

STATE OF RHODE ISLAND  
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES  
APPEALS OFFICE

[REDACTED]

v.

Rhode Island Department of Human  
Services

DOCKET No. 25-1792

**DECISION**

**I. INTRODUCTION**

A Microsoft Teams meeting on the above-entitled matter was held on May 30, 2025, and the Appellant declined the option of a video hearing. [REDACTED] (Appellant) initiated this matter to appeal a decision made by the Department of Human Services (DHS) to deny his Supplemental Nutrition Assistance Program (SNAP) benefits due to his household being over income for SNAP. For the reasons discussed in detail below, the Appellant's appeal is denied.

**II. JURISDICTION**

The Executive Office of Health and Human Services (EOHHS) is authorized and designated R.I.G.L. §42-7.2-6.1 and in RICR 210-RICR-10-05-2 to be the principal entity responsible for appeals and hearings related to DHS programs. The administrative hearing was held in accordance with the Administrative Procedures Act, R.I.G.L. §42-35-1, and EOHHS regulation 210-RICR-10-05-2.

**III. ISSUE**

The issue is whether the denial of the Appellant's SNAP was done in compliance with State and Federal policies and regulations.

#### **IV. PARTIES AND EXHIBITS**

Present for DHS was Jesus Martinez, Eligibility Technician III, who presented testimony regarding the case. DHS offered the following evidence, which was entered into the record of hearing:

- DHS Exhibit A: Appeal request form received April 14, 2025.
- DHS Exhibit B: Benefits Decision Notice (BDN) dated April 7, 2025.
- DHS Exhibit C: Eligibility Determination Results effective April 7, 2025.
- DHS Exhibit D: Self-Service Statement of Need Form dated April 7, 2025.
- DHS Exhibit E: Appellant's IRS Schedule K-1.
- DHS Exhibit F: Appellant's mortgage statement dated May 1, 2025.
- DHS Exhibit G: Tax records for Appellant's residence.
- DHS Exhibit H: Article of Organization effective April 14, 2015.
- DHS Exhibit I: Select sections of SNAP Policy 218-RICR-20-00-1 §1.5.2.
- DHS Exhibit J: Select sections of SNAP Policy 218-RICR-20-00-1 §1.5.2(E).

The Appellant attended the hearing and testified on his own behalf. He offered the following evidence, which was entered into the record of hearing:

- Appellant Exhibit #1: Typed explanation of the Appellant's position.
- Appellant Exhibit #2: Typed explanation of Appellant's S-Corp. Distribution breakdown.
- Appellant Exhibit #3: Appellant's 2024 Federal Tax Return.

#### **V. RELEVANT LAW/REGULATIONS**

EOHHS is charged with being the principal entity for legal service functions, oversight of rulemaking, law interpretation, and related duties of itself and the four agencies under its jurisdiction, which includes DHS. 210-RICR-10-05-2.1.1(B).

218-RICR-20-00-1.5.2(A) states, in part, that household income means income from whatever source includes all wages and salaries for services performed as an employee.

218-RICR-20-00-1.5.4(B) states that proceeds from the sale of capital goods or equipment are calculated in the same manner as a capital gain for Federal income tax purposes. Even if only 50% of the proceeds from the sale of capital goods or equipment is taxed for

Federal income tax purposes, the agency representative must count the full amount of the capital gain as income for SNAP purposes.

7 C. F. R. § 273.11(a)(3) mirrors the State's policy, stating that the proceeds from the sale of capital goods or equipment must be calculated in the same manner as a capital gain for Federal income tax purposes. Even if only 50% of the proceeds from the sale of capital goods or equipment is taxed for Federal income tax purposes, the State agency must count the full amount of the capital gain as income for SNAP purposes.

7 C. F. R. § 273.11(b)(2)(i) states that self-employment net losses from previous periods are not allowable costs of doing business.

218-RICR-20-00-1.5.2(E) directs that in addition to verifying reported income, the agency may have occasion to explore the possibilities of unreported income. One of the situations that must be investigated is when reported shelter costs exceed reported income.

## **VI. FINDINGS OF FACT**

DHS testified that:

1. The Appellant's SNAP application was submitted to DHS on April 7, 2025, and processed the same day. A Benefits Decision Notice was sent to the Appellant advising him that his household was denied SNAP due to being over the income limit.
2. DHS utilized the Appellant's 2024 Federal tax return to calculate the household income.
3. The gross monthly income that was used to calculate the household's eligibility was \$27,331.00. The gross monthly income limit for a household of four is \$4810.00.
4. On page two of the application, the Appellant reported that his total monthly household income was \$1,800.00; total housing expenses were \$3,353.33; and utility expenses were \$720.00. His reported expenses exceeded his reported income.
5. The Appellant is the owner and sole shareholder of [REDACTED], which is an Internet marketing company and holds S-Corporation status.
6. The Appellant's IRS Schedule K-1 for 2024, shows a shareholder disbursement of \$83,233.00.

7. The household's residence is owned solely by the Appellant. He holds a mortgage on his home, with a monthly mortgage payment of \$3,328.33. He also has a home equity loan with a monthly payment of \$616.27. Both the mortgage and home equity are current and up to date. The Appellant has made double monthly payments on his mortgage at times.

