individual. This redetermination must be retroactive to the date that the individual was required to be in the assistance unit either through birth/adoption or by becoming a member of the household. Any resulting overpayment must be recovered or corrective payment made pursuant to § 233.20(a)(13).

(v) In determining need and the amount of payment for AFDC, all income and resources of an individual required to be in the assistance unit, but subject to sanction under § 250.34 or because of an intentional program violation under the optional fraud control program implementing section 416 of the Social Security Act, are considered available to the assistance unit to the same extent that they would be if the person were not subject to a sanction. However, the needs of the sanctioned individual(s) are not considered. In accord with § 250.34(c), if a parent in an AFDC-UP case is sanctioned pursuant to § 233.100(a)(5), the needs of the second parent are not taken into account in determining the family's need for assistance and the amount of the assistance payment unless the second parent is participating in the JOBS program. An individual required to be in an assistance unit pursuant to § 206.10(a)(1)(vii) but who fails to cooperate in meeting a condition of his or her eligibility for assistance is a sanctioned individual whose needs, income, and resources are treated in the manner described above.

(2) *Standards of assistance.* (i) Specify a statewide standard, expressed in money amounts, to be used in determining (a) the need of applicants and recipients and (b) the amount of the assistance payment.

(ii) In the AFDC plan, provide that by July 1, 1969, the State's standard of assistance for the AFDC program will have been adjusted to reflect fully changes in living costs since such standards were established, and any maximums that the State imposes on the amount of aid paid to families will have been proportionately adjusted. In

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such adjustment a consolidation of the standard (i.e., combining of items) may not result in a reduction in the content of the standard. In the event the State is not able to meet need in full under the adjusted standard, the State may make ratable reductions in accordance with paragraph (a)(3)(viii) of this section. Nevertheless, if a State maintains a system of dollar maximums these maximums must be proportionately adjusted in relation to the updated standards.

(iii) Provide that the standard will be uniformly applied throughout the State except as provided under § 239.54.

(iv) Include the method used in determining need and the amount of the assistance payment. For AFDC, the method must provide for rounding down to the next lower whole dollar when the result of determining the standard of need or the payment amount is not a whole dollar. Proration under § 206.10(a)(6)(i)(D) to determine the amount of payment for the month of application must occur before rounding to determine the payment amount for that month.

(v) If the State IV-A agency includes special need items in its standard:

(A) Describe those that will be recognized and the circumstances under which they will be included, and

(B) Provide that they will be considered for all applicants and recipients requiring them; except that:

(1) Under AFDC, work expenses and child care (or care of incapacitated adults living in the same home and receiving AFDC) resulting from employment or participation in either a CWEP or an employment search program cannot be special needs, and

(2) In a State which has a JOBS program under part 250, child care, transportation, work-related expenses, other work-related supportive services, and the costs of education (including tuition, books, and fees) resulting from participation in JOBS (including participation pursuant to §§ 250.46, 250.47, and 250.48) or any other education or training activity cannot be special needs.

(vi) If the State chooses to establish the need of the individual on a basis that recognizes, as essential to his well-being, the presence in the home of

other needy individuals, (A) specify the persons whose needs will be included in the individual's need, and (B) provide that the decision as to whether any individual will be recognized as essential to the recipient's well-being shall rest with the recipient.

(vii) [Reserved]

(viii) Provide that the money amount of any need item included in the standard will not be prorated or otherwise reduced solely because of the presence in the household of a non-legally responsible individual; and the agency will not assume any contribution from such individual for the support of the assistance unit except as provided in paragraphs (a)(3)(xiv) and (a)(5) of this section and § 233.51 of this part.

(ix) For AFDC, provide that a State shall consider utility payments made in lieu of any direct rental payment to a landlord or public housing agency to be shelter costs for applicants or recipients living in housing assisted under the U.S. Housing Act of 1937, as amended, and section 236 of the National Housing Act. The amount considered as a shelter payment shall not exceed the total amount the applicant or recipient is expected to contribute for the cost of housing as determined by HUD. *Utility payments* means only those payments made directly to a utility company or supplier which are for gas, electricity, water, heating fuel, sewerage systems, and trash and garbage collection. Utility payments are made "in lieu of any direct rental payment to a landlord or public housing agency" when, and only when, the AFDC family pays its entire required contribution at HUD's direction to one or more utility companies and does not make any direct payment to the landlord or the public housing agency. Housing covered by "the U.S. Housing Act of 1937, as amended, and section 236 of the National Housing Act" means Department of Housing and Urban Development assisted housing which includes Indian and public rental housing, section 8 new and existing rental housing, and section 236 rental housing.

(3) *Income and resources.* (i)(A) *OAA, AB, APTD, AABD,* Specify the amount and types of real and personal property, including liquid assets, that may be reserved, i.e., retained to meet the

current and future needs while assistance is received on a continuing basis. In addition to the home, personal effects, automobile and income producing property allowed by the agency, the amount of real and personal property, including liquid assets, that can be reserved for each individual recipient shall not be in excess of two thousand dollars. Policies may allow reasonable proportions of income from businesses or farms to be used to increase capital assets, so that income may be increased; and (B) in AFDC—The amount of real and personal property that can be reserved for each assistance unit shall not be in excess of one thousand dollars equity value (or such lesser amount as the State specifies in its State plan) excluding only:

(1) The home which is the usual residence of the assistance unit;

(2) One automobile, up to \$1,500 of equity value or such lower limit as the State may specify in the State plan; (any excess equity value must be applied towards the general resource limit specified in the State plan);

(3) One burial plot (as defined in the State plan) for each member of the assistance unit;

(4) Bona fide funeral agreements (as defined and within limits specified in the State plan) up to a total of \$1,500 in equity value or such lower limit as the State may specify in the State plan for each member of the assistance unit (any excess equity value must be applied towards the general resource limit specified in the State plan). This provision addresses only formal agreements for funeral and burial expenses such as burial contracts, burial trusts or other funeral arrangements (generally with licensed funeral directors) and does not apply to other assets (e.g., passbook bank accounts, simple set-aside of savings, and cash surrender value of life insurance policies);

(5) Real property for a period of six consecutive months (or, at the option of the State, nine consecutive months) which the family is making a good faith effort (as defined in the State plan) to sell, subject to the following provisions. The family must sign an agreement to dispose of the property and to repay the amount of aid received during such period that would

not have been paid had the property been sold at the beginning of such period, but not to exceed the amount of the net proceeds of the sale. The family has five working days from the date it realizes cash from the sale of the excess real property to repay the overpayment; failure to make repayment within this period results in the cash being considered to be an available resource. If the family becomes ineligible for AFDC for any other reason during the conditional payment period while making a good faith effort to sell the property, or fails to sell the property by the end of the period despite such a good faith effort, then the amount of the overpayment attributable to the real property will not be determined and recovery will not be begun until the property is, in fact, sold. However, if the property was intentionally sold at less than fair market value so that a good faith effort to sell it was not made, or if it is otherwise determined that a good faith effort to sell the property is not being made, the overpayment amount shall be computed using the fair market value determined at the beginning of the period. For applicants, the conditional payment period begins with the first payment month for which all otherwise applicable eligibility conditions are met and payment is authorized. For recipients who acquire property while receiving assistance, the period begins with the payment month in which the recipient receives the property; and

(6) At State option, basic maintenance items essential to day-to-day living such as clothes, furniture and other similarly essential items of limited value.

