



# Quick Reference Guide

## Income and Assets 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:
  - o Alaska Native Claims Settlement Act (amounts *exceeding* \$2,000 per individual per annum - including cash dividends on stock received from a Native Corporation)
  - o 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 Compensation (disability) – Payments received by the spouse (not the Veteran) for a service-connected condition(s).
- 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 (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:
  - o Agent Orange
  - o 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)
  - o 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.**

**Assets:** *Items of ownership convertible into cash; total resources of a person or business, as cash, notes and accounts receivable, securities, inventories, goodwill, fixtures, machinery, or real estate. The following sources of income are counted as assets for the purpose of completing the financial assessment (means test).*

**Count:**

- Bank Deposits
- Collectibles (Art, Coins, Antiques, etc.)
- Energy Royalties
- Gas Reserves
- Health Savings Account Balances
- Inherited Property (If sold in another year other than the one it is inherited, proceeds are considered an asset)
- Irrevocable Trust (depending on the type)
- Mineral Royalties
- Occasional Sale of Property (If occasional sale of property is inherited, it is counted as income in the year it is received)
- Other property of value used for investment or pleasure (Boats, Time-Shares, Recreational Vehicles, Thoroughbred Racehorses, etc.)
- Real Estate (excludes primary residence)
- Stocks, Bonds, Individual Retirement Accounts (IRAs), Certificates of Deposit (CDs), 401(k)

**Do Not Count:**

- Deferred Sale
- Foreclosures
- Installment Sale
- Insurance policy with cash value
- Motor Vehicles, Jewelry, Household Possessions (Personal)
- Sale of Property (Sale of Primary Residence and Family Heirlooms not used for investments)

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

VA National Income Threshold link: [http://www.va.gov/healthbenefits/cost/income\\_thresholds.asp](http://www.va.gov/healthbenefits/cost/income_thresholds.asp)

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 Jan. 1, 2009, plus parking and tolls or actual fares for taxi, buses**)
- Vaccines
- Wheelchairs
- Whirlpool baths for medical purposes
- X-rays

## 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 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. Prior to January 1, 2009, the deductible transportation expense was 28.5 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)**.