

## .63 S Corporation Profits



This section includes information about income received from S Corporation profits.

---

### Policy

S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates.

To qualify for S corporation status, the corporation has to meet **all** of the following requirements:

- Be a domestic corporation
- Have only allowable shareholders (i.e. may be persons, certain trusts, and estates and may not be partnerships, corporations or non-resident alien shareholders)
- Have no more than 100 shareholders
- Have only one class of stock
- Not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations).

S corporations are required to file IRS form 2553 when they elect to be classified as an S corporation. IRS form 1120S has to be filed to report income, gains, losses, deductions and credits for any tax year when they have elected to be classified as an S corporation.

Profits from shares in an [S Corporation](#) are countable as unearned income.

Any other income received from an S Corporation is countable and considered earned income.

Countable income is used to determine an income budget. (See [Income Budgeting](#) to see how FAA determines the income budget.) FAA needs to know about income that is both countable and not countable to determine whether a budgetary unit's income is exceeding their expenses. (See [Income Eligibility](#) for more information about how FAA uses countable and not countable income.)

---

### Procedures

Request verification of the S Corporation Profits.

When the participant is present, have them sign the Authority to Release (FAA-1765A) form to contact any companies or businesses involved. The FAA-1765A can be faxed or emailed to the participant's employer when it is not possible to use the Application for Benefits (FAA-0001A) or the HEAplus Authority to Release signed statement.

## Verification

System interface and the [case file\(g\)](#) must be reviewed before verification is requested. No additional verification is needed when AZTECS interface or HEAplus hubs have verified the information.

The participant has the primary responsibility for providing verification. (See [Participant Responsibilities – Providing Verification](#) for additional policy.)

For NA, **all** of the following income is required to be verified before eligibility is determined:

- Reported on a new application, during the interview of a new application, or changes reported before the eligibility determination of a new application.
- Changes after an eligibility determination of a new application (e.g., a renewal application, mid approval contact, etc.) and **any** of the following apply:

The source of the income has changed.

The income is [questionable\(g\)](#) or [unclear\(g\)](#).

The reported income amount has changed by \$51 or more.

The previous verification in the case file is more than 59 calendar days old.

For CA, all income is required to be verified before determining eligibility.

Examples of verification that can be used for S corporation profits include, and are not limited to, **any** of the following:

- Bank records
- Statements or collateral contact from the agency or payer providing the income
- Court records or court orders
- Current check reflecting gross income (Do not copy federal government checks)
- Federal or state tax forms
- Insurance policies
- Signed statement from the agency or payer providing the income

---

## AZTECS Keying Procedures

Key the OT Unearned Income Code in the INC TYPE field on UNIC.

Document the [case file\(g\)](#) thoroughly to support keyed codes, amounts, and frequencies. See the [AZTECS Data Entry Guide](#) for instructions on keying the AZTECS income screens.

NOTE Documentation must support determinations of eligibility and benefit level. Document in sufficient detail to ensure that any reviewer can assess whether the determination is reasonable and accurate. Include specific information regarding the reason the income is determined to be normal. (See [Budgeting Income Documentation Requirements](#) for additional information.)

**Legal Authorities**

7 CFR 760.1903(b)(4)

[Prior Policy](#)

*last revised 10/02/2023*

ARCHIVED (Valid Until 04/29/24)