(ii) Provide that in determining need and the amount of the assistance payment, after all policies governing the reserves and allowances and disregard or setting aside of income and resources referred to in this section have been uniformly applied:

(A) In determining need, all remaining income and resources shall be considered in relation to the State's need standard;

(B) In determining financial eligibility and the amount of the assistance payment all remaining income (except unemployment compensation received

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by an unemployed principal earner) and, except for AFDC, all resources may be considered in relation to either the State's need standard or the State's payment standard. Unemployment compensation received by an unemployed principal earner shall be considered only by subtracting it from the amount of the assistance payment after the payment has been determined under the State's payment method;

(C) States may have policies which provide for allocating an individual's income for his or her own support if the individual is not applying for or receiving assistance; for the support of other individuals living in the same household but not receiving assistance; and for the support of other individuals living in another household. Such other individuals are those who are or could be claimed by the individual as dependents for determining Federal personal income tax liability, or those he or she is legally obligated to support. No income may be allocated to meet the needs of an individual who has been sanctioned under §§ 224.51, 232.11(a)(2), 232.12(d), 238.22 or 240.22 or who is required to be included in the assistance unit and has failed to cooperate. The amount allocated for the individual and the other individuals who are living in the home must not exceed the State's need standard amount for a family group of the same composition. The amount allocated for individuals not living in the home must not exceed the amount actually paid.

(D) Income after application of disregards, except as provided in paragraph (a)(3)(xiii) of this section, and resources available for current use shall be considered. To the extent not inconsistent with any other provision of this chapter, income and resources are considered available both when actually available and when the applicant or recipient has a legal interest in a liquidated sum and has the legal ability to make such sum available for support and maintenance.

(E) For AFDC, income tax refunds, but such payments shall be considered as resources; and

(F) When the AFDC assistance unit's income, after applying applicable disregards, exceeds the State need stand-

ard for the family because of receipt of nonrecurring earned or unearned lump sum income (including for AFDC, title II and other retroactive monthly benefits, and payments in the nature of a windfall, e.g., inheritances or lottery winnings, personal injury and worker compensation awards, to the extent it is not earmarked and used for the purpose for which it is paid, i.e., monies for back medical bills resulting from accidents or injury, funeral and burial costs, replacement or repair of resources, etc.), the family will be ineligible for aid for the full number of months derived by dividing the sum of the lump sum income and other income by the monthly need standard for a family of that size. Any income remaining from this calculation is income in the first month following the period of ineligibility. The period of ineligibility shall begin with the month of receipt of the nonrecurring income or, at State option, as late as the corresponding payment month. For purposes of applying the lump sum provision, family includes all persons whose needs are taken into account in determining eligibility and the amount of the assistance payment, and includes solely for determining the income and resources of a family an individual who must be in a family pursuant to § 206.10(a)(1)(vii) but who does not meet a condition of his or her eligibility due to a failure to cooperate or is required by law to have his or her needs excluded from an assistance unit's AFDC grant calculation due to the failure to perform some action. A State may shorten the remaining period of ineligibility when: the standard of need increases and the amount the family would have received also changes (e.g., situations involving additions to the family unit during the period of ineligibility of persons who are otherwise eligible for assistance); the lump sum income or a portion thereof becomes unavailable to the family for a reason beyond the control of the family; or the family incurs and pays for medical expenses. If the State chooses to shorten the period of ineligibility, the State plan shall:

(1) Identify which of the above situations are included;

(2) In the case of situations involving an increase in the need standard and changes in the amount that should have been paid to the family, specify the types of circumstances which will be included;

(3) In the case of situations involving the unavailability of the lump sum income, include a definition of unavailability, and specify what reasons will be considered beyond the control of the family; and

(4) In the case of situations involving the payment of medical expenses, specify the types of medical expenses the State will allow to be offset against the lump sum income.

For purposes of this paragraph (a)(3): Automobile means a passenger car or other motor vehicle used to provide transportation of persons or goods. (In AFDC, in appropriate geographic areas, one alternate primary mode of transportation may be substituted for the automobile); Equity value means fair market value minus encumbrances (legal debts); Fair market value means the price an item of a particular make, model, size, material or condition will sell for on the open market in the geographic area involved (If a motor vehicle is especially equipped with apparatus for the handicapped, the apparatus shall not increase the value of the vehicle); Liquid assets are those properties in the form of cash or other financial instruments which are convertible to cash and include savings accounts, checking accounts, stocks, bonds, mutual fund shares, promissory notes, mortgages, cash value of insurance policies, and similar properties; Need standard means the money value assigned by the State to the basic and special needs it recognizes as essential for applicants and recipients; Payment standard means the amount from which non-exempt income is subtracted.

(iii) States may prorate income received by individuals employed on a contractual basis over the period of the contract or may prorate intermittent income received quarterly, semiannually, or yearly over the period covered by the income. In OAA, AB, APTD and AABD, they may use the prorated amount to determine need under § 233.23 and the amount of the assist-

ance payment under §§ 233.24 and 233.25. In AFDC, they may use the prorated amount to determine need under § 233.33 and the amount of the assistance payment under §§ 233.34 and 233.35.

(iv) Provide that in determining the availability of income and resources, the following will not be included as income:

(A) Except for AFDC, income equal to expenses reasonably attributable to the earning of income (including earnings from public service employment);

(B) Grants, such as scholarships, obtained and used under conditions that preclude their use for current living costs;

(C) Home produce of an applicant or recipient, utilized by him and his household for their own consumption;

(D) For AFDC, any amounts paid by a State IV-A agency from State-only funds to meet needs of children receiving AFDC, if the payments are made under a statutorily-established State program which has been continuously in effect since before January 1, 1979;

(E) For AFDC, income tax refunds, but such payments shall be considered as resources; and

(F) At State option, small non-recurring gifts, such as those for Christmas, birthdays and graduations, not to exceed \$30 per recipient in any quarter; and

(G) For AFDC, the amount paid to the family by the IV-A agency under § 232.20(d) or, in a State that treats direct support payments as income under § 233.20(a)(3)(v)(B), the first \$50 received by the assistance unit which represents a current monthly support obligation or a voluntary support payment. In no case shall the total amount disregarded exceed \$50 per month per assistance unit.

(v) Provide that agency policies will assure that:

(A) In determining eligibility for an assistance payment, support payments assigned under § 232.11 of this chapter will be treated in accordance with § 232.20 and § 232.21 of this chapter; and

(B) In determining the amount of an assistance payment, assigned support payments retained in violation of § 232.12(b)(4) of this chapter, will be counted as income to meet need unless the approved IV-A State plan provides

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that such support payments are subject to IV-D recovery under §§ 302.31(a)(3) and 303.80 of this title or unless such payments are sufficient to render the family ineligible as provided at § 232.20 of this chapter.

