

09 Self-Employment Verification

REVISION 51

(01/01/23 - 12/31/23)

The participant must provide verification of self-employment income and expenses.

To be eligible for the 40% NA/CA [self-employment expense deduction](#), only one allowable expense must be verified.

NOTE Self-employment income due to farming uses actual expenses and has special budgeting procedures. (See [Farming](#) for more information on Farming expenses and budgeting.). To budget self-employment business that has been in operation for less than one year, see [Business Less Than One Year](#).

Follow the [verification process](#) when verifying income and expenses. Verification includes and is not limited to **all** 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](#)

NOTE The gross income from the Schedule C, Part I Income section, line 1, "Gross receipts or sales", is the annualized gross income. Use the amount listed on line 1 to budget self-employment income. Do not use the amount on line 7, "Gross income." Line 7 includes deductions that are considered in the 40% self-employment expense deduction.

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](#))

NOTE The most recent IRS 1040 and Schedule forms are acceptable as verification of self-employment income and expenses when the participant indicates it accurately reflects the participant's current income.

- Rent or mortgage receipt for business property
- Property tax statements for business property
- Utility costs
- Cleaning cost bills
- Business location and equipment maintenance
- Personal records indicating personnel salaries or costs of outside labor, such as canceled checks and payroll checks
- Participant's statement for self-employment income, when *one* of the following apply:

Other attempts to obtain verification have failed.

Obtaining documented or collateral contact verification may cause harm or [undue hardship\(g\)](#) for the participant.

NOTE [Participant statement verification](#) may be used to verify self-employment expenses. Verify self-employment expenses when questionable.

Have the participant sign the Authority to Release (FAA-1765A) form to contact any companies or businesses involved.

When [self-employment expenses](#) are not verified using the verification process, determine eligibility without those deductions.