

ALLOWABLE DISTRIBUTIONS
from a
42 U.S.C. § 1396p(d)(4)(A) and (C)
SPECIAL NEEDS TRUST
for
ALTCS

The Arizona Health Care Cost Containment System/Arizona Long Term Care System (AHCCCS/ALTCS) treats and limits distributions from a “special needs trust” as follows:

- Distributions for food, shelter, or cash count as income to the beneficiary
- “Shelter” is defined as room, rent, mortgage, property taxes, homeowners’ insurance, utilities, sewerage, and garbage collection services
- Cash to the parents or custodians for any purpose is considered cash to the beneficiary and will count as income
- The beneficiary is limited to \$2,022.00 per month in income, which will include distributions from the trust for food, shelter, or cash
- The trust may only make distributions for the beneficiary’s **sole** benefit and, therefore, the trust can only pay the beneficiary’s proportionate share of shared expenses
- If the trust disburses funds to purchase a vehicle, the vehicle must be titled in the name of the trust, or the trust must take a lien back on the vehicle equivalent to the amount of trust funds disbursed
- If the trust disburses funds to purchase an interest in real property, title to the real property must reflect that the trust owns an interest equivalent to the amount of trust funds disbursed
- Distributions for the following do not benefit the beneficiary per ALTCS and, as a result, would disqualify the trust from special treatment status:

1. Payments on a life insurance policy unless the trust is both the owner and the beneficiary of the policy;
2. Child support and alimony payments;
3. Gifts to other persons, in cash or kind;
4. Paying all of the shelter costs for a shared households (see above);
5. Income taxes that are not attributable to **trust** income/dividends;
6. Payments on past debts;
7. Health insurance premiums for other individuals.