

FAA4.J Self-Employment Income (SEEI SEEW)

01 SEEI - Purpose

[REVISION 47](#)
(01/01/19 - 12/31/19)

SEEI is used to key self-employment income. Use this screen to add, change or remove self-employment income.

Self-Employment income is not countable for Hopi Tribal TANF. When the household is also receiving NA, key the following SEEI Income Code in the INC TYPE field:

- OF for income that is countable for NA only
- OX for income that is not countable for NA and CA

For Dependent Child Self-Employment, see [Budgeting Self-Employment Income](#).

The adjusted gross self-employment income displays on SEEI after income and expense information is keyed on SEEW. To manually calculate the adjusted gross self-employment income and key it on SEEI, see ADJUSTED GROSS Field.

(See [SEEW Purpose](#))

02 SEEW - Purpose

SEEW is provided to help in calculating the ADJUSTED GROSS countable self-employment income. SEEW displays when an [SEEI Income Type](#) Code is keyed. Leave the ADJ GROSS field blank and press ENTER to access SEEW.

SEEW displays the case name, case number, and person for whom the Income Type Code was keyed on SEEI. Six across and eight lines down are provided to key self-employment income and expense amounts.

WARNING

Information keyed on SEEW is not saved; only the totals display on SEEI. Screen print SEEW and place the screen print in the [case file\(g\)](#).

Complete the following to determine monthly self-employment income:

- Key all gross self-employment income, including capital gains

NOTE See [Overhead](#) for allowable and non-allowable costs of producing self-employment income.

- Key the share percentage in the self-employment business when applicable in the SHARE % field

NOTE Verify the share percentage of legal ownership when the participant is not the sole owner of the self-employment enterprise.

- Key the number of months for which the self-employment income and overhead cost is intended

NOTE **AZTECS** automatically divides the self-employment income by the number of months the income is to be averaged.

Press ENTER when all information has been keyed on SEEW. SEEI displays the calculated income in the ADJ GROSS field.

03 Self-Employment Income - Overview

Policy and procedures regarding self-employment income are outlined as follows:

- [Definition of Self-Employment](#)
- [Types of Self-Employment Income](#)
- [Budgeting Self-Employment Income](#)
- [Self-Employment Expenses](#)
- [Self-Employment Resources](#)
- [Self-Employment Verification](#)
- [Self-Employment Workscreen](#) (SEEW)

04 Self-Employment Definition

REVISION 48
(01/01/20 - 12/31/20)

Self-employment is defined as working for oneself rather than working for an employer.

NOTE Corporations or [Limited Liability Companies\(g\)](#) that file taxes as corporations are not considered self-employment. (See [Dividends and Royalties](#))

Individuals who are self-employed generally file federal income tax returns that identify their self-employment status. However, when tax returns are not filed, it may be necessary to inquire further into the situation to determine when a participant is self-employed.

When determining whether income meets the self-employment definition, all factors relating to the income source must be explored with the participant. The factors to consider include but are not limited to the following:

- Participant's intention is to make a profit or produce income as a regular occupation.
- Participant uses the income for their livelihood.
- Participant represents to others as being engaged in a business of selling of goods or providing a service.
- Participant is available to take on additional clients.
- Participant has documentation that supports their claim of self-employment.
- Participant is a member of a business or trade association.
- Participant does not have an employer - employee relationship. (See [Wages and Salaries](#) for additional information on an employer - employee relationship)

A single factor is not always sufficient to determine whether a person is self-employed. FAA staff must explore all factors to determine whether an income producing activity is self-employment.

Self-employment may include, but is not limited to the following situations:

- Income received directly from one's own business, a sole proprietorship, as an independent contractor, or as a member of a partnership.
- Income received from odd jobs or from irregular and varied activities.
- Income received from providing services.

- Income received from selling or reselling goods, including personal property and items purchased for the purpose of resale.
- Income received from working for others on a commission or piecework basis.

Self-employed participants may or may not incur [allowable self-employment expenses](#).

NOTE The [case file\(g\)](#) must be documented with the reason the income was determined as self-employment income or earned income.

