

P-2213 INCOME (continued)

P-2213G Lump Sum Income (Reach Up rule 2270.1) **(20-08)**

Lump Sum is a large amount of money received while the household is on Reach Up. Sources of lump sum income may include inheritance, lottery, unemployment compensation, and child support.

10-10-10 rules apply to Lump Sum Cases (except for child support lump sum). This means household have ten days to report the lump sum, the department has ten days to process the change, and notice of a decrease or closure of benefits must be sent ten days before the change. Child Support Lump sum is counted differently than all other types of lump sum. Please see the end of this procedure for Child Support Lump Sum calculations.

Participants can withdraw from Reach Up prior to receiving a Lump Sum payment in order for it to count as a resource the following month.

Non-child support lump sum overpayments

The only time an overpayment is processed for a non-child support lump sum is if the household did not report the change within 10 days or the department did not process the change within 10 days. This will determine if the overpayment was caused by a client error or a department error (Reach Up rule 2225).

Excluded Lump Sum Income

Some lump sum payments are excludable, including:

- Income tax refund (treated as a resource).
- Vermont and Federal EITC (Earned Income Tax Credit).
- Insurance or similar payments from a third party- for medical bills, funeral costs, used to repair or rebuild a home which, for example, burned down.
- Renters rebate, property tax rebate.

See Reach Up [rule 2276](#) for extended list of Excludable Lump Sum.

Allowable Expenses for Lump Sum

Non-excluded lump sums are considered unearned income; however, households are allowed to spend their lump sum income on eligible expenses to reduce or avoid disqualification from the Reach Up program.

See Reach Up [rule 2270](#) for a full list of allowable expenses.

Proof must be provided that the lump sum payment was used for the allowable expenses.

Lump Sum less than Reach Up grant

If a household receives a lump sum while active on Reach Up, it is considered a change in unearned income. If the amount they receive as a lump sum is less than their grant, the budget is recalculated with the unearned income and the grant reduced as appropriate or an overpayment is set up if the household did not report the change within 10 days or the department did not process the change within 10 days.

Lump Sum more than Reach Up grant

If a household receives a lump sum more than their Reach Up benefit for the month, the benefit may need to be closed and a lump sum closure disqualification period may need to be determined. Before closing the Reach Up benefit, reach out to the household and ask if they have spent any of the lump sum on allowable expenses.

If the household cannot be reached, send a VCR asking if the household has used the lump sum on allowable expenses. It can be useful to send a copy of the rule showing the allowable expenses. Enter clear CATNs and if copies of the rule are sent, scan a copy into OnBase to demonstrate what information was shared.

Also add the following text to the VCR: "Please call the Benefit Service Center at 1-800-479-6151 by [enter adverse action date] if you would like to request your Reach Up to be closed [enter date adverse action would take effect], or you may accumulate an overpayment in [enter correct date/month]."

If the household specifically requests closure to prevent additional overpayments and it is after adverse action, they will have to put the request in writing waiving the advance notice requirement.

Example: Household reports receipt of lump sum on 12/12/19. VCR is sent on 12/16/19 and due 12/26/19 asking if the household has spent any of the money

on allowable expenses. Since the VCR is due 12/26/19 and this is past adverse action—add the additional text to the VCR:

“Please call the Benefit Service Center at 1800-479-6151 by 12/19/19 if you would like to request your Reach Up to be closed at the end of December, or you may accumulate an overpayment in January.

If the household does not request closure, and does not reply to the VCR, the benefit they receive in January may be an overpayment. If they request closure for 12/31/19 and it is after 12/19/19, they will have to put the request in writing waiving the advance notice requirement.

Lump sum income disqualifies the household for Reach Up

Determine the number of full months the household will be disqualified from Reach Up by dividing this total income by the total need standard applicable to the number in their household.

Any remaining income will be applied to the first month of eligibility after the disqualification period.

The disqualification period begins the day after the household’s benefits should close. Do not include the month the income was received. If benefits close mid-month, the disqualification period begins on the 16th of the month.

Close the benefit as soon as possible, making sure to provide adequate notice.

If lump sum is not reported by the household within 10 days, or the department does not act on the information within 10 days there may be an overpayment. Any months of the disqualification period prior to the actual closure will be considered an overpayment and recoupment will need to be established.

Send notice of closure with the Notice of Decision Closure/Denial Due to Lump Sum (form [ESD 220C-DLS](#)) and add a WARN to the case.

