

Subsidized Child Care Assistance Program Policy Manual
Chapter 7. Family Definition and Determining Income
Eligibility

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Chapter 7. Family Definition and Determining Income Eligibility

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I. CHAPTER OVERVIEW

Subsidized Child Care Assistance (SCCA) is provided to families with a demonstrated need for care and who meet the current income eligibility criteria based on the income unit.

Within this chapter, policy, and requirements for the SCCA program include income eligibility, the household income unit, self-employment, sources of income, assessing monthly income, calculation of income, base periods, child support, deductions & disregards. Additionally, this chapter provides policy as it pertains to the types of countable and non-countable income used to determine eligibility.

The SCCA Program requires that all information is accurately entered in NC FAST.

II. INCOME ELIGIBILITY

Individuals who need childcare assistance must qualify based on income. The gross monthly income must not exceed the state's maximum income eligibility limit for the number and age of persons in the income unit.

The following income limits apply:

A. With Regard to Income

At the time of initial application, income eligibility for children served in the SCCA program must be compared to:

- i. 200% of the federal poverty level for children ages 0-5 and for all children with special needs.
- ii. 133% of the federal poverty level for all children ages 6-12 who do not have special needs.

At the time of the redetermination, the family income must be compared to:

- i. 200% of the federal poverty level for children ages 0-5 and for all children with special

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- needs.
- ii. 133% of the federal poverty level for all children ages 6- 12 who do not have special needs.
- iii. 85% State Median Income (SMI).

If income is less than 85% SMI but exceeds the State Income limits of 133% or 200%, the family will be given a graduated phase out period of 12 months during which child care subsidy services continue with an adjustment of the parental fee. The graduated phase out shall begin the day after the certification period ends. When the family's income exceeds 85% SMI at redetermination, a ten (10) work day notice will be issued to terminate services.

If there are less than ten work days left in the certification period, the case will terminate at the end of the certification period.

When a recipient reports a decrease in income during the graduated phase out period and the reduced income is at or below the appropriate FPL, the worker must now process this as a change in circumstance in NC FAST and decrease the income. This will also decrease the parent fee which is appropriate.

Note: A new application is no longer required in these situations. The recipient shall continue to receive subsidized child care services through the end of the 12-month certification period and shall be able to complete recertification at the end of the certification period.

The worker will react to the reported decreased income as a change in circumstance and will not complete a new application. Subsidized child care services shall continue through the end of the 12-month certification period. NC FAST will recognize that the family is no longer in graduated phase out and a

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recertification packet will be mailed to the recipient at the end of the 12-month certification period.

B. Without regard to Income

There are certain situations in which SCCA is available **without regard to income**.

Those situations include:

1. Children who need childcare assistance to support child protective services.
2. Children who need childcare assistance and meet eligibility criteria for child welfare services.
3. Children receiving foster care services who are in the custody of a county department of social services (DSS) **and** have been placed with an adult other than their parents or in a licensed foster home.

Refer to the SCCA FPL & SMI Chart Attachment 1 and Chapter 11 regarding Redeterminations.

III. DEFINING INCOME UNIT FOR DETERMINING ELIGIBILITY

When the amount of income available to an individual is a condition of eligibility for subsidized childcare assistance, it is necessary to determine the number of persons in the individual's income unit and the amount of the gross monthly income available to that income unit. Therefore, it is necessary to define the term "income unit" to determine whose income must be included when eligibility is determined. The term "income unit" shall apply to persons who live in the same household and who, according to North Carolina law, are responsible for the financial support of the child whose eligibility for childcare assistance is being determined. Also considered in this determination are individuals who would normally be part of the unit but are temporarily absent from the home.

NOTE: The household unit for families who are receiving benefits from

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the Food and Nutrition Services (FNS) program may differ from the income unit for childcare assistance. The childcare worker should ask the parent questions to clarify any differences.

A. Responsible Adult

The applicant/recipient is the person or persons with whom the child lives and who has the primary responsibility for the care and well-being of the child. However, a child may live with an adult who is responsible for his/her care but is not financially obligated for the support of the child such as a grandparent that may have custody of a child but not be financially obligated to support or provide childcare for the child.

Legal custody or court-ordered custody does not act to terminate parental rights and therefore does not relieve parents of financial obligation to their child. According to North Carolina General Statute, parents' financial obligations toward their children are relieved when an order of adoption or termination of parental rights is entered by the court.

Couples who are not legally married may claim to be common-law marriage partners; however, common-law marriage is not legally recognized in North Carolina. Marriage must be solemnized as required by law in order for individuals to be considered spouses under the definition of family. However, if both parents (biological or adoptive) of a child in need of childcare assistance reside in the same household, both are members of the income unit and both incomes are counted for the purpose of determining eligibility.

The following are defined income units for the purpose of determining eligibility and parental fees for childcare assistance:

1. Biological and adoptive parents and their minor children under the age of eighteen. Married parents including stepparents shall be

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included in the income unit with his/her spouse when the children in need of care include their biological, adoptive, and step children.

- i. An 18-year-old is only counted in the income unit if he/she is still attending high school and is scheduled to graduate before age nineteen.
2. A child who lives with both parents and one parent is in college or serving in the military forces in a different locale. The parent in college or serving in the military are included in the income unit and their income is counted. This is an income unit of (3).
3. A child who lives with grandparents, due to the absence of the parent who is in college or serving in the military forces in a different locale. The parent's income must be counted. The grandparents can request childcare for the child due to the absence of the child's parent and because they also meet the need criteria. The parent in college or serving in the military is included in the income unit.
4. A minor parent (under the age of 18) and his or her children. If the parents of a minor parent apply for childcare subsidy for another child of theirs, the minor parent is counted in the parents' income unit. The grandchild, however, is not. The parents, the minor parent, and their other minor children are included in the parents' income unit.
5. A child who lives with a responsible adult who is not the biological or adoptive parent is considered a child only income unit. If the child has siblings, they are also included in the income unit.
6. Children in foster care will be the case head in their own case and the staff designated by DSS will sign the application, rights and responsibilities and the voucher. With sibling groups, the youngest child will be the case head. If the family is divided, each child will be their own case head.

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B. Child Protective Services (CPS), Child Welfare Services (CWS), and Foster Care (FC) Income Units:

When the income unit involves CPS, CWS, or FC, SCCA is provided to children receiving child protective services without regard to the family's income and parental fees are not assessed.

1. CPS

When a recipient applies for childcare assistance based on CPS, the recipient will be given 12-months of eligibility. The child must be receiving child protective services and must need childcare in order to remain in his/her own home.

When a CPS application is being processed, the childcare worker should obtain the income of the family and establish a parental fee. The parental fee is waived until the need for CPS ends. Once the CPS need ends, the parental fee can be assessed to the family.

If the income information is not collected from the family at the time of eligibility determination, a parental fee cannot be assessed to the family until the next redetermination at the end of the 12-month certification period. If the income information cannot be obtained, the application and subsequent services should continue without the income information.

When the protective services Family Services Agreement includes removal of the child from his/her home, the child can no longer receive care under this need category. If the child is to continue receiving childcare assistance, it must be under one of the other need criteria. If the CPS case closes during the eligibility period, the need must be changed/updated, in NC

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FAST and care should continue through the end of the recipient's certification period.

If the recipient does not have another need for childcare when the CPS case closes, and the recipient wishes to continue services, services should continue through the end of the certification period. If the recipient declines services, the case shall be terminated with at 10-day business day notice.

2. CWS

Care may be provided to support the implementation of a permanent placement plan for a child in the case of a family adopting a child. However, once the Decree of Adoption is entered making the adoption final, the adoptive parents become financially responsible for the child and the family is no longer eligible for childcare under this need category. When a CWS application is being processed, the childcare worker must collect and verify income information from the responsible adult and enter the income into NC FAST to establish a parental fee.

The parental fee will be waived until the need for CWS ends. Once the CWS need ends, the parental fee can be assessed to the family. If the income information is not collected from the family at the time of eligibility determination, a parental fee cannot be assessed to the family until the next redetermination at the end of the 12-month certification period. If the income information cannot be obtained, the application and subsequent services should continue without the income information.

If CWS closes and children move back to live with his/her parents, the parent would need to apply for services in his/her name. If the parent does not meet a need, the worker can use developmental

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needs or seeking employment to continue services through the end of the certification period. The worker must document the case thoroughly.

i. Crisis- CWS

Childcare may be provided to assist families in crisis situations to prevent the unnecessary separation of children from their families or to help prevent child maltreatment, exploitation, or delinquency. When the family needs childcare to support a crisis, there is no referral from children's services and no referral evidence. The worker should remember to enter the need in the plan of care as "crisis" rather than CWS. The NC FAST system maps the crisis need to CWS behind the scenes and income is disregarded. Refer to chapter 5 for more information on "crisis."

3. FOSTER CARE (FC)

When a recipient applies for childcare assistance based on FC, the recipient will be given 12-months of eligibility. When an FC application is being processed, the child is the case head in their own case and the staff designated by DSS/LPA (typically the FC Social Worker or Supervisor) will sign the application and Voucher. With sibling groups, the youngest child is the case head. If the family is divided, each child is their own case head.