(See [Self-Employment Types](#) for additional policy and procedures)

For examples, see the following:

- Example [Self-Employment Definition 1](#)
- Example [Self-Employment Definition 2](#)
- Example [Self-Employment Definition 3](#)
- Example [Self-Employment Definition 4](#)

When a participant does not meet the definition of self-employment, see [Earned Income Types](#).

05 Types of Self-Employment Income

Policy and procedures regarding self-employment income are outlined as follows:

- [Animals](#)
- [Arts and Crafts](#)
- [Babysitting](#)
- [Blood or Blood Plasma](#)
- [Boarders](#)
- [Child Care Stabilization Grant](#)
- [Commercial Boarding Houses](#)
- [Farming](#)
- [Fishing or Hunting](#)
- [IDA Deposits](#)
- [Merchandise Sales](#)

- [Newspaper Delivery](#)
- [Odd Jobs Income](#)
- [Parsonage Income](#)
- [Provider of Services](#)
- [Recycling](#)
- [Rental Property and Roomer Income](#)
- [Sales Contracts](#)
- [Seasonal Sales](#)
- [Small Businesses](#)
- [Swap Meets and Yard Sales](#)
- [Virtual Currency Mining](#)

These types of income are considered self-employment when they meet the [self-employment definition](#).

A Animals

Income received from raising and selling animals and their related products is countable and is considered self-employment when it meets the [self-employment definition](#).

(See [Seasonal Sales](#) for additional policy)

Key SA in the INCOME TYPE field on SEEI.

When expenses are incurred, see [Allowable Business Expenses](#).

When the self-employment definition is not met, consider another type of [earned income](#).

B Arts and Crafts

Income received from selling arts and crafts is countable and is considered self-employment when it meets the [self-employment definition](#). These items include, but are not limited to the following:

- Jewelry
- Macrame
- Rugs
- Other items made for selling

Key AC in the INCOME TYPE field on SEEI.

When expenses are incurred, see [Allowable Business Expenses](#).

When the self-employment definition is not met, consider another type of [earned income](#).

C Babysitting

REVISION 51

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

Income received from babysitting is countable.

Babysitting income may be considered [wages and salaries](#) or [self-employment](#). FAA staff must explore whether the babysitting income meets the [self-employment definition](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key BA in the INCOME TYPE field on SEEI.

When the self-employment definition is not met, consider another type of [earned income](#).

When a participant reports income from the Child Care Stabilization Grant (CCSG). (See [FAA4.J05F](#) titled Child Care Stabilization Grant.)

D Blood or Blood Plasma

Income derived from the sale of blood or blood plasma is countable and is considered self-employment when it meets the [self-employment definition](#).

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key BP in the INCOME TYPE field on SEEI.

E Boarders

A boarder is a nonparticipant who pays someone for providing a room and meals. (See [Boarders-NA](#))

Income received from a boarder who is not included in the budgetary unit is countable and is considered self-employment when it meets the [self-employment definition](#).

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key RB in the INCOME TYPE field on SEEI.

F Child Care Stabilization Grant

[REVISION 51](#)
(01/01/23 - 12/31/23)

Child Care Stabilization Grant (CCSG) payments are federally funded assistance payments for childcare providers. The American Rescue Plan Act (ARPA) 2021 authorized relief funding to Arizona recipients through the Child Care and Development Fund (CCDF).

Eligible recipients of the CCSG include the following:

- DES Non-Certified Relative Providers
- DES Family Child Care Providers (including in-home providers)
- DHS Licensed Centers
- Tribal Child Care Providers
- Military Child Care Providers

Grant awards are issued monthly in flat grant payments based on the number of children being cared for. Eligible childcare providers began receiving CCSG payments in 08/2021 and are authorized to continue through 06/2023. Eligible childcare providers have until 09/30/2023 to spend the grant funds.

When a participant reports income from CCSG assistance payments, explore whether any funds received are used to reimburse business-related expenses.

