



Inclusions and Exclusions for Income Calculations

Title 38 Code of Federal Regulations (38 CFR) § 17.47 (d)(4): Determinations with respect to countable income shall be made in the same manner, including the same sources of income and exclusions from income, as determinations with respect to income are made for determining eligibility for pension under §§ 3.271 and 3.272 of this title.

The general rule set forth in **38 CFR § 3.271** is that all income is countable unless specifically excluded by **38 CFR § 3.272**.

The following paragraphs furnish guidance on the treatment of specific types of income; however, not all situations can be covered. More comprehensive guidance can be found in the above references.

Inclusions:

Income from employment, retirement or survivors' programs, interest, dividends, life insurance death benefits, unemployment compensation and operation of a business are countable income. The following are additional sources of income which have been determined to be countable:

1. **Allowances** - Reasonable value of allowances to a person in service in addition to base pay such as Housing Allowance, Reserve Housing Allowance, Food Allowance, Supplemental Subsistence Allowance, Combat Pay, Hostile Fire Zone Pay, and Imminent Danger Pay.
2. **Benefits Subject to Garnishment** - If a Veteran's benefits (such as Social Security) are subject to involuntary withholding due to legal action initiated by a third party, count the entire amount as income even though the Veteran does not receive it all. Note that if benefits are withheld to recoup an overpayment of the benefit, only the actual amount received is countable.
3. **Complaint Settlement** – Payments from EEO settlement, personal injury, tort, medical malpractice, and other claims.

4. **Cooperative (Co-op) Dividends** - Cash dividends from rural cooperatives and similar entities are countable income. Co-op dividends in the form of discounts on the purchase of merchandise or services are not countable income.
5. **Department of Labor Employment Programs** - Income received by participants in programs operated by the Department of Labor, such as the Green Thumb and the Older Americans Community Service Employment program, is countable.
6. **Farm Income/Conservation Resource Program (CRP) Payments** - Payments to a land owner under the U.S. Department of Agriculture's Conservation Resource Program (CRP) and similar programs, for the purpose of keeping land out of production, are countable income. If the operator of a business receives CRP payments, they are treated as any other business income. Individuals who receive CRP payments who do not operate the farm as a business can still deduct taxes and other expenses of maintaining the land from the CRP income. This income should be treated like rental income since the beneficiary receives payment for relinquishing partial rights to land.
7. **Foreign Currency Conversion** - If a Veteran reports income or expenses in a foreign currency, convert the foreign currency into U.S. dollars using the quarterly exchange rates established by the Department of the Treasury. (See 38 CFR § 3.32).
8. **Gas Reserves** - Income from a lease is countable as income for Department of Veterans Affairs (VA) purposes. This is true whether it's from a lease on the land or just the mineral rights or both. It's basically rent.
9. **GI Bill** - Veterans' educational assistance in excess of amounts expended for training (Title 38 United States Code Service (38 USCS), chap.34). The difference is countable income.
10. **Gifts and Inheritance of Property or Cash** - Gifts and inheritances are countable in the year received. The value of the gift or inheritance of property is the fair market value of the property at the time it is received.
11. **Individual Retirement Account (IRA) Distributions** - When an individual retirement account (IRA) or similar instrument starts paying benefits, count the entire amount even though it represents a partial return of principal.
12. **Settlements:**
 - a. Alaska Native Claims Settlement Act – Any receipt by an individual of cash (including cash dividends on stock received from a Native Corporation) **exceeding** \$2,000 per individual per annum.
 - b. American Indian Beneficiaries – Income **exceeding** \$2,000 per calendar year to an individual Indian from trust lands or restricted lands.
13. **Value of Room and Board** – The fair value of room and board furnished a Veteran is countable income if room and board are furnished in return for services of the Veteran. The value of room and board is not countable if it is furnished gratuitously. (See M21-1, Part IV, Chapter 16.41(c), Income Inclusions, Section 7).

Exclusions:

1. **Caregiver Payments** – Amounts paid to a wife or husband, mother or father, sister or brother, daughter or son, or loving family member or friend – who cares for a Veteran are not counted as income.
2. **Chore Service Payments** - Amounts paid by the government entity to an individual to care for a disabled Veteran in the Veteran's home are not countable provided eligibility for the payments is based on the disabled Veteran's financial need. Payments are not counted if they are paid to a dependent of the disabled Veteran where counting the payments would reduce the disabled VA beneficiary's rate of pension and eligibility for the payments is based on the VA beneficiary's financial need.

Example: A spouse of a Veteran beneficiary is paid by the state to take care of the Veteran in their home under a chore service program. Whether the state pays the spouse directly or pays the Veteran, the payments are not countable.

