

PROCEDURES FOR CALCULATING SELF-EMPLOYMENT INCOME

Step	Process	Food Assistance	Cash Assistance
1.	<p>Determine if the assistance group member is self-employed. Review the current year's IRS Publication 15-A and IRS Publication 1779 to help differentiate an employed individual from a self-employed individual. Being paid "under the table" or when taxes are not withheld from the assistance group member's pay may not necessarily indicate that he or she is self-employed.</p> <p>Note: If the assistance group member receives a 1099, then he or she is considered self-employed even if the employer misclassified him or her as self-employed.</p>	<p>5101:4-4-19 5101:4-6-11</p>	<p>5101:1-23-20</p>
2.	<p>Request the previous year's tax records whenever possible.</p> <ul style="list-style-type: none"> • If the previous year's tax records are not available, then request actual business records. • If the self-employment income and expenses reported on the previous year's tax records are not representative for the future certification period, then also request actual business records. • If the business records are also unavailable, then use the assistance group's statement about anticipated income and expenses. Instruct the assistance group that documentation of the self-employment will be required at the next recertification or whenever a change is reported. <p>Use the best available information to determine representative self-employment income and expenses. Once the best</p>	<p>5101:4-6-11</p>	<p>5101:1-23-20</p>

	available information is secured, proceed to Step 3 to anticipate self-employment income and proceed to Step 4 to anticipate self-employment expenses.		
3.	Total the self-employment income, and then divide by the number of months that the income is intended to cover. If the self-employment enterprise has been in existence for less than a year, then divide the self-employment income by the number of months the enterprise has been in operation. The monthly self-employment income figure has been determined.	5101:4-6-11	5101:1-23-20
4.	<p>Total the allowable self-employment expenses, if any. The self-employed assistance group member has the option of either using:</p> <ul style="list-style-type: none"> • Actual allowable expenses, or • Fifty percent of the self-employment income as a standard self-employment expense. The self-employed assistance group member is entitled to have fifty percent of his or her self-employment income as an expense even if he or she does not claim expenses. <p>Divide the self-employment expense by the number of months that the corresponding self-employment income is intended to cover. The monthly self-employment expense figure has been determined.</p> <p>Note: An in-home daycare provider cannot have actual expenses evaluated. If he or she provides the children in his or her care with a meal and/or snack, then fifty percent of the self-employment income is used as an expense. If he or she does not provide the children in his or her care with a meal and/or snack, then there are no expenses to consider. This includes income received from the Child and Adult Care Food</p>	5101:4-4-19 5101:4-6-11	5101:1-23-20

	Program (CACFP). *Note* The portion of CACFP income intended for the provider's own children is not countable.		
5.	<p>Subtract the monthly self-employment expense figure determined in Step 4 from the monthly self-employment income figure determined in Step 3. The monthly gross self-employment income has been determined.</p> <p>Note: If the monthly gross self-employment income is zero dollars or less, then there is no gross self-employment income to consider, unless there is a loss (i.e., negative dollars) from self-employment farming: losses from self-employment farming can be used to offset, first, other gross self-employment income, and then all other assistance group income after the earned income deduction has been applied.</p>	5101:4-6-11	5101:1-23-20
6.	Add the monthly gross self-employment income determined in Step 5 to any other assistance group countable earned and/or unearned income and determine eligibility for the appropriate program.	5101:4-6-11 5101:4-4-27 5101:4-4-31	5101:1-23-20 5101:1-23-20.1 5101:1-23-20.2
7.	Complete running record comments.		