

## **P-2213 INCOME (continued)**

### **P-2213C Self-employment (Rule 2274) (20-08)**

Self-employment is counted as earned income. Self-employment income will be determined by the household's most recent tax return unless the tax return is not indicative of the current situation, a tax return has not been filed, or the household has earned income not subject to taxation. In these circumstances, the department will use the household's records and other available sources to determine self-employment income.

Self-employment income should be verified at application, interim report, recertification and whenever there is a change reported.

#### **Allowable Self-employment expenses (Rule 2274.3)**

Business expenses, which are deducted from gross receipts to determine adjusted gross earned income, are limited to operating costs necessary to produce cash receipts, such as:

- Office or shop rental;
- Taxes on farm or business property;
- Hired help;
- Interest on business loans;
- Cost of materials, stock, inventory, or livestock for resale required for the production of this income.

#### ***Business use of home***

Households that claim business use of their home are also allowed to claim the same expense for their regular shelter deduction. The expense does not have to be split between personal use and business use as other ESD programs require.

#### **Disallowed Self-Employment expenses (Rule 2274.3)**

- Payments on the principal of the purchase price of income producing real estate and other capital assets such as buildings, equipment, animals, etc.
- Expenses and net losses from previous years.
- Depreciation, depletion, and section 179 expenses.
- Penalties and fines.
- Money set aside for owner's retirement from Federal, State and Local Income Taxes.
- Entertainment expenses
- Personal transportation

## Self-Employment Income – Tax Return is available

If the **household** provides tax returns from the previous year that accurately show current income, see [Procedural Handbook for Determining Self-Employment Income Using Tax Forms](#) on determining countable self-employment income by using the appropriate tax forms.

Information from most recent tax return forms may be “adjusted” to predict current income.

Example: The **household** reports that milk price support income has decreased by 25% from the previous year. Current year farm expenses will approximate last year’s farm expenses. Verify the milk price support decrease (i.e. call the USDA for verification).

Last year’s income from dairy products (IRS Schedule F – milk income) = \$50,000.

Last year’s farm expenses, not including depreciation = \$ 25,500.

Current year projected income  $(0.75 \times 50,000) = \$ 37,500$

Current year farm expense (not including depreciation) -\$ 25,500

Countable Income = \$ 12,000

\$12,000/ 12 months = \$ 1,000/month farm income projected for the current year.

## Self-Employment Income- Tax Return Not Available

Self-Employment Fact Sheets are available for calculating farm income ([204F](#)), rental income ([204R](#)), and business income ([204B](#)).

If the **household** has not filed for taxes or previous year’s tax returns do not represent current income/expenses, the appropriate business fact sheet can be used to verify current and ongoing income/expenses.

The **household** can also provide a statement of predicted monthly income/expenses and will need to complete an Interim Report every six months with current self-employment income/expenses verifications.

### ***Calculating Self-Employment from Fact Sheets***

Ask the **household** to provide verification or complete the factsheet from the time the business has been in operation. Use the average income/expense data to calculate their ongoing income.

Example: Household had a catering business for 7 months since 1/1/20xx and is applying for Reach Up. This participant would have to provide verification of their income and expenses for the last 7 months. The total of the income and expenses would be divided by 7, to determine the average monthly income.

## BPS Support

See ACCESS Eligibility Training Video ([STAT D BUSI](#)) [Entering Self Employment Income](#).

### BUSI

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01/27/16 16:03 OTHER BUSINESS INC QUESTION 26 ( BUSI . 01 )
              (LAST UPDATED:  /  /  :  | ASPAFF  )

              AVG MONTHLY
PERSON WITH INCOME FROM OWN BUSINESS      INC AMT      COUNTABLE      RECUR
ANDREA M SEAMAN                          $$$$$$ $$      CODE      (Y-N)
                                          02975 87
                                          Y

              RUFA, RUFA-ME, TCC  SSI-ME      FS/SF
              EXP AMT      EXP AMT      EXP AMT      FARM
              $$$$$$ $$      $$$$$$ $$      $$$$$$ $$      INCOME
              01023 12      01023 12      01023 12      N

NOTES: SCHEDULE C - BROWN'S BASEMENT SERVICES
       NO DEPRECIATION LISTED

COUNTABLE CODES:
BLANK - ALL PROGRAMS
A - RUFA, RUFA-ME, TCC
F - FS
M - SSI-ME
S - SF

FARM INCOME:
N - NON-FARM INCOME
Y - INCOME FROM FARMING

USER: 084 FNX: STAT MODE: C RPTGRP: 666 66 6666 PERIOD: 01 16 COMMAND:
DO: M IMS: GMI REPORTING ADULT: ANDREA      M SEAMAN
3
```

Enter the average monthly gross income amount and the average monthly expense amount on the BUSI panel. ACCESS will automatically compute the net business income and place that amount on the 3rd panel of ELIG.