CCSG payments are not-countable self-employment income when the funds are used to pay **any** of the following business-related expenses:

- Personnel costs
- Recruitment and retention costs
- Rent, mortgage, utilities, and insurance payments of the business
- Facility maintenance and improvements
- COVID-19 related expenses, including personal protective equipment and cleaning supplies
- Equipment and supplies to respond to COVID-19
- Goods and services necessary to maintain or resume childcare services
- Mental health support for children and employees
- Health and safety training for staff

For more information on the budgeting of Reimbursements (See [Reimbursements](#).)

CCSG payments are countable self-employment income when **either** of the following occurs:

- The funds are used to pay for daily living expenses such as rent or mortgage.
- The amount of the funds received exceeds the amount of the actual expenses incurred. The excess amount is countable income.

When self-employment expenses are incurred and are not paid using the CCSG funds (See [Allowable Self-Employment Expenses](#).)

G Commercial Boarding Houses

Income received by [owner operators](#) from tenants in commercial boarding houses, is countable. This income is paid for a provision of services (shelter and meals).

For income received by a participant who is not an owner operator, see [Boarders](#).

Key OB in the INCOME TYPE field on SEEI.

H Farming

[REVISION 45](#)
(01/01/17 – 12/31/17)

Income from a self-employed farmer is countable.

To be self-employed as a farmer, the participant must meet either of the following criteria:

- Be engaged in a farming activity for the purpose of producing income
- Have direct involvement in the farming activity

NOTE A person who rents his land to another person to raise a crop is not a self-employed farmer.

Irregular or unpredictable expenses may occur when producing self-employment income from farming. The [participant's statement](#) regarding predictability of farming expenses is acceptable unless questionable.

When budgeting income of a self-employed farmer, average the prior 12 months of income.

When the participant's expenses to produce self-employment farming income are irregular, the income and expenses from the prior 12 months may be averaged.

NOTE [Anticipate](#) the annual income and expenses when the prior 12 months does not reflect the participant's ongoing income because of a substantial change.

Self-employment income losses from farming may be offset against other countable income. Farming losses occur when costs of producing self-employment income are more than the income. To claim losses that exceed the self-employment income, both of the

following must exist:

- The farmer must receive or expect to receive \$1,000 or more gross annual income from the farming business
- The farmer must have direct involvement in the farming activity

Calculate farming losses as follows:

- Anticipate and average the monthly losses
- Subtract the losses from the self-employment income when income exists

NOTE When the farming income was annualized, do not subtract monthly losses when the farmer stops farming during the approval period.

- Subtract any remaining losses from other net self-employment when other self-employment income exists
- Subtract any remaining losses from other countable income

When farming self-employment is terminated, farm property (including land, equipment and supplies) are not countable for the resource determination for 12 months. This period of exclusion begins on the date the self-employment farming stops.

Complete the following on SEEI:

- Key N in the EXP field

NOTE Farming self-employment does not use the 40% [self-employment expense deduction](#). Subtract all countable expenses from the income.

- Key FA in the INCOME TYPE field
- Key the calculated amount from above in the MONTHLY GROSS field

I Fishing or Hunting

For treatment of self-employment income from fishing or hunting, see [Seasonal Sales](#).

J IDA Deposits

Fifty percent (50%) of self-employment income, up to a maximum of \$100, deposited into an IDA per month is not countable.

Key IX in the INCOME TYPE field on SEEI.

NOTE Budget IDA self-employment income deposits according to the procedures in [Budgeting IDA Deposits](#).

Any self-employment income that remains on deposit in an active case with an IDA account, including interest earned and kept in the IDA account, is not countable.

For additional policy on treatment of IDA Deposits, see the following:

- [IDA - Earned Income](#) (EAIN)
- [IDA - Financial Accounts](#) (FIAC)
- [IDA - Unearned Educational Income](#) (UNIE)
- [IDA - Unearned Income](#) (UNIN)

K Merchandise Sales

Income received from the sale of merchandise is countable and is considered self-employment when it meets the [self-employment definition](#). This includes, but is not limited to the following:

- Tupperware
- Avon products
- Cosmetic sales

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key SA in the INCOME TYPE field on SEEI.

L Newspaper Delivery

Income derived from newspaper route delivery is countable and is considered self-employment when it meets the [self-employment definition](#).