C. Non-parent Relative Caretaker Income Unit:

When the parent of the child receiving subsidy does **NOT** live in the home with the child:

1. The non-parent relative caretaker and the caretaker's spouse and child(ren) are not included in the income unit.

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2. The non-parent relative caretaker and his/her spouse must meet the need criteria.
3. The nonparent relative must have been identified as a safety resource placement, a relative placement or they have been awarded custody of the child. Verification such as employment, a child care referral, safety assessment or custody order must be on file to support the need for CWS.
4. The income of the non-parent relative caretaker is **NOT** counted in the calculation of income to determine eligibility for CWS. Income is only counted for biological and adoptive parents. Workers should verify if the guardian is employed.
 - a. If a non-parent relative caretaker applies and receives services, and CWS is not involved,
 - i. the child care need may be employment, or a need other than CWS.
 - ii. the non-parent relative caretaker remains the case head.
 - iii. the income unit will be the child(ren) only. Income of the child(ren), such as but not limited to, social security survivor benefits and child support continues to be counted and the parental fee is assessed on the child(ren)'s income alone.

Refer to Chapter 4 and 5 for information regarding CPS, CWS & FC.

D. Joint or Split Custody Income Unit

Joint custody is when an applicant/recipient shares physical custody of a child. Joint custody is when children are shared by both parents after divorce and separation.

At initial application, childcare workers must inquire if the family has

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joint custody. Workers are encouraged to ask joint or split custody questions when completing a thorough interview.

When an applicant/recipient shares physical custody of a child and both applicants/recipients need childcare assistance, each applicant/recipient applies separately for SCCA, and each applicant/recipient has their own childcare case and service plan based on their individual need for SCCA.

There are two separate applications for the period of time the child resides in his/her home and each parent pays the corresponding parental fee even if the child is with the same childcare provider. The joint custody application is largely similar to a traditional application with the exception of changes to the plan of care evidence.

If both parents share joint custody of the child/ren, and both parents are applying for SCCA, each parent will apply for services separately. If the parents reside in separate counties, each parent will apply in the county where the parent resides. For example. One parent is in County A and the other parent is in County B.

Split custody is when parents with multiple children each have sole physical custody of different children.

Refer to Chapters 4 and Chapter 5 regarding Income Unit and Plan of Care and the NC FAST Joint Custody Job Aid.

IV. RECERTIFICATIONS

NC FAST begins the recertification process approximately 45 calendar days, on the 15th of each month.

When a recertification application is submitted more than 30 calendar days prior to the end of the recipient's certification end date, the child care

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worker has until the end of the certification period to complete the recertification.

For example:

- Signed recertification application received on 5-24-2019.
- Certification end date is 6-30-2019.
- Recertification application must be processed by 6-30-2019.

When a recertification application is submitted less than 30 calendar days prior to the end of the recipient's certification end date, the child care worker has 30 calendar days from the date the recertification application is received in the agency to complete the recertification.

If the 30th calendar day falls on a weekend day or holiday, the recertification application must be submitted by the recipient and the child care worker must start the recertification process in NC FAST no later than the last business day before the weekend day or holiday.

For example:

- Signed recertification application received on Friday, 4-9-2021.
- Certification end date is 4-30-2021.
- The 30th day is Sunday, 5-9-2021.
- Recertification application must be processed by Friday, 5-7-2021.

In all situations, recertification applications must be received in the agency on or before the last day of the recipient's certification period to be processed as a recertification.

Refer to Application, Recertification & Base Periods Guide and or Administrative Letter #01-23.

V. SIGNATURES RECEIVED ELECTRONICALLY

Signatures received electronically are acceptable when the applicant uses software designed for the purpose of capturing legal signatures and/or a

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typed signature from the applicant submitted from the applicant's personal or business email (to authenticate the applicant's submission and agreement).

Refer to Chapter 4 for more information regarding Signatures Received Electronically.

VI. SOURCES OF INCOME

Although all sources of income must be considered in the base period month the household receives the income, not all income is counted in the family's gross monthly income when determining eligibility for childcare assistance.

A. Countable Income:

The following are sources of income which must be counted when determining eligibility for childcare assistance:

1. Gross earned wages or salaries (earnings received for work performed as an employee), including:
 - i. wages,
 - ii. salaries,
 - iii. commissions,
 - iv. tips,
 - v. piece-rate payments,
 - vi. cash bonuses earned, before any deductions such as for taxes, bonds, pensions, and union dues;

Note: Workers should not count mileage as per diem when listed on a recipient's pay stub.

2. Gross income from taxable self-employment income after deductions made for business expenses and any other expense that is deductible for purposes of federal or state tax returns;
3. Social Security benefits (includes social security pensions,

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survivors' benefits for both children and adults, and permanent disability insurance payments).

4. Dividends, interest (on savings or bonds), income from estates or trusts, royalties, adjusted gross rental income on houses, stores or other property. Rental assistance provided by an organization on a regular basis.
5. Pensions and annuities paid directly by an employer or union or through an insurance company.
6. Workers' compensation.
7. Unemployment insurance benefits (UIB).
8. Alimony (includes court ordered payments as well as voluntary payments and may include regular payment of bills such as rent and utilities).
9. Child support, direct or indirect (includes payments made to the applicant/recipient or to the court based on terms of an agreement and may include payments such as rent, utilities, insurance, etc.).

Note: Do not use Food and Nutrition Services (FNS's) conversion of child support income since the FNS conversion requirement is based on frequency of pays.

10. Pensions paid to veterans or survivors of deceased veterans.
11. On-the-Job Training (OJT) payments.
12. Work Force Investment Act (WIA) payments made to an adult. Previously referred to as the Job Training Partnership Act (JTPA).
13. AmeriCorps stipend (living allowance).
14. Armed Forces pay (only the amount taxable, such as base pay).
15. Work release payments.
16. Cherokee Tribal Per Capita Income paid to adult family members.
17. Work-study payments, if the income is from a program not administered under Title IV of the Higher Education Act or the Bureau of Indian Affairs and is paid directly to the

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applicant/recipient or responsible adult.

18. Recurring cash contributions paid directly to the applicant/recipient or responsible adult. Recurring bonuses or lump sum payments include:

- i. longevity pay,
- ii. profit sharing,
- iii. teacher bonuses,
- iv. child support, etc.

In these situations, the childcare worker averages the income for the period it covers and records the resulting average monthly amount on the application for Child Care in NC FAST.

B. Non-countable Income

Although the income is non-countable, the non-countable income should be addressed in case narrative as non-countable. For example (sale of personal assets).

The following are sources of income that are **NOT** counted when determining eligibility for SCCA:

1. Work First Family Assistance (WFFA).
2. Supplemental Security Income (SSI).
3. Lump sum payments (these are usually large payments which are made to cover an extended time period and are non-recurring and may include social security benefits, workers' compensation, alimony, veteran's benefits, holiday bonuses from employers, and HUD).
4. Foster care assistance payments.
5. Adoption Assistance payments.
6. Payments/trust funds under the Indian Claims Commission.
7. Payments from the Alaska Native Claims Settlement Act.
8. Income from sale of personal assets (stocks, bonds, house, car, and insurance).
9. Bank withdrawals.

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10. Money borrowed.
11. Tax refunds.
12. Gifts or contributions. (These are non-recurring gifts or contributions, e.g., gifts for birthdays, holidays, occasional monetary contributions, purchase of diapers, clothing, etc.).
13. Other (non-recurring) in-kind donations from non-legally responsible adults. In-kind donations which are not in the form of direct cash payments to applicant/recipients. This may include food, clothing, furniture contributions, in-kind military benefits, and vendor payments. Does not include instances when individuals use their business to pay for such types of items. In-kind donations do not include direct cash payments to applicant/recipient.
14. Emergency Assistance (EA), Low Income Energy Assistance Program (LIEAP), Crisis Intervention Program (CIP), General Assistance, Progress Energy's Energy Neighbor Fund payments, and other similar energy programs.
15. Section VIII housing subsidy.
16. Capital gains.
17. Value of food stamp benefits allotted under the Food Stamp Act of 1977.
18. Free and reduced lunch program.
19. Any and all food subsidy programs.
20. Relocation/Acquisition Act payments.
21. Earnings of a dependent child under 18 years of age, unless the dependent child is also a minor parent of a child needing childcare.
22. Loans, grants (including Pell or Carl Perkins grants), scholarships, and money received through job training programs.
23. Home produce utilized for household consumption.
24. Volunteers in Service to America (VISTA) earnings.

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25. Payments received as Earned Income Tax Credits or Dependent Care Credits.
26. All subsidized housing and housing allotments, paid directly to the landlord, including military housing allotments.
27. Money received from an employer as an employee benefit for childcare.
28. Work-study payments, if the income is from the College Work-Study Program administered under Title IV of the Higher Education Act or the Bureau of Indian Affairs. (Likewise, if the income from college work-study goes directly to the college, it is not counted as income.) For applicants/recipients that receive Wage\$, the income is not counted even though it is taxable and a 1099 is issued.
29. Reimbursement for expenses incurred in connection with employment or education are not countable when determining eligibility for childcare assistance. Examples of employment related expenses that are not countable include but are not limited to mileage, medical, per diem, phone calls, travel, and lodging. Examples of reimbursements for educational expenses such as tuition and fees.

