Mother & Infant
*Cash Coalition*

POLICY MEMO · NO. 02
2026

# How state agencies can exclude direct cash transfers from *TANF, SNAP, and Medicaid* eligibility.

A step-by-step guidance memo for state TANF, SNAP, and Medicaid administrators on issuing an income disregard for direct cash transfer (DCT) and guaranteed-income payments — grounded in Wisconsin's 2024 operational memo and Louisiana's 2016 rulemaking precedent.

AT A GLANCE

**0**

**FEDERAL WAIVERS REQUIRED**

TANF income exclusions rest on state administrative discretion under 42 U.S.C. § 601 et seq.

**60*d***

**FROM POLICY TO ISSUANCE**

Wisconsin's interagency timeline from drafting to a joint operational memo covering four programs.

**$5–10K**

**PRESERVED PER FAMILY, PER YEAR**

Estimated combined SNAP, TANF, Medicaid, and child care benefits a family keeps when DCT income is disregarded.†

CORE FINDING

State agencies can exclude direct cash transfers from TANF, SNAP, and Medicaid eligibility calculations through administrative action — no new legislation required. Wisconsin demonstrated this in 2024. Louisiana established parallel precedent in 2016. States have clear federal authority to act now.

ISSUED BY
The Bridge Project
Mother & Infant Cash Coalition

AUDIENCE
State agency policy staff
TANF · SNAP · Medicaid

DATE
May 2026
v1.0

LENGTH
Nine sections
~12 minute read

CONTENTS



# I Purpose & background.

CONTEXT

Direct cash transfer (DCT) programs provide unconditional cash payments to low-income families. When DCT income counts toward public benefit eligibility thresholds, recipients can lose SNAP, Medicaid, child care, or TANF benefits — a phenomenon called the "benefits cliff." This chilling effect undermines the purpose of both the DCT program and the safety net.

This memo provides state agency staff with the legal basis, a step-by-step implementation model, and proven state precedents to exclude DCT payments from countable income for TANF, SNAP, and Medicaid eligibility — without legislative action.

# II Legal authority. *No legislation required.*

TANF

### State administrative discretion

42 U.S.C. § 601 et seq. (PRWORA, 1996)

PRWORA deliberately leaves income and asset definitions to states. Agencies can exclude DCT income through an operational memo or amendment to state administrative regulations. No federal approval is needed.

SNAP

### Automatic via TANF linkage

7 CFR § 273.9(c)(19)

Any income type excluded from TANF is automatically excluded from SNAP, as long as the exclusion is consistent. A single administrative action covering TANF therefore triggers SNAP protection simultaneously.