(vi)(A) In family groups living together, income of the spouse is considered available for his spouse and income of a parent is considered available for children under 21, except as provided in paragraphs (a)(3)(xiv) and (a)(3)(xviii) of this section for AFDC. If an individual is a spouse or parent who is a recipient of SSI benefits under title XVI, an individual with respect to whom Federal foster care payments are made, an individual with respect to whom State or local foster care payments are made, an individual with respect to whom Federal adoption assistance payments are made, or an individual with respect to whom State or local adoption assistance payments are made, then, for the period for which such benefits or payments are received, his or her income and resources shall not be counted as income and resources available to the AFDC unit except that a child receiving adoption assistance payments will not be excluded if such exclusion would cause the AFDC benefits of the assistance unit of which the child would otherwise be considered a member to be reduced. For purposes of this exception, “a recipient of SSI benefits under title XVI” includes a spouse or parent receiving mandatory or optional State supplementary payments under section 1616(a) of the Social Security Act or under section 212 of Public Law 93–66 and an “individual with respect to whom Federal foster care payments are made” means a child with respect to whom Federal foster care maintenance payments are made under section 472(b) and defined in section 475(4)(A) of the Act, and a child whose costs in a foster family home or child-care institution are covered by the foster care maintenance payments made with respect to his or her minor parent under sections 472(h) and 475(4)(B) of the Act. “Individuals with respect to whom Federal adoption assistance payments are made” means a child who receives payments made under an approved title IV-E plan based on an adoption assistance agree-

ment between the State and the adoptive parents of a child with special needs, pursuant to sections 473 and 475(3) of the Social Security Act.

(B) Income of an alien parent, who is disqualified pursuant to § 233.50(c) is considered available to the otherwise eligible child by applying the step-parent deeming formula at 45 CFR 233.20(a)(3)(xiv).

(vii) If the State agency establishes policy under which assistance from other agencies and organizations will not be deducted in determining the amount of assistance to be paid, provide that no duplication shall exist between such other assistance and that provided by the public assistance agency. In such complementary program relationships, nonduplication shall be assured by provision that such aid will be considered in relation to: (a) The different purpose for which the other agency grants aid such as vocational rehabilitation; (b) the provision of goods and services that are not included in the statewide standard of the public assistance agency, e.g., a private agency might provide money for special training for a child or for medical care when the public assistance agency does not carry this responsibility; or housing and urban development payments might be provided to cover moving expenses that are not included in the assistance standard; or (c) the fact that public assistance funds are insufficient to meet the total amount of money determined to be needed in accordance with the statewide standard. In such instances, grants by other agencies in an amount sufficient to make it possible for the individual to have the amount of money determined to be needed, in accordance with the public assistance agency standard, will not constitute duplication.

(viii) Provide that: (A) Payment will be based on the determination of the amount of assistance needed; (B) if full individual payments are precluded by maximums or insufficient funds, adjustments will be made by methods applied uniformly statewide; (C) in the case of AFDC no payment of aid shall be made to an assistance unit in any month in which the amount of aid prior to any adjustments is determined

to be less than \$10; and (D) an individual who is denied aid because of the limitation specified in (C) of this section, or because the payment amount is determined to be zero as a result of rounding the payment amount as required by §233.20(a)(2)(iv), shall be deemed a recipient of aid for all other purposes except participation in the Community Work Experience Program.

(ix) Provide that the agency will establish and carry out policies with reference to applicants' and recipients' potential sources of income that can be developed to a state of availability.

(x) Provide that the income and resources of individuals receiving SSI benefits under title XVI, individuals with respect to whom Federal foster care payments are made, individuals with respect to whom State or local foster care payments are made, individuals with respect to whom Federal adoption assistance payments are made, or individuals with respect to whom State or local adoption assistance payments are made, for the period for which such benefits or payments are received, shall not be counted as income and resources of an assistance unit applying for or receiving assistance under title IV-A; except that a child receiving adoption assistance payments will not be excluded if such exclusion would cause the AFDC benefits of the assistance unit of which the child would otherwise be considered a member to be reduced. Under this requirement, "individuals receiving SSI benefits under title XVI" include individuals receiving mandatory or optional State supplementary payments under section 1616(a) of the Social Security Act or under section 212 of Public Law 93-66 and, "individuals with respect to whom Federal foster care payments are made" means a child with respect to whom Federal foster care maintenance payments are made under section 472(b) and defined in section 475(4)(A) of the Act, and a child whose costs in a foster family home or child-care institution are covered by foster care maintenance payments made with respect to his or her minor parent under sections 472(h) and 475(4)(B) of the Act. "Individuals with respect to whom Federal adoption assistance payments are made" means a child who re-

ceives payments made under an approved title IV-E plan based on an adoption assistance agreement between the State and the adoptive parents of a child with special needs, pursuant to sections 473 and 475(3) of the Social Security Act.

(xi) In the case of AFDC if the State chooses to count the value of the food stamp coupons as income, provide that the State plan shall:

(A) Identify the amount for food included in its need and payment standards for an assistance unit of the same size and composition. (States which have a flat grant system must estimate the amount based on historical data or some other justifiable procedure.); and

(B) Specify the amount of such food stamp coupons that it will count as income. Under this requirement, the amount of food stamp coupons which a State may count as income may not exceed the amount for food established in its payment standard for an assistance unit of the same size and composition.

(xii) In the case of AFDC if the State chooses to count the value of the governmental rent or housing subsidies as income, provide that the State plan shall:

(A) Identify the amount for shelter included in its need and payment standards for an assistance unit of the same size and composition. (States which have a flat grant system must estimate this amount based on historical data or some other justifiable procedure.); and

(B) Specify the amount of such housing assistance that it will count as income. Under this requirement, the amount of such rent or housing subsidies which a State may count as income may not exceed the amount for shelter established in its payment standard for assistance unit of the same size and composition.

(xiii) Under the AFDC plan, provide that no assistance unit is eligible for aid in any month in which the unit's income (other than the assistance payment) exceeds 185 percent of the State's need standard (including special needs) for a family of the same composition (including special needs), without application of the disregards in paragraph (a)(11)(i) (except to the

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extent provided for under paragraph (a)(3)(xix)), paragraph (a)(11)(ii) and paragraph (a)(11)(viii) of this section.

(xiv) For AFDC, in States that do not have laws of general applicability holding the stepparent legally responsible to the same extent as the natural or adoptive parent, the State agency shall count as income to the assistance unit the income of the stepparent (i.e., one who is married, under State law, to the child's parent) of an AFDC child who is living in the household with the child after applying the following disregards (exception: if the stepparent is included in the assistance unit, the disregard under paragraph (a)(11) (i) and (ii) of this section apply instead:

(A) The first \$90 of the gross earned income of the stepparent;

(B) An additional amount for the support of the stepparent and any other individuals who are living in the home, but whose needs are not taken into account in making the AFDC eligibility determinations except for sanctioned individuals or individuals who are required to be included in the assistance unit but have failed to cooperate and are or could be claimed by the stepparent as dependents for purposes of determining his or her Federal personal income tax liability. This disregarded amount shall equal the State's need standard amount for a family group of the same composition as the stepparent and those other individuals described in the preceding sentence;

(C) Amounts actually paid by the stepparent to individuals not living in the home but who are or could be claimed by him or her as dependents for purposes of determining his or her Federal personal income tax liability; and

(D) Payments by such stepparent of alimony or child support with respect to individuals not living in the household.

(xv) For AFDC, provide for the consideration of the income and resources of an alien's sponsor who is an individual as provided in § 233.51.

(xvi) For AFDC, provide that in considering the availability of income and resources, support and maintenance assistance (including home energy assist-

ance) will be taken into account in accordance with § 233.53.

