DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

March 14, 2002

REASON FOR THIS TRANSMITTAL

[ ] State Law Change
[ ] Federal Law or Regulation Change
[ ] Court Order or Settlement Agreement
[X] Clarification Requested by One or More Counties
[ ] Initiated by CDSS

ALL-COUNTY INFORMATION NOTICE I-17-02

TO: ALL COUNTY WELFARE DIRECTORS
ALL FOOD STAMP COORDINATORS
ALL CalWORKs PROGRAM COORDINATORS

SUBJECT: VEHICLE VALUATION QUESTIONS AND ANSWERS

REFERENCE: VEHICLE CODE SECTION 4453.5;
ADMINISTRATIVE NOTICE (AN) 99-37;
ALL-COUNTY LETTER (ACL) 01-24;
MANUAL OF POLICIES AND PROCEDURES (MPP) 63-501.5

The purpose of this ACIN is to provide counties with questions and answers (Q&As) relating to the new vehicle regulations that were released with ACL 01-24 and were effective on June 1, 2001. This notice contains additional policy clarification on the valuation of vehicles in the Food Stamp Program to further assist counties in the implementation of the vehicle valuation rules.

The attachment to this notice is divided into two parts. Part One of the attachment contains Q&As. Part Two contains three scenarios that provide examples of the vehicle valuation process.

If you have any questions regarding the attached information, please contact Frederick Hodges in the Food Stamp Policy Implementation Unit at (916) 653-7973.

Sincerely,

Original signed by Gary Swanson

GARY SWANSON, Chief
Food Stamp Branch

Attachment

PART ONE
QUESTIONS AND ANSWERS

1. QUESTION:

What is the definition of a vehicle?

ANSWER:

Although it is not possible to provide an exact definition with an exhaustive list of examples, vehicles include items such as, but not limited to: cars, trucks, boats, trailers, vans, campers, recreational vehicles, motorcycles, houseboats, jet skis, snowmobiles, etc.

2. QUESTION:

When does a vehicle need to be evaluated?

ANSWER:

A vehicle must be evaluated at initial certification and at recertification. Any additional vehicle that a household acquires during a certification/eligible period must also be evaluated. However, once a vehicle has been evaluated, it does not need to be re-evaluated until recertification/redetermination.

3. QUESTION:

If a vehicle's registration is scheduled to expire in the middle of a certification period, does the county verify that the vehicle has been re-registered at the time of expiration or does the county wait until recertification?

ANSWER:

The county would verify re-registration at recertification/redetermination.

4. QUESTION:

Is a vehicle registered as "nonoperative" considered to be licensed or unlicensed?

ANSWER:

To be considered licensed, a vehicle must be registered to be operated on public roads. A vehicle registered as "nonoperative" cannot be operated on public roads; therefore, it is evaluated as an unlicensed vehicle pursuant to MPP 63-501.53.

5. **QUESTION:**

If all the registration fees have been paid on a vehicle, but the California Department of Motor Vehicles (DMV) is withholding the vehicle’s registration because of unpaid parking tickets, no smog certificate, or other similar reason, is the vehicle considered to be licensed or unlicensed?

ANSWER:

Unless the vehicle can legally be driven on public roads, it is considered to be unlicensed.

6. **QUESTION:**

Is a leased or lease/purchase option vehicle considered a resource of the household?

ANSWER:

No. Vehicle Code Section 4453.5 indicates that the leasing firm is the owner of a leased or lease/purchase option vehicle. Because the household does not own such a vehicle, it cannot sell and does not have access to the cash value of the vehicle. As such, the vehicle is excluded pursuant to MPP 63-501.3(i). A leased vehicle remains the property of the leasing firm and shall not be regarded as a resource until a transfer of ownership to the household has occurred. This answer would also apply to a situation where there is a lease agreement between two private parties if it can be verified that the vehicle is not the property of the household until a transfer of ownership occurs.

7. **QUESTION:**

Can the county use a separate source to value boats if the blue book version chosen by the county for vehicle valuations does not provide values for boats?

ANSWER:

Yes. If the blue book version chosen by the county for its vehicle evaluations does not offer values for boats, the county may choose a separate source for boat evaluations. However, as with its other vehicle valuations, the county must be consistent in using the source it chooses for valuing boats.

8. QUESTION:

If an unlicensed vehicle is used as the household's home, can that vehicle be excluded from resource consideration?

ANSWER:

Yes. An unlicensed vehicle being used as the household's home can be excluded pursuant to MPP 63-501.3(a).

9. QUESTION:

How are vehicles that are jointly owned with excluded or nonhousehold members treated?

