**Section 112.127 Lump-Sum Payments**

a) Income received either in the form of a one-time only payment that does not continue on a regular basis or in the form of a retroactive payment for income that continues on a regular basis is considered non-recurring lump-sum income (a lump-sum payment). Examples of non-recurring lump-sum income are retroactive social security payments, retroactive unemployment insurance benefits, personal injury settlements, workers compensation injury settlements, lottery winnings, inheritances and insurance settlements.

b) Any portion of the lump-sum payment used to pay for expenses incurred as a result of the lump-sum payment shall be exempt from consideration as non-recurring lump-sum income as follows:

1) Personal Injury Settlement – That portion of a personal injury payment is exempt that is used to pay for:

A) necessary costs of litigation or settlement, including attorney's fees;

B) the Department's charge (see 89 Ill. Adm. Code 102.260);

C) medical costs resulting from the injury and paid by the client;

D) expenses to repair or replace personal property which was damaged as a result of the injury.

2) Workers' Compensation Payment – That portion of a Workers' Compensation payment is exempt that is used to pay for:

A) necessary costs of litigation or settlement, including attorney's fees;

B) medical costs resulting from the injury and paid by the client.

3) Insurance Payments

A) Insurance Payments – That portion of an insurance payment received due to loss is exempt when used to:

i) Repair or replace a lost or damaged resource, including, but not limited to, repair or replacement of home, furniture, or clothing lost or damaged in a fire or flood and repair or replacement of a car as a result of an accident or fire;

ii) Pay the funeral, burial or medical expenses of an insured when the client is the beneficiary of the insured's life insurance policy.

B) Any insurance proceeds not spent or contracted to be spent as specified in subsection (b)(3)(A) within 60 days after receipt shall be budgeted (see Section 112.105(a) as non-recurring lump-sum income. A payment receipt shall be required as verification of any insurance-related expenses claimed as exempt under subsection (b)(3)(A).

c) Lump-sum payments are considered nonexempt unearned income for the month of receipt. Any amount remaining is not considered for the following month.

(Source: Amended at 38 Ill. Reg. 4441, effective January 29, 2014)