VII. SELF-EMPLOYMENT

Self-employment income is the gross income from taxable self-employment income after deductions from allowable business expenses. Self-employment income may be received annually or monthly, or it may fluctuate, as in a seasonal self-employment activity. To determine if an individual is self-employed, the individual's work situation must be evaluated.

An individual is self-employed when he or she is working in their own business, trade, profession, or business, not for an employer. A self-employed person generally exercises control over how the business will be

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conducted, not just the product. Self-employed includes but is not limited to selling recyclables, babysitting, roomer/boarder income, farm income, cosmetologist, carpenter, and income earned by an individual working as a consultant or independent subcontractor, such as Door Dash, Instacart & Uber drivers.

These independent subcontractors are considered self-employed as they are issued a 1099 if they have earned more than \$600.00 in the year. The applicant must be able to provide proof of steady, consistent work hours and wages earned to calculate income.

Note: If Social Security and income taxes are being withheld by an employer, the individual is not self-employed.

1. If eligibility is being determined before that year's tax filing deadline, then use the previous year's tax returns.
2. If eligibility is being determined after that year's tax filing deadline, then use the business records and Self-Employment Verification Form completed by applicant/recipient.
3. If federal tax return for most recent year is not available, then use quarterly tax statements.
4. If quarterly tax statements aren't available, the worker must use:
 - i. Business accounting records, bookkeeping records such as ledger books, or records maintained by the applicant.
 - ii. Information from the verification forms for Self-Employment Income and Expenses (Attachment 2) to be completed by the applicant/recipient.

If an applicant/recipient provides a Schedule K form from their federal taxes, the worker should refer to line 19a of the schedule K when trying to determine income. Schedule K-1 is a federal tax document used to report the income, losses, and dividends of a business or financial entity's partners or an S corporation's shareholders. The Schedule K-1 document is prepared

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for each individual partner and is included with the partner's personal tax return.

The worker must add all net income from all Schedule K forms and subtract any net loss from their activities. The result would be the applicant/recipient's net self-employment income. Use this figure to perform the self-employment tax calculation. Workers can calculate net earnings by subtracting ordinary and necessary trade or business expenses from the gross income derived from the trade or business.

Applicants/recipients can be liable for paying self-employment tax even if they receive social security benefits.

When the applicant or recipient indicates a net loss from the business, the childcare worker must discuss how current living expenses are being met to determine what other income is available to the family. If client's statement is taken, the information must be recorded in the case narrative (or case notes in NC FAST). The worker may accept the applicant/recipient's statement as verification only if:

1. The applicant cannot obtain the verification from any source, i.e., the source refused to provide verification or cannot be located, and
2. The statement is not questionable. Do not accept the statement if the applicant/recipient refuses or simply fails to provide verification of income.

Refer to the Verifications section for information regarding verifying self-employment.

A. Computing Self-Employment Operational Expenses

Operational expenses are the cost of carrying on a trade or business. To be deductible, an operational expense must relate to or pertain to a trade or business and be both ordinary and necessary. An ordinary expense is one that is common and accepted in the trade or business. A necessary expense is one that is helpful and appropriate

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for the trade or business.

A deduction from gross income receipts of a business may be allowed for the ordinary and necessary expenses required for the operation of the business. If the recipient has operational expenses greater than the standard 20% deduction, the operational expenses must be verified to be considered a deduction from self-employment income.

If a self-employed individual provides their income taxes, the worker can use that as expense verification to offer more than 20% deduction. The individual is automatically eligible for the 20%, which is automated in NC FAST once the childcare worker enters the income information. Workers must enter correct and accurate information. Do not inflate income.

If the applicant/recipient requests an expense deduction greater than the standard 20%, the applicant/recipient must provide documentation and the worker must calculate the self-employment average monthly income from the 12-month base period reflected on the tax return to determine the operational expenses.

If the applicant/recipient is determined ineligible from gross receipts income with the 20% standard deduction, the worker should ask the applicant/recipient if he/she would like the option to deduct actual expenses.

When both parents are self-employed in a two-parent household, NC FAST will not allow the case worker to enter the gross receipts evidence with the automatic 20% deduction for both parents/recipients. In this instance, NC FAST should give the first parent the standard 20% deduction of their gross receipt income, since no expense evidence was entered for second parent. The second parent shall receive the deduction that was entered in the expense evidence.

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For actual expenses, the worker may use Subsidy allowable expenses reported on the Expense Section (Part II) on the Schedule C from the Federal tax documents, or the recipient may provide actual receipts for expenses.

Refer to section iv. above for information regarding IRS Tax Forms

Note: The worker will need to ensure the counted expenses are allowable per Subsidy policy if they use the Expense Section of Schedule C.

Refer to the list of operational expenses below.

Operational expenses must be carefully reviewed to determine the actual level of income available to the family. In most cases, this will differ from a determination of allowable deductions and business income for tax purposes. Operational expenses include but are not limited to:

1. Taxes required to operate the business.
2. Licenses and permit fees.
3. Rent payments (not for home-based businesses, except that part allowed as a deduction by the IRS).
4. Insurance associated with operating the business (fire, liability, theft, storm, health insurance for employees).
5. Labor costs and employee benefits associated with the business (such as Unemployment Insurance and workmen's compensation costs).
6. Maintenance and repairs associated with the business.
7. Cost of products, materials and supplies required to operate the business.
8. Business-related transportation costs as allowed by the IRS.
9. Utilities costs associated with the business.
10. Interest on business debts, including mortgages and loans; necessary for producing income.

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11. Actual unreimbursed food costs to provide meals as part of the business, such as licensed childcare providers or elder care.
12. Accounting, advertising, and legal costs associated with the business including depreciation.
13. One-half of the cost of basic local telephone service if the telephone is for both personal and business use. Long distance calls related to business also are allowable expenses;
or
14. Telephone expenses, including local and long-distance service, fax, and internet, if the telephone line is used exclusively for business.

B. Gainful Employment

Gainful employment is defined as making at least minimum wage. Recipients/applicants who are employed, including self-employment, must be gainfully employed. Newly self-employed individuals receive 12- months to allow time to establish gainful employment. The recipient is required to report changes in accordance with Recipient Responsibilities requirements.

If the gross amount is less than minimum wage based on the hours the applicant/recipient states they work, the number of hours will be determined by taking the gross income and dividing it by the current minimum wage to determine gainful employment hours in determining level of care.

If a self-employed client applies and voluntarily provides his tax information, the can accept his tax forms (generally a Schedule C) as verification of his Self-Employment income and the worker must use that as verification of their income.

To determine the Level of Care, the worker would use gross (before

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deductions) to determine level of care.

For example:

The initial gross $\$17,761/12 = \$1480.08/\$7.25 =$
 204.15 hours per month/ $4.3 = 47.48$ hours per week.

The applicant/recipient is eligible for up to full time care.

Refer to Chapter 5 for information regarding Level of Care

If the income is 0 or negative, it would be considered “No income” and the gainful employment policy should be followed.

These hours are used to determine the gainful employment hours for determining the level of care and parent fee.

If the recipient has been in business for less than 12 months at time of eligibility determination, gainful employment will be evaluated at redetermination.

- i. If at redetermination, gainful employment has not been established, the need for care and the level of care will be re-evaluated.
- ii. If a recipient becomes self-employed during their eligibility period, the eligibility period dates must remain the same. Eligibility cannot be reviewed prior to the end of the 12-month eligibility period.

Refer to Employment, Self-Employment, and Income Evidence Job Aid.

VIII. CHILD SUPPORT

When assessing child support, childcare workers must determine if the child support is received or paid out. The base period for child support, and alimony when received is the three months prior to the month of application or redetermination (date received in agency) if representative.

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The base period when child support is paid out is one month prior to the month of application or redetermination (date received in agency) if representative.

Child support is a payment made by a non-custodial parent which is available to meet the child's basic needs. It may be paid voluntarily, under a court order or enforced in compliance with a state agreement under Title IV-D. Child support includes both direct and indirect payments. When budgeting child support income, a child is defined as

1. Any individual under the age of 18 or
2. Any individual age 18 and 19, if attending high school full time.

Child support income belongs to the child. If the child is included in the SCCA income unit, the child support income must be budgeted regardless of the actual payee. If the children were entered as siblings, in NC FAST, the system will count child support for both children. There is only one assistance unit (PDC) created.

Child support payments made by the non-custodial parent to the creditor / vendor (on behalf of the parent / responsible adult) are countable.

Includes:

- rent, mortgage payments,
- utilities,
- vehicle payments, and
- payments for insurance other than health/medical insurance.

Non-countable items purchased by the non-custodial parent includes:

- diapers,
- clothes, and
- baby food.

