

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



September 3, 1987

ALL COUNTY LETTER NO. 87-118

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: EFFECT OF TAX REFORM ACT OF 1986 ON AFDC

REFERENCE: EMERGENCY REGULATIONS--MPP 44-133.631 and .752
MPP 44-340.7
(RDB #0787-36)

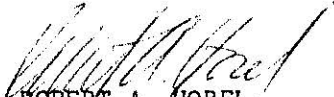
The Tax Reform Act of 1986 (P.L. 99-514) includes several amendments to the Social Security Act which impact the AFDC program. The attached emergency regulations, effective September 1, 1987, contain provisions for implementing these changes. The major substantive changes in this law applicable to the AFDC program are, 1) the increase in the standard earnings disregard from \$50 to \$75 for part-time employed stepparents and senior parents/legal guardians and 2) the deletion of the deeming of senior parent income for 18 year old "minor" parents. Additionally, the regulations require corrective payments for underpayments resulting from these changes.

You will note that MPP 44-340.7 provides instructions for identifying and taking corrective action on cases which have been underpaid since the effective date of the Tax Reform Act (October 22, 1986). These instructions pertain specifically to retroactive action on cases between October 22, 1986 and August 31, 1987. (The change will be effective beginning with November 1, 1986 grants for continuing cases and October 22, 1986 or later for new cases and restorations.) The time frames for retroactive implementation are intended to provide counties with flexibility in identifying affected cases. These time frames are not intended to preclude prompt correction of an underpayment which otherwise comes to the attention of the county. In such an instance, the county must take all reasonable steps necessary to promptly correct the underpayment, pursuant to MPP 44-340.13.

Prospective application of the regulations commences with the effective date of September 1, 1987. Counties may wish to begin the case identification process and/or development of instructions to staff for affected cases. New cases and continuing cases with reinvestigation dates of September 1 forward should be flagged to facilitate prospective application of the regulations.

Notices of Action for retroactive and prospective implementation are being developed and will be issued as soon as possible.

Please contact Jim Mullany of the AFDC and Food Stamp Policy Implementation Bureau at (916) 324-2661 (ATSS 454-2661) with questions regarding the disregard and deeming provisions of the new regulations, or Lynne Reich at (916) 324-2009 (ATSS 454-2009) regarding the underpayment provisions.



ROBERT A. HOREL
Deputy Director

Attachments

cc: CWDA