

Department of Social and Health Services

Olympia, Washington

EAZ

Revision # 798

CATEGORY Income – Special Types – Self Employment

[HTTP://WWW.DSHS.WA.GOV/MANUALS/EAZ/SECTIONS/INCMSPECIAL.SHTML](http://www.dshs.wa.gov/manuals/eaz/sections/incmspecial.shtml)

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Revision Author: Melissa Mathson

Division CSD

Phone (360) 725-4563

Email melissa.mathson@dshs.wa.gov

Summary : The self employment section was updated to clarify appropriate business expenses by removing the medical insurance premium from the deduction list and adding benefits paid to employees as an allowable deduction.

WAC 388-450-0085 Does the department count all of my self-employment income to determine if I am eligible for benefits?

This section applies to cash assistance, Basic Food, and medical programs for children, pregnant women, and families. We decide how much of your self-employment income to count by:

For cash, Basic Food, and family medical programs:

1. We must count actual income in the month of application.
 - a. Adding together your gross self-employment income and any profit you make from selling your business property or equipment;
 - b. Subtracting your business expenses as described in subsection (2) below; and
 - c. Dividing the remaining amount of self-employment income by the number of months over which the income will be averaged.
2. We subtract one hundred dollars as a business expense even if your costs are less than this. If you want us to subtract your actual costs of more than one hundred dollars, you must list and give us proof of your expenses for us to count them. We never allow the following expenses:

- a. a. Federal, state, and local income taxes;
 - b. Money set aside for retirement purposes;
 - c. Personal work-related expenses (such as travel to and from work);
 - d. Net losses from previous periods;
 - e. Depreciation; or
 - f. Any amount that is more than the payment you get from a boarder for lodging and meals.
3. If you have worked at your business for less than a year, we figure your gross self-employment income by averaging:
- a. a. The income over the period of time the business has been in operation; and
 - b. The monthly amount we estimate you will get for the coming year.
4. For cash and medical assistance, if your self-employment expenses are more than your self-employment income, we do not use this "loss" to reduce income from other self-employment businesses or other sources of income to your assistance unit.
5. For Basic Food, we use a "loss" from self-employment farming or fishing income to reduce other sources of income **only** if you meet the following three conditions:
- a. Someone in your assistance unit is a self-employed farmer or fisher;
 - b. Your gross yearly income from farming or fishing is or is expected to be at least one thousand dollars; and
 - c. Your allowable costs for farming or fishing are more than your income from farming or fishing.
- For children's and pregnancy medical programs:**
6. If you have worked long enough at the business to file a federal tax return last year and it represents your current income, we figure your gross self-employment income by:
- a. Adding together your gross self-employment income and any profit you make from selling your business property or equipment;
 - b. Subtracting your allowable business expenses except as described in subsection (2) above; and
 - c. Averaging the income over the period the income covers.
7. If you have worked at your business for less than a year or if you did not file a federal tax return in the last year, we figure your gross self-employment income by:
- a. Adding together your gross self-employment income and any profit you make from selling your business property or equipment over the period of time the business has been in operation within the last year;
 - b. Subtracting your allowable business expenses except as described in subsection (2) above; and
 - c. Averaging the income we estimate you will get for the coming year.

This is a reprint of the official rule as published by the [Office of the Code Reviser](#). If there are previous versions of this rule, they can be found using the [Legislative Search page](#).

CLARIFYING INFORMATION

1. We **always** allow the \$100 standard deduction if the client doesn't choose to claim actual costs for non-boarder self-employment income.

This includes when the client:

- a. Claims no self-employment expenses;
 - b. Has self-employment expenses under \$100.00;
 - c. Has gross self-employment income under \$100.00; or
 - d. For Basic Food and cash assistance, the self-employment income is unearned. See WAC 388-450-0080(5) for when self-employment income is treated as unearned income.
2. Some examples of allowable expenses are:
 - a. Rent or lease of business equipment or property;
 - b. Utilities;
 - c. Postage;
 - d. Telephone;
 - e. Office supplies;
 - f. Advertising;
 - g. Business related insurance, taxes, licenses, and permits;
 - ~~h. Insurance premiums for a medical plan established under the business;~~
 - ~~i. Legal, accounting, and other professional fees;~~
 - ~~j. Repairs to business equipment and property;~~
 - ~~k. Gross wages, and salaries, and benefits paid to employees;~~
 - ~~l. Business loans (interest and principle) used to buy income-producing property or equipment; and~~
 - ~~m. The cost of a home office or place of business in the home if the area is used exclusively and regularly for business purposes. We cannot allow the cost for any area used for both personal and business use.~~
 - ~~n. Transportation costs such as gas, oil, replacing worn items, registration and licensing fees, and auto loans. The client may claim the actual transportation costs or use the State standard cost per mile. The Office of Financial Management publishes the standard cost for a privately owned vehicle in section 10.90.20 of the State Administrative and Accounting Manual: <http://www.ofm.wa.gov/policy/10.90a.pdf>~~

NOTE: The rate as of January 1, 2010 was \$.50 / mile.