The Appellant testified to the following:

8. He is the owner and sole shareholder of his company, which holds S-Corporation status.
9. S-Corporations are structured as "pass-through" entities that are designed to pass the company's income through to its owners, so that the company itself does not pay income taxes. The owners report the income on their tax returns, thereby avoiding double taxation. In addition, any distributions made from an S-Corporation to shareholders are not subject to payroll taxes.
10. The Appellant states that the \$83,233.00 distribution he received is not taxable because it does not appear on his individual tax return. It includes repayment of a shareholder loan, accumulated prior year losses and retained cash. He further stated that \$10,000 of that distribution was repayment of a loan that he made to his company.
11. The Appellant reported only \$14,723.00 of the distribution on his 2024 tax return. He also reported a small salary of \$6,000.00.
12. The distribution that he took from his company was deposited in his savings account in calendar year 2024.
13. The Appellant used the funds from his savings account to pay for personal necessities, including his mortgage, home equity loan, utilities and groceries.
14. No Loan documentation was provided to confirm the terms of the loan or of the repayment.

## **VII. DISCUSSION**

The Appellant argues that the \$83,233.00 distribution should not be counted as income. DHS argues, however, that all income that comes into the household is countable income for the purposes of calculating SNAP eligibility. While the Appellant states that his income was \$14,723.00 from his business, the evidence shows that he took a distribution of \$83,233.00.

The Appellant has been unable to show how he was able to keep current with, and even pre-pay his mortgage, not to mention his other expenses, without the \$83,233.00 distribution.

The Appellant's argument that the distribution should not be counted because he did not use it on luxuries, is without merit. SNAP is an income/expense based program. The Appellant's personal expenses were paid using the funds that he received as the company's sole shareholder. He further argues that IRS guidelines do not treat the distribution as taxable income, so DHS should not count the distribution as income for SNAP eligibility purposes.

Of note, property tax records show the Appellant as the owner of the home in which he resides, accordingly, payment of the mortgage and related home expenses cannot be attributed to his company in any way.

The fact that the Appellant is not taxed on the distribution that he took from his company does not negate the fact that it was still income that came into his household. There are several forms of income that are not taxable that are still counted when calculating a household's SNAP allotment, such as child support and Temporary Disability payments. All of an Appellants income is considered for SNAP eligibility purposes, regardless of whether it is taxable.

The Appellant stated that he paid his bills with money that he loaned himself. However, the bills he paid were drawn from his personal bank account, into which the company's disbursement was deposited. This income and the payments were clearly attributable to the Appellants personal income and personal expenses, not the business.

There was also discussion regarding the fact that the business had posted losses, therefore the Appellant feels that because the business began the year with negative earnings reflective of prior losses, this added to his argument that the income is not countable. However, per 7 C. F. R. § 273.11(b)(2)(i), self-employment net losses from previous periods are not allowable costs of doing business. Therefore, these losses would not count as business expenses to decrease his countable income.

There is a noted discrepancy in the eligibility calculation sheet in that DHS used a monthly income of \$27,321, which is clearly incorrect as this figure is not supported but the evidence submitted at hearing. If DHS had calculated the income of \$83,233.00, the monthly gross income would amount to \$6,936.08. The monthly gross household limit for a household of four is \$4,810.00, in which case the household would still be well over the SNAP gross income limit.

## **VIII. CONCLUSION OF LAW**

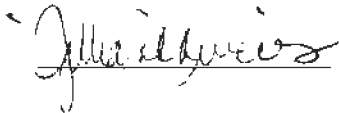
After careful consideration of the testimony and evidence presented at the Administrative Hearing, this Hearings Officer concludes:

1. DHS was in compliance with Federal and State regulations when counting the company's disbursements as household income.
2. DHS followed the rules set forth by The Food and Nutrition Service (FNS).
3. Federal regulations direct that the State agencies follow guidelines set forth by FNS and not the IRS.

## **IX. DECISION**

Based on the foregoing Findings of Fact, Conclusions of Law, evidence, and testimony it is found that a final order be entered that DHS did comply with the requirements of the applicable Federal and State regulations when denying the Appellant's SNAP benefits.

## **APPEAL DENIED**

A handwritten signature in cursive script, appearing to read "Jillian R. Rivers", written in black ink.

Jillian R. Rivers

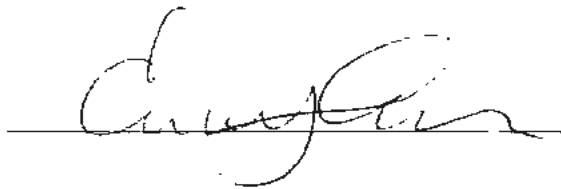
Appeals Officer

### **NOTICE OF APPELLANT RIGHTS**

This final order constitutes a final order of the Department of Human Services pursuant to RI General Laws §42-35-12. Pursuant to RI General Laws §42-35-15, a final order may be appealed to the Superior Court sitting in and for the County of Providence within thirty (30) days of the mailing date of this decision. Such appeal, if taken, must be completed by filing a petition for review in Superior Court. The filing of the complaint does not itself stay enforcement of this order. The agency may grant, or the reviewing court may order, a stay upon the appropriate terms.

### **CERTIFICATION**

I hereby certify that I mailed, via regular mail, postage prepaid, a true copy of the foregoing to [REDACTED]; copies were sent, via email, to the Appellant at [REDACTED]; and to DHS Representatives Jesus Martinez, Kirsten Cornford, Laura Larrivee, the DHS Appeals Unit, and the DHS Policy Office on this 27th day of June, 2025.

A handwritten signature in cursive script, appearing to read "C. Martinez", is written over a horizontal line.