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SUBJECT: FSP-Policy Clarification: Deduction Language on Application and Reported Changes

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TO: All Regional Program Directors
Food Stamp Program

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This memorandum addresses under what circumstances a State agency may disallow a deduction based on failure to report or verify expenses.

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A December 18, 1998, memorandum allowed State agencies to add the following phrase to the rights and responsibilities language of the Food Stamp Program application form and approved requests: "Failure to report or verify any of the above listed expenses will be seen as a statement by your household that you do not want to receive a deduction for the unreported expense." This language insulates a State agency from a quality control under issuance error if a household does not report or verify an expense.

FNS issued a subsequent memo on this topic on October 17, 2005 (<http://www.fns.usda.gov/fsp/rules/Memo/05/101705.pdf>) that clarified that this language was intended to be used at initial determination of eligibility for the deduction and subsequent changes are to be addressed by 7 CFR 273.12(c)(1)(iii).

The October 17, 2005, policy clarification memorandum generated several additional questions: (1) what are the circumstances under which the State agency may apply the option outlined in the December 18, 1998, memo and (2) when is it appropriate to eliminate an entire deductible expense when the household reports a change in the expense and the household subsequently fails to verify that increase. We have recapped and expanded below a discussion of the circumstances under which the State agency may or may not add the 12/18/98 statement to various documents connected with the food stamp certification process.

At certification, the State agency may use the 12/18/98 statement. The State agency may not allow a deductible expense if the household does not report or fails to verify a deductible expense;

At recertification, the State agency may use the 12/18/98 statement. The State agency may eliminate a deductible expense if the household does not report a new expense or fails to verify a change in a previously verified expense; however, the request for verification must be made in conformance with 7 CFR 273.2(f)(8)(i).

For interim changes, the State agency may not use the 12/18/98 statement. The regulations specifically mandate the kind of changes that must be reported. The 12/18/98 statement does not override the regulatory requirement, for example, to report changes in shelter costs associated with a change in residence. The regulations at 7 CFR 273.12(c)(1)(iii) offer State agencies two approaches to follow when the household does

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not verify a reported change that would increase the benefit amount. The first option allows State agencies to require verification of a reported change prior to acting on the change. State agencies may, but are not required, to eliminate a deductible expense if the household fails to verify a reported change; however, the request for verification must be made in conformance with 7 CFR 273.2(f)(8)(ii). State agencies may also elect to keep the verified amount in the food stamp budget. The second option allows State agencies to budget a reported increase without verification. However, if the household fails to provide verification of that increase in the deductible expense, the household's benefits revert to the original benefit level. State agencies electing this option may not eliminate a deductible expense if the household fails to verify a reported change. In this event, the regulations require that the State agency revert to the verified expense amount.

For households subject to simplified reporting, households reporting a change of address are not required to report changes in shelter expenses associated with the move.

For periodic reporting systems: the State agency may not use the 12/18/98 statement. The State agency may eliminate a deductible expense if the household fails to verify a reported change; however, the request for verification must be made in conformance with the regulations pertaining to the particular periodic reporting system in use, monthly, quarterly or simplified reporting.

Monthly reporting – the 12/18/98 statement is irrelevant because the regulations give the State agency the authority to specify the items which must be reported and the verification requirements for the reportable items.

Quarterly reporting - the State agency may not use the 12/18/98 statement because the regulations specifically mandate the kind of changes that must be reported. States have the authority to specify the verification requirements for items subject to quarterly reporting. However, should the State agency elect to require some items to be reported under change reporting rules, the requirements for verification specified in **Interim Changes** above would apply.

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Simplified Reporting – the State agency may not use the 12/18/98 statement because the regulations specifically mandate the kind of changes that must be reported. The regulations require the State agency to follow change reporting rules for processing reported changes between six-month reports, so the requirements for verification specified in **Interim Changes** above would apply. Note, however, that special verification rules apply to households subject to filing six-month reports. See 7 CFR 273.12(a)(1)(vii)(B).

We hope this additional clarification is helpful.



Arthur T. Foley, Director
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