Applicant/recipients whose children are not receiving child support should be encouraged to seek the assistance of the local Child Support

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Services Office in obtaining child support payments from the child's non-custodial parent(s).

However, this shall not be a condition of eligibility for receiving childcare assistance. The worker should try to obtain a written statement from the non-custodial parent before taking recipient's statement of child support as a last resort.

A. Types of Child Support

In-Kind donations paid to the parent or directly to the creditor on the parent's behalf by the non-custodial parent is countable income. Use the 3-month base period.

Example: non-custodial parents pay the recipient's rent, mortgage, car insurance, car payment, electric or water bill directly to the recipient or to the creditor.

1. Child Support Received or Sporadic (no pattern)

Child support payments received are counted in the family's total gross monthly income. These payments are often considered fluctuating income and/or (irregular income). The childcare worker will use the amounts that the applicant/recipient receives, NOT the amount that the non-custodial parent is obligated to pay, and figure an average amount received over a period of three (3) months.

When an applicant/recipient receives child support, the worker must review the payments issued during the 3-month base period to determine the number of representative payments. A non-recurring lump sum child support payment is a single payment made as opposed to a number of smaller payments or installments. Do not count any one-time, non-recurring lump sum payments except for tax interceptions. Child support tax intercepts must be counted.

- Use the (3) three months base period (prior to the

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month of application or redetermination if representative. Add the months together and average (divide by 3). Document the case record to support the decision to use a 3-month average.

If the child support received has just begun in the base period, use the amount in the base period and use 0's for the other 2 months and divide by 3.

Monthly Example: The calendar below shows the dates the child support was received. After reviewing the payments, the worker can reasonably conclude that the frequency of payments received is every two weeks.

June 2014						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 \$150.00	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19 \$166.25	20	21
22	23	24	25	26	27	28
29	30					
July 2014						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 \$185.66	2	3	4	5
6	7	8	9	10	11	12

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13	14	15	16	17	18	19
20	21 \$166.35	22	23	24	25	26
27	28 \$162.56	29	30	31		

August 2014

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13 \$187.20	14	15	16

17	18	19	20	21	22	23
24	25 \$150.00	26	27	28	29	30
31						

\$150.00 +
 \$166.25 +
 \$185.56 +
 \$166.35 +
 \$162.56 +
 \$187.25 +
 \$150.00 =
 \$1167.97
 / 3 Divided by # of months
 \$389.32 monthly average of child support received

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Sporadic (No Pattern) Example: The calendar below shows the dates the child support was received. After reviewing the payments, the worker cannot reasonably conclude that there is a pattern to the frequency of payments. The record is documented that the payments are received sporadically.

June 2014						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19 \$166.20	20	21
22	23	24	25	26	27	28
29	30					

July 2014						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21 \$86.58	22	23	24 25.25	25	26
27	28 \$162.50	29	30	31		

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August 2014						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25 \$150.	26	27	28	29	30
31						

$$\begin{aligned} & \$166.25 + \\ & \$86.58 + \\ & \$25.25 + \\ & \$162.56 + \\ & \$150.00 = \\ & \$590.64 \\ & / 3 = \$196.88 \text{ monthly} \end{aligned}$$

A non-recurring payment for child support issued is considered a lump sum and is NOT counted when determining the amount of income available to the family. If the non-custodial parent makes recurring payments throughout the previous 12 months, a monthly average is counted in the gross monthly income.

- i. New or changed child support income
 - a. Use the court order or documentary evidence to project a representative monthly amount.
 - b. Only count if it can be reasonably anticipated that the absent parent will begin paying.

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- ii. Terminated child support income
 - a. Count actual child support in month received.
 - b. Do not count child support past the last month of receipt.
Examples of terminated child support income includes:
 - 1. When a child turns 18 and finishes school,
 - 2. Enlists in the military and not a full-time student, or
 - 3. The child turns 20 regardless of academic status.
- iii. Child Support Paid
 - a. When an applicant/recipient whose income is used in determining eligibility for childcare assistance pays out any amount of child support, that amount is deducted from the amount of countable gross monthly income for determining eligibility. Workers need to use the one- month base period.

Refer to the Income Clarification Chart Regarding Certain Categories of Countable and Non-Countable Income for the SCCA Program.

IX. ALIMONY

The base period for alimony when received is the three months prior to the month of application or redetermination (date received in agency) if representative.

X. DEDUCTIONS AND DISREGARDS

Deductions and disregards are any dollar amount that is or may be deducted from countable income. It can come in the form of money, property, or services. Childcare workers will act by excluding or deducting from the countable income. The deduction may vary by household. If the worker deducts or excludes any amount, the total amount excluded must be less than the dollar limit that applies. Allowable deductions include but are not limited to:

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1. Child Support

When adding the child support expense deduction, the collection fee for child support monies needs to be included in the calculation of the child support expense deduction.

2. Self-Employment

Refer to the list under section above A. Computing Self-Employment Operational Expenses.

3. Cafeteria or Health Benefit and Employer Sponsored Benefit Plan Income

The type of cafeteria or health benefit plans offered by employers will vary. When the income of an applicant/recipient has both health benefit income and health benefit deductions reflected on the pay stub, the cost of medical, dental and vision insurance premiums are deducted from the countable gross monthly income to determine income eligibility. The childcare worker reviews the pay stub or other documentation from the applicant/recipient or employer which reflects health benefit income in the earnings/gross income and deduction sections. One of the following criteria will determine if the income from the health benefit is countable.

- a) Income is countable if benefits such as medical, dental, vision, long or short-term disability deductions are not reflected on the pay stub or other documentation. This is not an exclusive list. In instances where the employer pays a one-time annual benefit to employees who elect to purchase insurance from another source other than the employer, the lump sum is countable and divided over the months covered by the benefits.

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- i. If benefit is deducted by the employer, the income is non-countable. If the recipient received funds in hand to purchase benefit, then the childcare worker must count the income.
- b) Income is partially countable if the benefit deduction amounts are less than the benefit dollars listed in the gross income section. When this occurs, the benefit dollars that are not utilized for medical, dental or vision insurance are countable.
- c) Income is not countable if the deductions equal or exceed the benefit dollars in the gross income section. If health care benefits do not meet the criteria, childcare staff should contact their Subsidy Services TA Consultant to determine the deductions and countable income.

4. Medical Expenses

When an applicant/recipient state they have out-of-pocket medical expenses, those medical expenses are to be considered by the LPA/DSS. Medical expenses include payments to medical providers, the purchase of prescriptions, and post taxed medical insurance only. To determine the amount of the decrease that is reasonable, the LPA/DSS must:

- a) Verify the medical expense that is paid in the base period only. Verification may include a billing statement from the provider showing the amount due after insurance coverage; or proof of the amount covered and uncovered expenses from all insurance carriers.
- b) Deduct only the amount of the total medical expenses from

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the gross income.

- c) The parental fee assessed will be reduced by subtracting the amount of documented medical expenses more than 10% of that gross income. Once the medical expenses have been entered in NC FAST, there should be a reduction in the parental fee.

Refer to Chapter 8 for additional information regarding Medical Expenses.

XI. ASSESSING MONTHLY INCOME FOR DETERMINING ELIGIBILITY

When assessing monthly income, the determination of countable monthly gross income is based on:

- The assessment of the family income that is anticipated during the twelve- month period following the date of application (this includes the childcare worker asking questions to ascertain the recipient's financial situation).
- Consideration of all sources of income and determining what income is counted for the eligibility for SCCA,
- Verification of all employment, and all sources of countable income,
- Allowing and verifying child support payments that are received or paid out, and
- Making accurate calculations.

When the family receives benefits from FNS, the childcare worker's first step is to access the FNS income information from North Carolina Families Accessing Services through Technology (NC FAST). Since the income information shown in NC FAST has been verified, the worker completes the guided interview using the information obtained from FNS.

The childcare worker cannot require the applicant to provide

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additional income information. However, if the applicant voluntarily provides more current information, the new information must be verified following SCCA policy. In the following situations, income is **NOT** deemed from FNS because FNS allows other deductions that SCCA does not allow for expenses:

1. Non-representative income.
2. Self-employment income.
3. Child support income or expenses.
4. Lottery or gambling winnings.

At the time of application, and redetermination, the childcare worker must emphasize to the recipient the importance of reporting changes. The childcare worker must use the Recipient Responsibilities for Subsidized Child Care Assistance NC FAST-20009 form, when reviewing the reporting requirements with the applicant/recipient.

Upon signing the Recipient Responsibilities for Subsidized Child Care Assistance form, the applicant agrees to report any changes that may affect eligibility for assistance to the childcare worker within ten (10) business days. Changes that recipients are required to report include:

- a) Change of contact information including address and telephone number.
- b) Increase in income that exceeds 85% SMI (this should **NOT** include fluctuating income) based on the SMI chart posted on the DCDEE website.
- c) Non-temporary change in the status of the recipient as working or attending a job training or education program or any other non-temporary change in their need for childcare.
- d) Change in recipient's choice of provider is needed or wanted.
- e) Recipient needs or wants to end childcare services.

