

### Chapter 3: Assessment of Income

#### (iv) Lump Sum Payments

<b>Intent:</b>	To determine continued eligibility for Income Support when a recipient receives a lump sum payment
<b>Act:</b> (if applicable)	N/A
<b>Regulations:</b>	
<b>Overview:</b> (if applicable)	N/A
<b>Policy:</b>	<p><b>(a) General:</b></p> <ul style="list-style-type: none"> <li>• Lump sum payments are considered income in the month in which they are received by the recipient and liquid assets thereafter.</li> <li>• Based on the source of a lump sum payment, eligibility for Income Support for a recipient needs to be re-established.</li> <li>• There are three possible outcomes when a lump sum payment overlaps a period when a recipient is/was in receipt of Income Support benefits: <ul style="list-style-type: none"> <li>○ The lump sum amount is less than the monthly Income Support eligibility, which simply requires a reassessment for the month, (including the payment as income);</li> <li>○ The lump sum payment is in excess of the monthly Income Support eligibility which requires a suspension of benefits and calculation of a new eligibility date;</li> <li>○ If the lump sum is not disclosed upon receipt, the worker must retroactively determine whether there was any eligibility for Income Support at the time the lump sum payment was received. This determination will be based upon the type of lump sum payment received (partially or non-exempt), and whether or not it overlapped covering periods with Income Support. Where the recipient is not able or unwilling to reimburse the amount owing to the Department, an overpayment must be set up on the file for any Income Support received where there was no entitlement.</li> </ul> </li> </ul>

- Legal fees associated with the lump sum payment are a legitimate expense and deducted from the total lump sum payment prior to determining a future eligibility date.
- When an overpayment is established and the recipient reimburses the amount owed to the Department, that amount can be deducted from the total lump sum payment for purposes of establishing future eligibility. For example, if an insurance settlement of \$20,000 includes an amount for lost wages and \$5,000 has been determined to be owed to the Department due to overlapping benefits, if reimbursed, only \$15,000 is to be considered when establishing future eligibility (less any legal fees as identified above).
- Lump sum payments received as the result of a [severance package](#) are not considered a lump sum payment but as future income for the covering period of the severance package.

#### **(b) Lump Sum Payments - Exempt Income**

- Lump sum payments of exempt income (such as income tax refunds for the taxation year 2010 onward) as identified in Regulation 8 (a) are not considered when re-determining eligibility for Income Support.
- Lump Sum payments for retroactive child support payments and Canada Pension Plan Children's Benefits are only considered for the period prior to June 1, 2019. Any retroactive payments after this period are not considered when calculating lump sum payments.
  - When lump sum payments are issued with a covering period prior to June 1, 2019, overpayments should be set up for covering periods when the individual was also in receipt of Income Support benefits.
  - Cases should not be suspended when lump sum payments with covering periods pre or post June 1, 2019 exceed the allowable liquid asset amounts, as both CPP Children's Benefits and child support are considered exempt income.
- Liquid assets accumulated as a result of a lump sum payment of exempt income are also not considered.

### Exception

- Lump sum payments of National Child Benefit Supplement and/or the Newfoundland and Labrador Child Benefit are considered exempt unless the recipient received a Child Benefit Adjustment.
- If a Child Benefit Adjustment was included in the benefits, the amount of the Child Benefit Adjustment or the amount of the CCB/NLCB, whichever is the lesser amount, is deducted from future Income Support payments.

### (c) Lump Sum Payments - Non-Exempt/Partially Exempt Income

- Overlap with Income Support Benefits
  - Lump sum payments of non-exempt or partially exempt income overlapping a period of time when the recipient received Income Support benefits are to be considered overpayments.
  - The amount of the overpayment is the amount of Income Support benefits provided or the amount of the lump sum payment (earnings exemptions may apply to partially exempt income), whichever is the lesser amount.
- No Overlap with Income Support Benefits
  - Lump sum payments of [Partially-Exempt Income](#), less the appropriate exemption amount, or [Non-Exempt Income](#) are considered income in the month in which they are received and are used to re-calculate eligibility for Income Support.
  - If the balance of the lump sum payment (less the appropriate exemption, if applicable) is greater than the total monthly Income Support benefits, Income Support benefits are suspended.
  - The Client Services Officer (CSO) must determine a future eligibility date and clearly identify this information in CAPS, should the recipient reapply in the future.

