



# Reference Guide: Income and Expenses for Financial Assessment

**Income:** *Payments from any source unless specifically excluded. The following sources of income are counted for the purposes of completing the financial assessment (means test):*

## Count:

- Alimony
- Allowances
- Benefits Subject to Garnishment
- Complaint Settlement
- Cooperative (Co-op) Dividends
- Department of Labor Employment Programs
- Dependency and Indemnity Compensation – This benefit program pays a monthly payment to a surviving spouse, child, or parents of a deceased military service member or Veteran.
- Farm Income/Conservation Resource Program Payments
- Foreign Currency Conversion
- Gambling/Lottery Winnings
- GI Bill
- Gifts and Inheritance of Property or Cash (The fair market value of gifts or inherited property is countable in the year they are received)
- Individual Retirement Account (IRA) Distributions
- Interest and Dividends
- Life Insurance Proceeds (Death Benefit paid to Veteran or spouse)
- Net Profits and Depreciation from Business, Farm and Ranch, Real Estate, Partnership, and S Corporations (Depreciation is added back in as income)
- Other Income (Prizes/Awards, Inheritances)
- Payments from Stocks and Bonds, Capital Gains
- Pensions, Annuities, Railroad Retirement
- Revocable Trust
- Royalties (Books, Music, Art, etc.)
- Settlements:
  - Alaska Native Claims Settlement Act (amounts **exceeding** \$2,000 per individual per annum - including cash dividends on stock received from a Native Corporation)
  - American Indian Beneficiaries from trust or restricted lands (amounts **exceeding** \$2,000 per individual per calendar year)
- Social Security Benefits and Death Benefit Payment (including retroactive Lump Sum Payment from previous years)
- Timber Sales
- Unemployment Compensation

- VA Disability Compensation – For the purposes of completing a financial assessment, the gross household income for a Service-connected Veteran who is receiving VA disability compensation and is married to a Nonservice-connected Veteran who is completing the financial assessment, VA disability compensation benefits would be countable income for the household
- Value of Room and Board/Housing Allowances
- Wages (Employment), Salaries, Bonuses, Severance Pay, Tips, and Other Accrued Benefits, etc.
- Workers Compensation

**NOTE: The above list is not all inclusive.**

**The following sources of income are not counted for the purposes of completing the financial assessment (commonly known as a means test):**

## **Do Not Count:**

- Caregiver Payments
- Chore Service Payments
- Crime Victims Compensation Act Payments
- Disaster Relief Payments or Proceeds of Casualty Insurance
- Discharge of Indebtedness
- Federal Emergency Management Agency (FEMA) Disaster Insurance Payments
- Federal Government Sponsored Economic Stimulus Refunds
- Foster Care Payments
- Income from Domestic Volunteer Service Act Program
- Income Tax Refunds
- Loans (Reverse Mortgages)
- Maintenance
- Needs-Based Payments from Government Agency
- Payments for participation in a program of Rehabilitative Services
- Provisional Income
- Relocation Expenses
- Scholarships and Grants from school attendance
- Settlements:
  - Agent Orange
  - Alaska Native Claims Settlement Act (income of up to \$2,000 per individual per annum - including cash dividends on stock received from a Native Corporation)
  - American Indian Beneficiaries from trust or restricted lands (income of up to \$2,000 per individual per calendar year)
- VA Pension Payments
- Welfare, Supplemental Security Income (SSI), Compensated Work Therapy (CWT), Incentive Therapy (IT) earnings
- Withheld Social Security Overpayments

**NOTE: The above list is not all inclusive.**

**Deductible Medical Expenses:** *May be used to reduce other countable income for purposes of increasing pension benefits. In order to be deducted from income, out-of-pocket non-reimbursed medical expenses must exceed 5% of the VA Maximum Annual Pension Rate for the previous year.*

VA National Income Thresholds link:

<https://www.va.gov/HEALTHBENEFITS/apps/explorer/AnnualIncomeLimits/HealthBenefits>

The list below shows many of the common deductible medical expenses.

**Note: This list is not all inclusive. Allow all expenses that are directly related to medical care.**

- Abdominal supports
- Acupuncture service
- Ambulance hire
- Anesthetist
- Arch supports
- Artificial limbs and teeth
- Back supports
- Braces
- Cardiographs
- Chiropodist
- Chiropractor
- Convalescent home (for medical treatment only)
- Crutches
- Dental service, for example, cleaning, x-ray, filling teeth
- Dentures
- Dermatologist
- Drugs, prescription and nonprescription
- Gynecologist
- Hearing aids and batteries
- Home health services
- Hospital expenses
- Insulin treatment
- Invalid chair
- Lab Tests
- Lip reading lessons designed to overcome a disability
- Lodging incurred in conjunction with out-of-town travel for treatment (to be determined on a facts-found basis)
- Medicare Premiums, Parts B & D
- Medical Insurance Premiums
- Neurologist
- Nursing services for medical care, including nurse's board paid by claimant
- Occupational therapist
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Osteopath, licensed
- Pediatrician
- Physical examinations
- Physician
- Physical therapy
- Podiatrist
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychotherapy
- Radium therapy
- Sacroiliac belt
- Seeing-Eye dog and maintenance
- Speech therapist
- Splints
- Surgeon
- Telephone/teletype special communications equipment for the deaf
- Transportation expenses for medical purposes (41.5 cents per mile effective January 1, 2009, plus parking and tolls or actual fares for taxi, buses)
- Vaccines
- Wheelchairs
- Whirlpool baths for medical purposes
- X-rays

## Helpful Tips for Allowable Deductible Expenses

A handwritten list of medical expenses, personal ledger, or Schedule A from a tax return **are not** acceptable as proof of medical expenses.