Refer to Chapter 13 regarding Recipient Rights and Responsibilities.

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A. Base Periods & Special Base Periods

The base period for initial applications is the month prior to the month the initial application is received in the agency. The base period for recertification applications is the month prior to when the recertification application is received in agency.

Refer to Application, Recertification & Base Periods Guide Administrative #01-23.

1. Base periods

Are the periods of time that are the basis for determining income eligibility. The base period establishes a set period for workers to create a “snapshot” of a budget unit’s income and for which income must be verified. The base period should be an accurate representation of the income the household is expected to have available during the certification period.

2. Special Base Periods

Certain types of income require special base periods, particularly if the income is not stable or the income fluctuates. Income that fluctuates significantly should be averaged in such a way that childcare assistance will not be interrupted, and the family can anticipate and budget for the parental fee that remains unchanged throughout the eligibility period. This method of calculating income must be used sparingly and carefully.

- i. Representative Income is income from the base period that is reflective of the recipient’s future income and must be used to calculate the amount that is reasonably expected to be available to the recipient’s household during the certification period.
- ii. Non-representative income is income from the base period that is received irregularly, has changed, or terminated, and cannot be reasonably expected to be available to the recipient’s

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household during the certification period.

Nonrepresentative income includes new income that was not available during the base period and therefore no base period information is available to project the income that will be available to the household during the certification period.

- a. If the new income provided is representative, use the appropriate base period income to average gross income.
- b. If reported income is not representative, the childcare worker must determine which budgeting method is the most representative estimate of the budget unit's income over the certification period. The childcare worker must provide detailed documentation of what was used for representative income and why it was used.

The following are static base periods used for representative income:

One Month:

The base period for most income is the month prior to the month of application or redetermination if representative.

Three Months:

The base period for child support, spousal support, and alimony is the three months prior to the month of application or redetermination if representative. Calculate by adding the income from the three months together and divide by 3 to obtain a monthly average. Child support income should not be deemed from the Food and Nutrition program as their conversion policies are based on frequency of payment and this is not SCCA policy.

Twelve Months:

If the income is received annually or from self-employment, the base period is 12- months.

Refer to section VII. SELF-EMPLOYMENT

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When the child care worker is assessing a family for application or recertification, the above base periods must be discussed.

Documentation requested from the recipient shall be based on the above base periods. For the majority of representative income, a 1-month base period is used.

When child support is received a 3-month base period is used.

Refer to Administrative Letter #01-23 regarding Application, Recertification & Base Periods Guide for reference.

The following steps must be used for determining representative income when non- representative income is in the base period:

1. Explore alternative budgeting methods for averaging income.
The childcare worker may consider one of the following or other alternative budgeting methods:
 - a. an average income of the three months prior to application,
 - b. an average of six months prior to application, or
 - c. an average that includes three months prior to the application and three months of anticipated future income.

If the worker uses an alternate budgeting method, the worker must document why the base period is not representative and how the worker determined what is representative. Include the calculations in the documentation.

2. Project using the best available information about the number of hours, rate of pay, and frequency of pay expected to be received over the certification period.

New income is income that was not previously available to the household but is now or will be available to the household during the certification period. New income can include the following but is not limited to:

- a. New employment.

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- b. Increase / Decrease in rate of pay.
- c. New position with same employer.
- d. Increase/ Decrease in work hours.

If the new income provided is representative, use the appropriate base period income to average gross income.

If new income is not representative due to the household not receiving a full month's income, it may be necessary to project income for future months. Project income by using the best available information about the number of hours, rate of pay, and frequency of pay expected to be received over the certification period.

Refer to the Application, Recertification & Base Periods Guide

XII. CALCULATION OF INCOME

The computation of gross monthly income is made based on an assessment of the family's income that is available during the appropriate based period. It includes asking questions to ascertain the client's situation, considering all sources of income, determining what income is counted for the eligibility for child care services, verifying all sources of countable income, and making accurate calculations.

New income is income that was not previously available to the household but is now or will be available to the household during the certification period. New income can include the following but is not limited to:

1. New employment.
2. Increase / Decrease in rate of pay.
3. New position with same employer.
4. Increase/ Decrease in work hours.

During redetermination, to align with the recertification packet, the recipient may provide their last 4 pay stubs as stated on the recertification packet. The child care worker shall accept the last 4 pay stubs regardless of where the pay stubs fall in the appropriate base period. The child worker shall thoroughly document in NC FAST the reason the last 4 paystubs are being

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used (i.e., Used check stubs provided by family based on language in the recertification packet). If this occurs and proper documentation is added to NC FAST as to why the check stubs were used outside of the appropriate base period, this will not result in a finding when counties are monitored by the Division.

If reported income is not representative, the child care worker must determine which budgeting method is the most representative estimate of the budget unit's income over the certification period. The child care worker must provide detailed documentation of what was used for representative income and why it was used.

If new income provided is representative, use the appropriate base period income to average gross income. If new income is not representative due to the household not receiving a full month's income, it may be necessary to project income for future months. Project income by using the best available information about the number of hours, rate of pay, and frequency of pay expected to be received over the certification period.

The following steps must be used for determining representative income when non-representative income is in the base period:

1. Explore alternative budgeting methods for averaging income. The child care worker may consider one of the following or other alternative budgeting methods:
 - a. an average income of the three months prior to application,
 - b. an average of six months prior to application, or
 - c. an average that includes three months prior to the application and three months of anticipated future income.
2. Project using the best available information about the number of hours, rate of pay, and frequency of pay expected to be received over the certification period. The child care worker must provide detailed documentation of what budgeting method was used and why it was used.

If pay stubs are not available due to the recipient being newly employed, the DSS/LPA should not delay the approval of the application. Income that is anticipated by someone who is newly employed is based on an employer's

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statement (either by telephone, written statement, or a wage verification form) that indicates the rate of pay and the number of hours for each pay period the recipient is scheduled to work.

The calculation of earned income must be clear and can be explained by one of the following:

- An explanation in the case narrative.
- Handwritten notes on the application.
- A calculator tape for income which should be uploaded as an attachment in NC FAST.
- Any unusual circumstances that the childcare worker considers in calculating income must be documented in detail in the case narrative.

1. Alternative Budgeting Method- If income is not representative, case workers must provide detailed documentation of why the case worker used what they used and detailed documentation of why the budget was calculated differently.

2. Calculating Regular ongoing income:

Income that the household has been or expects to receive on a regular, ongoing basis. This income can fluctuate across pay periods, so the case worker should use all representative (full) pay received in the base period to average gross income across pay periods to determine the amount of gross income available to the household for each pay period.

- i. Calculation: averaging the representative income to establish an accurate representation of the income expected to be received each pay period.
- ii. Determine the total gross income for each pay stub received during the base period.
- iii. Determine the number of pay dates.

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- iv. Divide the total gross income by the number of pay dates; do not round.

If the base period contains a pay period of \$0 that is representative of the regular ongoing pay use \$0 in your averaging.

If the \$0 pay is not representative, then do not use that pay period and thoroughly document the reason the income is not representative in the case notes.

The following formula is used to convert average incomes to a monthly amount:

- If received weekly, multiply by 4.3
- If received biweekly, multiply by 2.15
- If received semi-monthly, multiply by 2
- If received quarterly, divide by 3
- If received monthly, use the monthly gross
- If received semi-annually, divide by 6
- If received annually, divide by 12

The monthly income amount is entered on the application in NC FAST.

3. Calculating Terminated income:
Income the household has previously received that has terminated or will terminate during the certification period.

When calculating, do not count the terminated income beyond the month the household receives their final pay from that income source.

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XIII. VERIFICATIONS

Verifications are used to support evidence in the determination of SCCA program eligibility. The purpose for verification is designed to prevent and/or identify fraudulent misrepresentation and under/overpayments. Income verification must be completed before a case can be opened.

Adequate verification requires that the applicant/recipient presents sufficient information so the childcare worker can make accurate calculations that reflect the applicant/recipient's current income or to accurately determine an average monthly income in those cases where income fluctuates significantly.

It is important for the applicants/recipients to understand they are certifying the accuracy of the information when they sign the Application for Child Care Assistance. The DSS/LPA worker must assist the applicant or household in obtaining verification as needed. The DSS/LPA worker must have every check stub received during the base period month. If every check stub is not available, the worker must accept any reasonable documentary evidence if the verification adequately proves the information provided on the application.

Note: Do not verify the county residency, citizenship, or age of the child as it is not a requirement for SCCA. Refer to Chapter 4 for additional information.

A. Sources of verification that can be used when determining eligibility consist of electronic matching, documentary evidence, collateral contacts, or other means to establish the accuracy of statements on the application.

1. Electronic Verifications (the work number) are the best tool for calculating gross monthly income. In addition to showing the name of the employer, the date of pay and gross income earned, this document can provide other valuable information which helps the childcare worker make an accurate calculation.

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Electronic Verification (OVS) is required for all programs and all unearned income types. Electronic matching is the primary income verification source for income received through Social Security, Division of Employment Services (DES), Unemployment Insurance Benefits (UIB), and the Work Number. Child care workers must use OLV/OVS for verification and explore unearned and/or benefit income using the verification hierarchy.