(xvii) In the case of AFDC, if the State chooses to disregard monthly income of any dependent child when the income is derived from participation in a program under the JTPA, provide that the State plan shall:

(A) Identify from which programs under the JTPA, income will be disregarded;

(B) In the case of earned income, specify what amount will be disregarded, and the length of time the disregard will be applicable (up to six months per calendar year); and

(C) In the case of unearned income, specify what amount will be disregarded, and the length of time per calendar year the disregard will be applicable if any such limit is chosen.

(xviii) For AFDC, in the case of a dependent child whose parent is a minor under the age of 18 (without regard to school attendance), the State shall count as income to the assistance unit the income, after appropriate disregards, of such minor's own parent(s) living in the same household as the minor and dependent child. The disregards to be applied are the same as are applied to the income of a stepparent pursuant to paragraph (a)(3)(xiv) of this section. However, in applying the disregards, each employed parent will receive the benefit of the work expense disregard in paragraph (a)(3)(xiv)(A) of this section.

(xix) In the case of AFDC, if the State chooses to disregard monthly earned income of dependent children who are full-time students in the determination of whether the family's income exceeds the limit under § 233.20(a)(3)(xiii) of this section, provide that the State plan shall specify what amounts will be disregarded and the length of time the disregard will be applicable (up to six months per calendar year) except that earned income derived from participation in a program under the JTPA may only be disregarded under this paragraph, paragraph (a)(3)(xvii) or a combination of both paragraphs for a total of 6 months per calendar year.

(xx) In the case of AFDC, if the State chooses to disregard in the determination of eligibility the monthly earned

income of dependent children applying for AFDC who are full-time students, provide that the State plan shall:

(A) Specify the amount that will be disregarded, and

(B) Provide that the disregard shall only apply to the extent that the earned income is also disregarded pursuant to paragraph (a)(3)(xix) of this section.

(xxi) Provide that the principal of a bona fide loan will not be counted as income or resources in the determination of eligibility and the amount of assistance. Interest earned on a loan is counted as unearned income in the month received and as resources thereafter and purchases made with a loan are counted as resources. For purposes of this paragraph, a loan is considered bona fide when it meets objective and reasonable criteria included in the State plan.

(4) *Disregard of income in OAA, AFDC, AB, APTD, OR AABD.* (i) For all programs except AFDC. If the State chooses to disregard income from all sources before applying other provisions for disregarding or setting aside income, specify the amount that is first to be disregarded, but not more than \$7.50 per month, of any income of an individual, child or relative claiming assistance. All income must be included such as social security or other benefits, earnings, contributions from relatives, or other income the individual may have.

(ii) Provide that in determining eligibility for public assistance and the amount of the assistance payment, the following will be disregarded as income and resources:

(a) In OAA, AB, APTD, and AABD, the value of the coupon allotment under the Food Stamp Act of 1964 in excess of the amount paid for the coupons;

(b) The value of the U.S. Department of Agriculture donated foods (surplus commodities);

(c) Any payment received under title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(d) Grants or loans to any undergraduate student for educational purposes made or insured under any programs administered by the Secretary

of Education except the programs under the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 *et seq.*). Student financial assistance provided under the Carl D. Perkins Vocational and Applied Technology Education Act will be disregarded in accordance with paragraph (a)(4)(ii)(t) of this section.

(e) Any funds distributed per capita to or held in trust for members of any Indian tribe under Public Law 92-254 or Pub. L. 94-540;

(f) Any benefits received under title VII, Nutrition Program for the Elderly, of the Older Americans Act of 1965, as amended;

(g) Payments for supporting services or reimbursement of out-of-pocket expenses made to individual volunteers serving as foster grandparents, senior health aides, or senior companions, and to persons serving in the Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE) and any other programs under titles II and III, pursuant to section 418 of Pub. L. 93-113;

(h) Payments to applicants or recipients participating in the Volunteers in Service to America (VISTA) Program, except that this disregard will not be applied when the Director of ACTION determines that the value of all such payments, adjusted to reflect the number of hours such volunteers are serving, is equivalent to or greater than the minimum wage then in effect under the Fair Labor Standards Act of 1938, or the minimum wage under the laws of the States where the volunteers are serving, whichever is greater. (Section 404(g) of Pub. L. 93-113, as amended by section 9 of Pub. L. 96-143);

(i) The value of supplemental food assistance received under the Child Nutrition Act of 1966 as amended, and the special food service program for children under the National School Lunch Act, as amended (Pub. L. 92-433 and Pub. L. 93-150);

(j) [Reserved]

(k) Pursuant to section 15 of Public Law 100-241, any of the following distributions made to a household, an individual Native, or a descendant of a Native by a Native Corporation established pursuant to the Alaska Native

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Claims Settlement Act (ANCSA) (Pub. L. 92-203, as amended):

(1) Cash distributions (including cash dividends on stock from a Native Corporation) received by an individual are never counted as income or resources to the extent that such cash does not, in the aggregate, exceed \$2,000 in a year. Cash which, in the aggregate, is in excess of \$2,000 in a year is not subject to the income and resources disregards in this paragraph (a)(4)(ii)(k)(I);

(2) Stock (including stock issued or distributed by a Native Corporation as a dividend or distribution on stock);

(3) A partnership interest;

(4) Land or an interest in land (including land or an interest in land received from a Native Corporation as a dividend or distribution on stock); and

(5) An interest in a settlement trust.

(l) Benefits paid to eligible households under the Low Income Home Energy Assistance Act of 1981 pursuant to section 2605(f) of Pub. L. 97-35;

(m) Effective October 17, 1975, pursuant to section 6 of Pub. L. 94-114 (89 Stat. 577, 25 U.S.C. 459e) receipts distributed to members of certain Indian tribes which are referred to in section 5 of Pub. L. 94-114 (89 Stat. 577, 25 U.S.C. 459d).

(n) Pursuant to section 7 of Public Law 93-134, as amended by section 4 of Public Law 97-458, Indian judgment funds that are held in trust by the Secretary of the Interior (including interest and investment income accrued while such funds are so held in trust), or distributed per capita to a household or member of an Indian tribe pursuant to a plan prepared by the Secretary of the Interior and not disapproved by a joint resolution of the Congress, and initial purchases made with such funds. This disregard does not apply to proceeds from the sale of initial purchases, subsequent purchases made with funds derived from the sale or conversion of the initial purchases, or to funds or initial purchases which are inherited or transferred.

(o) Pursuant to section 2 of Public Law 98-64, all funds held in trust by the Secretary of the Interior for an Indian tribe (including interest and investment income accrued while such funds are so held in trust) and distributed per

capita to a household or member of an Indian tribe, and initial purchases made with such funds. This disregard does not apply to proceeds from the sale of initial purchases, subsequent purchases made with funds derived from the sale or conversion of initial purchases, or to funds or initial purchases which are inherited or transferred.

(p) Any student financial assistance provided under programs in title IV of the Higher Education Act of 1965, as amended, and under Bureau of Indian Affairs education assistance programs.

(q) For AFDC, any payments made as restitution to an individual under title I of Public Law 100-383 (the Civil Liberties Act of 1988) or under title II of Public Law 100-383 (the Aleutian and Pribilof Islands Restitution Act).

