

Upon signing the Recipient Responsibilities for Subsidized Child Care Services form ([DCD-0106](#)), the client agrees to report any changes that may affect eligibility for services to the child care worker within five (5) work days. Changes that require a reassessment of the family's income include, but are not limited to, new employment, increase or decrease in the number of hours and/or days worked, different rate of pay, loss of employment, receipt of Work First or any other benefits, and changes in child support amounts.

Temporary placement changes with an employment agency are not considered a change that has to be reported unless there is a change in the rate of pay. A change from one employment agency to another, however, is considered new employment and must be reported to the child care worker.

## V. SOURCES OF INCOME

Although all sources of income must be considered, not all income is counted in the family's gross monthly income when determining eligibility for child care services.

### A. Income that is Counted

The following are sources of income which must be counted when determining eligibility for child care services:

1. Gross earned wages or salary (earnings received for work performed as an employee, including wages, salary, commissions, tips, piece-rate payments, and cash bonuses earned, before any deductions are made for taxes, bonds, pensions, union dues, and holiday bonuses from employers, etc.).
2. Adjusted gross income from taxable self-employment income.
3. Social Security benefits (includes social security pensions, survivors' benefits for both children and adults, and permanent disability insurance payments).
4. Dividends, interest (on savings or bonds), income from estates or trusts, royalties, adjusted gross rental income on houses, stores or other property.
5. Pensions and annuities paid directly by an employer or union or through an insurance company.
6. Workers' compensation.
7. Unemployment insurance benefits (UIB).

8. Alimony (includes court ordered payments as well as voluntary payments and may include regular payment of bills such as rent and utilities).
9. Child support, direct or indirect (includes payments made to the parent or to the court based on terms of an agreement and may include payments such as rent, utilities, insurance, etc.).
10. Pensions paid to veterans or survivors of deceased veterans.
11. On-the-Job Training (OJT) payments.
12. Work Force Investment Act (WIA) payments made to an adult. Previously referred to as the Job Training Partnership Act (JTPA).
13. AmeriCorps stipend (living allowance).
14. Armed Forces pay (only the amount taxable, such as base pay).
15. Work release payments.
16. Cherokee Tribal Per Capita Income paid to adult family members.
17. Recurring cash contributions paid directly to the parent/responsible adult.
18. Work-study payments, if the income is from a program not administered under Title IV of the Higher Education Act or the Bureau of Indian Affairs and is paid directly to the parent/responsible adult.
19. Rental assistance provided by an organization on a regular basis.

**B. Income that is Not Counted**

The following are sources of income which are not counted when determining eligibility for child care services:

1. Work First Family Assistance (WFFA).
2. Supplemental Security Income (SSI).
3. Lump sum payments (these are usually large payments which are made to cover an extended time period and may include social security benefits, workers' compensation, alimony, veteran's benefits, and HUD).
4. Foster care assistance payments.

5. Adoption Assistance payments.
6. Payments/trust funds under the Indian Claims Commission.
7. Payments from the Alaska Native Claims Settlement Act.
8. Income from sale of personal assets (stocks, bonds, house, car, and insurance).
9. Bank withdrawals.
10. Money borrowed.
11. Tax refunds.
12. Gifts or contributions. (These are non-recurring gifts or contributions, e.g. gifts for birthdays, holidays, occasional monetary contributions, purchase of diapers, clothing, etc.).
13. Other in-kind contributions from non-legally responsible adults. (Non-recurring).
14. Emergency Assistance (EA), Low Income Energy Assistance Program (LIEAP), Crisis Intervention Program (CIP), General Assistance, Progress Energy's Energy Neighbor Fund payments, and other similar energy programs.
15. Section VIII housing subsidy.
16. Capital gains.
17. Value of food stamp benefits allotted under the Food Stamp Act of 1977.
18. Free and reduced lunch program.
19. Any and all food subsidy programs.
20. Relocation/Acquisition Act payments.
21. Earnings of a dependent child under 18 years of age, unless the dependent child is also a minor parent of a child needing child care.
22. Loans, grants (including Pell or Carl Perkins grants), scholarships, and money received through job training programs.
23. Home produce utilized for household consumption.

24. Volunteers in Service to America (VISTA) earnings.
25. Payments received as Earned Income Tax Credits or Dependent Care Credits.
26. All subsidized housing and housing allotments, paid directly to the landlord, including military housing allotments.
27. Money received from an employer as an employee benefit for child care.
28. Work-study payments, if the income is from the College Work-Study Program administered under Title IV of the Higher Education Act or the Bureau of Indian Affairs. (Likewise, if the income from college work-study goes directly to the college, it is not counted as income.)

