

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



June 3, 1986

ALL-COUNTY LETTER NO. 86-45

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: LUMP SUM INCOME AND RECIPIENT INFORMING NOTICE

REFERENCE: MPP Sections 44-100 and 44-207.4
ACIN I-106-84
ACLs 84-125, 85-13, 85-24, 85-25 and 85-67

This letter contains instructions for implementing a change in federal law regarding lump sum payments. States are no longer given the option of exempting, as windfall, certain types of lump sum payments from consideration as income. Under these new requirements, all payments defined as income under MPP Section 44-100 which are usually nonrecurring in regard to amount and/or source shall be treated in accordance with MPP Section 44-207.4 (Treatment of Lump Sum Income). This change is effective for lump sum payments received on or after August 1, 1986. The change affects AFDC and Refugee (RCA, ECA and RDP) cases.

Under the new federal requirements, income tax refunds have been specifically excluded from consideration as lump sum income. Income tax refunds will continue to be treated as property resources.

In addition to income tax refunds, lump sum payments identified in ACL 85-67 as "windfall" which continue to be exempt from consideration as income include: 1) the portion of personal injury awards and worker's compensation payments specifically earmarked for the injury (e.g., monies paid for back medical bills resulting from accidents or injury), 2) the portion of any payment which compensates for converted property (MPP Section 44-113.12), and 3) the employee portion of retirement (e.g., received upon severance from a job).

The following retroactive corrective payments shall continue to be exempt from consideration as income and excluded as property in the month of receipt and the following calendar month (MPP Section 42-213.2h): payments issued in accordance with MPP Sections 44-340.6 (Corrective Underpayments), 50-013.543 (Lowery v. Obledo Retroactive Benefits) and 50-014.934 (North Coast Coalition v. Woods, Wood v. Woods, Wright v. Woods and Angus v. Woods Retroactive Benefits).

Also effective on August 1, 1986, the provisions specified above shall supersede those pertaining to the Stephens v. McMahon court order as contained in All County Information Notice I-106-84 and All County Letter Numbers 84-125, 85-13, 85-24, 85-25 and 85-67. The provisions contained in the referenced All County Letters regarding the treatment of lump sum income under the Shaw v. McMahon court order remain unchanged. All recipients who become ineligible for federal AFDC FG/U, RCA, ECA or RDP due to receipt of lump sum income remain potentially eligible to receive State-only AFDC-U under Shaw v. McMahon.

This letter also transmits a reproducible copy of the lump sum informing notice (TEMP 1656 English/Spanish) to be sent to all AFDC, RCA, ECA and RDP recipients by July 15, 1986. The notice can be sent with a CA 7, a warrant, or under separate mailing. The content of this message is being translated into Laotian, Vietnamese, Chinese and Cambodian. These translations will be provided to you for use as appropriate.

Commencing on August 1, 1986, this lump sum informing notice shall also be provided to and discussed with all new applicants during intake and shall be reviewed with recipients during their redetermination interview.

The purpose of the notice is to advise applicants and recipients not to spend any lump sum money they receive until the county has determined whether the lump sum is exempt, or is to be counted as income or property.

The notice must be used until this information can be included on the CA 2 and CA 20 coversheets. We are currently in the process of revising these forms. We will keep you apprised as to the status of these revisions. Therefore, you will need to reproduce sufficient quantities of this notice until the revisions to the CA 2 and CA 20 are completed in order to ensure that all applicants and recipients receive it.

If there are questions, please contact Ms. Lynne Reich of the AFDC and Food Stamp Policy Implementation Bureau at (916) 324-2009 or ATSS 454-2009.

Robert A. Horel

ROBERT A. HOREL
Deputy Director

Attachment

cc: CWDA