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key SA in the INCOME TYPE field on SEEI.

M Odd Jobs Income

[REVISION 46](#)
(01/01/18 - 12/31/18)

Income received from irregular or varied activities, performed by the participant, are countable and is considered self-employment when it meets the [self-employment definition](#).

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key OT in the INCOME TYPE field on SEEI.

N Parsonage Income

[REVISION 46](#)
(01/01/18 - 12/31/18)

Parsonage income is money paid by a church or other organization to church professionals for their expenses incurred while providing a service. This money is paid in addition to money paid for services rendered. Church professionals include, but are not limited to the following:

- Clergy
- Ministers
- Priests

Parsonage income is countable and is considered self-employment when it meets the [self-employment definition](#).

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key OT in the INCOME TYPE field on SEEI.

EXCEPTION

Consider parsonage income as wages when the participant is

employed by the church.
Key WA in the INCOME TYPE field on EAIC.

When parsonage income is paid to a third party for the budgetary unit's expenses, see [Vendor Payments](#).

O Provider of Services

[REVISION 46](#)
(01/01/18 - 12/31/18)

Income derived from the provision of services is countable and is considered self-employment when it meets the [self-employment definition](#).

This includes, but is not limited to, the following services:

- Auto repair
- Household repair or Housecleaning
- Landscaping
- Painting
- Ride sharing (i.e. Uber, Lyft)
- Taxi

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key OB in the INCOME TYPE field on SEEI.

P Recycling

Income received by participants who collect and sell items for recycling, is countable and is considered self-employment when it meets the [self-employment definition](#).

This includes, but is not limited to, the following items:

- Cans
- Bottles
- Newspapers

- Plastics

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key OT in the INCOME TYPE field on SEEI.

Q Rental Property and Roomer Income

[REVISION 28](#)
(02/01/14 – 03/31/14)

Income received from rental property is countable, and can be either of the following:

- Self-employment Rental Income
- [Unearned Rental Income](#)

NOTE Policy in this section also applies to income received from individuals that rent a room in a home owned and occupied by a participant. (See [Boarders](#) when meals are provided)

Treat rental property income as self-employment when a participant manages the property (e.g. rent collection, maintenance, or other work).

NA EXCEPTION

An average of at least 20 hours per week must be spent managing the rental property to be considered self-employment. **AZTECS** applies both of the following to self-employment rental income:

- 20% earned income deduction.
- 40% self-employment expense deduction when at least one self-employment expense is verified. (See Example [Rental – Self-employment](#))

Determine the identifiable [allowable business expense](#) when the owner of the rental property does not have a separate meter and both of the following occur:

- The owner resides in the home
- The owner manages the property

A personal shelter expense cannot be claimed for an allowable business expense.

When expenses are incurred, see [Allowable Business Expenses](#).

R Sales Contracts

REVISION 23
(01/01/13 - 03/31/13)

Income received from a sales contract is countable and is considered self-employment when it meets the [self-employment definition](#).

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key OT in the INCOME TYPE field on SEEI.

S Seasonal Sales

REVISION 46
(01/01/18 - 12/31/18)

Income received from seasonal sales is countable and is considered self-employment when it meets the [self-employment definition](#).

Seasonal sales include, but are not limited to, the following:

- Fishing
- Hunting
- Produce
- Wood
- Animals

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key SA in the INCOME TYPE field on SEEI.

T Small Businesses

REVISION 47
(01/01/19 - 12/31/19)

Income from a small business is countable and is considered self-employment when it meets the [self-employment definition](#).

Small businesses include, but are not limited to the following:

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

EXCEPTION

Income received by an independent contractor that does not meet the self-employment definition is not considered self-employment income. (See [Contract Income](#))

- Limited Liability Company (LLC)
An LLC is a business owned and operated by one or more persons. (See [LLC](#))

EXCEPTION

Income received from an LLC, by employees that are not an LLC member or owner, is not considered self-employment income. (See [Wages and Salaries](#))

Income received from an LLC that files taxes as a corporation is not considered as self-employment income. (See [Corporation Profits.](#))

- Sole Proprietorship (Owner Operator)
A business that is owned and operated by one individual.