3. If someone chooses to use their actual expenses instead of the standard deduction, they must list out and give us proof of the expenses before we can use them.

WORKER RESPONSIBILITIES

1. **Determine gross self-employment income:**

To determine gross self-employment income, count:

- The sales for items the business sold;
- Gross income from providing services;
- Profit from selling business property or equipment.

2. **Net self-employment income:**

A person's net self-employment income is Gross self-employment income; minus:

- Their allowable self-employment expenses; **or**
- The \$100 self-employment expense deduction.

3. **Budget self-employment income:**

When someone earns self-employment income, average the income over the period the income covers. If they choose to claim actual self-employment expenses, average their allowable expenses over the same period.

- a. If the person gets their annual income as self-employment income, and they get this income over a period of less than a year, average the self-employment income over the year.
- b. If a person's income is from self-employment for only part of the year, average the income over the period of time the income covers.
- c. If the averaged income doesn't reflect what the person will get because of a significant increase or decrease in business;
 - i. Anticipate the person's self-employment income for each month; and
 - ii. Average any capital gains they will get over the year.
- d. If someone chooses to use their actual expenses instead of the standard deduction, average or anticipate the expenses for the same period of time you use for the income.

4. **Calculate each self-employment business separately:**

Each self-employment business is separate. Calculate the net self-employment income for each self-employment enterprise separately.

- a. Do not use the losses on one business to offset the profit of another business.
- b. Do not use the losses of one period to offset the profits of another period.

1. **Farming or fishing income for Basic Food:**

- a. Calculate the client's total net farm or fishing self-employment income.
- b. If allowable expenses are more than the self-employment fishing / farming income, ACES uses this

loss to reduce any other sources of self-employment income.

- c. If there are remaining losses from fishing / farming, ACES uses this income to reduce other sources of earned and unearned income to the assistance unit after allowing the earned income deduction under [WAC 388-450-0185](#).

2. **Room and board income:**

- a. Count only payments people pay directly to the AU for room and board as income. This includes foster care payments if the person in foster care is a member of the AU.
- b. **Do not** use the standard \$100 deduction as an expense. Instead, use either:
 - i. The maximum Basic Food allotment for a household size equal to the number of boarders (see [WAC 388-478-0060](#)); or
 - ii. The actual, verified cost of providing room and meals if it is more than the maximum allotment and the cost is separate from normal living expenses.

3. **Roomer income:**

Use the steps described below to determine what deductions to allow when someone has roomer income.

- a. Use either the standard self-employment deduction as a self-employment expense or:
 - i. Verified non-board costs, such as laundry expenses; and
 - ii. For people buying their home, a prorated share of the mortgage, taxes, and insurance if they don't use the entire shelter cost toward the shelter deduction. Base the pro-ration on the number of total bedrooms in the house.
- b. Give the person the choice of using the entire shelter cost toward their shelter deduction or using a portion of it as a business expense.
- c. Households that rent and have a roomer cannot use their rent as a business expense. Count the amount of rent from the roomer that is more than their rent obligation as income to the household.
- d. To decide what to count as a shelter expense, see the Shared Living / Roomer section of Clarifying Information under [WAC 388-450-0190](#).

NOTE: People in the same Assistance Unit who share household costs are not roomers. We **do not** count these shared household costs as roomer income.

EXAMPLE

Stan is buying his home and rents out the basement. His tenant pays a flat rate of \$275 each month. Stan chooses to use actual expenses, rather than the standard \$100 Self-Employment deduction. We allow a prorated portion of his mortgage, taxes and insurance, as an allowable business expense.

(Stan's shelter deduction would be the utility allowance he is eligible to get under [WAC 388-450-0195](#) and the portion of his housing costs that wasn't taken as a business expense.)

EXAMPLE

Louise is renting her home for \$300 per month. She charges Jolene \$350 to sublet her second floor. Count the \$50 profit Louise receives as self-employment income.

4. **Rental property:**

- a. Rental property that is subject to the criteria in [WAC 388-450-0080](#) (5) is property that someone owns, but is not their residence.
- b. We count any managerial duties toward the 20-hour weekly requirement for us to count rental property as self-employment *earned income* under WAC 388-450-0080. Count time people spend bookkeeping, showing the property to possible tenants, doing yard work, repairs, etc. as time spent managing the property.
- c. Budget the gross earned or unearned income from renting the property after subtracting the standard self-employment deduction or the following verified expenses:
 - i. Property tax or a prorated share of the tax if their home and the rental property are taxed as a single unit;
 - ii. Maintenance costs for the property;
 - iii. The mortgage or sales contract payment for the rental property or a prorated share if their property and the rental property are in the same loan or contract; and

The insurance premium or a prorated share if they insure their home and rental property as a unit.

ACES PROCEDURES

For Work Study income, see [Income Eligibility and Budgeting - Special Income Situations - Work Study Income](#)

See [Interview - EARN screen](#)

See [Income Eligibility and Budgeting - Special Income Situations - Cash Gifts](#)
