

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814

**ERRATA**

June 13, 2003

TO: COUNTY WELAFRE DIRECTORS
FOOD STAMP COORDINATORS

SUBJECT: ERRATA TO ALL- COUNTY INFORMATION NOTICE (ACIN) I-16-03:
TREATMENT OF TAXES WITHHELD FROM UNEARNED INCOME

This is to correct some information transmitted in the quarterly questions and answers ACIN I-16-03, dated April 1, 2003. Included in this notice is a chart that attempts to show how various offsets/deductions to the unemployment insurance (UI) and disability insurance (DI) benefits are treated in the Food Stamp Program. One of the offsets/deductions in this chart indicates that voluntary withholdings (e.g., taxes withheld or deducted from a client's benefits) are not counted as income; as such, only the net UI and DI benefits are counted in the FSP. However, based on clarification from the United States Department of Agriculture, Food and Nutrition Service, a household is not entitled to the earned income deduction from unearned income sources even if such income is taxed. The counties must count the gross amount of nonexcludable unearned income specified in Manual of Policies and Procedures 63-502.142. Therefore, the gross amount of UI and DI benefits including voluntary taxes withheld are counted as unearned income for food stamp purposes. We have attached a revised chart highlighting the change.

If you have any questions, please contact Rosemary Akhidenor, Analyst, Food Stamp Policy Implementation Unit, at (916) 654-2116 or via email at rosemary.akhidenor@dss.ca.gov.

Sincerely,

Original signed by:
RICHTON YEE, Chief
Food Stamp Branch

Attachment

**ERRATA TO ACIN I-16-03 DATED APRIL 1, 2003:
TAXES WITHHELD FROM UNEARNED INCOME**

On the Payment Verification System (PVS) report, there are specific codes that identify offsets to Unemployment Insurance Benefits (UIB) and Disability Insurance Benefits (DIB). How is each of the following offsets treated? Does the County Welfare Department (CWD) apply the gross or net amount in the food stamp budget?

UIB	DIB
<ul style="list-style-type: none"> • Earnings • Benefit Reduction/Penalty • Workers Compensation • Work Share/2 persons sharing a job • Recomputation Down/Recomputed claim • Partial Overpayment Offset • Full Overpayment Offset • Pension Benefit/Pension Payment applied against UI • Child support 	<ul style="list-style-type: none"> • Partial Wages • DI Voluntary Plan Reduction • Workers Compensation • Workers Compensation Voluntary Reduction (WCVR) • Recomputation Down • Full Overpayment Offset • Partial Overpayment Offset • Child Support • Benefit Garnishment • Prepayment Reduction • Unallocated Sick Leave Wage • Simultaneous Coverage

ANSWER:

State Fraud Bureau generates a PVS report every month whenever Employment Development Department (EDD) pays out UIB and DIB and then distributes the report to the CWDs on a monthly basis. PVS report indicates the deductions or offsets that have been made to UIB/DIB and the reasons why; however, the report does not show how these offsets should be treated in the Food Stamp Program (FSP).

This report is to be used as a verification tool, i.e., when the CWD receives a household's monthly report (CW7), the CWD is encouraged to match information on the PVS report against the household's CW7 to ensure that there are no discrepancies. Where it appears that there may be a discrepancy or information is questionable, the CWD is encouraged to verify that information. For example, if the PVS report shows earnings, it's an indication that the CWD should be verifying the information with either EDD or the employer. This is to avoid counting the earnings twice or not counting it at all, etc. The following chart shows how the offsets to UIB/DIB are to be treated in the FSP.

TREATMENT OF OFFSETS TO UIB AND DIB

TYPE OF OFFSETS OR DEDUCTIONS	COUNT GROSS UIB/DIB	COUNT NET UIB/DIB
Earnings - UIB/DIB is reduced because of earnings. The household should report earnings on the monthly CW7.		√
Partial Wages – The household should report wages on the monthly CW7.		√
Benefit Reduction due to penalty – Since a household's financial circumstances are not considered in determining eligibility for UIB or DIB, the reduced amount would not count as income in food stamps.		√
Workers Compensation –The household should report Workers Compensation Benefits on the monthly CW7.		√
Work Share Earnings/2 Persons sharing 1 job –The household should report Earnings on the monthly CW7.		√
Recomputation Down/Recomputed Claim – Two persons may be using the same social security number (SSN) and paying into state disability. Upon investigation, the person who applied for disability benefits may or may not have paid into the disability to be eligible for benefits. Hence, the state disability then re-computes the benefits to determine actual benefits to be issued the eligible person.		√
Partial Overpayment Offset –UIB/DIB is being reduced to repay a prior overpayment received from UIB/DIB. The offset amount would not count as income in food stamps.		√
Full Overpayment Offset – Treated in the same manner as partial overpayment. The offset amount would not count as income in food stamps.		√
Pension Benefits/Pension Payment Applied Against UI – The household should report pension benefits on the monthly CW7.		√
Child Support – Legally obligated to be paid and otherwise payable to the household. Food stamps would count the gross UIB/DIB, but the child support amount would be an Allowable deduction.	√	
DI Voluntary Plan Reduction – Money is voluntarily being deducted from the employee's paycheck and then paid into a private disability plan (and not through the state disability).		√
Workers Compensation Voluntary Reduction (WCVR) – DI – The household should report Workers Compensation benefits on the monthly CW7.		√
Benefit Garnishment – To pay owed child support, unpaid taxes, etc. Food stamps Would count the gross UIB/DIB (including the garnished amount) as income. A child support deduction would be allowed if benefits are garnished for child support payment. No deduction would be allowed for unpaid taxes (not a deductible expense).	√	
Prepayment Reduction/adjustment – Occurs when a client was paid benefits at the full rate (like a wage) than he/she was entitled to because the client may have failed to report some relevant information.		√
Unallocated Sick Leave Wage – Paid yearly to the client as a regular wage. The household should report wages on the monthly CW7.		√
Simultaneous Coverage – Occurs when an employee is working for two different employers. One employer may elect to participate in a voluntary plan and the other employer in a state disability plan. Money is deducted from the employee's paycheck and paid into the voluntary plan.		√
Voluntary Withholdings – E.g., taxes withheld or deducted from a client's benefits.	√	