When the self-employment definition is not met, consider another type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key OB in the INCOME TYPE field on SEEI.

WARNING

When money is withdrawn from an [LLC](#) business account to pay for personal expenses and the business has elected to be treated as a corporation, the money is countable as earned income. (See [LLC – personal expenses](#))

Wages and profits received from a corporation are not considered self-employment income. (See [S Corporation](#) and [Corporation Profits](#))

Profits from a nonprofit corporation (i.e. 501C) are not distributed to the members of the corporation. When income for services rendered is received from a nonprofit corporation, see [Wages and Salaries](#).

U Swap Meets and Yard Sales

[REVISION 46](#)
(01/01/18 - 12/31/18)

Income derived from the sale of goods, including personal property and items purchased for the purpose of resale, is countable and is considered self-employment when it meets the [self-employment definition](#).

This includes, but is not limited to the following types of sales:

- [Swap Meets\(g\)](#)
- [Yard Sales\(g\)](#)
- [Billboard sales\(g\)](#)

When the sales are done on a recurring basis (i.e. monthly, quarterly, annually), see [Budgeting Self-employment Income](#) and [Prorating Income](#).

When the sale of goods is unpredictable, income is countable as [actual income](#) in the month received.

When the self-employment definition is not met, consider another

type of [earned income](#).

When expenses are incurred, see [Allowable Business Expenses](#).

Key SA in the INCOME TYPE field on SEEI.

V Virtual Currency Mining

Virtual Currency Mining, also known as cryptocurrency mining or cryptomining, is a process in which transactions for various forms of [cryptocurrency\(g\)](#) are verified and added to a digital ledger.

When a participant successfully “mines” virtual currency, the [current market value\(g\)](#) of the virtual currency in U.S. dollars as of the date of receipt is countable as income. (See [Budgeting Self-Employment Income](#))

06 Budgeting Self-Employment Income

[REVISION 51](#)
(01/01/23 - 12/31/23)

Policy and procedures regarding budgeting self-employment income are outlined as follows:

- [Gross Profit Determination](#)
- [Annualizing Self-Employment](#)
- [Business Less Than One Year](#)
- [Projecting Self-Employment](#)
- [Anticipating Self-Employment](#)
- [Capital Gains](#)
- [Terminated Self-Employment](#)
- [Self-Employment Expenses](#)
- [Self-Employment Resources](#)

The guidelines outlined in [Dependent Child Income](#) must be used to determine when the self-employment income of a dependent child is considered countable or not countable.

Key the dependent child self-employment income using one the following SEEI Income Type Codes in the INC Type field on SEEI:

- OX for income that is not countable for NA and CA

- OF for income that is countable for NA only

For dependent child self-employment income that is countable for both NA and CA, identify the type of self-employment income from [Types of Self-Employment Income](#) to determine the correct income code to use on SEEI.

WARNING

Self-Employment income is not countable for [Hopi Tribal TANF](#). When the budgetary unit is also receiving NA, key the following SEEI Income Code in the INC TYPE field:

- OF for income that is countable for NA only
- OX for income that is not countable for NA and CA

A Gross Profit Determination

[REVISION 23](#)
(01/01/13 - 03/31/13)

Self-employment income consists of gross income received minus the [self-employment expense deduction](#).

EXCEPTION

Self-employment income due to farming uses actual expenses and has special budgeting procedures. (See [Farming](#))

When the income received is more than the business expenses, consider the difference to be the gross profit.

B Annualizing Self-Employment

REVISION 47
(01/01/19 – 12/31/19)

When the self-employment business has been in existence for 12 or more months and there are no significant changes, divide the annual income by 12 to calculate a monthly amount.

EXCEPTION

When less than 12 full months of income have been received, follow [Business Less Than One Year](#) budgeting.

Self-employment income due to farming has special budgeting procedures. (See [Farming](#))

Request, verify, and review the participant's income received during a 12-month period to determine the income that is reasonably certain to be received during the approval period. (See [Self-Employment Verification](#))

Use the most recent Internal Revenue Service (IRS) tax return to determine the annual income. When a tax return is not available, use the 12 full months of income that applies as follows:

- For new applications, use the 12 full months prior to the month of application.
- For renewal applications, use the 12 full months prior to the month of the timely renewal interview.
- For reported changes, use the 12 full months prior to the month the change was reported.