Billing statements indicating any of the following verbiage **are not** acceptable as proof of payment:

- Amount Due
- Balance Due
- Patient's Responsibility
- Explanation of Benefits
- Please Pay
- Please Submit
- Patient's Share

Some helpful tips to obtain **proof of paid expenses or deductions** for the income year in question include:

- Calling the VA billing department at (866) 812-0318 to request a payment history of paid prescriptions and medical copayments for the income year in question.
- Calling the Social Security Administration at (800) 772-1213 to obtain form SSA-1099 for total annual Medicare premiums deductions for Veteran/Spouse for the income year in question.
- Calling the Veteran's health insurance company to request a payment history statement, for the Veteran/Spouse (Example: Blue Cross/Blue Shield, Long Term Health Care, AARP, etc.) for the income year in question.
- Contacting the Veteran's Pharmacy for end of year statement of paid prescriptions for the Veteran/ Spouse for the income year in question .
- Contacting doctors, clinics, hospitals, Eye & Ear (Specialist), and Dentists for statements of paid copayments or medical bills paid for medical care received for the Veteran/Spouse for the income year in question .
- Obtaining valid college transcripts for dependent children ages 18-23.
- Providing proof of total burial and/or pre-paid burial expenses paid for valid Spouse and/or dependent children for the income year in question .
- Providing a **signed/dated mileage statement** indicating estimated round-trip mileage travels for medical purposes for the Veteran/Spouse and/or eligible children under age 23. The estimate mileage will be multiplied by 0.415 per mile to allow credit for mileage as an out-of-pocket medical expense.
- If a Veteran or Spouse was in a facility for medical care, a licensed physician's statement is required stating the Veteran/spouse level of care was medically necessary. Contact the nursing/assisted living care facility to request an **itemized yearly payment history statement from the facility** for the income year in question.
- If the Veteran has been diagnosed with Dementia and or Alzheimer's, please have the Veteran evaluated by a VA Physician for Catastrophic disability and provide an approved eligibility letter.
- If the Veteran is on **Medicaid**, please provide a copy of the Medicaid card showing the effective date.
- If the Veteran was legally separated, please provide a legal separation notice or written statement to include the month and year of separation signed and dated by Veteran.
- If the Veteran is divorced, please provide a complete divorced decree. The Veteran can provide a copy.
- If the Veteran or spouse is deceased, please provide a copy of the death certificate.
- If the Veteran or spouse possessed stocks or bonds, please provide a copy of 1099-B's.

## **Examples of Medical, Funeral/Burial, and Educational Deductions**

### **1. Processing Deduction for Medical Expenses:**

**Situation:** For income year 2010, the Veteran paid \$8,000 in out-of-pocket non-reimbursed medical expenses from January 1, 2010 to December 31, 2010. The medical expense deductible is \$775 (5% of the maximum allowable pension rate for the previous year).

**Results:** The Veteran will be able to deduct \$7,225 of the \$8,000 paid in medical expenses. (\$775 is deducted from \$8,000 to satisfy the required medical deductible, e.g., \$8,000 - \$775 = \$7,225).

## 2. Processing Deduction for Funeral/Burial Expenses:

**Situation:** The spouse died on March 1, 2010. The final funeral/burial expenses paid by the Veteran were \$5,500.

**Results:** The Veteran will be able to deduct the entire amount of \$5,500 paid for funeral/burial expenses.

## 3. Processing Deduction for Educational Expenses (deductible for Veteran only):

**Situation:** The Veteran paid \$3,000 in educational expenses (including tuition, fees, books, and necessary materials).

**Results:** The Veteran will be able to deduct the entire amount of \$3,000 paid in educational expenses.

**Note:** Effective January 1, 2009, the deductible transportation expense for medical purposes is 41.5 cents per mile.

**Reference:** The general rule set forth in Title 38 Code of Federal Regulations (38 CFR) § 3.271 is that all income is countable unless specifically excluded by 38 CFR § 3.272. Non-reimbursed medical, funeral/burial, and educational expenses are explained in Title 38 United States Code Service, (USCS) § 1503, 38 CFR §§ 3.272(g), 3.272(h)(1), 3.272(h)(2)(i) , 3.272(i), and M21-1MR, Part V, Subpart iii, Chapter 1, Section G.

**For More Information:** If you have additional questions, please contact the Health Eligibility Center (HEC), Income Verification Division (IVD) at 1-800-929-VETS (8387) Monday through Friday, 7:00 am to 5:00 pm ET.