

Chapter 3: Assessment of Income

(ii) Non-exempt Income

(h) Severance Pay

Intent:	To provide direction in assessing severance pay as an income source.
Act: (if applicable)	N/A
Regulations:	<p>8.(c) "non-exempt income" means income received by an applicant or recipient for which no exemption applies and which is used in determining eligibility but does not include partially exempt income, and which may be obtained by means of</p> <p>(viii) net income received from a severance package which an applicant or recipient receives upon permanently severing from his or her employer for the period of time that the severance package is payable,</p>
Overview: (if applicable)	N/A
Policy:	<ul style="list-style-type: none"> • Non-exempt income is income to which no exemption or deduction can be used to reduce the amount, and the full amount of income is deducted from the Income Support payment. • Severance Pay <ul style="list-style-type: none"> ○ Severance pay is a payment by the employer to offset the loss of income experienced by an employee due to termination of employment. The amount of the payment is often the employee's weekly wage multiplied by the number of years of service to the employer. ○ The income is considered as non-exempt and must be used to determine future income for the recipient for the covering period of the severance package.

Procedure:	<ul style="list-style-type: none"> • The Client Services Officer must determine the net income of the severance package and divide the amount by the number of weeks used to calculate the severance package. • The balance is considered the “non-exempt weekly severance income”. • This weekly severance income is considered non-exempt for the period beginning from the date the lump sum severance package was received for the number of weeks used to calculate the severance package. • In the event the weekly rate amount means an applicant/recipient is eligible for a supplement, the balance of the severance package (liquid assets) is considered an exempt liquid asset for the period of the severance package. <p>Example Calculation of Severance Pay:</p> <p>A recipient is terminated from work on July 15th, after 8 years of service to the employer. They were earning \$450 per week (gross).</p> <p>On July 19th, they received severance pay totaling \$2,200 (\$450 x 8 = \$3,600 less \$1,400 income tax = \$2,200)</p> <p>Net Severance Pay = \$2,200 Weeks used to Calculate Severance Pay = 8 “Non-exempt Weekly Severance Income” $\\$2,200 \div 8 = \\275</p> <p>The “Non-exempt Weekly Severance Income” will apply for 8 weeks, from July 19th to September 12th.</p>
Authority Level:	Client Services Officer
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