(r) Any Federal 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) and comparable disaster assistance provided by States, local governments and disaster assistance organizations.

(s) Any payments made pursuant to the settlement in the *In Re Agent Orange Product liability litigation*, M.D.L. No. 381 (E.D.N.Y.).

(t) Student financial assistance made available for the attendance costs defined in this paragraph under programs in the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 *et seq.*). Attendance costs are: tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study; and an allowance for books, supplies, transportation, dependent care and miscellaneous personal expenses for a student attending the institution on at least a half-time basis, as determined by the institution.

(u) For AFDC, any payments made pursuant to section 6(h)(2) of Public Law 101-426, the Radiation Exposure Compensation Act.

(iii) Provide that income and resources which are disregarded or set

aside under this part will not be taken into consideration in determining the need of any other individual for assistance.

(iv) For AFDC, any amounts determined to have been paid by a State from State-only funds to supplement or otherwise increase the amount of aid paid to an assistance unit as computed under §233.35 for a month in recognition of current or anticipated needs of the assistance unit for that same month shall not be counted as income—to the extent that the total of the State supplemental payment, the AFDC payment and actual income (i.e., the amount of income received during the payment month after subtracting from gross income the \$75 work expense disregard (to recognize mandatory payroll deductions, transportation costs, and other work expenses), child care and other applicable disregards) received in that month are not in excess of what the State would have paid for that month to an assistance unit of the same size and composition with no income—in computing the assistance payment under §233.35 for the corresponding payment month.

(5) *Proration of shelter, utilities, and similar needs in AFDC.* (i) Provide that the State agency may prorate allowances in the need and payment standards for shelter, utilities, and similar needs when the AFDC assistance unit lives together with other individuals as a household; except that, the State shall not prorate with respect to any person receiving SSI to whom the statutory one-third reduction (section 1612(a)(2)(A)(i) of the Act) is applied, or prorate when a bona fide landlord-tenant relationship exists. If the State chooses to prorate under this paragraph, it must prorate both the need standard and payment standard.

(ii) If the State agency elects to prorate allowances for shelter, utilities, and similar needs the State plan must:

(A) Indicate which allowances will be prorated, and describe the procedure which will be used to prorate the allowances;

(B) Provide that the allowances will be prorated on a reasonable basis; and

(C) Specify the circumstances under which proration will occur, including a description of which individuals are

considered to be living with an AFDC assistance unit as a household.

(6) *Disregard of earned income; definition.* Provide that for purposes of disregarding earned income the agency policies will include:

(i) A definition of *earned income* in accordance with the provisions of paragraphs (a)(6) (iii) through (ix) of this section; and

(ii) Provision for disregarding earned income for the period during which it is earned, rather than when it is paid, in cases of lump-sum payment for services rendered over a period of more than 1 month.

(iii) The term *earned income* encompasses income in cash or in kind earned by an individual through the receipt of wages, salary, commissions, or profit from activities in which he is engaged as a self-employed individual or as an employee. For AFDC, *earned income* means gross earned income prior to any deductions for taxes or for any other purposes, except as provided in paragraph (a)(6)(v). Such earned income may be derived from his own employment, such as a business enterprise, or farming; or derived from wages or salary received as an employee. It includes earnings over a period of time for which settlement is made at one given time, as in the instance of sale of farm crops, livestock, or poultry. For OAA, AB, APTD and AABD only, in considering income from farm operation, the option available for reporting under OASDI, namely the *cash receipts and disbursements* method, i.e., a record of actual gross, of expenses, and of net, is an individual determination and is acceptable also for these assistance programs.

(iv) With reference to commissions, wages, or salary, the term *earned income* means the total amount, irrespective of personal expenses, such as income-tax deductions, lunches, and transportation to and from work, and irrespective of expenses of employment which are not personal, such as the cost of tools, materials, special uniforms, or transportation to call on customers.

(v)(A) For OAA, AB, APTD, and AABD, with respect to self-employment, the term *earned income* means

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the total profit from business enterprise, farming, etc., resulting from a comparison of the gross income received with the *business expenses*, i.e., total cost of the production of the income. Personal expenses, such as income-tax payments, lunches, and transportation to and from work, are not classified as business expenses.

(B) For AFDC, with respect to self-employment the term *earned income* means the total profit from business enterprise, farming, etc., resulting from a comparison of the gross receipts with the *business expenses*, i.e., expenses directly related to producing the goods or services and without which the goods or services could not be produced. However, items such as depreciation, personal business and entertainment expenses, personal transportation, purchase of capital equipment and payments on the principal of loans for capital assets or durable goods are not business expenses.

(vi) The definition shall exclude the following from *earned income*: Returns from capital investment with respect to which the individual is not himself actively engaged, as in a business (for example, under most circumstances, dividends and interest would be excluded from *earned income*); benefits (not in the nature of wages, salary, or profit) accruing as compensation, or reward for service, or as compensation for lack of employment (for example, pensions and benefits, such as United Mine Workers' benefits or veterans' benefits).

(vii) With regard to the degree of activity, earned income is income produced as a result of the performance of services by a recipient; in other words, income which the individual earns by his own efforts, including managerial responsibilities, would be properly classified as earned income, such as management of capital investment in real estate. Conversely, for example, in the instance of capital investment wherein the individual carries no specific responsibility, such as where rental properties are in the hands of rental agencies and the check is forwarded to the recipient, the income would not be classified as earned income.

(viii) Reserves accumulated from earnings are given no different treat-

ment than reserves accumulated from any other sources.

(7) *Disregard of earned income; method.* (i) Provide that for other than AFDC, the following method will be used for disregarding earned income: The applicable amounts of earned income to be disregarded will be deducted from the gross amount of *earned income*, and all work expenses, personal and non-personal, will then be deducted. Only the net amount remaining will be applied in determining need and the amount of the assistance payment.

(ii) In applying the \$30 and one-third disregard under paragraph (a)(11)(i)(D) of this section to an applicant for AFDC, there will be a preliminary step to determine whether the assistance unit is eligible without applying the disregard to the individual's earned income, by comparing the applicant's gross earned income (less the disregards in paragraphs (a)(11)(i)(A), (B) and (C)) and all of the assistance unit's other income to the State need standard. This preliminary step does not apply if the individual has received AFDC in one of the four months prior to the month of application.

(8) *Disregard of earned income applicable only to OAA, APTD, or AABD.* If the State chooses to disregard earned income, specify the amount to be disregarded of the first \$80 per month of income that is earned by an aged or disabled individual claiming OAA, APTD, or AABD, who is not blind, but not more than \$20 per month plus one-half of the next \$60 of such earned income.

(9) *Disregard of income and resources applicable only to APTD or AABD.* If the State chooses to disregard income (which may be additional to the income disregarded under paragraph (a)(8) of this section) or resources for a disabled individual to achieve the fulfillment of a plan of self-support, provide that the amounts of additional income and resources will not exceed those found necessary for the period during which the individual is actually undergoing vocational rehabilitation, and specify the period, not in excess of 36 months, for which such amounts are to be disregarded.

(10) *Disregard of income and resources applicable only to AB or AABD.* Provide

that, in determining the need of individuals who are blind, (i) the first \$85 per month of earned income of the individual plus one-half of earned income in excess of \$85 per month will be disregarded; and (ii) if the individual has a plan for achieving self-support, such additional income and resources as are necessary to fulfill such plan will be disregarded for a period not in excess of 12 months. Such additional income and resources may be disregarded for an additional period not in excess of 24 months (for a total of 36 months), as specified in the State plan.