Lump Sum as a Resource

- A lump sum payment received when the household is not on Reach Up is a resource.
- Payments from the conversion of an existing asset to cash (i.e. cashing in IRA, selling car) are not considered lump sum – they are a resource.

A Lump Sum can be Income or a Resource

Some lump sum payments may look like income but were in fact “earned” at an earlier period, and so are treated as a resource when processing a case.

Example 1: Bill is on Reach Up and was laid off from his job at a wood chip processing plant in March. He received \$3,000 in severance pay and \$1,200 payout for accrued vacation leave on March 1st.

Because the severance pay is not for a previous period, count it as income. The accrued vacation leave was earned at an earlier period and is considered a resource.

Bill has until March 10th to report this income. ESD has 10 days to process the change (the earlier the better). ESD must give Bill 10 days of notice that his benefits will be closing.

Example 2: Sharon is on Reach Up and received a \$6,000 lump sum payment of SSDI (Social Security Disability) benefits in April. Sharon’s award letter indicated that her disability was approved for a fixed period and she will now receive ongoing benefits. The letter shows that \$5,300 is for a prior period, but \$700 of the payment is for the current month.

Count the portion of the lump sum paid for prior months as a resource in April. Count the \$700 portion that is not for a previous period as Sharon’s income.

Child Support Lump Sum

When **households** are on Reach Up, they agree to assign their child support rights to the **department**, therefore all child support (minus the up to \$50 family bonus) is subject to being used by the **department to offset the household’s benefit amount**. **Household** that receive a child support lump sum, do not qualify for the 10-10-10 rules. Child support lump sum **and overpayments should be considered from the date the lump sum was received**.

BPS Support

Calculating a Lump Sum Disqualification Period

The RUFA tab on the [ESD Calculator](#) will calculate the Lump Sum disqualification **period**.

Example 1: Reports non-child support lump sum within 10 days

A Reach Up household of 2 living in Putney (outside Chittenden County). Their total needs are \$1080 a month (Basic needs \$680 + shelter deduction \$400 = \$1080).

On August 1st, the household received \$3800 in inheritance. The household reports change on 8/10.

The department calculates the lump sum payment within 10 days on 8/12. Take the total lump sum \$3,800 and divide by the total needs (\$1080).

$\$3,800 / \$1080 = 3.52$ months.

The benefit should close 8/31 and the period of disqualification is 3 months from 9/1 through 11/30. The remaining 0.52 of the lump sum will count as income if the household reapplies in the 4th month, directly following the disqualification period.

Send notice of decision at least 10 days prior to 8/31.

If the household provides receipts for allowable spending of their lump sum, the disqualification period needs to be recalculated.

If the household reapplies on 12/1 without having their disqualification period recalculated, the 0.52 months of the lump sum will have to count as income in December.

To calculate the 0.52 take the total need and multiply it by the number of disqualified months:

$\$1,080 \times 3 = \$3,240$ (meaning \$3,240 is going to cover 3 months)

Since the household received \$3,800 as lump sum income, subtract the money that is being used to cover the 3 months:

$\$3,800 - \$3,240 = \$560$. This means that \$560 will be added as unearned income in December.

If they reapply after the first month after disqualification (in this case, January or later), consider no income from lump sum.

Example 2: Reports non-child support lump sum after 10 days

The household above received their lump sum payment on 8/1, but they do not report the change until 8/17 (past the 10 days for reporting changes).

The change is processed on 8/28, which does not allow the benefits to close until 9/15. This is past the 10 days the department has to process, but the household has already caused a delay.

If the household had reported the change within 10 days of receiving the lump sum payment, their benefits could have closed on 8/31/20.

Process an overpayment for September.

Calculating a Child Support Lump Sum Disqualification Period

Example: Pat is on Reach Up and is receiving \$535/ month as a benefit. Pat and the absent parent have a child support order for \$200/month. The absent parent was not able to pay the child support for 4 months, creating \$800 in arrears.

The Office of Child Support (OCS) collects a large sum of money \$2,000 from the absent parent on 1/1. After the current obligation (\$200) and child support arrears are paid off (\$800), Pat receives the additional \$1,000. This payment is issued as a D3 payment.

Even though, Pat is entitled to the extra child support payment, the \$1,000 would be counted as unearned income from 1/1.

To calculate the lump sum, take the family's income and divide it by the total need: 680 (basic need) + 400 (shelter deduction) = 1080.

$$\$1,000 / \$1080 = 0.925$$

Because the lump sum received is not enough to cover the total need for the month, we would not close the benefit. However, we would count the \$1,000 as unearned income for January and an overpayment would have to be calculated.