EXCEPTION

When the reported change is a change in income, [project](#) or [anticipate](#) the self-employment income.

Discuss with the participant whether the annualized amount reflects the monthly income reasonably certain to be received during the approval period. Complete one of the following based on the discussion:

- When the annualized amount accurately reflects the participant's expected income, budget the annualized amount. (See Example [Annualizing Self-Employment](#))
- When the annualized amount does not accurately reflect the participant's expected income, see [Projecting Self-Employment](#).
- When the annualized amount is calculated using the most recent Internal Revenue Service (IRS) tax return and does not accurately reflect the participant's expected income, see [Anticipating Self-Employment](#).

WARNING

Documentation must support determinations of eligibility and benefit level. Document in enough 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 normal. (See [Income Documentation Requirements](#))

When expenses are incurred, see [Allowable Business Expenses](#).

C Business Less Than One Year

REVISION 47
(01/01/19 - 12/31/19)

Apply the following steps when a self-employment business has been in operation for less than one year:

- Average the total amount of self-employment income received over the number of months the business has been in operation.
Exclude the following months of income from the average when they are partial months:
 - The initial month of self-employment income
 - The current month
- Discuss with the participant whether the averaged amount reflects the monthly income reasonably certain to be received during the approval period. Complete one of the following based on the discussion:

- When the averaged amount accurately reflects the participant's expected income, budget the averaged amount. (See Example [SEEI Less Than a Year](#))
- When the averaged amount does not accurately reflect the participant's expected income, see [Projecting Self-Employment](#).

WARNING

Documentation must support determinations of eligibility and benefit level. Document in enough 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 normal. (See [Income Documentation Requirements](#))

When expenses are incurred, see [Allowable Business Expenses](#).

D Projecting Self-Employment

REVISION 47
(01/01/19 - 12/31/19)

Projecting income is predicting future income using recently received income that is expected to continue.

When the [annualized](#) or [averaged](#) self-employment income is not a true reflection of the monthly income reasonably certain to be received during the approval period, project the self-employment income as follows:

- Exclude months with unusual income.
- Add the gross income received in the remaining months.
- Divide the total by the number of months used. This amount is the monthly projected income.

Discuss with the participant whether the projected amount reflects the monthly income reasonably certain to be received during the approval period. Complete one of the following based on the discussion:

- When the projected amount accurately reflects the participant's expected income, budget the projected amount. (See Example [Projecting Self-Employment](#))

- When the projected amount does not accurately reflect the participant's expected income, see [Anticipating Self-Employment](#).

WARNING

Documentation must support determinations of eligibility and benefit level. Document in enough 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 normal. (See [Income Documentation Requirements](#))

When expenses are incurred, see [Allowable Business Expenses](#).

E Anticipating Self-Employment

REVISION 47
(01/01/19 - 12/31/19)

Anticipate self-employment income when there is not a full month of income received or the [projected](#) amount does not accurately reflect the monthly circumstances, due to any of the following:

- Unpredictable self-employment income that may be received less often than monthly. This income may not represent the participant's annual income.
- An increase in self-employment income expected to be received from a new business source.
- Predictable self-employment income that normally fluctuates seasonally or monthly. This income represents the participant's annual income.
- Self-employment income expected to be received from a terminated business source. (See [Terminated Self-employment](#))

NOTE When an unusual change in circumstances causes the self-employment to temporarily stop without knowing when it will resume, do not budget the self-employment income. (See Example [Unusual Change](#))

EXCEPTION

Self-employment income due to farming uses actual expenses and has special budgeting procedures. (See [Farming](#))

Determine self-employment income that is budgeted on an

anticipated basis by discussing with the participant the amount of income expected to be received monthly and the reason the prior income is not expected to continue. (See Example [Anticipating Self-Employment](#))

WARNING

Documentation must support determinations of eligibility and benefit level. Document in enough 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 normal. (See [Income Documentation Requirements](#))

When expenses are incurred, see [Allowable Business Expenses](#).

