



**CSBG Income Eligibility in an Emergency**  
Lessons from the COVID-19 Pandemic

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## Introduction

Disasters and other major emergencies often have a disproportionate effect on low-income communities. Community Action Agencies (CAAs) can be the first line of defense against the economic downturn resulting from a crisis in their communities, so understanding how to respond to unforeseen circumstances is critical. In light of the lessons learned from facilitating supplemental Community Services Block Grant (CSBG) funding under the [Coronavirus Aid, Relief, and Economic Security Act](#) (the CARES Act) in response to the COVID-19 pandemic, all CAAs should review their income eligibility procedures to better prepare for future emergencies. In some cases, agencies may decide to establish emergency income verification measures that they can implement during disaster situations to allow for greater speed and flexibility in providing services to clients. While CAPLAW's [CSBG Q&A on Client Eligibility](#) can help CAAs refine their income eligibility procedures generally, this supplement contains additional insights specific to facilitating income verification during disasters and emergencies.

This resource is intended to provide practical guidance based on relevant laws but is not authorized or approved by the federal Office of Community Services (OCS), the office within the U.S. Department of Health and Human Services (HHS) that administers CSBG, and does not constitute legal advice.

### 1. What flexibilities does a CAA have to serve families harmed by a disaster or emergency if, prior to the emergency, their income did not meet CSBG eligibility requirements?

CAAs may use the flexibilities inherent in their CSBG funding to serve individuals and families whose incomes are affected by an emergency or disaster. They can do so by shortening the look-back period for determining income eligibility to capture a more accurate picture of an individual's current circumstances. For example, during the COVID-19 pandemic, many individuals lost low-wage jobs due to prolonged business shutdowns, so using a look-back period that excluded income from when the individual was employed could have enabled a CAA to serve them after their job loss.

In the absence of state-level requirements, CAAs can also review the definition of "income" in their eligibility determination procedures and consider excluding one-time or time-limited payments that are connected to disaster relief assistance programs. Furthermore, CAAs may consider strategies for streamlining eligibility determination procedures, such as implementing remote intake processes that rely on pictures or electronic copies of eligibility documentation, or client attestations of eligibility

criteria. If an applicant was previously deemed ineligible for CSBG services because of their income, a CAA could allow them to request a redetermination based on a change in circumstances.

State CSBG offices may also issue guidance, both formal and informal, regarding additional flexibilities in income eligibility determination procedures during an emergency. During the COVID-19 pandemic, many CAAs worked with state associations and state CSBG offices to assess their income eligibility procedures and ensure they matched the needs of their communities.

## **2. How do CAAs determine whether an individual's receipt of disaster or emergency-related benefits impacts their income eligibility for CSBG services?**

Disaster relief and emergency assistance cash and tax credit benefits are typically rolled out quickly, before most funding sources have a chance to review them and decide whether the benefits will count as income for the purposes of determining eligibility for existing programs. In the absence of guidance from their state office and OCS, CAAs should examine the enacting statute and related regulations to see how the benefit is characterized. The following examples from recent crises reveal clues that may signal whether a benefit will count towards income eligibility for other programs.

### **COVID-19 Economic Impact Payments**

During the COVID-19 pandemic in 2020, the CARES Act provided for lump-sum, cash payments to taxpayers based on their adjusted gross income from the previous year(s). Many CAAs and their clients were concerned that these "Economic Impact Payments" would push clients over the income eligibility limit for CSBG and other much-needed services. Although most Economic Impact Payments arrived at clients' homes in the form of a check, the benefit was actually an advance payment of a refundable tax credit against the 2020 personal income tax of eligible individuals. Since tax credits generally do not count as income for programs commonly administered by CAAs, intake staff could exclude these payments from an applicant's income calculation.

### **Federal Pandemic Unemployment Compensation**

Another form of coronavirus pandemic relief that prompted questions related to income eligibility was federal unemployment assistance, which supplemented and extended the benefits provided by an eligible individual's state unemployment insurance program. Although there is no federal definition of income for the purposes of determining eligibility for CSBG-funded services, many states and other programs commonly administered by CAAs, such as Head Start, include unemployment compensation in their definitions of "income". In response to concerns about clients becoming ineligible due to their receipt of additional unemployment compensation, some states chose to exclude federal unemployment assistance from an applicant's income while continuing to count state unemployment payments. The Office of Head Start [issued guidance](#) stating that the unemployment compensation payments established by the CARES Act would be excluded when determining Head Start income eligibility since they were "short-term, federally funded assistance directly related to the COVID-19 pandemic". While this statement should not be taken as an indication of any future determination by OHS, it illustrates an approach and rationale that CAAs may use in relation to such benefits in the future: that the short-term nature of many disaster relief benefits supports their exclusion from income eligibility determinations.

### **ARRA Economic Recovery Payments**

Like the CARES Act, the American Recovery and Reinvestment Act of 2009 (ARRA) created one-time economic recovery payments, one of which took the form of a tax credit. ARRA's Making Work Pay tax credit was added to employees' take-home pay through withholding changes in spring 2009, or it

could be deducted from an employee's personal income tax returns the following year. ARRA also provided a one-time \$250 cash payment for recipients of Social Security, Supplemental Security Income, Railroad Retirement, and Veterans Disability Compensation Benefits. Unlike the CARES Act, ARRA explicitly stipulated that neither payment would count as income under any federal program or any state or local program supported by federal funds for the month of receipt and for a certain period thereafter (2 months in the case of the tax credit, 9 months in the case of the cash payment). This helped CAAs to factor receipt of the benefits into their existing income eligibility procedures without unnecessary confusion or delay. It also demonstrates an alternative to the complete exclusion or inclusion of an income source to the determination of income eligibility: a time-limited exclusion that allows the recipient to receive the benefits without consequence for a short period.

### Qualified Disaster Relief Payments

Following major catastrophes, some nonprofits set aside funds to provide emergency assistance in the form of cash to individuals, taking advantage of provisions of the Internal Revenue Code that allow charitable organizations to provide tax-free assistance to individuals in the case of a declared disaster. Such payments are called “qualified disaster relief payments” and are defined as:

any amount paid to or for the benefit of an individual—

- (1) to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster,
- (2) to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster,
- (3) by a person engaged in the furnishing or sale of transportation as a common carrier by reason of the death or personal physical injuries incurred as a result of a qualified disaster, or
- (4) if such amount is paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare, but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise. [26 U.S.C. § 139\(b\)](#).

To the extent that payments are made for the purposes outlined above, and the recipients are not otherwise compensated for the same expenses by a public benefit, qualified disaster relief payments are excluded from gross income under the Internal Revenue Code. [26 U.S.C. § 139\(a\)](#). Furthermore, since they are not taxable, nonprofits do not need to issue Form 1099s to the recipients of qualified disaster relief payments. [26 CFR § 1.6041-1\(f\)\(1\)](#). The tax treatment of a certain disaster relief or emergency assistance benefit could serve as an indicator of whether the federal government will generally consider a benefit “income” for the purposes of determining income eligibility for federally-supported programs.