There may be times when OLV/OVS may yield insufficient results from the online data request. If this occurs, it is because there is no social security number of a household member. Social security numbers are not required to determine eligibility for subsidized childcare assistance. However, this information may be requested for:

- i. child only cases and
- ii. when the online verification results in insufficient data.

In this instance a social security number is needed. However, per SCCA policy Chapter 4, Social Security numbers are not required for eligibility. the child care worker may request the social security number and inform the applicant that the social security number to **identify individuals in the household ONLY.**

Applicants/recipients may voluntarily provide the social security number of the children for whom assistance is requested and to identify individuals in the home. **Social security numbers are not to be used to verify income.**

Note: Only pursue other methods if there is a discrepancy or if

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electronic verification is not available or representative.

Refer to the Requesting and Viewing Online Data (OVS) Job Aid

2. Documentary evidence for income verification includes items such as but not limited to wage stubs or award letters.

Documentary evidence may be provided in person, by mail, or through an authorized representative. The applicant or the household has primary responsibility for providing documentary evidence to support statements on the application and to resolve any questionable information. If the applicant/recipient is unable to furnish source documents, the DSS/LPA must have the applicant/recipient's written permission authorizing the childcare worker to contact the necessary individuals, employers, or agencies to verify income. The childcare worker documents in the case notes which verification method was used and why previous methods were not used. When documentary evidence cannot be obtained or is insufficient to make eligibility determination or determination of the correct benefit level, collateral contact may be necessary.

3. A collateral contact is a person knowledgeable enough about the information needed to provide an accurate statement of verification. Examples of acceptable collateral contacts may include employers, social service agencies, migrant service agencies, who can be expected to provide accurate third-party verification.

The DSS/LPA is responsible for obtaining verification from acceptable collateral contacts.

4. The recipient's written statement is acceptable in some circumstances unless otherwise questionable. Circumstances when using recipient's written statement include but are not limited to:

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- Receiving recurring cash contributions paid to the parent, such as severance pay, or
- Child support that is not paid pursuant to a written agreement or court- ordered arrangement.

The recipient's written statement should be the last resort after all other attempts to obtain verification have been exhausted. The case worker must enter detailed documentation as to why the recipient's statement is being used and why other methods were not used.

Note: The DSS/LPA must assist the applicant or household in obtaining verification as needed.

XIV. VERIFICATION METHOD HIERARCHY

A. Standard Earned Income- Wages, Salaries, Tips (including Contract Income, pay advances, work-study, longevity pay etc.).

1. Verify the most recent representative pay.
2. Verify the client's status, rate of pay, and average hours worked with employer, either verbally or in writing.

B. Special Earned Income- Rentals, Royalties, Self-Employment

1. Prior year's federal tax returns (must include at least some of the months in the base period).
2. Business records, including but not limited to accounting records, ledgers, lease agreements.
3. Signed statement of a responsible financial institution, bank, or real estate agent.

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XV. VERIFYING INCOME

The applicant/recipient's income is the "evidence" used to determine eligibility. The family applying for subsidized childcare assistance must meet income eligibility requirements to be approved for services unless the service is available without regard to income (to support care needed for CPS or CWS).

Verification of all income is required at:

1. application,
2. annual redetermination,
3. if there is an increase in income that exceeds 85% SMI (this should NOT include irregular income fluctuations),
4. if a recipient voluntarily reports a change in employment and allows a decrease in income.

A. Verifying Self-Employment Income and Expenses

Accepting the income tax return with appropriate documentation would be an acceptable form of verification.

Business records of the business, if available is also acceptable. This may include but is not limited to the following:

1. Business accounting records or statements from an outside accountant (generally compiled based on information provided by the a/b).
2. Ledger books or bookkeeping records, including those maintained by the a/b or an employee, either paper or in software programs such as Quicken.
3. Lease agreements that are maintained by the applicant/recipient.
4. Signed statement of a financial institution, bank, or real estate

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agent.

5. Verification Form for Self-Employment Income and Expenses.

Verification for self-employment must indicate the date the expense was paid, to whom it was paid and what the expense was for. Income and expense forms; prior year federal tax returns (must include at least some of the months in the base period). Document the case narrative/notes well.

i. Schedule C (1099) verification for Self-Employment

Note: For contracted employees that have a 1099, it can be accepted if skillful interviewing is completed to support the DSS/LPA accepting the 1099. Skillful interviewing and documentation should include:

- How many months does the 1099 cover?
- Does the client perform any other contract work that the presented 1099 does not cover?
- Does the income reported on the 1099 meet the gainful employment standard?

At application, the applicant's written statement of income may be accepted AS A LAST ALTERNATIVE only if no business or current tax records are available and the applicant has not previously been informed of the requirement to keep business records. Applicant's written statement is acceptable for gross receipt income only rather than net income after operating expenses. The applicant's statement cannot be accepted for operational expenses.

For self-employment, gross receipts are examples of sources of verification used to support the evidence. Gross receipt income evidence must be added when self-employment is added.

If a recipient does not keep good records, the child care worker can provide the applicant/recipient the Verification Form for Self-

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Employment Income and Expenses Attachment 2 to verify income.

The business records of the self-employment activity are the primary source of verification of self-employment income. For expenses, verification must indicate the date the expense was paid, to whom it was paid, and the purpose of the expense.

If an applicant/recipient has just started a new business, the applicant/recipient's statement of income may be accepted as a last alternative only if no business or tax records are available.

If the childcare worker must accept the applicant's statement of gross income, the reason the applicant has no business records must be documented. In addition, the childcare worker must advise the applicant/recipient that at redetermination, it will be necessary to provide adequate business records to establish and verify income to continue to receive services.

B. Verifying Education

A copy of the recipient's class schedule; a copy of enrollment information from the education/training program. School Verification is required only at initial application and redetermination.

C. Verifying CPS, CWS

The childcare worker must verify and enter income if the need is CPS or CWS. Examples of verification include written referral, safety assessment or custody order to support the need. SCCA should not be denied or refused if the worker is unable to verify the income for CPS/CWS.

Refer to Chapter 5 for more information regarding education, CPS, and CWS.

The childcare worker must verify and enter income if the need is CPS/CWS. Examples of verification include written referral, safety assessment or custody order to support the need.

Income information of the family is obtained initially in order to

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reinstate when the CPS/CWS case closes.

If the income information is not collected from the family at the time of eligibility determination, income cannot be assessed to the family until the next redetermination at the end of the 12-month certification period. If the income information cannot be obtained, the application and subsequent services should continue without the income information.

D. Verifying Foster Care

The worker must verify employment information, including the name of employer and days and hours of employment, for each foster parent. The Program Referral should be completed by the Foster Care Social Worker and include the Need for care, including the days and hours they are participating in that Need for each Foster Parent.

E. Verifying Developmental Need

The worker must verify income in order for the child to receive services. Refer to Chapter Four and Five

F. Verifying Child Support

The amount of child support received or paid out must be verified through Child Support Services, Clerk of court, a pay stub/documentation that shows wages garnished for child support paid out, or a written, signed statement from the applicant/recipient. The worker should obtain the written statement from the non-custodial parent before taking the recipient's statement of child support. If the non-custodial parent refuses to cooperate and provide verification of child support, the information should be documented in the case narrative/notes.

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G. Child Support Verification Hierarchy

Child support received.

1. Online verification system (ACTS)
2. Provision of the separation agreement or divorce decree, if up to date
3. Non-custodial parent Contribution statement
4. Signed statement of the caretaker when the income is received directly to the income unit as a last possible verification method. The paying parent can get a statement from the child support office of what they pay. OVS does not show child support paid out.

If major mother/father receives child support for his/her child who is a minor mother/father, the amount of child support that the major mother receives for the minor mother is only counted as income when determining the minor mother's eligibility for childcare assistance.

If a minor parent applies for SCCA for his/her child and the minor's parent receives child support for the minor parent, the child support is not counted in the minor parents' case for the child.

If a non-custodial parent refuses to sign a statement, the DSS/LPA worker must document the non-custodial parent's refusal in the case narrative/notes and allow the applicant/recipient to sign a statement verifying the amount of child support received for the base period. The applicant/recipient is not required to prove he/she does not receive child support.

H. Verifying Medical Expenses

Verification may include a billing statement from the provider showing the amount due after insurance coverage; or proof of the amount covered and uncovered expenses from all insurance carriers.

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XIV. DOCUMENTATION

Documentation of the criteria and conditions essential for eligibility is part of the eligibility determination process. Documentation is required for all cases. Documentation means the type of verification and a summary of the information obtained has been entered in the appropriate evidence in NC FAST. Documentation must be detailed so that a County, State, or Federal reviewer is able to determine the reasonableness of the determination and for the purpose of audit by appropriate state and federal agencies. For example, when income is verified by the presentation of pay stubs, the gross amount of income on each pay stub, and the frequency of receipt of income is documented in NC FAST evidence(s) or case record.

