H. **Budgeting and Calculating**

1. **When to use prospective eligibility or budgeting**

Prospective eligibility and budgeting can also be used for stable income, income that can be prorated or annualized.

Prospective eligibility and budgeting is also used for participants who leave the filing group because of domestic violence and it is also used for benefit groups when a new person is added to the benefit group in the payment month, after the branch is notified that the person is a household member.

To arrive at reasonably anticipated income, the participant and the worker jointly determine the anticipated income to be counted. Workers will count only income that is reasonably certain to be available. However, some income is considered available even when it is not received in the budget month (e.g., converted, averaged, and annualized income.)

There is no overpayment based on incorrectly anticipated information unless the participant withheld information or provided false information. No supplement is issued based on incorrectly anticipated information.

**Using actual income in the initial month**

In the initial month, actual income is only used if the income comes from a new or terminated source, or if the previous ongoing income is significantly different from current ongoing income.

A job or income source is considered new if the participant will receive their first payment in the initial month. If the participant has received their first payment prior to the initial month, the income source is considered ongoing.

**Example 1:** Oliver is applying for TANF on June 5. He states that he has started working and will receive his first check on June 20. Since he will be receiving his first check in the initial month of his certification, his job is considered “new” and actual income should be used.

**Example 2:** Priscilla is applying for TANF on September 1. She recently started working and received her first check on August 31. Since she received her first check prior to her initial month, her job is considered ongoing income in September.

Actual income is not used for self-employment or periodic income.
INITIAL MONTH

The initial month is the first month of the certification.

Example 3:  **Terminated income:** Destiny applies for TANF on July 11. She was working full time and received her final check in July for $300. Since it is a terminated source, her actual income is used for July and removed for August.

Example 4:  **New source of income:** Brady comes in to apply for TANF on July 20. He states that he has started a new job. He received a partial check in July for $250, and his ongoing income will be $1500. TANF would be opened in July based off his actual income, then he would be sent 10-day notice to close for being over income.

Example 5:  **Annualized income:** Connor is self employed as a landscaper. His taxes show that he makes $48,000 per year and he anticipates that amount to continue. However, from November to February, he receives no income. He applies November 2. He has no income in November. Since his income is not a new or terminated source of income and his ongoing income is consistent, actual income is not used in the initial month. His ongoing income calculation is $48000/12 = $4000. This is over the income standard for his family and his request for TANF is denied using a basic decision notice.

Example 6:  **Periodic income:** Darby receives $1800 every January, April, July and October from her tribe (note that we are looking at quarters for calculation of income). Her income is considered periodic and her ongoing income is calculated at $1800/3 = $600 per month. She comes in on August 2 and applies for TANF for herself and one child. Since her ongoing income is over the income standard ($1800/3 = $600), her income source not a new or terminated source and her ongoing calculation is consistent, she is denied for being over income using a basic decision notice.

Example 7:  **Employed participants with low but consistent income:** Katie is applying for TANF for herself and her two children on July 15. She works consistently and receives $300 every two weeks. In July, she will receive two checks totaling $600 ($300x2). Her ongoing income is $300x2.15 = $645. Since her ongoing income is over the countable income standard, she would be denied for being over income for TANF.
2. Converting stable income

In order to determine prospective income, stable income should be converted as follows:

- For stable income received once a month, the monthly amount is used to anticipate what the group’s income will be for each month;
- For stable income received once a week, convert it to a monthly amount by multiplying it by 4.3;
- For stable income received once every other week, convert it to a monthly amount by multiplying it by 2.15;
- For stable income received twice a month, convert it to a monthly amount by multiplying it by 2.

**Example 8:** Lana turns in her redetermination. She has been approved UC of $312 weekly.

**What income do you use for TANF, actual? Converted?**

Anticipate the income using the following converted calculation: $1341.60 ($312 x 4.3 weeks).

**Example 9:** Tracy and her children apply for TANF on April 1. She is working and is salaried at $250 every two weeks.
**What income do you use for TANF, actual? Converted?**

Anticipate the income using the following converted calculation:

$250 \times 2.15 = $537.50.

**Example 10:** Chris is applying for TANF with his wife and children. He is working and gets paid the fifth and 20th. He gets paid $200 twice a month.

**What income do you use for TANF, actual? Converted?**

Anticipate his income using the following converted calculation:

$200 \times 2 = $400.

**Example 11:** Casey has had his hours cut at his job at the Liquor store. He is now working only six hours a week and is getting $10.00 per hour. He has a 5-year-old daughter and is struggling to pay his bills so he is applying for TANF on May 11. He is paid 2x a month, on the seventh and 22nd.

**What income do you use for TANF, actual? Converted? (show your work)**

We accept the check stub from the seventh as required verification of his reduced hours. We will open TANF using converted income as it is an ongoing source. $10.00 per hour x 6 hours per week x 4.3 = $258.00 a month for income.

Karrie was just hired at KCF. She is working nine hours a week at $9.90 an hour. She has learned that she is going to get paid every other Tuesday. She is applying today and has only received one of her checks on June 10. She grossed $39.60 for her check on the 10th for four hours. She anticipates working a total of 16 hours for her next check, totaling $158.40. She will not get her next check till June 24.

**What income do you use for TANF, actual? Converted?**

We verify the check stub from the 10th of the month in the amount of $39.60. We accept the participant’s statement for the check she will get on the 24th in the amount of $158.40. Her actual income for June is $198.00.

