

 VERMONT DEPARTMENT FOR CHILDREN AND FAMILIES Child Care Financial Assistance Manual		
Chapter:	ELIGIBILITY CRITERIA	
Subject:	Self-Employment	
Approved:	Reeva S. Murphy, Deputy Commissioner	Effective: 09/04/2016
Regulation:	Service Need – II B 1	

PURPOSE

To establish a service need for self-employed primary caretakers falling within the income guidelines and to assure agriculture/farm workers income is determined in accordance with Federal Fair Labor Standards and Vermont Statute.

REGULATION

Business activity by a primary caregiver either in or out of the home, through which they earn an average monthly net income equivalent to the number of hours worked times the Vermont minimum wage.

Start Up Self-Employment is considered to be an activity determined by the Commissioner likely to lead to self-employment within one year. There is no minimum income requirement during the first year of a start-up self-employment business. Hours are authorized based on the Self Employment Business Plan.

PROCEDURES

- Eligibility for child care financial assistance on the basis of self-employment will be re-determined annually.
- No interruption of services will occur based upon a temporary (up to 3 months) change in self-employment status. Following the 3-month period, if the client is unable to secure a new service need, eligibility may be closed.
- Each business must have a separate self-employment business plan.
- The income from each individual self-employment business is added separately in BFIS on the Household Income and Expense page of the application. If a parent owns two businesses, each must be calculated separately.
- For the first year of a start-up self-employment operation (tax information not complete), a profit & loss form must be completed. The profit and loss form should show a 12-month estimate of business income. The client should include in the estimate any income received to date and a projected income for the remaining months.
- After the initial year of any self-employment venture a minimum net profit income per month for the business is required and the child care hours are determined using the minimum wage formula.
- Sole Proprietorships must submit their federal 1040 along with a Schedule C or Schedule F
- Joint Ventures must submit a separate Schedule C for both parties
- Individuals who own all or part of a corporation or partnership must submit their federal 1040, corporate or partnership taxes and schedule K-1. If they are also receiving wages or compensation for officers, they must submit 2 current consecutive pay stubs. Minimum wages apply to wages and compensation.
- Sole Proprietorship Farmers must submit their federal 1040 and their schedule F'(s). In the case of a two parent farmer filing as a "sole proprietor" both clients must submit a business plan showing the hours each is working on the farm.
- Depreciation form 1065 must be submitted if there is depreciation listed on the schedule C, schedule F, rental income, corporate or partnership taxes.

- If the client states that their prior year's taxes do not accurately reflect the current business income they may request to complete a new profit & loss form for the current tax year (January-December). The form must show business income received to date and a projection for any remaining months. Eligibility will be determined for 12 months using the information from the new profit/loss form. Applicants should be advised that we will be comparing this information with the next year's taxes and may deny eligibility if the figures do not validate the profit/loss form information.
- Start Up self-employment may not be used for a new store/business providing the same services or selling the same product as the client's initial business.

Types of Self Employment:

1. Sole Proprietorship (A service need for 1 person only. If another member of the family is participating in the business they must be receiving a salary before they can be considered to have a service need).
2. Sole Proprietorship/Joint Venture – Both client and spouse are operating the business.
3. Corporation (A service only for person/s listed on a schedule K)
4. Partnership (same as corporation)
5. **Farming** (sole proprietorship but may also be used as service need for spouse). If the business is producing a loss enter zero (0) for income. The income will be waived and the hours of child care are authorized based on the number of hours the clients works on the farm (service need), as stated on the Self Employment Business Plan. The IRS defines farming as cultivating, operating or managing a farm for profit. Farming includes agriculture, livestock, poultry, dairy, bees, fruit and truck farms. Ranches, ranges, plantations, plant nurseries and orchards are all considered farms for tax purposes.

Calculating Income:

1. All depreciation except for section 179 is added back into the net income. Section 179 income can be found on line 12 of the depreciation form and is also found near the bottom of the schedule K-1.
2. Sole Proprietorships and Farming monthly income is figured by taking the net profit or loss from the bottom of the schedule C or schedule F, adding back in depreciation and dividing this by the number of months the business was in operation (usually 12 except for the first year of operation). In determining income levels for self-employed farm workers, who receive "in-kind" income, the actual cash received and the actual housing benefit are calculated. The in-kind income for food/meat or milk shall not be calculated as income.
3. Corporate or Partnership monthly income is figured by taking the net profit or loss for the business, adding back in the appropriate depreciation, dividing this by the number of months the business was in operation and then looking at the schedule K to see what portion of the business income was the applicant's.
4. Rental Income, although not a service need is also figured by using taxes. The income is figured by taking the net profit or loss for the rental properties, adding back in appropriate depreciation and dividing by 12 months.
5. Schedule C, F and K should be compared with the income listed on the 1040 form.

If the business is producing a loss enter 0 for income. If this is the only source of business income and the only basis for service need a denial must be done.