Documentation can be scanned or copied and may be submitted during in person visits, by fax, scan or by mail. Workers must document each time there has been contact through phone calls, interviews, items requested, received, or sent. Each entry should give the specifics including date, time, and purpose of contact and results.

Documentation includes:

- Collection- collecting all information needed to determine Eligibility and the Plan of Care.
- Evaluation- evaluating the hours and level of care.
- Recording- appropriate notes necessary to determine eligibility.

Documentation of childcare eligibility provides information to support the childcare worker's eligibility decision.

It provides history for the DSS/LPA worker, coworkers, and the supervisor about actions taken on the case. The case narrative/notes allow others the knowledge to work on the case in the absence of the worker.

It provides a paper trail if the applicant/recipient requests a fair hearing. The DSS/LPA worker should keep copies of documentation that is

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being used.

All verified documents must be stored or uploaded in the attachments in NC FAST, and the detailed information should be documented in the case narrative/notes.

The following guidelines are best practices when documenting in the case narrative/notes:

- Be factual.
- Refrain from giving opinions or subjective evaluation of the facts.
- Be clear, concrete, and complete.
- Avoid irrelevant details.
- Base any impression on observable and specific facts.
- Support the eligibility decision.

For applicants/recipients needing childcare to support education or skills training, it is helpful and encouraged that the childcare worker discusses and review educational plans. The DSS/LPA worker should assist the recipient with setting reasonable goals to complete their educational and skills training programs in the allotted timeframe.

For active recipients, or for new clients who receive WFES with a referral, if the likelihood of obtaining employment is based upon the recipients' prior job search activities, workers must document if the recipient has a job interview(s) scheduled or if the recipient is waiting to hear the results of a job interview(s).

The case worker must provide detailed documentation in the case narrative at initial application, at recertification and if there is a reported change. Including documenting NVRA, and Developmental Screenings for children 0-5. Refer to Chapter 4 for additional information regarding NVRA.

- a) Applicant/Recipient statements verbal or written regarding

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available income; including applicant/recipient statement of no income, new employment, increase / decrease in rate of pay, new position with same employer, increase/ decrease in work hours, or the income unit and if the child has a developmental delay.

- b) Document the type of developmental delay or risk of delay. Documentation may come from the local health department, physician, developmental evaluation center, childcare provider, etc. However, medical, or psychological reports to determine this eligibility are not necessary and LPAs may not routinely require such reports from applicants.
- c) Collateral contact if one is necessary.
- d) The source and type of income,
- e) Income calculations including calculation tape if used. The information in the case record should match the information entered in NC FAST.
- f) The documentation should explain the budget calculation. If the case worker did not include income in a budget calculation, the case worker should explain why the income was not used. The documentation helps justify the worker's actions and explains any extenuating circumstances.
- g) Efforts to verify and determine employment and exploration of potential unearned income.
- h) Copies of correspondence, documents, forms, and notifications.
- i) Amount and type of earned and unearned income and any operational expenses.
- j) Base period used and the income available.
- k) Alternative Budgeting Method.
- l) Self-employment operational expenses.
- m) Health benefits
 - o Child support- Amount received or paid out. The worker must document the attempts made to verify the child support from the absent parent. If the worker allows care to continue and requires continuation of funding.

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- Other facts, information, or dates used such as recommendations from teaching staff at educational institutions, the individual needs, and abilities of the recipient, whether the recipient has developed career goals, or whether the recipient has developed a personal plan for completing skills training.

When documenting the case narrative, workers must:

- Use reasonable documentation to verify income.
- Avoid over-verification (e.g., requiring excessive pieces of evidence for any one item or requesting verification that is not needed to determine eligibility.)
- Do not require additional verification once the accuracy of a written or verbal statement has been established.
- Do not require a specific type of verification when various types are adequate and available.
- Only re-verify income information when different or conflicting information is presented. If fraudulent misrepresentation is suspected, determine if a referral for fraud misrepresentation or for front-end verification should be made.

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Chapter 7 Scenarios

Please note these scenarios are examples only. Each situation may vary.

Base Period:

1. On Aug 23, 2021, the applicant applied for childcare for her 2 children. The applicant is employed full time (32 to 40 hours each week) and her employment began on June 25, 2021. The applicant is paid bi-weekly and has a single parent household. There is no other income reported. The applicant is requesting full time childcare for the children.

Q: What is the base period for this application?

A: The base period for this application is the income received the month prior to the date the application is received (in person or by mail). In this case, the client would need to submit her July wages statements.

2. An initial SCCA application is received in the agency on 2/15/2021.

Q: What is the base period?

A: January 2021

Q: What would the worker need to verify?

A: The worker will need verification of all income from January 2021.

3. A family's certification period ends 2/28/21. The recertification packet is received in the agency on 1/29/21.

Q: What is the base period?

A: The base period is
December 2021

Q: What must the worker do?

A: The worker must verify income for the month of December.

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Child Support:

1. A single parent is employed full-time and has two (2) children in need of full-time childcare assistance. She earns \$1,083 per month in wages and receives \$350 per month for child support. Her parents also give her a recurring cash contribution of \$100 per month to help pay her household expenses.

Q: What is the total countable income for this family?

A: The total amount of countable income for this family is \$1,533 per month (wages plus child support and the \$100 contribution).

Q: Does this family's total income meet SCCA guidelines?

A: Yes, this family is income eligible for care since the family's total income meets income guidelines.

2. Dad lives in the home, and he is still paying the mother (in the same home) the child support arrearages.

Q: Should the childcare worker deduct or not?

A: Since dad is in the home and the money is staying in the home, the worker would use his gross income before taking out the child support and document the situation very well in the case narrative/notes. Document the reason the income was computed in that way. Another option would be for the childcare worker to include the deduction for the dad and count the payment for the mother. The result would show the child support income equals zero.

3. If a non-custodial parent pays \$600 child support every 3 months, to an applicant/recipient, how would the worker calculate the total income?

A: The worker would divide this child support by 3 months and count \$200 each month; non-custodial parent pays \$800 every 6 months, the worker would count \$133.33 a month; non-custodial parent pays \$1500 once a year, every year for the last 3 years, worker would divide it by 12 months and count \$125.

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4. A mother of four receives a one-time tax intercept child support payment. She also received it along with her regular child support payment.

Q: What happens if child support received is from a tax intercept?

A: If the applicant/recipient receives a tax intercept payment and there is no record of a tax intercept previously, it is considered a lump sum and is not counted. If the applicant/recipient receives a tax intercept payment along with regular child support payment, it is not counted if the tax intercept is not received every year.

5. A recipient is garnished \$24.50 weekly for child support. However, the garnisher charges an additional processing fee of \$2.00. Therefore \$26.50 is deducted from the recipient's gross income amount.

Q: What is the total deduction that should be used?

A: The DSS/LPA would use \$26.50 as the weekly deduction amount.

Education:

1. A family of four (4) needs childcare assistance. The father is employed full-time earning \$2,179 per month in wages. The mother is enrolled in a degree program at the local community college and is also participating in the College Work-Study Program. This program is administered under Title IV of the Higher Education Act. She receives \$300 per month in work-study income. In addition, one (1) child receives SSI benefits of \$236 per month.

Q: Is this family eligible for childcare assistance?

A: Yes, the family is eligible for childcare assistance based on the father's income of \$2,179 per month. The SSI benefits are not counted and work-study income that is from a title IV administered program is not counted.

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10-Month Employee

1. A 10-month school employee receives SCCA and decides to work during the summer break.

Q: How is the income calculated?

A: The childcare worker should count or average the fluctuating income. Average the income for the time it covers and record the resulting average monthly amount on the Application for Child Care in NC FAST. This applies even if the recipient recertifies during the summer break. Teachers or school employees can be paid a 10- month or 12-month salary. Either way, the salary is the same for the year; therefore, the annual salary can be divided by 12 months to obtain a monthly average for the entire certification period. Should the teacher or school employee work during the summer, the income is considered temporary fluctuating income. And is counted and averaged in the 12 months.

In this example, the base period for computing income at application for teachers and other school employees under contract is 12 months. Teachers generally sign a 12-month contract with the school system by which they are employed. Divide the yearly income specified in the current contract by 12 to determine the monthly gross income.

Use 12 months to annualize income even if the teacher opts to have the income received over only 10 months. When a teacher or other contract employee returns to the same school system at the beginning of the school year, this is not considered new employment and the Job Bonus does not apply. If the school contract is for a period other than 12 months, divide by the number of months in the contract to determine the monthly amount.

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Income Eligibility Determination

1. Stephanie has applied for childcare assistance to help pay for day care for her two young children under the age of five while she is attending a full-time vocational training program, which has been approved by the childcare worker. Stephanie has presented verification of \$340.00 per week in Unemployment Insurance Benefits, and \$110.00 per week in child support. Additionally, she has indicated that she received a \$374.00 income tax refund last week.

Q. How many people are in the Child Care Services Unit?

A. There are 3 individuals in this income unit.

Q. What is the Gross Monthly Income?

A: $\$340.00 + 110.00 = \$450.00 \times 4.3 = \$1935.00$

Q: Is the family income eligible?

