

# Special Needs Trust Disbursements

Cash or gift cards provided from the special needs trust (SNT) directly to the beneficiary (for any purpose) are considered **unearned income**. SSI rules state that for every dollar of unearned income received results in the same amount in reduced SSI benefits for the same month (Medicaid beneficiaries need at least \$1.00 of SSI to qualify). In 2021, the maximum SSI benefit is \$794.00 per month.

## In-Kind Support and Maintenance (ISM) | Food and Shelter Expenses

Food and shelter expenses paid for by the special needs trust (or any other source) are considered income as [in-kind support and maintenance \(ISM\)](#) to a third party provider of goods or services.

The following **10** items are the **only** ones the SSA will count as ISM:

- Food
- Mortgage (including property insurance **required** by the mortgage holder)
- Real property taxes (less any tax rebate/credit)
- Rent
- Heating fuel
- Gas
- Electricity
- Water
- Sewer
- Garbage removal

### ISM – Maximum 1/3rd Reduction in SSI Rule

Cash payments made directly to the beneficiary will reduce the SSI benefit dollar-for-dollar and **may result in loss of SSI / Medicaid eligibility if too much is given**. Receiving non-cash benefits that are considered "In-kind support and maintenance" (ISM) benefits from the trust (or other source) will reduce the SSI benefit dollar-for-dollar up to a maximum of 1/3rd of the maximum SSI benefit + \$20.00.

This is significant because of the SSI recipient is receiving less than 1/3rd of the maximum SSI benefit, distributions from ISM can kick someone off

Medicaid (most medicaid programs require that the beneficiary receive at least \$1.00 from SSI).

The SNT Trustee may reimburse third parties for items purchased for trust beneficiary. Purchase of personal items such as clothing, a computer, paying a phone/internet bill or income taxes, would have no impact on SSI. But if food or shelter items are purchased, it is deemed ISM.

SNT trust disbursements (as long as not cash to the individual), including payments directly made to third-party vendors, that are not for ISM expenses are NOT considered income. Examples: educational expenses, psychological therapy, any medical services not covered by Medicaid, phone bills, and recreational and entertainment expenses.

Other examples of expenditures that would not result in any adverse consequences for SSI-eligibility determination purposes are:

- one automobile/van
- accounting/legal services
- acupuncture/yoga/gym membership
- appliances (TV, DVD, washer, dryer, microwave, refrigerator)
- bus pass / public transportation costs / uber rides
- camera
- clubs/dues (e.g. health clubs, service clubs, advocacy groups, museums, zoo)
- computers/software/internet service
- conferences
- courses/classes (academic or recreational/hobby)
- curtains/blinds/drapes
- dental work not covered by Medicaid
- doctor specialists not covered by Medicaid
- dry cleaning/laundry services
- elective surgery
- fitness equipment
- furniture
- gasoline / oil changes / other vehicle maintenance costs
- holiday decorations, parties, holiday cards
- home alarm systems
- home improvements / home maintenance / landscaping + lawn service
- home purchase
- house cleaning services
- insurance (auto/home)
- linens / towels
- massage
- musical instruments / music lessons
- non-food grocery items (e.g. laundry detergent, fabric softener, deoderant, soap, personal hygiene products, paper towels, toilet paper, etc...)

- over-the-counter medications (including vitamins or herbal supplements)
- pets and pet supplies
- private counseling if not covered by Medicaid
- repair services
- sporting goods / athletic equipment
- stationary / stamps
- storage units
- taxicab / uber / lyft
- telephone services (cell phone)
- tickets to concerts or sporting events (for beneficiary and accompanying companion)
- utility bills that are not listed in ISM list above (e.g. cable TV, direct TV, internet)
- vacations / travel (except SNT cannot pay for food).

It is best practice to, whenever possible, pay for goods / services directly to the provider of those goods or services.

## **Prohibited Special Needs Trust Disbursements**

- A special needs trust trustee should almost never distribute cash directly to the beneficiary.
- Providing debit cards or gift cards are usually seen as cash equivalents and should also be avoided.
- SNT trustees should not make gifts to others on behalf of the beneficiary ( e.g. no wedding, quinceanera or birthday presents). Gifts will result in a disqualification/penalty period.
- Do not pay for anything that is already paid for by another source and don't pay for anything that is not in the best interest of the disabled beneficiary.

If the SNT purchases durable items (e.g. a car), the beneficiary or trust must be the owner (car title may show trust as a lien holder). If the title does not name the beneficiary or trust as owner, it could be construed as a gift that would result in Medicaid penalty.