2520 Steps for Budgeting Income

Revision 20-1; Effective April 27, 2020

There are 10 steps:

- Determine countable income, using CIHCP guidelines.
- Determine how often countable income is received, such as yearly, monthly, twice a month, every other week or weekly.
- Convert countable income to monthly amounts, if income is not received monthly.
- Convert self-employment allowable costs to monthly amounts.
- Determine if countable income is earned or unearned.
- Subtract converted monthly self-employment allowable costs, if any, from converted monthly self-employment income.
- Subtract earned income deductions, if any.
- Subtract the deduction for Medicaid individuals, if applicable.
- Subtract the deduction for child support, alimony and other payments to dependents outside the home, if applicable.
- Compare the household's monthly net income to the 21% Federal Poverty Guideline (FPG) minimum income standard, using the CIHCP monthly income standard.

Step 1: Determine countable income, using CIHCP guidelines.

- Evaluate the household's current and future circumstances and income.
- Decide if changes are likely during the current or future months.
- If changes are likely, then determine how the change will affect eligibility.

Step 2: Determine how often countable income is received, such as yearly, monthly, twice a month, every other week or weekly.

- All income, excluding self-employment – Based on verifications or the person's statement as best available information, determine how often income is received. If the income is based hourly or for piecework, determine the amount of income expected for one week of work.

- **Self-employment Income** – Compute self-employment income, using one of these three methods:
  - **Annual.** Use this method if the person has been self-employed for at least the past 12 months.
  - **Monthly.** Use this method if the person has at least one full representative calendar month of self-employment income.
  - **Daily.** Use this method when there is less than one full representative calendar month of self-employment income, and the source or frequency of the income is unknown or inconsistent.

  Determine if the self-employment income is annual or seasonal, since that will determine the length of the projection period.

  - The projection period is annual if the self-employment is intended to support the household for at least the next 12 months. The projection period is 12 months whether the income is received monthly or less often.
  - The projection period is seasonal if the self-employment income is intended to support the household for less than 12 months since it available only during certain months of the year. The projection period is the number of months the self-employment is intended to provide support.

  Determine the costs of producing self-employment income by accepting the deductions listed on the 1040 U.S. Individual Income Tax Return or by allowing the following deductions:

  - Capital asset improvements;
  - Capital asset purchases, such as real property, equipment, machinery and other durable goods, i.e., items expected to last at least 12 months;

- Identifiable costs of seed and fertilizer;
- Insurance premiums;
- Interest from business loans on income producing property;
- Labor;
- Linen service;
- Payments of the principal of loans for income-producing property;
- Property tax;
- Raw materials;
- Rent;
- Repairs that maintain income-producing property;
- Sales tax;
- Supplies;
- Transportation costs. The person may choose to use 50 cents per mile instead of keeping track of individual transportation expenses. Do not allow travel to and from the place of business; and
- Utilities.

Note: If the applicant conducts a self-employment business in his home, consider the cost of the home (rent, mortgage, utilities) as shelter costs, not business expenses, unless these costs can be identified as necessary for the business separately.

The following are not allowable costs of producing self-employment income:

- Costs not related to self-employment;
- Costs related to producing income gained from illegal activities, such as prostitution and the sale of illegal drugs;
- Depreciation;
- Net loss which occurred in a previous period; and
- Work-related expenses, such as federal, state and local income taxes, and retirement contributions.

When converting countable income to monthly amounts, use the following conversion factors:

- Multiply weekly amounts by 4.33.
- Multiply amounts received every other week by 2.17.
- Add amounts received twice a month (semi-monthly).
- Divide yearly amounts by 12.

Step 4: Convert self-employment allowable costs to monthly amounts.

When converting the allowable costs for producing self-employment to monthly amounts, use the conversion factors in Step 3 above.

Step 5: Determine if countable income is earned or unearned.

For earned income, proceed with Step 6. For unearned income, skip to Step 8.

Step 6: Subtract converted monthly self-employment allowable costs, if any, from converted monthly self-employment income.

Step 7: Subtract earned income deductions, if any.

Subtract these deductions, if applicable, from the household's monthly gross income, including monthly self-employment income after allowable costs are subtracted:

- Deduct $120 per employed household member for work-related expenses.
- Deduct one-third of the remaining earned income per employed household member.
- Dependent child care or adult with disabilities care expenses shall be deducted from the total income when determining eligibility, if paying for the care is necessary for the employment of a member in the CIHCP household. This deduction is allowed even when the child or adult with disabilities is not included in the CIHCP household. Deduct the actual expenses up to:
  - $200 per month for each child under age 2;
  - $175 per month for each child age 2 or older; and
  - $175 per month for each adult with disabilities.

Step 8: Subtract the deduction for Medicaid individuals, if applicable.

This deduction applies when the household has a member who receives Medicaid and, therefore, is disqualified from the CIHCP household. Using the chart below, deduct an amount for the support of the Medicaid member(s) as follows: Subtract an amount equal to the deduction for the number of Medicaid-eligible individuals.

Deduction for Medicaid-Eligible Individuals

Number of Medicaid-Eligible Individuals	Single Adult or Adult with Children	Minor Children Only
1	$78	$64
2	$163	$92
3	$188	$130
4	$226	$154
5	$251	$198
6	$288	$214
7	$313	$267
8	$356	$293

Step 9: Subtract the deduction for child support, alimony and other payments to dependents outside the home, if applicable.

Allow the following deductions from members of the household group, including disqualified members:

- The actual amount of child support and alimony a household member pays to persons outside the home.
- The actual amount of a household member's payments to persons outside the home that a household member can claim as tax dependents or is legally obligated to support.

Consider the remaining income as the monthly net income for the CIHCP household.

Step 10: Compare the household's monthly net income to the 21% Federal Poverty Guideline (FPG) minimum income standard, using the CIHCP monthly income standard.

CIHCP Monthly Income Standard Based on the 2020 FPG		
Number of Individuals in the CIHCP Household	**21% FPG Minimum Income Standard**	**50% FPG Maximum Income Standard**
1	$224	$532
2	$302	$719
3	$381	$905
4	$459	$1,092
5	$537	$1,279
6	$616	$1,465
7	$694	$1,652
8	$773	$1,839
9	$851	$2,025
10	$929	$2,212
11	$1,008	$2,399
12	$1,086	$2,585

A household is eligible if its monthly net income, after rounding down cents, does not exceed the monthly income standard for the CIHCP household's size.