MEDICAID · MAGI

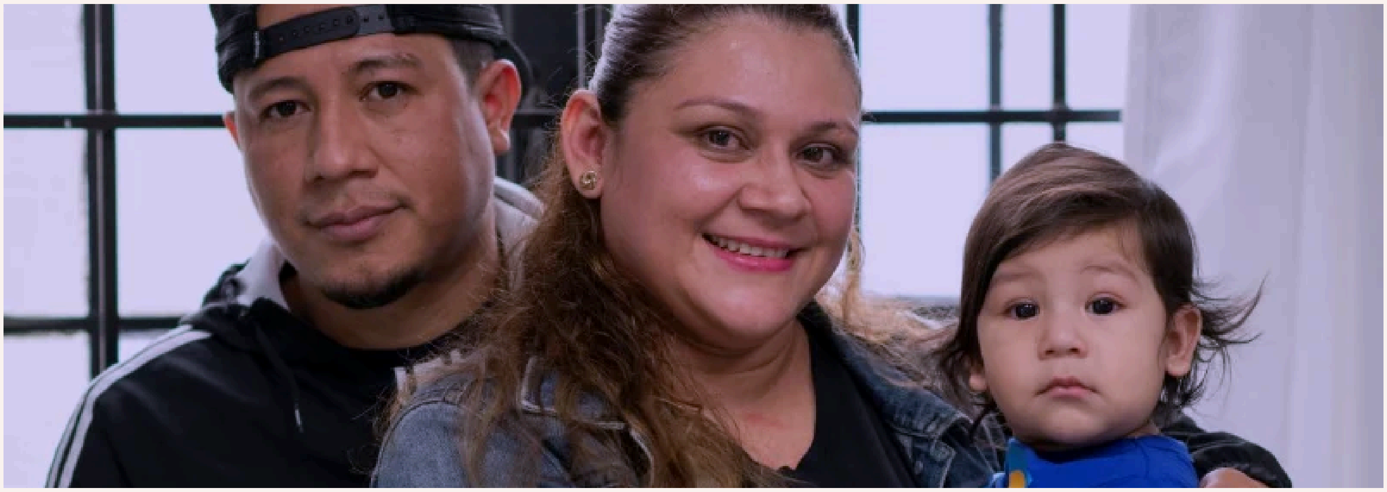
### Federal gift exclusion

26 U.S.C. § 102 · 42 CFR 435.603(e)

DCT payments structured as non-taxable gifts are already protected. Confirm the program imposes no work requirements, spending conditions, or compensation-for-services structure, then issue guidance confirming the automatic exclusion.

KEY POINT

Federal waivers are not required. TANF exclusions rest on state administrative discretion. SNAP exclusions are automatic through the TANF linkage. Louisiana's 2016 rulemaking did not seek or obtain any federal waiver.



## III Wisconsin gold standard. *Operations Memo 24-J2.*

MODEL

Wisconsin's DMS / DECE / DFES Operations Memo 24-J2 (June 10, 2024) is the most replicable national model for DCT income disregard. It was developed in response to the City of Madison's guaranteed income program (Madison Forward Fund) and subsequently expanded to apply statewide to all qualifying DCT programs — without requiring per-program approval.

| FEATURE | DETAIL |
|---|---|
| Mechanism | Interagency operational memo — no legislation, no rule amendment required. |
| Programs covered | FoodShare (SNAP), BadgerCare Plus (Medicaid / CHIP), Wisconsin Shares (child care), Wisconsin Works (W-2 / TANF). |
| Policy scope | Universal: applies to all qualifying guaranteed-income programs statewide. |
| Asset treatment | DCT payments disregarded as income for most programs; count toward asset limits for W-2 only. |
| Administrative burden | Minimal — no per-program approvals, no registry, universal application. |
| Implementation time | Approximately 60 days from policy development to issuance. |
| Interagency coordination | Joint memo signed by the Department of Health Services and the Department of Children and Families. |

HOW WISCONSIN DID IT

01 TANF, Medicaid (BadgerCare Plus), SNAP (FoodShare), and child care (Wisconsin Shares) program teams aligned on consistent language across all four programs.

02 Legal counsel reviewed the TANF memo; Medicaid and SNAP teams confirmed consistency with federal rules.

03 A single joint operational memo issued by both the Department of Health Services and the Department of Children and Families covered all programs simultaneously.

04 No legislative action was taken. Wisconsin's existing TANF State Plan language was broad enough that no plan amendment was required.

> *"A single interagency memo, scoped universally, with no federal touchpoints – issued in roughly sixty days."*

## IV Best practice. *Inside Op Memo 24-J2.*

BEST PRACTICE

Op Memo 24-J2 is the clearest published example of a state protecting families' benefits from guaranteed-income income counting. Effective June 1, 2024, it states the treatment of UBI and guaranteed income payments program by program — for income *and* assets — and points caseworkers to the exact handbook section for each. Agencies drafting their own memo can follow this structure directly.

| EFFECTIVE DATE | SIGNED BY | TRIGGER |
|---|---|---|
| June 1, 2024 | Four bureau directors | Madison Forward Fund |
| Issued June 10, 2024. | Across DHS and DCF, two departments. | $500/month to 155 income-eligible families; policy later generalized to all guaranteed income programs statewide. |

| PROGRAM | INCOME | ASSETS | HANDBOOK REFERENCE |
|---|---|---|---|
| BadgerCare Plus | Disregarded | Not applicable | BadgerCare Plus Handbook § 16.2.52 |
| Medicaid | Disregarded | Disregarded | Medicaid Eligibility Handbook § 15.3.36 |
| FoodShare (SNAP) | Disregarded | Disregarded | FoodShare Eligibility Handbook § 4.3.4.3 |
| Wisconsin Shares | Disregarded as gifts | Not applicable | Wisconsin Shares Handbook § 6.3 |
| Wisconsin Works (W-2) | Disregarded as gifts | Counted | W-2 Policy Manual § 3.2.8.1 |
| Caretaker Supplement | Counted | Counted | Stated as an explicit exception in the memo |

Source: DMS, DECE, and DFES Operations Memo 24-J2, "Eligibility Policies Related to Universal Basic Income and Payments from Guaranteed Income Programs," June 10, 2024.

