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House Finance Committee
State Capitol, Room 519
Juneau, AK 99801

RE: SB 170 Extend Senior Benefits: Repeal Longevity Bonus

Dear Honorable members of the House Finance Committee,

Thank you for your questions regarding the Senior Benefits Program.

Are the senior benefits amounts in regulation or statute?

Senior Benefits payments are in set in Alaska Statute at § 47.45.302(b):

(b) An eligible individual shall receive a monthly cash assistance payment beginning on August 1, 2007, as follows:

> (1) $250 if the individual's household income does not exceed 75 percent of the federal poverty line for Alaska;
> (2) $175 if the individual's household income does not exceed 100 percent but is above 75 percent of the federal poverty line for Alaska;
> (3) $125 if the individual's household income does not exceed 175 percent but is above 100 percent of the federal poverty line for Alaska.

What determines eligibility in terms of the definition of assets and income?

Section 7 AAC 47.549 provides the basis for determining income.

Relevant sections of the Senior Benefits Policy Manual follow that outline countable and exempt income.

COUNTABLE INCOME
Count the individual's or couple's gross annual income received or expected to be received during the certification period and measure this against the annual income limit outlined in MS 330-1 for the year in which the certification period starts.

COMMUNITY SPOUSE ALLOWANCE
If one member of a couple enters a nursing home, the community spouse allowance is countable income to the spouse that is not institutionalized. Deposits made to the institutionalized spouse's account remain countable income to the community spouse.

Note: When one member of a couple enters a nursing home, the spouse remaining in the community is considered a one-person household since the couple is no longer living together.

DEPOSITS MADE TO JOINT ACCOUNTS
Deposits made to a joint account with a non-household member are legally available to both parties on the account and are considered countable income to both parties.

INTEREST INCOME
Interest income can be countable or excluded depending on the source of the income.
Countable Interest: Interest that is readily accessible to the client is countable income. Some examples include:

- Bank Accounts – Account holder can make withdrawals at will.
- 401k – Investors can make withdrawals at will although there may be a penalty if funds are withdrawn before the age of 59 ½.
- IRA - Investors can make withdrawals at will although there may be a penalty if funds are withdrawn before the age of 59 ½.
- Keogh - Investors can make withdrawals at will although there may be a penalty if funds are withdrawn before the age of 59 ½.
- Series H/HH US Savings Bonds – A semi-annual interest payment is made to the holder of the savings bond. These payments are countable interest.

Excluded Interest. Interest that cannot be accessed by the client is excluded income. Some examples include:

- Certificates of Deposit – The interest is not available to the client until the CD matures.
- Series E/EE US Savings Bonds – Interest earned is not available until the expiration of the minimum retention period.
- Retirement Accounts – The periodic payments received from a retirement account are countable income. The interest earned on the account is added to the principal so is not considered income. If the client is receiving periodic payments from the account they cannot access the principal.

NET EARNINGS FROM SELF-EMPLOYMENT

1. Definition of net self-employment income

Net self-employment income is the gross income from a trade or business less allowable deductions for that trade or business. Allowable deductions are any deductions that are allowed by the Internal Revenue Service, including depreciation. Net self-employment income also includes any profit or loss in a partnership. Self-employment income also includes income received by crew members who are involved in a commercial fishing venture and are paid a share of the profits instead of wages.

2. Determining monthly net self-employment income

Net self-employment income, whether received monthly or less often than monthly, is counted on a taxable year basis. A taxable year is the fiscal year used by the trade or business for IRS purposes.

Net self-employment income is calculated by using the previous tax year's gross self-employment income less allowable deductions to calculate the current tax year's monthly net self-employment income. Allowable deductions can be determined by using a self-employment standard deduction of 50% or actual costs of doing business.

If, based on subsequent evidence, the case worker decides that the estimate of net self-employment income is inappropriate; he or she will redetermine the net self-employment income for the current tax year.

Allowable costs of doing business are determined using the self-employment standard deduction unless the household chooses to use actual allowable expenses instead. If actual expenses are used, the household must provide verification of the expenses. The caseworker must give the household the choice of using the standard deduction or actual amount of expenses.

a. Using The Self-Employment Standard Deduction as Cost of Doing Business

The self-employment standard deduction is 50% of the estimated gross self-employment income.

b. Using Actual as Cost of Doing Business

If the household believes their self-employment expenses are higher than the 50% of their gross self-employment income, they may claim actual expenses as their cost of doing business.

Examples of allowable deductions:

- Materials used to produce goods
- Maintenance of business property
- Space rent
- Payroll or wages
- Chemicals, fertilizers and supplies used to produce goods or service
- Vehicle expenses for business purposes with documentation
- Business loans (interest and principal)
- Business phone
- Banking fees

Examples of deductions not allowed:

- Health insurance for the application and family
- Personal Utilities (no separate meter from home)
- Personal phone
- Rent or mortgage of home
- Depreciation
- Vehicle expenses without documentation
- Guaranteed payments

3. Offsetting net loss

If there are net losses from self-employment, these losses are used to offset other earned income only. Net losses from self-employment may not be deducted from unearned income.

Net losses from self-employment are calculated the same way as net self-employment income.