Since Karrie received her first income in the initial month, it is considered a new source of income and we would use the actual income of $198.00 to open TANF for June. The worker would need to convert the income and send timely reduction notice.
Example 12: Barbara is working for Target part time: she works two days a week, four-hour shifts at $10.00 per hour. She is paid weekly. She does not think they will increase her hours.

**What income do you use for TANF, actual? Converted?**

We would need to verify income from the most recent 30 days prior to her filing date. Once verified: 8 hours a week x $10.00 per hour x 4.3 = $344.00.

Example 13: Melissa is not working and the only income she receives is child support for her three children from their fathers. When you check the screens you find the following information about the support payments. She is applying on March 20.

William: $100.00 payments made on 2/07, 2/14, 2/21, 2/28, 3/4, 3/11, and 3/18
Mike: $25.00 payments made on 2/03, 2/17, 3/03, and 3/17
Millie: $200.00 payments made on 1/15, 2/15, and 3/15

**What income do you use for TANF, actual? Converted?**

As all support payments are ongoing sources, income is calculated using converted income.

William=$100.00 x 4.3 = $430.00 before DSP $380.00 after DSP
Mike=$25 x 2.15 = $53.75 before DSP $3.75 after DSP
Millie=$200 a month before DSP and $150.00 after DSP

### Prospective Budgeting of Stable Income Rule

**461-150-0070** — Prospective Budgeting of Stable Income

3. **Averaging income**

To arrive at the average amount, first determine if the income history is representative of income the family will receive during the redetermination period.

If income history is not representative, the participant and the worker jointly determine the anticipated amount of income that the family will receive during the redetermination period.

Example 14: Brody is working and paid every two weeks. His hours vary by the availability of work. He brings in four paychecks and states that these checks are representative of what he will receive.
Prospective Budgeting of Variable Income Rule

Prospective Budgeting of Variable Income Rule

Prospective Budgeting of Variable Income Rule

Prospective Budgeting of Variable Income Rule

4. **Anticipating variable income**

When a participant has income that varies monthly, it can be budgeted prospectively by using anticipated income.

If their weekly hours in the past month do not represent the number of hours they will work in the future, use the weekly hours that the participant would work in the months of the redetermination period. Document the reason for the change in hours, especially when the weekly hours are significantly different from the past. Calculate the weekly income by multiplying the hourly wage by the average number of hours, plus tips or commissions, if any, that the participant may receive. Multiply that amount by 4.3 to arrive at a monthly income amount.

**Example 15:** Jay works 25 hours a week at $9.90 per hour and receives about $50.00 per week in tips. $9.90 per hour X 25 hours per week = $247.50 per week. $247.50 per week + $50.00 in tips = $297.50 per week. $297.50 per week X 4.3 = $1279.25.

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5. **Annualizing income**

Income must be annualized when:

1. A full year’s income is received in less than a 12-month period; e.g., school employees and contract employee; or
2. A self-employed person has been in business for a year or more and the income is representative.

Annualized means the income for a year is divided by 12 to arrive at a monthly amount. If past income is not representative of the income expected for the current year, anticipate the current yearly amount and divide it by 12.

To annualize self-employment income, use the most recent state and federal income tax forms, or the estimates of next year’s anticipated income if there will be a substantial increase or decrease in next year’s self-employment income. Divide the income – reported or anticipated, according to the situation – by 12 to arrive at the income for each month.

REFER TO CA-WG#1 FOR EXAMPLES, A GUIDE TO USING TAX FORMS AND MORE INFORMATION. FOR PARTICIPANTS WITH ONGOING COSTS RELATED TO EMPLOYMENT, WHO ARE NOT SELF-EMPLOYED, SEE CA-A.2 ON AVAILABILITY OF RESOURCES.

Example 16: Joe owns "Joe to Go Coffee Kart." He started his business eight months ago and income, while low, has been consistent. Use the last eight months to anticipate ongoing income. Take the eight months of gross income and divide by 8 to determine the monthly income amount.

Example 17: Leonard owns the "Science Is Fun" store. His sales have really gone down in the last year. His income currently is not what it used to be. When you talk to him you find that the last three months are pretty representative of the future. Use the last three months to anticipate ongoing income.

Example 18: Katy owns a landscaping business. During the winter, she does not work but her spring and summer months are busy. Her previous year’s taxes reflect what she anticipates this year. Use her tax forms to annualize her self-employment.

Self-Employment; Determination of Countable Income Rule
461-145-0930 — Self-Employment; Determination of Countable Income

Prospective Budgeting: Annualizing and Prorating Contracted or Self-employment Income Rule
461-150-0090 — Prospective Budgeting: Annualizing and Prorating Contracted or Self-employment Income
6. **Periodic income**

*Periodic income* is income received on a regular basis (but not monthly) such as quarterly, semiannually or annually. Periodic income is averaged over the applicable period unless someone in the filing group is working under a JOBS plus agreement. If someone in the filing group is working under a JOBS plus agreement, the income is excluded.

**Example 19:** Carlos receives $1500 every quarter in countable tribal income. To determine the monthly income amount divide the periodic income amount by the number of months that is covered. The calculation would be $1500/3=$500 per month.

**Example 20:** David is on TANF with his wife Emma. Emma is working under a JOBS plus agreement. David’s aunt dies and he begins receiving $1200 twice a year from a trust fund. While Emma is working JOBS plus, this income is excluded. When her JOBS plus position ends. The income would be calculated as $1200/6=$200.

SEE “AVAILABILITY OF INCOME” (CA-A.3).