Small Business Income

This section contains information on income derived from small businesses.

Policy

Income from a small business is countable as self-employment when it meets the self-employment(g) definition.

Small businesses include, and are not limited to, ***any*** of the following:

- A Franchise is a business owned and operated by one or more persons. The business is under contract with another company.
- A Partnership.
- A business that is owned and operated by more than one person.
- A Sole Proprietorship or owner-operator is a business owned and operated by one person.
- An Independent Contractor.
- A person provides goods and services to another person or business under terms specified in a written or verbal contract.

  NOTE Income received by an independent contractor that does not meet the self-employment definition is not considered self-employment income. See Contract Income for information about this income type.

See Allowable Self-Employment Expenses when a participant incurs expenses for a small business.

Other income types are considered when the self-employment definition is not met, including ***all*** of the following:

- A Limited Liability Corporation(g) is a business owned and operated by one or more persons.

  NOTE Income received from a limited liability company (LLC) by employees, not an LLC member or owner, is not considered self-employment income. See Wages and

Salaries for more information.

- An LLC that files taxes as a corporation. See ***each*** of the following for more information about the treatment of money from a corporation.

  Dividends and Royalties

  S Corporation Profits

  Financial Account Deposits and Withdrawals

- A nonprofit corporation, i.e., 501C, does not distribute profits to corporation members. When a nonprofit corporation receives income for services rendered, see Wages and Salaries.

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

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

When the self-employment definition is not met, consider another type of earned income.

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.

For Self-Employment Verification Sources:

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

Earned Income Verification

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

- System interface(g) when the participant agrees that the information is accurate.
- 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.
- 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(g) for FAA approved sources, additional information, and instructions for requesting additional sources.)
- A New Employment Verification (C005) notice that is completed, dated, and signed by the employer or their payroll authority. To be considered complete, the statement needs to include ***all*** of the following:

  Name, address, and telephone number of the employer

  Gross pay for the periods needed

  Frequency of pay (e.g., weekly, monthly, quarterly, etc.)

  Day of the week or day of the month pay is received (e.g., Fridays, 5th and 20th of the month, first of the month, etc.)

  Any expected change 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
- Letter from the agency providing government-sponsored training.
- Leave and Earnings Statement (LES) from the military.
- A collateral contact with the employer or their payroll authority.

  NOTE Collateral contact is not used when contacting the employer would jeopardize the participant's employment or when the employer does not accept telephone verification.

NOTE Many companies do not allow verification over the telephone. When an FAA-0053A or FAA-1701A must be completed by ***any*** of the following, see the company's contact information to determine where FAA staff must send the form:

- Wendy's Employment and Wage Contact Information
- Solutions Staffing Employment and Wage Contact Information

AZTECS Keying Procedures

Key OB in the INCOME TYPE field on SEEI.

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

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

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Prior Policy

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