ANSWER:

If a vehicle is jointly owned by an eligible household member and a person specified in MPP 63-503.441 (household members excluded for conviction of a drug felony, IPV disqualification, workfare or work requirement sanction, or is a fleeing felon and/or a probation/parole violator) or 63-501.442 (household members excluded for SSN disqualification or ineligible alien status) then the entire value of the vehicle must be considered. Pursuant to these MPP sections, resources of these categories of excluded persons are to be counted in their entirety.

If a vehicle is jointly owned by an eligible household member and a person specified in MPP 63-503.443 (household members excluded for SSI/SSP recipient or ineligible student status) or 63-503.45 (nonhousehold members) then the vehicle is treated pursuant to MPP 63-501.2 (joint ownership) as follows:

- If the registration shows the word "or" in the title, then the entire value of the vehicle is considered available to the household because access to the value of the vehicle is not dependent upon any agreement with the joint owner.

- If the registration shows the word "and" or shows a "/" ("/" means the same thing as "and") in the title, and the joint owner agrees to sell the vehicle, then the entire value of the vehicle is considered available to the household. Although access to the vehicle is dependent upon an agreement with the joint owner, the joint owner has agreed to sell.

- If the registration shows the word "and" or shows a "/" in the title, and the joint owner refuses to sell, then none of the value of the vehicle would be counted. Access to the value of this vehicle is dependent upon an agreement with the joint owner, and the joint owner has refused to sell.

10. QUESTION:

Does the encumbrance on a vehicle include the principle and interest owed on the vehicle or the principle only?

ANSWER:

The encumbrance would be the amount it would take to "pay-off" the vehicle. This "pay-off" amount would include the principle plus any interest that is currently due on the vehicle. The "pay-off" amount does <u>not</u> include <u>all</u> of the interest that will become due and payable in the future.

11. QUESTION:

If a household takes out a personal loan to purchase a vehicle, but the lender does not have ownership interest in or a lien against the vehicle, is the loan considered an encumbrance?

ANSWER:

If a personal loan agreement does not specify the lender's lien or claim to a vehicle, it cannot be considered an encumbrance against the vehicle.

12. QUESTION:

If a household uses a vehicle as collateral to secure a personal loan, is the vehicle considered inaccessible and excluded from resource consideration?

ANSWER:

Unless the lender has a lien against the vehicle that would prevent the household from selling that vehicle, then the vehicle cannot be considered as inaccessible.

13. QUESTION:

Can more than one vehicle be excluded for being inaccessible under the $1,500 equity exclusion?

ANSWER:

Yes. Each vehicle is valued individually; therefore, more than one vehicle may be excluded under the $1,500 equity exclusion. There is no limit to the number of vehicles that can be excluded under this provision. In addition, pursuant to MPP 63-501.521(i) and 63-501.53, this exclusion may be applied to both licensed and unlicensed vehicles.

14. QUESTION:

Pursuant to MPP 63-501.523(c), can only one vehicle per household be exempted from the equity value test for household members under 18 years of age, or can more than one vehicle be exempted?

ANSWER

MPP 63-501.523(c) indicates that "<u>any</u> other licensed vehicle driven by a household member under 18 years of age to go to work, school, job training, or to look for work" is exempted from the equity test. Thus, more than one vehicle per household can be exempted from the equity value test for household members under 18 years of age as long as the vehicle is being used for the specified purposes.

15. QUESTION:

How do you assign a value to a vehicle with a salvage title? The Kelley Blue Book (KBB) Internet site states that for a vehicle with a salvage title "the industry standard uses a rule of thumb to deduct 50 percent of the value and in some cases even more." Can the county automatically deduct 50 percent from the wholesale or "trade-in" value on a vehicle to determine the FMV if that vehicle has a salvage title?

ANSWER:

The DMV Internet website defines a salvage vehicle as "a vehicle which has been wrecked, destroyed, or damaged to such extent that the insurance company considers it uneconomical to make repairs to the vehicle and the vehicle is not repaired by or for the person who owned the vehicle when the damage occurred." The California title will contain a notation identifying such vehicle as a salvage vehicle. A vehicle with a salvage title must be valued in the same manner as all other vehicles. The county cannot automatically deduct 50 percent of the wholesale or "trade-in" value to arrive at the FMV on such vehicles. However, pursuant to MPP 63-501.513, if the household indicates that the wholesale or "trade-in" value does not apply to its vehicle, the household shall be given the opportunity to acquire verification of the true value of the vehicle from a reliable source.

16. QUESTION:

What value is used when the blue book indicates that the vehicle has "no value"?

ANSWER:

If the blue book indicates that a vehicle has "no value," then a value of "$0" can be assigned to that vehicle.

17. QUESTION:

What value does the county use if the blue book shows the value as “salvage” instead of showing a dollar amount or indicating that the vehicle has “no value”?

ANSWER:

When a blue book indicates a “salvage” value for a vehicle, it simply means that the blue book is not assigning a dollar amount nor indicating that the vehicle has “no value.” This is not the same thing as a vehicle with a “salvage title.” If the blue book indicates a “salvage” value, then the county should use the same method, as described in MPP 63-501.513, that is used for a vehicle no longer listed in the blue book.