**WHAT TO BORROW**

State the treatment for every affected program in one document, name income and asset treatment separately for each, cite the handbook section caseworkers will actually open, list the exceptions plainly, and route questions to a named resolution team. Ambiguity is what produces incorrect denials at the counter.

## V Supporting precedent. *Louisiana 2016 rulemaking.*

PRECEDENT

Louisiana's Department of Children and Family Services (DCFS) established durable regulatory precedent in 2016 through formal administrative rulemaking — the same legal mechanism available to every state. DCFS amended LAC 67:III, Sections 1229 (TANF / FITAP income exclusions) and 1980 (SNAP income exclusions) simultaneously, adding "grant funded research payments" as non-countable income.

REGULATORY CITATION

LAC 67:III §§ 1229 and 1980 (as amended, Louisiana Register Vol. 42, 2016)

Authority: 42 U.S.C. § 601 et seq. (TANF) and 7 CFR 273.9(c)(19) (SNAP). Fiscal impact: $2,982 for publication costs only; zero programmatic fiscal impact.

WHY IT APPLIES DIRECTLY AS DCT PRECEDENT

- The rulemaking used standard administrative procedure, not legislation.
- It applied simultaneously to both TANF and SNAP via the TANF–SNAP linkage.
- The stated rationale mirrors DCT policy goals: allowing families to receive supplemental payments without losing public assistance benefits.
- Louisiana added § 1980(B), which codifies the TANF–SNAP linkage directly in regulation — a model clause other states can adopt.
- The rulemaking explicitly invoked the same statutory authority (42 U.S.C. § 601 et seq. and 7 CFR 273.9) that applies to DCT exclusions in every state.

## VI Step-by-step implementation. *60–90 days.*

### 01 Conduct legal review

LEGAL · ~2 WEEKS

Agency counsel confirms rulemaking authority and reviews the current TANF State Plan income language — assessing flexibility vs. restrictiveness.

### 02 Choose policy scope

POLICY · SCOPE DECISION

Universal (Wisconsin): applies to all qualifying DCT programs automatically. Approval (Maryland): organizations apply program-by-program. Universal is lower-burden and the recommended default.

### 03 Draft operational memo

DRAFTING · ~3 WEEKS

Define qualifying DCT programs; state the income exclusion for each program; include system-entry instructions and an effective date.

### 04 Update eligibility systems

IT / OPERATIONS

Enter DCT income as "Non-Countable Unearned Income" in your eligibility platform — CARES, ACES, BEACON, or your state equivalent.

VII

# Common questions and answers.

FAQ

Four questions agency policy staff raise most often when scoping a DCT income disregard — with answers drawn directly from the Wisconsin and Louisiana implementations.

### Q.01 Do we need to amend our TANF State Plan?

It depends on your plan language. States with broad language like "income as defined by state regulations" or "countable income as determined by the Department" likely do not need a plan amendment — Wisconsin's memo fit within existing flexibility. States with detailed enumerated income lists may need to add DCT programs (as Illinois did with an explicit Section 7). Consult your ACF Regional Office if uncertain.

### Q.02 Can DCT payments affect Medicaid eligibility?

Properly structured DCT payments — those with no work requirements, no spending conditions, and not compensation for services — qualify as non-taxable gifts under 26 U.S.C. § 102 and are automatically excluded from MAGI income under 42 CFR 435.603(e). Issue agency guidance confirming this to remove caseworker uncertainty.

