Sales Contracts

This section includes information about income derived from sales contracts.

Policy

Effective 06/2026, dividend income, educational income, interest payments, and royalty income are no longer countable. See the Urgent Bulletin for additional information.

Income received from a sales contract is countable. An interest payment may be received for a mortgage or sales contract. The interest payment is countable as unearned income. The payment amount that is applied to the principal is countable as a resource.

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.)

Income from sales contracts is considered self-employment when it meets the self-employment definition. Self-employment is defined as working for oneself rather than working for an employer.

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 must be verified. When self-employment expenses are not verified using the verification process, eligibility is determined without those expenses.

Procedures

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

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.

Do not count installment contracts or notes held for the sale of land, buildings, vehicles, or other property as a resource when the contract or agreement is producing income consistent with the property's current market value. (For more information, see Property CMV)

Consider a contract or mortgage as income producing property, and do not count it as a resource, when it is producing monthly income of at least 1% of the property CMV. To determine whether the contract is producing income consistent with the property's CMV complete ***all*** of the following:

- Determine the property's CMV. This can be determined through realtor, by using the county assessor's statement card, or from an appraiser's written statement.
- Divide the monthly income produced by the contract by the property's CMV.

Treat the income as ***all*** of the following:

- When the income is less than 1%, the contract value is countable as a resource.
- When the income is at least 1%, the contract value is not countable as a resource.

When not countable, consider the total payment received from the sales contract as self-employment income from which costs of doing business are subtracted.

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.

Examples of verification that can be used for Sales Contracts 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

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AZTECS Keying Procedures

Key contracts and notes on OTAS using the NO Other Assets Code.

Do not count installment contracts or notes held for the sale of land, buildings, vehicles, or other property as a resource when the contract or agreement is producing income consistent with the property's current market value.

Key OT in the INCOME TYPE field on SEEI.

Key interest payments received for a mortgage or sales contract as unearned income. Key the MS MI Unearned Income Code in the INC TYP field on UNIC.

The amount of the interest payment received for a mortgage or sales contract and applied to the principal is countable as a resource. (For more information, see Sales Contracts or Notes - OTAS)

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 R6-12-503(29)

A.R.S 46-292-P01

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

7 CFR 273.8(e)(18)

7 CFR 273.8(e)(18)(i)

7 CFR 273.9(b)(2)(v)

Prior Policy

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