(11) *Disregard of income and resources applicable only to AFDC.* (i) For purposes of eligibility determination, the State must disregard from the monthly earned income, i.e., earned income as defined in §233.20(a)(6)(iii), of each individual whose needs are included in the eligibility determination:

(A) Disregard all of the monthly earned income of each child receiving AFDC if the child is a full-time student or is a part-time student who is not a full-time employee. A student is one who is attending a school, college, or university or a course of vocational or technical training designed to fit him or her for gainful employment and includes a participant in the Job Corps program under the Job Training Partnership Act (JTPA).

(B) The first \$90.

(C) Where appropriate, an amount equal to \$30 plus one-third of the earned income not already disregarded under paragraphs (a)(11)(i), (a)(11)(v) and (a)(11)(vi) of this section of an individual who received assistance in one of the four prior months.

(D) An amount equal to the actual cost for the care of each dependent child or incapacitated adult living in the same home and receiving AFDC, but not to exceed \$175 for each dependent child who is at least age two or each incapacitated adult, and not to exceed \$200 for each dependent child who is under age two. For individuals not engaged in full-time employment or not employed throughout the month, the \$175 and \$200 disregard limits may be applied, or the State agency may establish disregard limits less than \$175 and \$200.

(E) Where appropriate, \$30 of the earned income not already disregarded under paragraphs (a)(11)(i), (v), and (vi) of this section, in the case of an individual who reapplies for assistance within the eight-month period that he/she is eligible for the \$30 disregard.

(ii) For purposes of benefit calculation for individuals found eligible under paragraph (a)(11)(i) of this section, the following disregards must be made by the State:

(A) Disregard all of the monthly earned income of each child receiving AFDC if the child is a full-time student or is a part-time student who is not a full-time employee. A student is one who is attending a school, college, or university or a course of vocational or technical training designed to fit him or her for gainful employment and includes a participant in the Job Corps program under the Job Training Partnership Act (JTPA).

(B) Disregard from any other individual's earned income the amounts specified in paragraphs (a)(11)(i)(B) and (a)(11)(i)(D) of this section, and \$30 plus one-third of the individual's earned income not already disregarded under paragraphs (a)(11)(ii) and (a)(11)(v) of this section. However, the State may not provide the one-third portion of the disregard to an individual after the fourth consecutive month (any month for which the unit loses the \$30 plus one-third disregard because of a provision in paragraph (a)(11)(iii) of this section, shall be considered as one of these months) it has been applied to the individual's earned income and may not apply the \$30 disregard after the eighth month following the fourth consecutive month (regardless of whether the \$30 disregard was actually applied in those months) unless twelve consecutive months have passed during which the individual is not a recipient of AFDC. If income from a recurring source resulted in suspension or termination due to an extra paycheck, the month of ineligibility does not interrupt the accumulation of consecutive months of the \$30 plus one-third disregard, nor does it count as one of the consecutive months.

(iii) The applicable earned income disregards in paragraphs (i)(B) and (C) and (ii)(B) of this paragraph do not

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apply to the earned income of the individual for the month in which one of the following conditions apply to him:

(A) An individual terminated his employment or reduced his earned income without good cause (as specified in the State plan) within the period of 30 days preceding such month;

(B) An individual refused without good cause (as specified in the State plan) within the period of 30 days preceding such month to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment;

(C) An individual failed without good cause (as specified in the State plan) to make a timely report (as defined in § 233.37(c)) of that income; or

(D) The individual voluntarily requests assistance to be terminated for the primary purpose of avoiding receiving the \$30 and one-third disregard for four consecutive months.

(iv) [Reserved]

(v) The treatment of earned income and expenses under JOBS is as follows:

(A) For earned income from regular employment or on-the-job training, as described at § 250.61, the disregards in paragraphs (a)(11)(i) and (a)(11)(ii)(B) shall apply.

(B) For earned income from a job under the work supplementation component, as described at § 250.62, the disregards in paragraphs (a)(11)(i) and (a)(11)(ii)(B) shall apply unless the State IV-A agency in its State JOBS plan, has elected to provide otherwise under § 250.62(j) and § 250.62(k).

(C) For all activities under JOBS and self-initiated education and training in non-JOBS areas, advance payment or reimbursement to the individual for child care, transportation, work-related expenses, or work-related supportive services is disregarded.

(D) Payment or reimbursement of child care pursuant to part 255 for employed individuals who are not JOBS participants and one-time work-related expenses for individuals who are not

JOBS participants pursuant to part 255 are disregarded.

(vi) At State option, disregard all or part of the monthly income of any dependent child applying for or receiving AFDC when the income is derived from a program carried out under the Job Training Partnership Act of 1982, except that in respect to earned income such disregard may not exceed six months per calendar year.

(vii) At State option, disregard all or part of the monthly earned income of any dependent child applying for AFDC, if the child is a full-time student, and that income has been disregarded for purposes of paragraph (a)(3)(xiii) of this section.

(viii) Disregard as income the amount of any earned income tax credit payments received by an applicant or recipient. Disregard as resources, in the month of receipt and the following month, the amount of any earned income tax credit payments received by an applicant or recipient. “Earned income tax credit payments” include: Any advance earned income tax credit payment made to a family by an employer and any earned income tax credit payment made as a refund of Federal income taxes.

(12) *Recoupment of overpayments and correction of underpayments for programs other than AFDC.* Specify uniform Statewide policies for:

(i) Recoupment of overpayments of assistance, including certain overpayments resulting from assistance paid pending hearing decisions.

(A) The State may not recoup any overpayment previously made to a recipient:

(1) Unless the recipient has income or resources exclusive of the current assistance payment currently available in the amount by which the agency proposes to reduce payments: except that,

(2) Where such overpayments were occasioned or caused by the recipient’s willful withholding of information concerning his income, resources or other circumstances which may affect the amount of payment, the State may recoup prior overpayments from current assistance grants irrespective of current income or resources.

(B) Withholding of information which is subject to the provisions of paragraph (a)(12)(i)(A)(2) of this section includes the following:

(1) Willful misstatements (either oral or written) made by a recipient in response to oral or written questions from the State agency concerning the recipient's income, resources or other circumstances which may affect the amount of payment. Such misstatements may include understatements of amounts of income or resources and omission of an entire category of income or resources;

(2) A willful failure by the recipient to report changes in income, resources or other circumstances which may affect the amount of payment, if the State agency has clearly notified the recipient of an obligation to report such changes. The recipient shall be given such notification periodically at times (not less frequently than semi-annually) and by methods which the State agency determines will effectively bring such reporting requirements to the recipient's attention:

(3) A willful failure by the recipient (i) to report receipt of a payment which the recipient knew represented an erroneous overpayment, or (ii) to notify the State agency of receipt of a check which exceeded the prior check by at least the amount which the State agency had previously notified the recipient (pursuant to the provisions of paragraph (a)(12)(i)(A)(4) of this section) might represent an overpayment and constitute a sum to which the recipient would not be entitled. In making a determination pursuant to this paragraph (a)(12)(i)(B)(3), all relevant circumstances including the amount by which the erroneous payment exceeded the previous payment shall be considered.