### C. Examples of Income

**EXAMPLE 1:** A family of four (4) needs child care services. The father is employed full-time earning \$2,179 per month in wages. The mother is enrolled in a degree program at the local community college and is also participating in the College Work-Study Program. She receives \$300 per month in work-study income. In addition, one (1) child receives SSI benefits of \$236 per month. The family is eligible for child care services on the basis of the father's income of \$2,179 per month. The SSI benefits and work-study income are not counted.

**EXAMPLE 2:** A mother receives SSI of \$410 per month for herself and \$181 per month in Work First Family Assistance benefits for her 2-year-old child. The child has been identified as being "at-risk" and child care services to support the child's developmental needs is recommended. The child is eligible for care since the family's income of SSI and Work First Family Assistance is not counted.

**EXAMPLE 3:** A single parent is employed full-time and has two (2) children in need of full-time child care services. She earns \$1,083 per month in wages and receives \$350 per month for child support. Her parents also give her a recurring cash contribution of \$100 per month to help pay her household expenses. The total amount of countable income for this family is \$1,533 per month (wages plus child support and the \$100 contribution).

**D. Income that is Counted from Cash Bonuses and Lump Sums**

Recurring earned cash bonuses and lump sum incomes are countable when determining eligibility for child care services. Some examples of recurring bonuses or lump sum payments include longevity pay, profit sharing, teacher bonuses, etc. In these situations, the child care worker averages the income for the period of time it covers and records the resulting average monthly amount on the [Application for Child Care \(DCD-0456\)](#).

**E. Cafeteria and Health Benefit Plan Income**

The types of cafeteria or health benefit plans offered by employers will vary. When the income of a parent/responsible adult has both health benefit income and health benefit deductions reflected on the pay stub, the cost of medical, dental and vision insurance premiums are deducted from the countable gross monthly income to determine income eligibility. The child care worker reviews the pay stub or other documentation from the parent/responsible adult or employer which reflects health benefit income in the earnings/gross income and deduction sections. One of the following criteria will determine if the income from the health benefit is countable.

- Income is countable if medical, dental or vision deductions are not reflected on the pay stub or other documentation. In instances where the employer pays a one-time annual benefit to employees who elect to purchase insurance from another source other than the employer, the lump sum is countable and divided over the months covered by the benefits.
- Income is partially countable if the medical, dental or vision deduction amounts are less than the benefit dollars listed in the gross income section. When this occurs the benefit dollars that are not utilized for medical, dental, or vision insurance are countable.
- Income is not countable if the deductions equal or exceed the benefit dollars in the gross income section.

If health care benefits do not meet the criteria, child care staff should contact the Subsidy Services Consultant to determine the deductions and countable income.

NOTE: Refer to [Section VII. Child Support Policy and Clients Who are Self Employed](#) for information regarding other deductions from gross pay.

**F. Reimbursement for Expenses**

Reimbursements for expenses incurred in connection with employment or education are not countable when determining eligibility for child care services. Employment related expenses that are not countable include but

are not limited to mileage, medical, per diem, phone calls, travel and lodging. Reimbursements for educational expenses such as tuition, fees, books and educational supplies are also not countable. The deductions for expenses from the gross income must be documented in the case record. Refer to the [Application for Child Care Services and Instructions \(DCD-0456\)](#) for more information.

## VI. VERIFYING GROSS FAMILY INCOME

When income is a condition of eligibility, the amount of income must be verified.

The family size must be determined for the same period of time over which monthly gross income is calculated. An applicant's statement of family size is acceptable unless there is some reason to suspect that the statement is not correct. Family size can be verified by birth certificates, baptismal certificates, and contacts with schools or other objective sources of verification if necessary.

The source and amount of gross family income is verified and documented in the family's case record by **one** of the following:

- A copy of a source document (pay stub, award letter, pages 1-2 of FSIS, etc.);
- A statement from the employer verifying gross wages or salary paid to an individual;
- A written statement by the child care worker describing either the source document that was reviewed to verify that income or a telephone conversation with the employer that confirmed the required information; or
- Information in an existing agency record.

**NOTE:** Income that is anticipated by someone who is newly employed is based on an employer's statement (either by telephone, written statement or a wage verification form) that indicates the rate of pay and the number of hours each pay period that the client is scheduled to work. This income is then verified after the client has been paid so that income based on the actual hours the client worked can be calculated and the parental fee adjusted if necessary. Parental fee adjustments are necessary when the family's countable income increases or decreases by \$100 or more. Refer to [Chapter 8: Parental Fees](#) for additional information.

The client is responsible for providing documentation of income; however, if the client is unable to furnish source documents, the local purchasing agency must have the client's written permission authorizing the child care worker to contact the necessary individuals, employers or agencies to verify income. The child care worker documents on the application which verification method was used.

Adequate verification does not require that the child care worker verify every check or payment received by the client during the period being considered; but it does require that the client present sufficient information so that the child care