

## 3.2.6 Prorating Income

### 3.2.6.1 Lump Sum Payments

#### 3.2.6.1.1 Annual Lump Sum Payments

#### 3.2.6.1.2 Other Lump Sum Payments

### 3.2.6.2 Contractual Income

### 3.2.6.1 Lump Sum Payments

#### 3.2.6.1.1 Annual Payments (Section Numbering Change Only)

Income received on a yearly basis or less often may be converted to a monthly amount. The agency may count only income that is predictable in amount and frequency, such as land contract income or income from a trust fund. Count the prorated income beginning in the month it is received.

**EXAMPLE:** Joan receives \$900 every six months on a land contract. To create an average monthly amount, divide \$900 by six months ( $900/6 = \$150$ ). Compare the average monthly amount of \$150 plus other sources of income against the 115 percent gross income test to determine financial eligibility.

#### 3.2.6.1.2 Other Lump Sum Payments (New Subsection)

If the lump sum payment is not intended to cover a period of time, the income may only be counted as income for the month in which it is received and an asset for any month remaining (see 3.2.4). If the lump sum payment is intended to cover a period of time, the income must be prorated over the period the income is intended to cover beginning in the month it is received.

**EXAMPLE 1:** Ariana inherits \$5,000 from her grandmother on February 16, 2016. Ariana receives a one-time check for the inheritance. Ariana's FEP should count this as income for February, and as an asset for any month thereafter that Ariana keeps the inheritance balance in her account greater than \$2,500.

**EXAMPLE 2:** While participating in a W-2 T placement, John wins a lawsuit settlement of \$6,000 on November 18, 2016. The settlement states that the payment is intended to support John's medical costs over the next six months in order to help him recover from an injury incurred while shopping at a local store. John's FEP should average the \$6,000 over six months, starting when John receives the payment in November.

### 3.2.6.2 Contractual Income (New Subsection)

Contractual income that is annual income (intended to provide support for the entire year), and is not paid on an hourly basis, must be prorated over 12 months. Contractual income that is not annual income (intended to provide support for the household for only a portion of the year), and is not paid on an hourly basis, must be prorated over the period the income is intended to cover. Contractual income that is paid on an hourly basis should be estimated in accordance with [3.2.3](#).

**EXAMPLE 1:** Shanice works full-time as a public school as a Teacher's Aide. She has worked in this position for the last 3 years and receives a 12 month contract every August. She earns \$15,480 annually and has elected to receive her income over 12 months, even though she is only working September through June. She does not supplement her income during the summer. Shanice's FEP should average her income over 12 months:  $\$15,480/12 = \$1,290$ .

**EXAMPLE 2:** Betty has worked for 5 years at a public school as a part-time nurse. She receives a contract for 12 months every August and has elected to receive her income from September through June. She earns \$19,500 per school year. In the summer, she supplements her income with a job at the Girl Scout campgrounds in the first aid tent. Betty's school income is not her annual income. Betty's FEP should average Betty's school income over the 10 months she has elected to receive it:  $\$19,500/10 = \$1,950$ .

**EXAMPLE 3:** Tamika has been employed as a school bus driver for 3 years. She is paid by the hour. This employment stops at the end of the school year and resumes at the beginning of the next school year. Since Tamika is paid on an hourly basis, the income from her bus driving job must not be treated as contractual income.