

## South Carolina Department of Health and Human Services

### Income Trust Information

#### What is an Income Trust?

An Income Trust is a special trust that an applicant/beneficiary funds by depositing their income each month. Income that flows through the Income Trust does not count toward the Medicaid Cap. Eligibility cannot be established prior to the month the trust document is signed so it is **important** to complete the Income Trust document as soon as possible.

#### Establishing an Income Trust

To establish an Income Trust, several things are required:

- An Income Trust document must be properly completed and signed by the applicant/beneficiary or their legal representative.
- The South Carolina Department of Health and Human Services must review the completed trust document to ensure it meets legal criteria.
- The applicant/beneficiary must appoint a trustee to handle the trust. The applicant/beneficiary cannot serve as their own trustee. The trustee is responsible for having the applicant/beneficiary's income deposited into the account, ensuring only allowed deductions are withdrawn, and accounting for all funds deposited and withdrawn.
- The applicant/beneficiary must designate a separate account to be used with the Income Trust.
- A separate bank account must be identified and income placed in the account.
  - An existing account may be designated or a new one established
  - The account does not have to be established with a Trust Department at a bank.
  - The account may only be in the name of the applicant/beneficiary and their trustee.
  - Any funds in the account belong to the trust and can only be used for expenses authorized by Medicaid.
  - At the death of the Grantor/Beneficiary, and must be used to reimburse Medicaid for any expenses paid on the Beneficiary's behalf before any rights of survivorship provisions on the account are effective.

# CHECKLIST FOR THE TRUSTEE OF AN INCOME TRUST

The trustee may use this information as a guide to ensure they have done everything needed to set up the Income Trust.

## Income Trust Bank Account

- Establish or designate a bank account specifically for this purpose. Only the patient and trustee's names may be on the account.
- List Bank Name and Account Number on the Schedule A
- Arrange for income to flow through this account (e.g.: direct deposits; deposit of the check; transfer from another account).
- Provide verification that the income for any month coverage is desired has been deposited into the account. This **MUST** be provided before the application can be approved.
- Make sure funds from the account are used only for the **allowable** expenses and keep records.
- The account must not be used like a personal checking account to pay expenses for the patient or their spouse, if receiving an allocation. For instance, a check may be written for the patient's personal needs amount and, in turn, the money used to pay for various items. However, checks may not be written to others on their behalf even when the amounts equal the allowance. Similarly, if the patient has a community spouse who is entitled to a spousal allocation, the check may be written to the spouse who then may then cash it or deposit it into their personal account and use the funds for bills and so forth. Again, the checks may not be written out to third parties on the spouse's behalf (e.g.: electric company, doctor's office).
- Keep bank statements on file to provide to the Medicaid office for accounting purposes.

## Income Trust Document

- The document is filled out completely
- The document is signed and witnessed
- The Statement of Trustee page is signed, witnessed, and notarized.
- Schedule A
  - Income assigned to the Income Trust is listed
  - Bank Name and Account number is listed
  - Page is signed.

Notify the DHHS of any changes within 10 days. This includes: changes in the individual's income, bank account, or living arrangements as well as a change in your contact information.

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