### Q.03 Do income disregards also apply to asset limits?

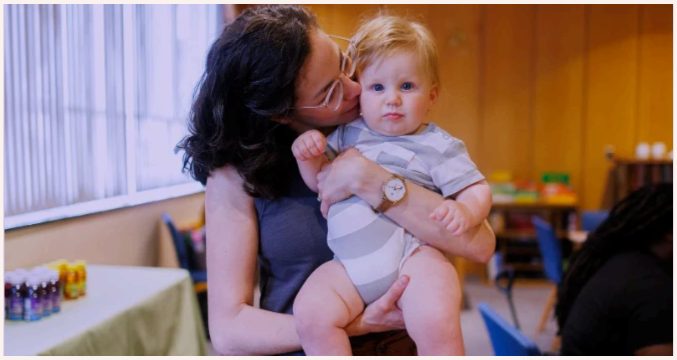
Not automatically. Wisconsin's memo disregards DCT income for most programs but treats DCT payments as countable assets for W-2 (TANF cash). Your operational memo should explicitly address both income and asset treatment for each program to prevent caseworker confusion downstream.

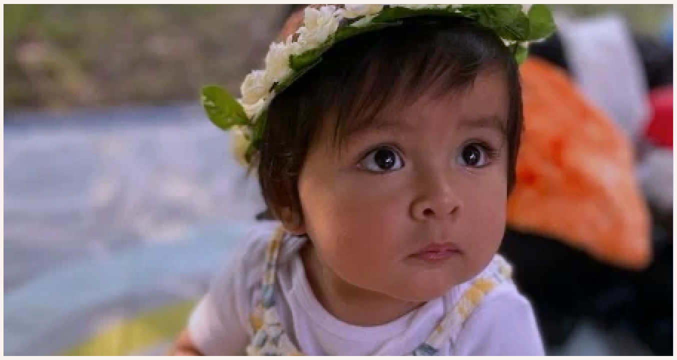
### Q.04 What is the administrative cost risk for SNAP?

States implementing new SNAP income exclusions bear elevated federal administrative cost-sharing obligations (75% state vs. the standard 50%) and face quality control penalties for errors. Using the TANF–SNAP linkage — excluding DCT income from TANF first, which automatically flows to SNAP — is the lowest-risk implementation path and the approach taken by Wisconsin, Maryland, and Illinois.

LOWEST-RISK PATH

Exclude DCT income from TANF first. SNAP exclusion flows automatically under 7 CFR § 273.9(c)(19). Confirm Medicaid via gift-exclusion guidance. Address asset limits explicitly in the operational memo.





## VIII Federal citations. *Quick reference.*

| PROGRAM | AUTHORITY | CITATION | IMPLEMENTATION PATH |
|---|---|---|---|
| TANF | State administrative discretion | 42 U.S.C. § 601 et seq. | Operational memo or state reg amendment |
| SNAP | TANF linkage provision | 7 CFR § 273.9(c)(19) | Automatic if excluded from TANF |
| Medicaid (MAGI) | Federal gift exclusion | 26 U.S.C. § 102 · 42 CFR 435.603(e) | Automatic if DCT structured as gift |
| Child Care | State CCDF plan authority | State CCDF regulations | Amend child care eligibility rules or memo |
| Energy Assistance | State program rules | State statutory authority | Amend program income definitions |

## IX Recommended next steps.

01 Review your TANF State Plan income language to assess whether a plan amendment is needed.

02 Engage agency legal counsel to confirm rulemaking authority under your state's administrative code.

03 Contact your ACF Regional Office for informal guidance on plan language requirements.

04 Reach out to Wisconsin DHS / DCF contacts for knowledge sharing on the interagency coordination process — introductions available through The Bridge Project.

05 Review Wisconsin Op Memo 24-J2 (June 10, 2024) and Louisiana LAC 67:III §§ 1229 and 1980 (2016) as the primary precedent documents.

TECHNICAL ASSISTANCE

### MICC can connect your team with peer-to-peer expertise.

We facilitate connections and learning amongst state agencies — whether you're a cash expert or simply cash-curious.

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† Directional estimate. Combines preserved value of SNAP, TANF, Medicaid, and child care subsidies a family would otherwise lose at the eligibility cliff. Range reflects variation by family size, state, and program enrollment mix. Source comparisons: DC Career MAP pilot ($10K/yr cliff-compensation cap); NCRC and Beyond the Cliff Coalition analyses, 2024–2025.