A: Yes, The Initial Maximum Income Eligibility Limits for Subsidized Child Care Assistance for a family of three is \$4,143.

Income Unit

1. Mom has an active case which includes mom and her child(ren) in the income unit. At recertification, mom reports that she had a baby and the father lives in the home. Mom and the baby's father are not married. Mom requested care for her infant. The worker included the infant and the father in the case and the father's income makes the family ineligible as their combined income is above SMI. Mom decides she would like to request care for the oldest child(ren) only.

Q: How does the worker respond?

A: Workers should delete the father's income evidence from the case which enables NC FAST to count Mom's income only. The worker should clearly document the case regarding the father's income and the infant's ineligibility. The income unit would be mom, her older children, and the infant.

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Self-Employment:

1. The recipient is self-employed and applied for services in January 2021. They state they are still compiling all their income and expenses for the 2020 tax year to file their taxes. The only thing they have available is their 2019 tax return and the receipts used to complete it. They state the income of the 2019 tax return is representative of what they made in 2020 as well.

Q: Are counties allowed to accept the 2019 tax return as verification of income and attach original receipts (if they are greater than the 20% automatic deductions) and document why they used this instead of the 12-month base period?

Q: Does the recipient have to submit a signed statement of their best guess of what they made each month for the previous year?

Q: Does the county need to ask for the actual 2020 tax return when the recipient completes the taxes to determine if the recipient's statement was true or not-- and make changes if the income exceeds the 85% SMI?

A: Self-employment verification hierarchy

- i. Federal tax return as first option
- ii. Quarterly tax statements as second option
- iii. Business records, bookkeeping records, other verifications as last option with SE verification form completed by RA

If federal tax return for most recent year is not available, then use quarterly tax statements.

If quarterly tax statements aren't available then use Business records, bookkeeping records, other verifications as last option with Self-Employment Verification Form completed by applicant/recipient.

2. Ms. Jones, a hairdresser, for the past 3 months works at Debbie's Hair Salon where her customers pay her directly. She is charged booth rental by the

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owner of the salon. On April 2, she applied for SCCA for her two children. She brought her appointment book for January, February, March, and receipts for expenses. The appointment book includes the amount she charged each customer along with the number of tips she received. Ms. Jones provided dated receipts that show the following expenses.

	January		February		March
Booth Rental	\$100.00	Booth Rental	\$100.00	Booth Rental	\$100.00
Salon Supplies	+ \$15.00	Salon Supplies	+ \$25.00	Salon Supplies	+ \$20.00
Total	\$115.00	Total	\$125.00	Total	\$120.00

The countable income is computed as follows:

	January		February		March
Gross Income	\$650.00	Gross Income	\$675.00	Gross Income	\$625.00
Expenses	- \$115.00	Expenses	- \$125.00	Expenses	- \$120.00
Total	\$535.00	Total	\$550.00	Total	\$505.00

Q: How is the monthly income calculated?

A: The monthly income is calculated by the number of months ÷ 3

January countable income \$535.00

February countable income \$550.00

March countable income \$505.00

Q: What is the total countable income?

A: The total countable income \$ 1,590.00.

Divide \$1,590.00 by 3 for the countable monthly income in NC FAST.

\$1,590 / 3 months = \$ 530.00 per month.

Although Ms. Jones Reported that she spent \$12.00 for hair combs in January,

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she did not have a receipt and the \$12.00 cannot be deducted.

In this example Ms. Jones has only been a hairdresser for three months. If she has been in business at least 12 months, or more than 3, then the worker would need to request a larger base period.

- Alex, mows lawns for a living. His wife is in college working towards her associate degree. It is May 20, 2021, and they are applying for childcare for their 2-year-old son. Alex's wife brought their 2020 tax records to use as proof of income for Alex. Based on the 1040, Alex made \$24,000 last year as income. He also has receipts for a new lawn mower, repairs to his older lawn mower, and a new trailer to haul his equipment that totals \$6000 for the year. He has entered this information on his Schedule C form for his taxes to compute his Adjusted Gross Income total. The childcare worker can use the Schedule C tax return to verify gross receipts income and self-employment expenses.

Q: What would be his monthly income calculation once NC FAST computes? Q: Will he be eligible for SCCA, or will he be over income?

A: Yearly adjusted gross monthly income: $\$24,000/12$ months = \$2000 per month. (Expenses at 20% automatically given by the system: $\$2000 * .20 = \400 per month) Using his Schedule C form with his taxes, his expenses are more than the 20% automatic deduction of \$2000 for the year. They were \$6,000.00 so the worker would manually enter his deductions under Employment Expenses.

$\$6000/12 = \500 per month in expenses

	Monthly
Gross Income	\$2,000.00
Expenses	-\$500.00
Adjusted Gross Income	\$1,500.00

A: Since Alex's wife is in school and does not have any income, the family's countable gross income per month would be \$1,500.00. (NC

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FAST will calculate this automatically). The family is eligible as they are under the income limit for a household of 3 people.

4. A client is self-employed, and the tax return states it is an S Corporation.

Q: How is the income computed for a client that has been self-employed for more than 12-months?

A: Use gross receipt or sales (line 1)
Cost of Goods Sold (line 2) and Total Deductions (line 20) - use both totals for expenses

The worker can use line 1 on the tax form 1120-S, U.S. Income Tax Return for an S Corporation for the countable income and allow the 20% deduction. If the applicant states the expenses are greater than 20%, the client can request the actual expenses be deducted. The worker can use the expenses from the deductions section on the 1120-S document; however, the worker should only deduct the allowable deductions per SCCA policy.

Q. How would the worker determine the income and expenses?

A. The worker must total all expenses and subtract the total expenses from the total income.

Line 4 = 85,310 = Cost of goods allowable expenses.

Line 28 = 212,235 = Total expenses before expenses for business use of home.

Example: \$85,310. + \$212,235. = \$297,545 Total allowable Expenses.

Line 1 = \$341,840 Gross receipts minus \$297,545. Total allowable expenses =

Line 29 = \$44, 295 = income after expenses.

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SSI:

1. A mother receives SSI of \$410 per month for herself and \$181 per month in Work First Family Assistance benefits for her 2-year-old child. The child has been identified as being “at-risk” (children whose emotional, cognitive, social, or physical development is delayed or at risk of delay) and childcare assistance to support the child’s developmental needs is recommended.

Q: Is this family income eligible?

A: Yes, the child is income eligible for care since the family’s income of SSI and Work First Family Assistance is not countable.

Verifications

1. Daisy has one child and works at a movie theater part-time in the afternoon, earning minimum wage. Daisy’s husband, the child’s father, recently died. She applies for SCCA.

Q: What needs to be verified to determine eligibility?

Q: What type of documentation will the applicant need to present?

Q: What is going to be affected due to the change of circumstance?

A: The applicant's base period income can be verified deeming from FNS if the client receives FNS. If the client does not receive FNS, or she receives FNS, but the income is not representative due to a recent raise, the worker can obtain base period pay stubs. If the applicant does not have her pay stubs, a wage verification form can be obtained. The worker also needs to verify if there is a death benefit being received by either Daisy or her child from husband's death.

2. Three months later, Daisy calls to report that she has received authorization to reduce her part-time job hours so she can attend a vocational program. In addition, her boyfriend has moved in with her. They are also planning to move out of the county next month.

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Q: What needs to be verified?

A: The reduction in her work hours, verification that she is enrolled in a vocational program and any pertinent information that will affect her case. The worker does not need to verify a need for the boyfriend because he is not included in the income unit. Document the case narrative/notes well.

Wages, Salaries:

1. The recipient is a contracted employee with a 1099 and has not completed his/her income taxes yet (case recertification was completed early in the year before taxes were due). The LPA feels as though the 1099 would be considered a third-party verification and using the 1099, the recipient would also have to write a statement explaining the purpose.

Q: Can the LPA use the 1099 if they document the recipient states there are no additional 1099's to add and consider the 1099 as a third-party verification if they can't use other methods of verification?

A: The LPA can accept 1099 as a verification along with documentation of the recipient's statement of why they do not have their income taxes and/or expense receipts available. The income presented is representative of their actual income.

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For additional information regarding policy described in this chapter please refer to:

SCCA Manual:

Chapter 4 Application and Eligibility

Chapter 5 Establishing Plan of Care

Maximum Income Eligibility FPL & SMI Chart- Attachment 1

NC FAST Job Aids:

85% SMI Phase-Out Reference Guide

Change of circumstance evidence and alignment reference guide,

Change of Circumstance job aid,

Decision details and Change of Circumstance Reference Guide,

Eligibility Decision Results Reference Guide,

Foster Care Job Aid,

Graduated Phase-Out

Joint custody job aid for step-by-step instructions self-employment in NCFAST.

Reactivate a case in pending closure status.

Recertification

SCCA – Employment, Self-Employment, and Income Evidence Job Aid, Service plan Reference Guide

Tasks reference guide,

Unearned Income Evidence

Using FNS Evidence as verified SCCA Evidence