F Capital Gains

REVISION 49
(01/01/21 – 12/31/21)

Capital gains are the profits from the sale or transfer of capital assets used in a self-employment business. Such capital assets are equipment, securities, real estate, or other real property held as an investment for a set period of time.

Capital gain or loss on the sale of [cryptocurrency\(g\)](#) is also subject to these requirements.

To figure capital gains, use the sale price of capital assets minus the purchase price and any cost of improvement, selling commission, etc. Count the capital gain using the same income budgeting option chosen by the self-employed participant as follows:

- In the month received or anticipated to be received.
- Annualized for the same period of time the self-employment income was averaged.

(See Example [Capital Gains](#))

G Terminated Self-Employment

Remove self-employment income from SEEI, when a business closes and the last income is received from the business source.

The participant may expect to receive income from the business after it has closed. When the amount is more or less than previously prorated, [anticipate](#) the income and expenses. Continue to count the income as self-employment.

07 Self-Employment Expenses

REVISION 05
(07/01/08 – 09/30/08)

Business costs or expenses are sometimes referred to as overhead. Allowable and not allowable costs of producing self-employment income are outlined as follows:

- [Allowable Self-Employment Expenses](#)
- [Not Allowable Self-Employment Expenses](#)

NOTE Treat only expenses that are verified as an allowable expense. A participant statement may be used to verify self-employment expenses. (See [Participant Statement Verification](#))

A Allowable Self-Employment Expenses

REVISION 46
(01/01/18 -12/31/18)

The participant is eligible for the [self-employment expense deduction](#) amount when one allowable self-employment expense is verified.

EXCEPTION

Self-employment income due to farming uses actual expenses and has special budgeting procedures. (See [Farming](#))

The allowable self-employment expenses include, but are not limited to, the following:

- [Actual Transportation Costs](#) or the [Mileage Standard](#)
- Bills for cleaning costs and maintenance of business location and necessary equipment
- Business related insurance premiums
- Costs of operating machinery or equipment
- Costs of stocks or inventories
- Identifiable rent and utilities that cannot be allowed in the participant's shelter deduction, as they are associated with a

business location

NOTE When rental property used in the business does not have a separate meter, utility expenses may be used to determine the cost of doing business.

- Interest and principal paid on the purchase of any of the following:

Business property

Capital assets (See [Capital Gains](#))

Equipment

Income producing real estate property

Machinery

Other durable goods

- Interest paid on income producing property
- Labor
- Livestock, raw material, seed, and fertilizer
- Rent or property taxes on the business property
- Other documented costs not listed in [Not Allowable Self-Employment Expenses](#)
- Salaries paid to employees, and employer paid benefits
- Taxes paid on income producing property
- Sales taxes collected and paid, when applicable

Use the [verification process](#) to verify the expense before allowing the expense as a deduction.

B Not Allowable Self-Employment Expenses

[REVISION 23](#)
(01/01/13 - 03/31/13)

Costs and expenses of producing self-employment income that are not allowable include, but are not limited to, the following:

- Products purchased with NA benefits (See [NA Trafficking](#))
- Depreciation/Depletion
- Meals/Entertainment expenses
- Federal, state, and local income taxes

- Money set aside for retirement purposes
- Net losses from previous periods
- Other work related personal expenses such as transportation to and from work
- Interest payments (other than mortgage interest)

08 Self-Employment Resources

Resources that are necessary to the self-employment, when they are held identifiably [sole and separate](#) from other resources, are not countable. (See [Combined Resources](#))

Special consideration is given to farm related resources following the termination of the farm business. (See [Farming](#))

Property that produces income more than the expenses is considered necessary for the self-employment. This may include, but is not limited to, the following:

- Property that is important to the employment of a tradesman. Such property may include tools or machinery. (See [Tools or Equipment](#))
- Buildings, equipment, machinery, livestock trailers, vehicles, and land used by self-employed participants or farmers for self-employment businesses.

(See [Income Producing Vehicles](#) for policy and procedures regarding treatment of income producing vehicles)

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.