



Maine Equal Justice

People Policy Solutions

What You Should Know: How a Cash Gift Can Affect Your Public Benefits

This letter explains the impact of receiving funds from the Build HOPE Project or the Next Step Fund on different public benefits programs. Maine Equal Justice is a 501(c)(3) non-profit organization, and the funds from the Build HOPE Project or the Next Step Fund are considered a **gift** for tax purposes.

Some programs might also call these funds a **lump sum** payment or **non-recurring** or **one-time lump sum**. They may treat these funds differently because it is a one-time payment and not a recurring payment. We're going to refer to these funds as **lump sums** and **cash gifts** below.

If you have questions about any of these programs, please contact Maine Equal Justice.



Federal and State Taxes

Gifts don't count as taxable income. You don't need to report these funds when you file your taxes. You don't need to file a special "gift tax return."



Pell Grants, Federal Student Aid or FAFSA

Lump sums count as "non-taxable income" on the FAFSA student aid application. You have to report these funds under the "non-taxable income" category on FAFSA. FAFSA asks for your income from two tax years ago. For example, in 2022, FAFSA will ask for your income from 2020. So, these funds don't have to be reported for two years.

Because of the small amount, these funds likely won't make a big impact on your Pell Grant or student loan eligibility. You can check using the "EFC Calculator" on CollegeBoard.¹ Run the calculator without the cash gifts and then run the calculator with them. If your Expected Family Contribution or "EFC" is different, compare the two EFC amounts to the Pell Grant Look Up

¹ EFC Calculator, CollegeBoard:

<https://bigfuture.collegeboard.org/pay-for-college/paying-your-share/expected-family-contribution-calculator>.

Chart to see how your Pell Grant eligibility will be affected.² Note that it depends on whether you're in school full or part-time.



Temporary Assistance for Needy Families (TANF)

These cash gifts don't count as income, but they can affect the asset limit for TANF. You have to report the funds to DHHS, and you should tell them if you received funds from the Build HOPE Project - DHHS knows what the project is, and knows that the Build HOPE funds are not "income" for TANF.

The TANF program has an asset limit of \$10,000. Assets include things like money in your checking and savings accounts. If these funds will put you over the asset limit, you have to spend the money within 30 days of receiving it on "essential family needs." You know better than anyone else what your essential family needs are. Try to keep receipts in case DHHS has any questions about how the money was spent.

Talk to Maine Equal Justice if you have any questions about this or run into any issues with DHHS.



Food Supplement (FS, SNAP, or Food Stamps)

Lump sums don't count as income. You don't have to report this on your next recertification.



MaineCare

For most people who have MaineCare coverage, lump sums don't affect coverage, and these funds don't have to be reported.

Lump sums affect people who are covered by MaineCare's "SSI-related eligibility" category. In this case, you have to report the funds to DHHS. Someone in your household could be covered under this category if they're an adult who has a disability that prevents them from working. Talk to Maine Equal Justice if you think this could apply to you or someone in your household.

To avoid any impact on MaineCare eligibility, spend the money below the asset limit by the end of the month it was received. The asset limit for a single person covered under SSI-related eligibility is \$2,000. For a married person, it's \$3,000. Keep receipts to show DHHS that it was spent. For example, if you receive \$600 on March 4th, make sure you have less than \$2,000 or \$3,000 in the bank by March 31st.

² Federal Pell Grant Semester Award Look Up Chart (2021-2022):
https://www.qcc.cuny.edu/financialaid/2021-22_pell_schedule.html.

Even if you end up over the asset limit at the end of the month, no one in your household should lose MaineCare coverage. When someone goes over the asset limit for SSI-related eligibility, they should be automatically put in the “MaineCare expansion” category which doesn’t have an asset limit.



Public Housing and Section 8 Vouchers

Lump sums don’t count as income. You don’t need to report this as a change in income.

Note that for these housing programs, there’s an asset limit of \$5,000. If you have more than \$5,000 in assets, like money in your checking or savings accounts, at your next annual recertification then your eligibility could be affected.



Low Income Home Energy Assistance Program (LIHEAP or HEAP)

Lump sums don’t count as income. You don’t need to report these funds when you apply for LIHEAP.



Supplemental Security Income (SSI)

Lump sums count as income. If you, your spouse, your child, or anyone else in your household receives SSI, you must report these funds to the Social Security Administration (SSA). SSA will reduce your SSI based on these cash gifts.

After getting notice of these funds, SSA will either reduce your SSI for the following month or issue an overpayment notice. This doesn’t mean you’re in trouble. It just reflects that the funds resulted in a lower SSI amount for one month.

If you receive an overpayment notice, you should request a waiver of the overpayment so you don’t have to pay it.³ If it’s waived, you don’t have to pay SSA back. Make sure to request a waiver and wait for a response to your request before paying SSA back. Talk to Maine Equal Justice if you want help with this form.



General Assistance (GA)

Lump sums won’t affect a first-time application for General Assistance if you otherwise qualify.

If you have received GA in the past or if you are receiving GA every month, these funds will affect your GA eligibility. You have to report the funds on your next GA application.

³ Form SSA-632BK, Request for Waiver of Overpayment Recovery: <https://www.ssa.gov/forms/ssa-632.html>.

If you spend the funds on “basic needs,” your GA eligibility won’t change. You have to give GA receipts for what you spend all the money on. Any money you spend on non-basic needs will reduce your GA eligibility.

GA has rules about what does and doesn’t count as basic needs. According to GA, basic needs include:

- food
- clothing
- shelter
- fuel
- electricity
- essential medical services
- nonprescription drugs
- basic telephone service for medical reasons
- property taxes
- funeral or burial expenses
- travel costs related to illness or death of a family member
- repair of essentials lost in a natural disaster
- repair of motor vehicle essential for work, education, training, or day to day living needs
- repayment of loans or credit which were spent on basic need

Basic needs don’t include:

- internet service
- cable or satellite tv
- cell phones
- cigarettes/alcohol
- gifts purchased
- pet care costs
- costs of trips or vacation
- paid court fines
- repayment of unsecured loans
- legal fees
- late fees
- credit card debt