

DEPARTMENT OF BENEFIT PAYMENTS

744 P Street, Sacramento, CA 95814



May 8, 1975

ALL-COUNTY LETTER NO. 75-93

TO: ALL-COUNTY WELFARE DIRECTORS

OBSOLETE

Superseded by ACL 77-15Issued 3-17-77

SUBJECT: TAX REDUCTION ACT OF 1975 (P.L. 94-12)

REFERENCE: 44-111.3 - EXEMPTION OF PAYMENTS FROM PUBLIC SOURCES
 46-315.1 - PAYMENTS EXCLUDED OR DISREGARDED IN CONSIDERING INCOME
 63-2254 - EXEMPT RESOURCES
 63-2263 - INCOME EXCLUSIONS
 68-104 - NEED STANDARD AND AID PAYMENTS
 69-105.2 - NEED STANDARD, AID PAYMENTS, AND PROPERTY

The purpose of this letter is to state DBP policy with respect to various provisions of the Tax Reduction Act of 1975 in the AFDC, SSI/SSP, Food Stamp, Repatriated Americans, and Cuban Refugee programs.

Tax Rebates

New Section 6428 of the Internal Revenue Code provides that in computing the 1974 tax liability, each individual shall be deemed to have already made an advance payment of 10% of his total tax liability. The minimum credit is the lesser of the individual's total tax liability or \$100 (\$50 in the case of a married individual filing a separate return). The maximum credit is \$200 (\$100 in the case of a married individual filing a separate return) subject to a reduction based on adjusted gross income. In most cases, all or a portion of this payment will be returned to the recipient as a tax rebate.

Section 102 of the Act specifically exempts such payments from consideration as income or resources during the month of receipt in determining the individual's or his family's eligibility or amount of benefit under any federal program or federally assisted state program. Any portion of the payment retained by the recipient in the month following receipt would be considered a resource. The programs in which the exemption will apply include AFDC, SSI/SSP, EVH, Food Stamps, Repatriated Americans, and Cuban Refugees.

When the recipient receives the payment as a separate tax rebate, the entire amount is exempt. When the payment is combined with a tax refund otherwise due, only the rebate portion is exempt. When the payment is wholly or partially abated against a tax liability, only the remaining amount paid to the recipient is exempt. A refund may be distinguished from a rebate by an

examination of the Treasury warrant and a comparison with the recipient's copy of his Form 1040 or other records. A warrant for payment of a rebate will be printed with the letters "REB." A warrant for payment of a refund will be printed with the letters "REF." A warrant containing a combination of a refund and a rebate will be printed with both sets of letters. In the last case the amount of the rebate will not be specified and the counties will have to examine the recipient's other records to make a determination.

IRS can provide general tax information, but they should not be contacted for information about a particular recipient.

Cash Payment to Social Security Recipients

Section 702 of the Act provides for a \$50 one-time cash payment to each individual who was eligible for the month of March 1975 for any one of the following benefits: (1) a monthly OASDI benefit under Title II of the Social Security Act; (2) a monthly annuity or pension under the Railroad Retirement Act of 1935, 1937, or 1974; or (3) an SSI benefit under Title XVI of the Social Security Act. The address of such individuals must have been located within the United States and eligibility to more than one program does not entitle an individual to more than \$50. Individuals whose application for such benefits is currently pending or on appeal will be eligible to the \$50 if their retroactive check for March 1975 is issued no later than August 31, 1975.

Section 702(c) of the Act specifically exempts the \$50 payment from consideration as income or resources in the month received and resources for the balance of 1975 in determining the individual's or his family's eligibility or amount of benefit under any federal or state program based on need. The programs in which the exemption will apply include AFDC, SSI/SSP, EVH, Food Stamps, Repatriated Americans, and Cuban Refugees.

The \$50 payment will be paid by Treasury warrant and will not be combined with any other payment. The Social Security Administration estimates that the warrants will be mailed in May, and there will be an enclosed stuffer to identify the payment.

Aid to the Potentially Self-Supporting Blind

Since APSB is totally state funded, neither of the exemptions authorized under Section 102 nor Section 702 of the federal law will apply to that program. Under current law and regulations, the county is required to treat both the tax rebate and the special \$50 payment as income to APSB recipients. You are still required to count these monies as income even though there is proposed legislation (SB 819) that will, if passed, extend these exemptions to the APSB program retroactively to May 1, 1975. If the rebate is counted as income, and the legislation passes, the recipient will have been underpaid and the counties can correct this error. If the legislation fails, however, the recipient will have had available his normal net spendable income and will not have been overpaid. We will notify the counties immediately if this bill is enacted.