

Policy Memo: 1-5-2012

Memo Name: Change in Method of Calculating Income

Policy Clarification

Policy Change

New Policy

Effective Date: August 1, 2012

Policy Effective Until: Ongoing

Policy Memo Effective Until: Procedures are approved by USDA.

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USDA has provided new guidance that changes how we calculate income for families. Beginning August 1, 2012 all income must be annualized for families who receive income in varying frequencies (weekly, monthly, biweekly, etc).

Households that have multiple income sources at more than one frequency must use the following steps when calculating income and comparing the total to the income guidelines to determine income eligibility.

1. Annualize all income by multiplying weekly income by 52, income received every two weeks by 26, income received twice a month by 24, and income received monthly by 12.
 - **Do not round the values resulting from each conversion.**
2. Add together all the unrounded, converted values for the family.
3. Compare the total (annual income), to the income guidelines for the appropriate family size to determine income eligibility.

Examples of situations where the income must be annualized before comparing to the income guidelines:

1. A family with 3 members receives disability payments because dad is unable to work. The disability payment is paid monthly. Mom works part-time at Casey's and is paid weekly.

To calculate income value for comparison to the income guidelines –

- Multiply dad's disability payment x 12
- Multiply the amount of mom's pay x 52
- Add the two totals together and compare the result to the income table for yearly income for a family of 3.

2. A family with mom, 3 children and grandma live together. Mom works and is paid every two weeks, while grandma is retired and receives social security the first week of the month.

To calculate a income value for comparison to the income guidelines –

- Multiply mom's paycheck x 26
- Multiply grandma's social security payment x 12
- Add the two totals together and compare the results to the income table for yearly income for a family of 5.

3. A family with an infant and three children where mom and dad both work. Dad is paid weekly and mom is paid twice each month.

To calculate a income value for comparison to the income guidelines –

- Multiply mom's paycheck x 24
- Multiply dad's paycheck x 52
- Add the two totals together and compare the results to the income table for yearly income for a family of 6.

Households that have only one income source, or if all sources have the same frequency, compare the income or the sum of the separate incomes, to the income guidelines for the appropriate frequency and household size to determine income eligibility.

Examples:

1. Family of four who receive a child support payment for one child monthly and where dad is paid monthly.
2. Family of three with mom and dad who are students working part-time. Both mom and dad receive paychecks every week.
3. Foster families. Only the monthly payments received for the foster child is considered income for a family of one.

To make the process of annualizing income easier staff should consider using the income calculator in the computer system. The income calculator allows for the entry of multiple incomes at different frequencies. The calculator automatically annualizes the income and compares the total to the current income guidelines to determine income eligibility for the family size. As you exit the calculator the income is converted to a monthly amount and entered into the income field of the computer.

If you have any questions contact me at 308-865-5616