Babysitting and Childcare

This section includes information about income received from babysitting or childcare.

Policy

Babysitting or childcare income may be considered wages and salaries or self-employment(g). Income received from babysitting is countable.

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 expenses are exceeding their income. (See Income Eligibility for more information about how FAA uses countable and not countable income.)

A single factor is not always sufficient to determine whether a person is self-employed. Self-employment is defined as working for oneself rather than working for an employer.

Persons who are self-employed generally file federal income tax returns that identify their self-employment status. However, when tax returns are not filed, the factors to consider include and are not limited to ***any*** of the following:

- The participant's intention is to make a profit or produce income as a regular occupation.
- The participant uses the income for their livelihood.
- The participant represents to others as being engaged in a business of providing a service.
- The participant is available to take on additional clients.
- The participant has documentation that supports their claim of self-employment.

The participant may be employed by a person or an agency. When the participant has an employer employee relationship, the income may be considered wages and salaries.

When the participant meets the definition of self-employment, the income is reduced by allowable business expenses.

Self-employed participants may be eligible for a 40% expense deduction from income. To be eligible for the 40% Self-Employment Expense Deduction, only one allowable expense needs to be verified. When self-employment expenses are not verified using the verification process, eligibility is determined without those deductions.

Procedures

Determine whether the babysitting income meets the self-employment(g) definition.

When the participant is present, have them sign the Authority to Release Information (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.

FAA staff must explore whether the babysitting income meets the self-employment(g) definition. When the self-employment definition is not met, consider the income is wages and salaries. (See Wages and Salaries for more information.)

When the participant meets the definition of self-employment and expenses are incurred, see Allowable Self-Employment Expenses.

When a participant reports income from the Child Care Stabilization Grant (CCSG), see Child Care Stabilization Grant.

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 reasonably expected to continue. (See Budgeting Income Documentation Requirements for additional information.)

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.)

When self-employment expenses are not verified, eligibility is determined without the 40% Self-Employment Expense deduction.

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

- When reported on a new application, during the interview of a new application, or changes reported before the eligibility determination of a new application.
- For changes reported 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(g) old.

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

Examples of verification that can be used for self-employment income and expenses include, and are not limited to, ***any*** of the following:

- Bookkeeping records
- Business ledgers listing income amounts received and expenses incurred
- Actual receipts
- Contracts for work
- Statements from patrons and companies
- Most recent Internal Revenue Service (IRS) U.S. Individual Income Tax Return (1040) form. Below are common IRS Schedule forms that the participant may provide in addition to the 1040:

  Schedule C, Profit or Loss From Business

  Schedule E, Supplemental Income and Loss

  Schedule F, Profit or Loss from Farming

  Schedules B-1, C, D, K, K-1, K-2, K-3, and M-3 of IRS U.S. Return of Partnership Income (1065) form (See Limited Liability Company (LLC) Definition for more information about LLCs.)

  NOTE Do not use the most recent IRS 1040 and Schedule forms when the participant indicates it does not accurately reflect the participant's current income.

- Rent or mortgage receipt for business property
- Property tax statements for business property
- Utility costs for business property
- Cleaning cost bills for business property
- Business location and equipment maintenance
- Personal records indicating personnel salaries or costs of outside labor, such as canceled checks and payroll checks

Examples of verification that can be used for babysitting when paid as an employee include, and are not limited to, ***any*** of the following:

- Arizona State Retirement System (ASRS)
- A written statement from the employer
- A copy of a paycheck stub
- Copy of checks when the gross earnings are listed

- A printout from a third party payroll verification source provided by the participant

- Written tips record

  NOTE FAA staff use the dollar amount of tips shown on a paycheck stub unless the participant claims a different amount and that amount is verified. Document the case file with the reason the paycheck stub amounts were not used.

- Third Party Payroll Verification Sources when the employer uses the verification source as its legal agent to provide payroll services or respond to inquiries about employee records. (See Third-Party Payroll Verification Sources for FAA approved sources, additional information, and instruction for requesting other third-party sources.)

- A New Employment Verification (C005) notice that is completed, dated, and signed by the employer or their payroll authority. The statement has to include ***all*** of the following:

  Name, address, and telephone number of the employer

  Gross pay for the periods needed

  Frequency of pay, and day of the week pay is received

  Any expected changes in pay

- For new or current employment verification, a completed Verification of New/Current Employment (FAA-0053A) form that includes a date and the signature of the employer or their payroll authority

- For terminated employment verification, ***any*** of the following completed items that include a date and the signature of the employer or their payroll authority:

  Verification of Terminated Employment (FAA-1701A) form

  Verification of Terminated Employment (C019) notice

- A collateral contact with the employer or their payroll authority

  NOTE Use other means of verification when contacting the employer would jeopardize the participant's employment.

AZTECS Keying Procedures

When the participant meets the definition of self-employment, key BA in the INCOME TYPE field on SEEI.

When the participant does not meet the definition of self-employed, key the WA Earned Income Code in the INCOME TYPE field on EAIC.

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.

Legal Authorities

AAC R6-12-501

7 CFR 273.9(b)(1)(ii)

7 CFR 273.11(a)

Prior Policy

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