(C) Each periodic notification under paragraph (a)(12)(i)(B)(2) of this section shall:

(1) Include a reminder that it is the recipient's continuing obligation to furnish to the State agency accurate and timely information concerning changes in income, resources, or other circumstances which may affect the amount of payment, within a reasonable specified period after such change. The recipient may also be notified that

a failure to so notify the State agency within the designated time period may constitute a willful withholding of such information and permit the State agency to recover any overpayment occasioned or caused by the willful withholding;

(2) Specifically and comprehensibly in simple phraseology indicate the type of information to be disclosed by the recipient. Examples shall be furnished of the most frequent types of newly acquired income or resources (e.g., inheritance, wages from a part-time job);

(3) Require that, if there is any doubt whether a particular change in circumstances constitutes such reportable information, the recipient contact the State agency or a designated representative thereof within a reasonable specified period of time after such change in circumstances;

(4) If the State plan provides for recoupment in the circumstances described in paragraph (a)(12)(i)(B)(3)(ii) of this section, notify the recipient that if the check received exceeds the prior check by a specified amount (which amount may not be less than that which a reasonable man should have known was erroneous), this increased check may constitute a sum to which the recipient is not entitled. In such instances, the notification may require that the recipient notify the State agency or a designated representative thereof prior to the negotiation of such check, so that corrective action may be taken; the State agency shall respond to such notification within 24 hours. The recipient may also be notified that a failure to so notify the State agency within the designated time period may constitute a willful withholding of such information and permit the State agency to recover such overpayment.

(D) The State agency shall require periodic formal acknowledgement by recipients (on a form utilized for this purpose) that the reporting obligations of this paragraph had been brought to the recipient's attention and that they were understood.

(E) Any recoupment of overpayments made under circumstances other than those specified in paragraph (a)(12)(i)(B) of this section shall be limited to overpayments made during the

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12 months preceding the month in which the overpayment was discovered.

(F) Any recoupment of overpayments permitted by paragraph (a)(12)(i)(A)(2) of this section may be made from available income and resources (including disregarded, set-aside or reserved items) or from current assistance payment or from both. If recoupments are made from current assistance payments, the State shall, on a case-by-case basis, limit the proportion of such payments that may be deducted in each case, so as not to cause undue hardship to recipients.

(G) The plan may provide for recoupment in all situations specified herein, or only in certain of the circumstances specified herein, and for waiver of the overpayment where the cost of collection would exceed the amount of the overpayment.

(H) Election by the State not to recoup overpayments shall not waive the provisions of §§ 205.40, and 205.41, or any other quality control requirement.

(ii) Prompt correction of underpayments to current recipients, resulting from administrative error where the State plan provides for recoupment of overpayments. Under this requirement:

(a) Retroactive corrective payment shall be made only for the 12 months preceding the month in which the underpayment is discovered;

(b) For purposes of determining continued eligibility and amount of assistance, such retroactive corrective payments shall not be considered as income or as a resource in the month paid nor in the next following month; and

(c) No retroactive payment need be made where the administrative cost would exceed the amount of the payment.

(13) *Recovery of overpayments and correction of underpayments for AFDC.*(i) Specify uniform Statewide policies for recovery of overpayments of assistance, including overpayments resulting from assistance paid pending hearing decisions. Overpayment means a financial assistance payment received by or for an assistance unit for the payment month which exceeds the amount for which that unit was eligible. (The agency may deny assistance for the corresponding payment month rather

than recover if the assistance unit was ineligible for the budget month, the State becomes aware of the ineligibility when the monthly report is submitted, the recipient accurately reported the budget month's income and other circumstances, and the assistance unit will be eligible for the following payment month.)

(A) The State must take all reasonable steps necessary to promptly correct any overpayment, except that, as set forth in the plan, a State may waive any overpayment which occurred because receipt of an earned income tax credit payment by a family during the period January 1, 1990, to December 31, 1990, caused ineligibility under the 185 percent gross income limitation in paragraph (a)(3)(xiii) of this section.

(1) Any recovery of an overpayment to a current assistance unit, including a current assistance unit or recipient whose overpayment occurred during a prior period of eligibility, must be recovered through repayment (in part or in full) by the individual responsible for the overpayment or recovering the overpayment by reducing the amount of any aid payable to the assistance unit of which he or she is a member, or both.

(2) If recovery is made from the grant, such recovery shall result in the assistance unit retaining, for any payment month, from the combined aid, income and liquid resources, (without application of section 402(a)(8) of the Act) not less than 90 percent of the amount payable under the State plan to a family of the same composition with no other income. Where a State chooses to recover at a rate less than the maximum, it must recover promptly.

(B) The State shall recover an overpayment from (1) the assistance unit which was overpaid, or (2) any assistance unit of which a member of the overpaid assistance unit has subsequently become a member, or (3) any individual members of the overpaid assistance unit whether or not currently a recipient. If the State recovers from individuals who are no longer recipients, or from recipients who refuse to repay the overpayment from their income and resources, recovery shall be made by appropriate action under

State law against the income or resources of those individuals.

(C) If through recovery, the amount payable to the assistance unit is reduced to zero, members of the assistance unit are still considered recipients of AFDC.

(D) In cases which have both an underpayment and an overpayment, the State may offset one against the other in correcting the payment.

(E) Prompt recovery of an overpayment: A State must take one of the following three actions by the end of the quarter following the quarter in which the overpayment is first identified:

(1) Recover the overpayment, (2) initiate action to locate and/or recover the overpayment from a former recipient, or (3) execute a monthly recovery agreement from a current recipient's grant or income/resources.

(ii) Specify uniform Statewide policies for prompt correction of any underpayments to current recipients and those who would be a current recipient if the error causing the underpayment had not occurred. Underpayment means a financial assistance payment received by or for an assistance unit for the payment month which is less than the amount for which the assistance unit was eligible, or failure by the State to issue a financial assistance payment for the payment month to an eligible assistance unit if such payment should have been issued. Under this requirement, for purposes of determining continued eligibility and amount of assistance, such retroactive corrective payments shall not be considered as income, or as a resource in the month paid nor in the next following month.

(iii) Paragraph (a)(13) of this section is effective for incorrect payments which are identified subsequent to September 30, 1981.

(iv) In locating former recipients who have outstanding overpayments the State should use appropriate data sources such as State unemployment insurance files, State Department of Revenue information from tax returns, State automobile registration, Bendex, and other files relating to current or former recipients.

(v) The State must maintain information on the individual and total

number and amount of overpayments identified and their disposition for current and former recipients.

(vi) The State may elect not to attempt recovery of an overpayment from an individual no longer receiving aid where the overpayment amount is less than \$35. Where the overpayment amount owed by an individual no longer receiving aid is \$35 or more, the State can determine when it is no longer cost-effective to continue overpayment recovery efforts, provided it has made reasonable efforts to recover the overpayment from the individual. Reasonable efforts must include notification of the amount of and reason for the overpayment and that repayment is required. States must also maintain information regarding uncollected overpayments as provided under paragraph (a)(13)(v) of this section, to enable the State to recover those overpayments if the individual subsequently becomes a recipient. In cases involving fraud, States must make every effort to recover the overpayment, regardless of the amount.

