3.2.6 Prorating Income

3.2.6.1 Lump Sum Payments

Lump sum payments are one-time payments of either earned or unearned income. Some lump sum payments are intended to cover a specific period of time that extends to a future month, such as settlement income related to a specific injury. Some lump sum payments are intended to cover a specific period of time in the past, such as an Unemployment Insurance benefit back payment. Unless it is disregarded income (see 3.2.9), lump sum income must be counted as follows.

3.2.6.1.1 Annual Lump Sum Payments

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 averaged 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

If the lump sum payment is not intended to cover a specific period of time in the future or is intended to cover a period of time in the past, 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 specific period of time that extends to a future month, 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.

EXAMPLE 3: While participating in a CSJ placement, Leslie received a retroactive $3,000 lump sum unemployment insurance payment on December 11, 2020.This lump sum provides payments retroactive for the week ending July 18, 2020 through the week ending November 7, 2020. Leslie's FEP should count the lump sum as income for December, and as an asset for any month thereafter. The agency must not prorate this retroactive payment, because it is intended to cover a time period in the past and was not available to Leslie during the claimed months.

No Change to remainder of 3.2.6