



# RURAL FACTS

## SSI & CHILDREN TURNING 18

When your child with a disability turns 18, several things happen in relation to his/her Supplemental Security Income (SSI) benefits. First, the young adult must reapply with Social Security for SSI benefits as an adult. For this application, Social Security will use somewhat different disability criteria than were used to evaluate his/her disability as a child. (If your child has been receiving Social Security Child's benefits, when he/she turns 18, he/she will have to apply to begin receiving benefits as a "Disabled Child" who is an adult.)

You can prepare for this inevitable re-application by keeping your child's medical and school records updated and complete. If your child is working, any support staff who assist your child should document what your child actually does in relation to what a person without a disability might accomplish. All supports your child receives should be documented. Emphasize support needs and performance on worst days.

Secondly, the family's income and resources will no longer be considered when determining your child's financial SSI eligibility. Only your child's resources and income will count. This frees the rest of the family from the SSI resource limits, so the family can begin to accumulate cash, stocks, bonds, and all the other financial assets prohibited when your minor child was receiving SSI. The family's combined income can also increase without risking your child's SSI benefits and Medicaid.

Once your child turns 18, the amount of his/her SSI check will be based on his/her monthly *income*, and also on his/her *living arrangement*. Social Security will *count* your child's *income* (earned and unearned income) just like it counted your family's income when your child was a minor, and will adjust his/her monthly SSI check based on that countable income. The same formula for calculating countable earnings applies:  $\text{wages} - \$85$  (general and earned income exclusions)  $\div 2 =$  countable earned income. The countable earned income is subtracted from the Federal Benefit Rate (\$637 in 20078 to determine the amount of the SSI check due. For example: your child has a part-time job and earns \$240 gross each month.  $\$240 - \$85$  (general and earned income exclusions)  $= \$155 \div 2 = \$77.50$ /countable earned income;  $\$637$  (Federal Benefit Rate)  $- \$77.50 =$

$\$549.50$  (amount of SSI your child will be due two months later). If your child's income fluctuates, the monthly benefit amount will fluctuate. If your 18-year-old is still in school, the Student Earned Income Exclusion still applies.

### Living Arrangement and Sharing

The example above assumes the 18-year-old child is living alone in his/her own home. If the 18-year-old lives with the family, his/her *living arrangement* can impact the amount of the monthly SSI check.

If your 18-year-old lives with you, or others, and doesn't pay any portion of the household's food and shelter expenses, he/she will be considered to be "living in the household of another" and receiving "in-kind support and maintenance" from someone else. When Social Security views your child as "living in the household of another" he/she is only eligible to receive the *one-third-reduced rate* (\$424.67/month in 2008) and not the full Federal Benefit Rate (\$637/month in 2008). Regardless of the value of the food and shelter your child is receiving, SSI will reduce your child's SSI check by only one-third, at the most.

In-kind support is calculated as *unearned income*. If your child pays for shelter but someone else is paying \$120 per month for his/her food, SSI will reduce the \$637 by \$100 ( $\$120 - \$20$  general income exclusion  $=$  \$100 *countable unearned income*), and he/she will be eligible for a \$537 SSI check. The same would be true if your child paid for food but someone else was providing shelter worth \$120 per month.

NOTE: your child is eligible for more than the one-third-reduced payment for "living in the household of another" (\$424.67/month in 2008) if he/she can establish that he/she has paid his/her "fair share" of household expenses for at least one month, and is able to continue that contribution. When this is the case, your child's classification changes to Sharing/Independent (\$637/month in 2008).

### Determining "Fair Share"

If your household has income other than public assistance, SSI, etc., the expenses listed in the Sharing Worksheet are used to determine your child's fair share

contribution. Every household does not have expenses in every category. Only those listed that apply to your household can be included in figuring your child's fair share. No other additional expenses can be considered (e.g. cable TV, phone).

Determine the average monthly expense for each item listed. Add those average monthly expenses and divide the total by the number of persons in your household, regardless of their age or relationship to you. Babies, grandparents, and unrelated persons living in the home should all be counted, as should any adult children away at college during the school year. After the total is divided by the number of people in your household, the resulting number will be the "pro rata" or "fair share" for each household member.

While Social Security doesn't usually require documentation for these expenses, the fair share should always be figured based on real expenses. When establishing an amount for food, use an estimate that reflects food only, not laundry soap, paper goods, personal hygiene articles, etc.

The fair share will generally remain unchanged for a year, and your household expenses should be re-evaluated every year to determine whether or not a change in the amount is warranted. The amount of money your child contributes toward household expenses must be within \$5 of this "pro rata" share to establish the existence of a "sharing" arrangement.

## Sharing and Income Taxes

If your child lives with you, you can legally claim the child as a dependent on your income tax return if the child is receiving SSI at the "living in the household of another" rate. You will have to be able to show that you spent at least 1¢ more on your child than the total of all your child's SSI payments for the year. Once a child establishes "sharing" and receives an increased SSI check (\$637 per month in 2008), parents can no longer claim the child as a dependent. Your tax accountant may say it is okay to claim your son or daughter because you can show how you spent more on the child than the yearly total of SSI payments. The accountant may be correct as far as the Internal Revenue Service (IRS) rules are concerned, but if you tell SSA that your child is paying a "fair share," it is not appropriate to tell the IRS your child is not really paying his/her own way. When most families do the math, they find they gain more by having a son or daughter receive the increased SSI check than they do by claiming them as dependents and getting a small credit on their taxes.

## Sharing Worksheet

1. Rent or mortgage payment (including any amount for insurance that is part of the mortgage payment and required by the mortgager) \$ \_\_\_\_\_
  2. Property taxes (if not already included in the mortgage) \$ \_\_\_\_\_
  3. Electricity (monthly average) \$ \_\_\_\_\_
  4. Gas (monthly average) \$ \_\_\_\_\_
  5. Any other heating fuel (monthly average for coal, oil, propane, wood, etc.) \$ \_\_\_\_\_
  6. Water (monthly average) \$ \_\_\_\_\_
  7. Sewer cost (if any and if not included in water bill) \$ \_\_\_\_\_
  8. Garbage removal cost (if any) \$ \_\_\_\_\_
  9. Food (do not include soap, paper products, personal/hygiene articles, etc.) \$ \_\_\_\_\_
- Monthly Total \$ \_\_\_\_\_

Divide monthly total \$ \_\_\_\_\_ by # of people in household

= \$ \_\_\_\_\_ your "fair share" amount.

The only exception to this general rule is when parents can continue to carry a child on their health insurance only if the child is a dependent for tax purposes. If your child is covered by Medicaid and has good healthcare providers who accept Medicaid, your insurance may be of little additional benefit. However, if it is better for your child to remain covered by your insurance, it may be beneficial to forego the sharing rate and to stay at the "household of another" rate.

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