

**NORTH DAKOTA DEPARTMENT OF HUMAN SERVICES
BISMARCK, NORTH DAKOTA
December 1, 2015**

IM 5266

TO: County Social Service Directors
Economic Assistance Policy Regional Representatives
Economic Assistance Policy Quality Control Reviewers

FROM: Carol Cartledge, Director, Economic Assistance

SUBJECT: Earned Income Received on a Contractual Basis

PROGRAMS: Child Care Assistance Program (CCAP)

EFFECTIVE: December 1, 2015

RETENTION: Until superseded

SECTIONS

AFFECTED: 400-28-65-10-25 Earned Income Received on a Contractual Basis

Effective for new applications or reviews received on or after December 1, 2015, policy in 'Earned Income Received on a Contractual Basis' is changed to the following:

Earned Income Received on a Contractual Basis

Contract income is a contracted wage which covers a specified period of work, usually 12 months or less. A contract for income must be written and the salary amount identified in the contract.

Examples:

School teachers, bus drivers, coach, etc.

Individuals who receive contract income which is renewable on a yearly basis and is intended as their annual income must have this income averaged over a 12-month period.

If the contract indicates an hourly wage and the employer verifies the contract is for a predetermined total salary amount, the income is considered contract income.

If the contract indicates a predetermined total salary amount, but the individual is paid based on the number of hours worked or the amount of work that was completed, it is not contract income and is treated as normal earned income.

Example:

John signed a contract for 9 months as a school janitor and the contract states he will receive \$9000 in monthly installments. John states the income is intended for his annual support.

If John is paid \$1000 every month regardless of the hours he works, it is a true contract situation and we would budget \$9000 by 12 months = \$750 monthly.

However, if John's monthly wages vary by the number of hours he works per month; it is not a true contract because John is being paid by the hour, not by the contract amount. (For example, one month his wage shows 160 hours x his hourly wage and 20 hours of overtime, and the next month shows 100 hours x his hourly wage, and the pay is equal to the hourly rate.) John's income would be budgeted as received in this situation, not annualized or averaged over the period of the contract

Individuals who receive contract income that does not represent their annual income must have the income prorated over the period of time intended to cover. The monthly amount is not counted until the budget month that the individual will actually receive a check.

Example:

Ongoing household reports in November that they entered into a coaching contract for the months of November, December, January and February. The contract is for \$2,000 with a one-time payment on February 15. Since this contract does not represent the household's annual income, the \$2,000 must be prorated over 4 months. \$500 is used for February to determine if the total household income exceeds the household's income limit.

When an applicant initially applies and has a new contract or an ongoing household initially starts receiving contract income and the income represents their annual income, the income is annualized. The monthly amount is not counted until the budget month that the individual will actually receive a check.

Example:

A household applies in June and has a contract to start teaching in August. The income from the contract must be annualized; however, the first month that any contract income would be counted is August. The income is used for August to determine if the total household income exceeds the household's income limit.