

April 21, 2011

CalWORKs Program Guide Letter No. 233

Subject **CHANGES IN THE TREATMENT OF FEDERAL TAX CREDITS AND REFUNDS; AND TREATMENT OF THE RECEPTION AND PLACEMENT (R&P) CASH PROVIDED TO REFUGEES**

Effective Date April 21, 2011

Reference All County Information Notice (ACIN) I-88-04
All County Letters (ACL) 11-13 and 11-13E

Purpose The purpose of this program guide letter is to:

- Provide instructions to staff regarding the changes in the way federal tax credits and refunds will be treated in the CalWORKs Program as a result of passage of H.R. 4853, the Tax Relief Bill.
- Clarify the treatment of the Reception and Placement (R&P) income.

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Background

FEDERAL TAX CREDITS AND REFUNDS

H.R. 4853 amended the Internal Revenue Code of 1986 temporarily extending and modifying numerous tax relief measures. Two sections of this bill impact the CalWORKs Program:

- Section 728 simplifies and standardizes rules regarding how tax credits and refunds (Earned Income Tax Credit, Child Tax Credit, Making Work Pay Credit and federal tax refunds of excess withholdings) are treated in determining eligibility for public programs.
- Section 103 extends the 2009 American Recovery and Reinvestment Act (ARRA) enhancements to the Earned Income Tax Credit and Child Tax Credit that were set to expire after tax year 2010.

RECEPTION AND PLACEMENT (R&P) CASH

In the Refugee Resettlement Program, voluntary agencies (VOLAGs), under contract with the United States (U.S.) Department of State, provide initial resettlement services to refugees. The VOLAGs provide cash received from the U.S. Department of State to refugees within the refugee’s first 90 days in the U.S. This cash is for reception and placement assistance.

Summary of Updates

The following CPG chapter has been loaded to the CPG online:

CPG Section	Title	Program Updates
42-200 E.	Property Items To Be Included In Evaluating Property	Section updated to reflect the resource exemption of the tax credits and refunds.
42-200 I.	Other Personal Property To Be Excluded	Section updated to reflect the resource exemption of the tax credits and refunds.
44-100 H.	Income From Public Sources	Section updated to reflect the resource exemption of the tax credits and refunds.
44-100 I.	Countable Income of the AU	Section updated to clarify the treatment of reception and placement cash.

Changes to the CPG are noted with **highlighted text**.

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**Tax Credits
and Refunds
Regulation
Changes**

Resource

Effective December 17, 2010, HSS shall exempt all federal income tax credit and refund payments from resource consideration for CalWORKs applicants and recipients for 12 calendar months starting with the month of receipt of the payment.

Income

Although H.R. 4853 specifies that these payments are to be excluded as income, because they are currently excluded as income in the CalWORKs program, there is no change to existing practice.

Note:

These provisions expires for tax refunds or credits received after December 31, 2012.

HSS Actions

As of December 17, 2010, an application or request for eligibility to be restored (after being discontinued) or re-evaluated (after being denied) shall not be denied or rejected on the basis of the AU having assets above a resource limit unless the AU has been asked whether anyone in the unit has received a tax refund in the last 12 months and those refunds have been properly disregarded.

In addition, no overpayment may be established as of December 17, 2010 for excess resources, unless the HSS has asked the AU if the resources included a tax refund or credit and those monies have been properly disregarded.

The actions need to be documented in case comments.

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**Client
Notification**

While the changes to the treatment of tax refunds and credits may not significantly impact benefit level calculations for a large number of CalWORKs recipients, the changes will allow most recipients to save more of their funds without becoming ineligible for benefits due to excess resources.

HSS shall inform CalWORKs recipients about the free tax preparation services through the Volunteer Income Tax Assistance (VITA) program. HSS shall also inform recipients that they will be able to retain these tax refunds and credits for 12 months without penalty so they do not have to "spend down" their savings in order to stay below CalWORKs resource levels and maintain eligibility.

Clients shall also be encouraged to save the extra cash for emergencies or to help them meet future financial needs, the HSS can also use this opportunity to remind clients about the benefits of restricted accounts.

**Reception and
Placement
(R&P) Cash**

Under the CalWORKs Program, R&P cash is treated:

- As property if received as a nonrecurring (one-time) lump sum payment. Property is evaluated at the time of application, annual redetermination and once each quarter.
Reference: [CPG 42-200 E.](#), [CPG 44-100 A.](#) and [CPG 44-250 H.](#)
- As nonexempt unearned income if received as recurring payments and count according to QR rules.
Reference: [CPG 44-100 K.](#) and [CPG 44-250 F.](#)

Note:
This is not a change in current CalWORKs policies.

**Refugee Cash
Assistance**

In the event that a refugee is determined ineligible to receive CalWORKs assistance due to the receipt of R&P cash, the designated RCA HSS shall evaluate the refugee's eligibility for RCA benefits. If the refugee is ineligible for CalWORKs but otherwise eligible for RCA, the HSS shall assist the refugee under the RCA Program.

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CalFresh Program Impact Family Resource Centers (FRC) shall use CalFresh policies as indicated in [CalFresh Program Guide Letter #558](#).

Medi-Cal Program Impact Reception and Placement funds are considered other public assistance and exempt for the purpose of determining Medi-Cal share of cost.

Child Care Program Impact No impact.

Refugee Cash Assistance Program Impact **CHANGES IN THE TREATMENT OF FEDERAL TAX CREDITS AND REFUNDS**
The rules regarding federal tax credits and refunds also apply to the Refugee Cash Assistance (RCA), the Entrant Cash Assistance (ECA), and the Trafficking and Crime Victims Assistance Programs (TCVAP).

Federal tax credits and refunds received between December 31, 2009 and December 31, 2012 shall be disregarded as a resource for 12 months from the date of receipt for CalWORKs recipients as a result of passage of H.R. 4853, the Tax Relief Bill.

TREATMENT OF THE R&P CASH
Under the RCA Program, the R&P cash provided to refugees by the VOLAGs is not counted as income in determining the applicant's eligibility for RCA benefits.

This is in accordance with [Specialized Programs Program Guide 69-205 A. Refugee Cash Assistance \(RCA\)](#) which states any reception and placement cash received by a refugee after their arrival into the U.S. shall not be considered in determining income eligibility.

Automation Impact No impact.

ACCESS Impact Subject: **CHANGES IN THE TREATMENT OF FEDERAL TAX CREDITS AND REFUNDS**
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Forms Impact No impact.

Imaging Impact No impact.

Operational Impact No impact.

QC / QA Impact Quality Assurance will cite the appropriate error when the regulations cited in the material have not been followed.

Manager Approval



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Manager Contact CalWORKs Program

RP

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