3. **Crime Victims Compensation Act Payments** - Amounts paid by governmental entities to compensate crime victims are not countable provided eligibility for the payments is based on financial need.
4. **Deferred Sale** - The purchase of property where payments can be set up to begin at a future date.
 - a. Interest received is included as income in the year received.
 - b. Any amount received in excess of the sales price is income in the year received.
5. **Disaster Relief Payments** - Voluntary payments in the nature of relief after widespread national disaster such as floods and hurricanes are considered to be welfare under **38 CFR § 3.272(a)** and are not counted. This exclusion does not apply to disaster relief payments made in a commercial context (e.g., **drought relief to farmers**). If the operator of a business receives disaster relief; it must be treated as any other business income.
6. **Discharge of Indebtedness** - Income from discharge of indebtedness is not counted as income (Examples: insolvency, qualified principal residence, bankruptcy).
7. **Federal Emergency Management Agency (FEMA) Disaster Insurance Payments** – Not counted as income. Interest on deposits of these payments is not counted for the first 12 months of receipt.
8. **Federal Government Sponsored Economic Stimulus Refunds** - According to the public law, these payments are NOT to be considered as countable income for our pension program or any other Federal benefit program.
9. **Income from Domestic Volunteer Service Act Program** - In general, income received from participation in an Action Agency program is not countable unless amounts received by the volunteer equal or exceed the Federal minimum wage or the minimum wage of the state where the volunteer served, whichever is greater. (See **38 CFR § 3.272 (k)**)
10. **Income from Foreclosures** - The balance of a loan from a borrower who has stopped making payments to the lender. Not countable as income or assets.

11. **Income Tax Refunds** - Income Tax Refunds (including the Federal Earned Income Credit) are not counted.
12. **Inherited Property** - The sale of inherited property is considered income if inherited and sold in the same year. If sold in another year, proceeds of sale are considered an asset.
13. **Installment Sale** - The purchase of property using monthly installments in order to pay back sales price.
 - a. Payments received until the sales price is recovered are not counted as income, but as assets.
 - b. After the sales price has been exceeded, any amount received will be counted as income.
14. **Life Insurance Proceeds** – That portion of the proceeds, including lump-sum proceeds, from a Veteran’s life insurance policy that represents a return of insurance premiums. (See 38 CFR § 3.272(q)).
15. **Loans and Reverse Mortgages** – Amounts loaned to a Veteran are not countable income as long as the Veteran incurs a legally binding obligation to repay the loan. Loans must be distinguished from gifts. Reverse Mortgages are considered a conversion of assets.
16. **Maintenance** – The value of maintenance furnished by a relative, friend, or organization.
17. **Mineral Royalties** - Not countable as income and should be counted as an asset. (Note: Royalties from books, films, etc., are countable income.)
18. **Payments to Foster Parents** - Payments made by a state or subdivision of a state to foster parents for care of foster children are not countable income.
19. **Payments for Participation in a Program of Rehabilitative Services** – Payments made as a result of a Veteran’s participation in a therapeutic or rehabilitation activity under 38 USCS § 1718 are not countable. (See 38 CFR § 3.272(1)). This exclusion applies to therapeutic and rehabilitation activities under the auspices of a VA medical facility Compensated Work Therapy (CWT), Incentive Therapy (IT) and approved rehabilitative service programs furnished in state homes (Public Law 102-585).
20. **Proceeds of Casualty Insurance** - If a Veteran loses property due to fire, flood, theft, etc, and the Veteran collects on an insurance policy; the amount received is not countable as long as it does not exceed the value of the lost property. (See 38 CFR § 3.272(d))
21. **Provisional Income** - If a Veteran is awarded some benefit, (e.g., black lung benefits), and it is later determined that the Veteran is not eligible for the amount awarded and the Veteran makes a complete repayment, the income is not countable. However, satisfactory evidence of repayment must be received by VA within the time limit specified in 38 CFR § 3.660(b) for amending an income report. If the Veteran repays less than the total amount awarded, count the difference between the amount awarded and the amount repaid.
22. **Relocation Expenses** - Relocation expenses paid under the Uniform Relocation Assistance Act (See 42 U.S.C. § 4601) to assist persons displaced by Federal and Federally-assisted projects are not countable.

23. Sale of Property – Sales price (market value), less administrative deductions, is included under assets. Business property is calculated in the same manner, but must be considered in addition to other business assets/liabilities. Veteran's primary residence is excluded as income or asset.

24. Settlement Payments:

- a. Agent Orange – Payments received in settlement of the case in reference to Agent Orange Product Liability Litigation - in the U.S. District Court for the Eastern district of New York are not countable.
- b. Alaska Native Claims Settlement Act – Any receipt by an individual of cash (including cash dividends on stock received from a Native Corporation) of *up to* \$2,000 per individual per annum.
- c. American Indian Beneficiaries – Income of *up to* \$2,000 per calendar year to an individual Indian from trust lands or restricted lands.

25. VA Pension Payments – Payments under **Chapter 15 of Title 38**.

26. Welfare – Donations from public or private relief, welfare, or charitable organizations.

27. Withheld Social Security - Social Security or similar benefits withheld to recoup a prior government payment is not countable. Count the check amount received, if any, plus any Medicare deduction. However, if the withholding is due to legal action by a third party (**such as a garnishment order**), count the gross benefit.

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)**.