18. QUESTION:

MPP 63-501.511 indicates that the basic value of a vehicle cannot be increased by adding the value of low mileage. If a blue book requires a vehicle’s mileage in order to determine the fair market value (FMV), what amount do you use?

ANSWER:

Pursuant to AN 99-37, received from the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS), the county would use an amount of 12,000 miles per year for the first five years and 10,000 per year thereafter or the actual mileage of the vehicle, whichever is greater. For example, a household has a seven-year-old vehicle. The actual mileage of the vehicle is 35,000. However, by using the above calculation the mileage would be 80,000 [(12,000 x 5) + (10,000 x 2) = 60,000 + 20,000 = 80,000]. Therefore, the county would use 80,000 as the mileage of the vehicle (80,000 > 35,000). If the actual mileage of this same vehicle had been 100,000 miles, the county would 100,000 as the mileage of the vehicle (100,000 > 80,000).

PART TWO
VEHICLE VALUATION SCENARIOS

SCENARIO ONE:

Household and Vehicle Information:

A household consists of Dad, Mom, a 17-year-old son, and a 16-year-old daughter. They have four vehicles all of which are licensed. None of the vehicles can be entirely excluded for use. The 17-year-old drives one of the vehicles to work. The 16-year-old drives one of the vehicles to school.

Vehicle #1: FMV $5,000; no encumbrances
Vehicle #2: FMV $5,000; encumbrance of $3,000
Vehicle #3: FMV $3,000; no encumbrances
Vehicle #4: FMV $2,000; no encumbrances

Vehicle Valuation:

None of the vehicles can be excluded for having an equity value of $1,500 or less.

Vehicle #1: Exempted from equity test for one of the adults
Excess FMV = $5,000 - $4,650 = $350

Vehicle #2: Exempted from equity test for the second adult
Excess FMV = $5,000 - $4,650 = $350

Vehicle #3: Exempted from equity test—vehicle is used by household member under 18 years of age to go to work, school, etc.
Excess FMV = $3,000 - $4,650 = no excess value

Vehicle #4: Exempted from equity test—vehicle is used by household member under 18 years of age to go to work, school, etc.
Excess FMV = $2,000 - $4,650 = no excess value

TOTAL VEHICLE RESOURCE VALUE IS: $350 + $350 = $700

SCENARIO TWO

Household and Vehicle Information:

A household consists of Dad, Mom, and their physically handicapped son who receives SSI/SSP. They have three vehicles.

Vehicle #1: FMV $5,650; no encumbrances; licensed
Vehicle #2: FMV $20,000; encumbrance of $15,000; licensed
Vehicle #3: FMV $2,000; encumbrance of $1,000; unlicensed

Vehicle Valuation:

Vehicle #1: Exempted from equity test for one of the adults
Excess FMV = $5,650 - $4,650 = $1,000

Vehicle #2: Excluded entirely for use for transporting physically disabled son

Vehicle #3: Excluded as inaccessible—equity value is $1,500 or less
Equity value is $2,000 - $1,000 = $1,000

TOTAL VEHICLE RESOURCE VALUE IS: $1,000

SCENARIO THREE

Household and Vehicle Information:

A household consists of Dad, Mom, and a 10-year-old daughter. They have four vehicles all of which are licensed. None of the vehicles can be entirely excluded for use.

Vehicle #1: FMV $4,650; no encumbrances
Vehicle #2: FMV $4,800; encumbrance of $3,000
Vehicle #3: FMV $6,000; encumbrance of $5,000
Vehicle #4: FMV $5,000; encumbrance of $3,400

Vehicle Valuation:

Vehicle #1: Exempted from equity test for one of the adults
Excess FMV = $4,650 - $4,650 = $0

Vehicle #2: Exempted from equity test for the second adult
Excess FMV = $4,800 - $4,650 = $150

Vehicle #3: Excluded as inaccessible—equity value is $1,500 or less
Equity value = $6,000 - $5,000 = $1,000

Vehicle #4: Excess FMV = $5,000 - $4,650 = $350
Equity value = $5,000 - $3,400 = $1,600
Vehicle value is the greater of the two amounts = $1,600

TOTAL VEHICLE RESOURCE VALUE IS: $150 + $1,600 = $1,750

The above vehicle valuation determination is the one that benefits the household the most by providing the lowest possible vehicle resource value. For example, if the county were to exempt vehicle #4 from the equity test (counting only the excess FMV), and count the greater of the excess FMV or equity value for vehicle #2, the total vehicle resource value would have been $2,150 = $1,800 (vehicle 2) + $350 (vehicle 4). This determination would have made the household ineligible to receive food stamp benefits for being over the resource limit of $2,000.