### (d) Lump Sum Payments: Partially Exempt Income

- Some lump sum payments of partially exempt income have an annual exemption for the case:
  - When Income Support benefits are suspended as a result of a lump sum payment, the following month the balance

	<p>of the lump sum payment (with the monthly income support eligibility deducted) is considered a liquid asset.</p> <ul style="list-style-type: none"> <li>o Recipients whose liquid assets exceed the maximum permissible limit due to lump sum payments, are expected to use this resource to meet their regular monthly needs until such time as their liquid assets have been reduced to below the maximum permissible amount.</li> <li>o When recipients have been suspended as a result of a lump sum payment, they must be advised as to when they are eligible to re-apply for Income Support.</li> <li>o Recipients may use a portion of a lump sum payment to offset the cost of a medical item (e.g. a wheelchair) (see Regulation <u>10(2)</u>), prior to the balance being used to calculate an eligibility date.</li> <li>o <u>Regulation 10</u> provides a formula that determines the length of time recipients have to wait until they are eligible to re-apply.</li> </ul>
<b>Procedure:</b>	<p><b>(e) Lump Sum Payment of CCB / NLCB</b></p> <ul style="list-style-type: none"> <li>• Recipients who receive a lump sum payment of CCB/NLCB will automatically have their Income Support cheques held at the Provincial Office.</li> <li>• CSO's must determine if the recipient was receiving a Child Benefit Adjustment (CBA).</li> <li>• If the recipient was not receiving a CBA, the CSO must release the Income Support cheque and forward to the recipient.</li> <li>• If there was a CBA, the CSO must calculate the total amount of the Child Benefit Adjustment provided to the recipient.</li> <li>• The CSO must deduct, from future Income Support benefits, the amount of the CBA provided in full, or the lump sum payment, whichever is the lesser amount.</li> <li>• The repayment of a CBA must not be set up as an overpayment but deducted from future Income Support benefits</li> </ul> <p><b>(f) Lump Sum Payments - Overlap with Income Support Benefits</b></p> <ul style="list-style-type: none"> <li>• CSO's must calculate the total amount of Income Support benefits provided to the recipient or on behalf of the recipient during the period of the overlap, and set up the amount of the overlap as an overpayment.</li> </ul>

- If an amount due to the Department is refunded by the recipient, provide an official cash receipt to the recipient and credit the overpayment.
- If the recipient does not fully reimburse the Department, the CSO must still:
  - suspend the Income Support benefits
  - determine a date of eligibility, if the amount of the lump sum payment is greater than the monthly entitlement
  - set up the overpayment
- If the lump sum payment is less than the recipient's entitlement (semi-monthly amount for recurring pay cases), holding the next cheque and issuing an adjustment for the remainder of the pay period may be sufficient.
- If the lump sum is greater than the recipient's entitlement, it will be necessary to determine a new eligibility date. When calculating a new eligibility date, staff must be mindful of following [Regulation 10 \(3\)](#) which permits the use of family/individual benefit, special needs rent/mortgage and the added 40% eligibility adjustment, but does not include the fuel supplement, special diets etc.
- In circumstances where there are verified medical expenses as per [Regulation 10 \(2\)](#) recipients may use a portion of a lump sum payment to offset the cost of a medical item (e.g. a wheelchair) prior to the balance being used to calculate an eligibility date
- The future eligibility date must be clearly identified in CAPS, should the recipient reapply.
- If the new eligibility date is between 31 and 60 days after the covering period of the last cheque, a new application will not be required. A Mailback and a Rights, Responsibilities and Client Consent form should be sent to the recipient to be returned, along with verification of liquid assets and any additional income that may have been received in the interim, should they require further assistance.
- If the eligibility date is beyond 60 days from the covering period of the last assistance, the recipient will be required to complete a new application.

	<p><b>(g) Lump Sum Payments - No Overlap with Income Support Benefits</b></p> <ul style="list-style-type: none"> <li>CSO's must consider these lump sum payments as income in the month in which they are received, deduct the exemption if appropriate, and adjust/suspend Income Support benefits accordingly.</li> <li>If the balance of the lump sum payment (lump sum payment less the exemption amount, if applicable) is less than the total monthly Income Support entitlement, Income Support benefits are to be reduced by the balance of the lump sum payment.</li> <li>In the event that a lump sum payment was reported by the recipient at a later date, the eligibility rules still apply. If it is determined that the lump sum payment amount would have made the recipient ineligible, or their income support benefits reduced, an overpayment must be calculated based on either the reduction or period of ineligibility.</li> </ul>
<b>Authority Level:</b>	Client Services Officer
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