(14) For Medicaid eligibility only, beginning October 1, 1998, pursuant to section 402(a)(37) of the Act, an assistance unit will be deemed to be receiving AFDC, but only for the purposes of this paragraph, for a period of nine months after the last month the family actually received aid if the loss of AFDC eligibility was solely because a member of the unit was no longer eligible due to the 4 and 12 month time limitations to have the \$30 and one-third or the \$30 disregard in paragraph (a)(11)(ii)(B) applied to his or her earned income. At State option, an additional period of Medicaid coverage for up to six months may be provided when the assistance unit would be eligible during such additional period to receive AFDC if the \$30 and one-third or the \$30 disregards were applied to the assistance unit's earned income.

(15) For Medicaid eligibility only, pursuant to section 406(h) of the Act:

(i) Each dependent child and each relative with whom such a child is living (including the eligible spouse of such relative pursuant to section 237.50(b) of this chapter) who becomes ineligible for AFDC wholly or partly because of the initiation of or an increase in the

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amount of a child or spousal support collection under title IV-D will be deemed to be receiving AFDC, but only for purposes of this paragraph (a)(15), for a period of four consecutive calendar months beginning with the first month of AFDC ineligibility. To be eligible for extended Medicaid coverage pursuant to this paragraph (a)(15), each dependent child and relative must meet the following conditions:

(A) The individual must have become ineligible for AFDC on or after August 16, 1984; and

(B) The individual must have received AFDC in at least three of the six months immediately preceding the month in which the individual becomes ineligible for AFDC; and

(C) The individual must have become ineligible for AFDC wholly or partly as a result of the initiation of or an increase in the amount of a child or spousal support collection under title IV-D.

(ii)(A) Except as provided in paragraph (a)(15)(ii)(B) of this section, individuals who are eligible for extended Medicaid lose this coverage if they move to another State during the 4-month period. However, if they move back to and reestablish residence in the State in which they have extended coverage, they are eligible for any of the months remaining in the 4-month period in which they are residents of the State.

(B) If a State has chosen in its State plan to provide Medicaid to non-residents, the State may continue to provide the 4-month extended benefits to individuals who have moved to another State.

(iii) For purposes of paragraph (i) of this section:

(A) The new collection or increased collection of child or spousal support results in the termination of AFDC eligibility when it actively causes or contributes to the termination. This occurs when:

(1) The change in support collection in and of itself is sufficient to cause ineligibility. This rule applies even if the support collection must be added to other, stable income. It also applies even if other independent factors, alone or in combination with each other,

might simultaneously cause ineligibility; or

(2) The change in support contributes to ineligibility but does not by itself cause ineligibility. Ineligibility must result when the change in support is combined with other changes in income or changes in other circumstances and the other changes in income or circumstances cannot alone or in combination result in termination without the change in support.

(B) In cases of increases in the amounts of both the support collections and earned income, eligibility under this section does not preclude eligibility under paragraph (a)(14) of this section or section 1925 of the Social Security Act (which was added by section 303(a) of the Family Support Act of 1988 (42 U.S.C. 139r-6)). Extended periods result from both an increase in the amount of the support collection and from an increase in earned income must run concurrently.

(b) *Federal financial participation; General.* (1) Federal participation will be available in financial assistance payments made on the basis that (after application of policies governing the allowable reserve, disregard or setting aside of income and resources), all income of the needy individual, together with the assistance payment, do not exceed the State's defined standard of assistance, and available resources of the needy individuals do not exceed the limits under the State plan.

(2) Federal participation is available within the maximums specified in the Federal law, when the payments do not exceed the amount determined to be needed under the statewide standard, and are made in accordance with the State method for determining the amount of the payments, as specified in § 233.31 for AFDC and in §§ 233.24 and 233.25 for OAA, AB, APTD, and AABD.

(3) Federal participation is available in financial assistance payments made on the basis of the need of the individual. This basis may include consideration of needy persons living in the same home with the recipient when such other persons are within the State's policy as essential to his well-being. Persons living in the home who are "essential to the well-being of the recipient," as specified in the State

plan, will govern as the basis for Federal participation (see Guides and Recommendations). When the State includes persons living outside the home or persons not in need, Federal participation is not available for that portion of financial assistance payments attributable to such persons, and the State's claims must, therefore, identify the amounts of any such nonmatchable payments.

(4) For all assistance programs except AFDC, Federal participation is available for supplemental payments in the retrospective budgeting system.

(c) *Federal financial participation in vendor payments for home repairs.* With respect to expenditures made after December 31, 1967, expenditures to a maximum of \$500 are subject to Federal financial participation at 50 percent for repairing the home owned by an individual who is receiving aid or assistance (other than Medical Assistance for the Aged) under a State plan for OAA, AFDC, AB, APTD, or AABD if:

(1) Prior to making the expenditures the agency determined that: (i) The home is so defective that continued occupancy is unwarranted; (ii) unless repairs are made the recipient would need to move to rental quarters; and (iii) the rental cost of quarters for the recipient (including the spouse living with him in such home and any other individual whose needs were considered in determining the recipient's need) would exceed (over a period of 2 years) the repair costs needed to make such home habitable together with other costs attributable to continued occupancy of such home.

(2) No expenditures for repair of such home were made previously pursuant to a determination as described in paragraph (c)(1) of this section. This does not preclude more than one payment made at the time repairs are made pursuant to the determination, e.g., separate payments to the roofer, the electrician, and the plumber.

(3) Expenditures for home repairs are authorized in writing by a responsible agency person, records show the eligible person in whose behalf the home repair expenditure was made, and there is sufficient evidence that the home repair was performed.

[34 FR 1394, Jan. 29, 1969]

EDITORIAL NOTE: For FEDERAL REGISTER citations affecting § 233.20, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and at [www.fdsys.gov](http://www.fdsys.gov).

EFFECTIVE DATE NOTE: At 47 FR 5678, Feb. 5, 1982, in § 233.20, paragraph (a)(13)(v) was added. The amendment contains information collection and recordkeeping requirements and will not become effective until approval has been given by the Office of Management and Budget.

**§ 233.21 Budgeting methods for OAA, AB, APTD, and AABD.**

(a) *Requirements for State plans.* A State plan for OAA, AB, APTD, and AABD shall specify if assistance payments shall be computed using a prospective budgeting system or a retrospective budgeting system. A State electing retrospective budgeting shall specify which options it selects and the State plan shall state that it shall meet the requirements in §§ 233.21 through 233.29. Budgeting methods for AFDC are described in §§ 233.31 through 233.37.

(b) *Definitions.* The following definitions apply to §§ 233.21 through 233.29:

(1) *Prospective budgeting* means that the agency shall compute the amount of assistance for a payment month based on its best estimate of income and circumstances which will exist in that month. This estimate shall be based on the agency's reasonable expectation and knowledge of current, past or future circumstances.

(2) *Retrospective budgeting* means that the agency shall compute the amount of assistance for a payment month based on actual income or circumstances which existed in a previous month, the "budget month".

(3) *Budget month* means the fiscal or calendar month from which the agency shall use income or circumstances of the family to compute the amount of assistance.

(4) *Payment month* means the fiscal or calendar month for which an agency shall pay assistance. Payment is based upon income or circumstances in the budget month. In prospective budgeting, the budget month and the payment month are the same. In retrospective budgeting, the payment month follows the budget month and the payment month shall begin within