Capital Gains

This section includes information on income from capital gains

Policy

Capital gains are the profits from the sale or transfer of capital assets used in a self-employment business and count as self-employment income.

Such capital assets held as an investment for a set period include, and are not limited to, ***any*** of the following:

- Equipment
- Securities
- Real estate
- Other real property
- Capital gain or loss on the sale of cryptocurrency(g).

FAA determines capital gain by completing ***all*** of the following:

- The sale price of a capital asset
- Minus the purchase price
- Minus any cost of capital asset improvements
- Minus any sales commission, etc.

See Example 1.

FAA counts capital gains by ***one*** of the following methods:

- Counted as income in the month the income is received, or the money may be treated as a resource when a participant received capital gains in the past and expects to receive no other capital gains.

- The capital gain is a change of income when a participant anticipates receiving a capital gain in a future month.
- Annualized for the same period of time, as the self-employment income is averaged when the capital gain is expected to continue.

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

Discuss with the participant whether more capital gains are expected during the period used to average or annualize self-employment income. See Procedures for Budgeting Self-Employment Income.

When a capital asset was sold in a past month, and the participant did not expect another capital gain, the money may be treated as a resource. See Self-Employment Resources for more information.

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.

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 determining eligibility.

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.

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

AZTECS Keying Procedures

To key self-employment income, ***all*** the following applies:

- Use SEEI to add, change, or remove self-employment income.
- Use SEEW to calculate and adjust gross countable self-employment income.
- On SEEW in the amount field, key all gross self-employment income, including capital gains.

For complete details on keying SEEI and SEEW, see budgeting Self-Employment Income.

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.

Examples

1) Gomer purchased land for farming for $100,000.

   When he farmed the land, he invested $25,000 to increase the productivity of the soil and the crops he grew.

   When Gomer sold the property to a home builder, he sold the land for $200,000. Gomer's capital gain is figured as follows:

   $200,000 – for the sale of land, minus

   $100,000 – original purchase amount minus

   $25,000 – improvements made on the land

   $75,000 - TOTAL CAPITAL GAIN

Legal Authorities

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

7CFR 273.11(a)(3)

AAC R6-12-103(17)

Prior Policy

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