United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA 22302

Reply to Attn. of: SF-111

JUL 9 1992

Subject: Policy Memorandum 92-14
Lump Sum Payments as Income

To: Regional Directors
Supplemental Food Programs
All Regions

Attached for your information and dissemination to your State agencies is Policy Memorandum 92-14, which provides guidance on the determination of lump sum payments for WIC income eligibility purposes. We appreciate receiving your comments, all of which were helpful in clarifying issues involving lump sum payments.

A common concern voiced in your comments on the draft policy memorandum dated May 21, 1992, was that some lump sum payments should not be treated as income because they represent reimbursements for a loss, usually of an asset. Based on this, we decided to make a distinction between lump sum payments which are reimbursements and those which are "new money" and are intended to be used for income. As the attached policy memorandum explains, those lump sum payments which are clearly reimbursements should be excluded from income eligibility determinations, those which are intended to be income should be treated as "other cash" available to the household, and those payments which can not be easily categorized as either reimbursement or "new money" should be left to the discretion of the State and/or local agency to determine as appropriate to the economic circumstances of the household.

We hope that this guidance will adequately respond to most situations involving lump sum payments.

RONALD J. VOGEL
Director
Supplemental Food Programs Division

Attachment

FORM FNS-600 (6-82)

United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park Center Drive
Alexandria, VA 22302

JUL 09 1992

Reply to
Attn. of: SF-111

Subject: Policy Memorandum 92-14
Lump Sum Payments as Income

To: Regional Directors
Supplemental Food Programs
All Regions

We have been asked to provide policy guidance on the treatment of lump sum payments for WIC Program income eligibility purposes. Lump sum payments may be classified in two ways: as reimbursements for lost assets or for injuries and as "new money" that is intended for income. Examples of lump sum payments as reimbursements include amounts received from insurance companies for loss or damage of real or personal property, such as a home or auto, and payments that are intended for a third party to pay for a specific expense incurred by the household, such as payment of medical bills resulting from an accident or injury. Examples of lump sum payments as "new money" would include gifts, inheritances, lottery winnings, workman's compensation for lost income, and severance pay. These distinctions in the purpose and use of lump sum payments need to be recognized when determining how to treat lump sum payments for income eligibility purposes.

Lump sum payments that represent reimbursements should not be counted as income for WIC eligibility purposes. Lump sum payments that represent new money intended to be used as income should be considered as "other cash income" for purposes of WIC income eligibility determinations. Other cash income, as described in Section 246.7(c)(2)(ii)(L) of the regulations, "... includes, but is not limited to, cash amounts received or withdrawn from any source including savings, investments, trust accounts and other resources which are readily available to the family."

We recognize that some lump sum payments may not easily fall into the categories of reimbursements or new money, but may in fact represent both. Examples include legal or medical settlements that provide reimbursement for lost property and medical expenses as well as compensation for tangible and intangible physical or mental injury. In such instances where the intended purpose of the lump sum payment cannot be easily determined, we recommend that State

FORM FNS-600 (6-82)

agencies adopt flexible policies. A guiding principle should be to allow local agencies to treat the lump sum payment in a way that most accurately reflects the economic situation of the household.

For those lump sum payments which are considered to be other cash and are counted as income, we strongly recommend that the amount not be counted entirely as current monthly income. Rather, the lump sum payment should either be counted as annual income or be divided by 12 to estimate a monthly income. This accounts for the nonrecurring or infrequent receipt of such payments. FNS Instruction 803-3, Rev. 1, encourages State agencies to exercise flexibility in deciding whether to consider reported income on a monthly or annual basis.

Ronald J. Vogel

RONALD J. VOGEL
Director
Supplemental Food Programs Division

cc: Barbara Hallman
Policy Section Staff
Paula Carney
Debbie McIntosh, PAMB