4. Verification

Written or verbal verification of self-employment income and expenses is required. Verification may include records showing the history of income and expenses, or documentation for what is expected to be received and spent in the future. Written verification is preferred and includes tax returns or business records. If written verification of self-employment income and expenses is not readily available, verbal verification is acceptable. Verbal verification can be received from collateral contacts or the self-employed individual. Verification of expenses, whether verbal or in writing, must contain enough information for the caseworker to determine allowable expenses. If an expense is not identifiable, the expense is not allowed as a cost of doing business. If the information received is questionable, additional clarification and verification must be sought. See Administrative Procedures Manual section 105-1 C provides policy on when information is considered questionable.

ANCSA DISTRIBUTIONS

All ANCSA Distributions (i.e. Native Dividends – including cash distributions, stock, partnership interests, payments from land sales, or business interests) are countable income for the Senior Benefits Program.

The amount prospected for the current year should be the amount received in ANCSA distributions in the most recent calendar year.

CROWDFUNDING ACCOUNTS

A crowdfunding account set up by the client is countable income the month received. If someone else set up the account and gives the client funds, it is still considered income the month received.

TITLE V WAGES AND SALARIES

Wages or salaries paid under Title V of the Older Americans Act, such as MASST, are counted as earned income. Any other assistance received under Title V of the Older Americans Act is excluded from income.

DEATH BENEFITS

A death benefit is payment received as the result of another's death. Examples of death benefits include proceeds of life insurance policies, lump sum death benefits from SSA, Railroad Retirement burial benefits, inheritances, and cash gifts from relatives, friends, or community groups to "help out" with expenses related to death. Recurring survivor benefits, such as those received from SSA or from a private pension, are not death benefits.

Death benefits are income to a Senior Benefits applicant or recipient to the extent that the total amount received by the applicant or recipient exceeds the amount paid, or obligated to be paid, by the applicant or recipient toward the deceased person's last illness and burial.

Last illness and burial expenses include related hospital and medical expenses, funeral, burial plot, interment expenses, and other expenses related to last illness and burial. Other expenses may include such items as new clothing to wear to the funeral, food for visiting relatives, taxi fare to and from the hospital or funeral home, etc.

To determine the amount of income derived from death benefits, the total expenses are subtracted from the total death benefits. The countable portion of a death benefit is income in the month it is received. If the death benefits are received in more than one month, the case worker will assume that the funds first received are the first spent. For example, if death benefits of $1000 are received in January, and another $1000 is received in February, and the allowable expenses are $1500, $500 is counted as income in February.

Verify all last illness and burial expenses. Such verification may include bills, receipts, contact with the provider, etc. If verification cannot be obtained, the case worker may accept a signed statement from the individual. If an expense has been incurred but not yet paid, the case worker will assume that the individual will pay the expense unless there is reason to question the situation.

EXEMPT INCOME
Income Excluded by Federal Law. Any compensation or benefits that are exempt under federal law are also excluded for Senior Benefits. This includes Violent Crimes Compensation, Foster Grandparent/Elder Mentor and Senior Companions programs.

Permanent Fund Dividends. Permanent Fund Dividends are not counted as income for Senior Benefits.

Unavailable income. Income that is not legally available to meet the individual's or couple's basic needs for food or shelter is not counted as income for Senior Benefits. For example, an amount withheld from a benefit payment to repay a debt or a previous overpayment would be considered as unavailable income.

Money received by the household for the care of the child, such as child support, foster care payments or adult not included TANF is considered income for the child and is not available to the applicant.

Addendum 2 of the Senior Benefits Policy Manual provides a chart that shows sources of income and whether or not they are countable or excluded.

How many applicants for the Senior Benefits Program per year?

As of December 2023, the total number of Senior Benefits recipients is 10,263. The number and percent of seniors at each payment level is as follows:
$250 – 1,917 (18.7%)
$175 – 4,887 (47.6%)
$76 – 4,459 (33.7%)

What is the processing time for each application?

The approximate processing time for each application is 30 minutes.

With the longevity program language removed does the absence from state of a maximum 30 days apply?

Senior Benefits Policy Manual outlines absences from that state as follows:

ABSENCE FROM THE STATE OF ALASKA
Individuals who leave Alaska are not eligible for Senior Benefits during their absence unless the individual absence is temporary and is for one of the following reasons:

A. MEDICAL TREATMENT
- To receive medical treatment for the individual;
- To accompany the individual's family member who is receiving medical treatment outside the state. A family member means a person who is legally related to the individual through marriage or guardianship; or is

the eligible individual's sibling, parent, grandparent, son, daughter, grandson, granddaughter, uncle, aunt, niece, nephew, or first cousin.

B. OTHER REASONS
For a vacation, business, trip, or other absence of less than 30 consecutive days. An extension may be allowed for special circumstances beyond the individual's control if the individual has applied for and received a time extension from the Senior Benefits Office. The Senior Benefits worker will use his or her prudent judgment when determining whether special circumstances exist. For example, special circumstances might exist if a senior is prevented from returning to Alaska within 30 days because of a short-term illness but intends to return immediately once the illness ends.

An individual who expects to be absent from the state more than 30 days:
1. Must notify the department of the reason for the extended absence;
2. Must provide a written statement from a physician that the medical treatment requires an absence from the state of 30 days or more
3. May not establish residency outside the state; and
4. Must demonstrate to the department's satisfaction that the individual intends to return to the state once the medical treatment is completed.

Are Trusts and investment income considered income when determining eligibility for senior benefits?

Trust income is countable for Senior Benefits eligibility determinations. Investment income is outlined above.

Sincerely,

Heidi Hedberg

Heidi Hedberg
Commissioner