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## POLICY

### All Types of Assistance (TOA)

This item identifies all of the following:

- Guidelines for determining if an individual's income is considered to be from employment or self-employment.
- Allowable expenses of producing self-employment income.
- Self-employment income types.

## SELF-EMPLOYMENT

### All TOA

Individuals who run their own businesses are self-employed. This includes but is not limited to selling goods, farming, providing direct services, and operating a facility that provides services such as adult foster care home or room and board.

**Note:** S-Corporations and Limited Liability Companies (LLCs) are not self-employment.

Except for those noted above, a person who provides child care in his/her home is considered to be self-employed. If the care is provided in the child's home, the provider is considered to be an employee of the parent; see Bridges Eligibility Manual [\(BEM\) 501, Income From Employment](#).

Rental income is sometimes counted as unearned income and sometimes as self-employment. Enter all types of rental income in the rental/room and board logical unit of work (LUW). Bridges will determine income type and countable portion based on program policy rules; see [BEM 504, Income From Rental/Room And Board](#).

## EMPLOYMENT OR SELF-EMPLOYMENT INCOME?

It is sometimes difficult to determine if an individual's income should be entered in the earned income or self-employment LUW. Make a determination based on available information and document your rationale. Use the following guidelines to help make that determination; consider the following to be indicators of self-employment:

- The individual sets own work hours.

- The individual provides own tools used on the job.
- The individual is responsible for the service being provided and for the methods used to provide the service.
- The individual collects payment for the services provided from the individual paying for them.

A client need not meet all of the above to be considered self-employed.

Do **not** consider the following in making the determination of whether a client's income is considered self-employment or employment:

- Withholding of income tax from payment made to individual.
- Whether or not the individual files income tax.
- Whether or not individual receives a federal Form 1099.

**Example 1:** Joe has a contract with the local hospital to provide snow removal services. He drives his own snow removal vehicle and pays for his own gas. The hospital pays him directly based on the number of times his services are used. Joe is self-employed.

**Example 2:** Jane is a hairdresser at a salon. The salon supplies all the products she uses on the job. Jane's clients pay the salon for the services Jane provides. Jane receives a paycheck from the salon each week for 50 percent of the income from her clients. For income budgeting purposes, Jane is an employee of the salon and her income should be entered in the earned income LUW; **not** the self-employment LUW.

**Example 3:** Rich provides home help care for his elderly neighbor; Sam. Sam receives assistance through MDHHS' Independent Living Services (Adult Home Help) program to pay for Rich's services. Rich is an employee of Sam and his income should be entered in the earned income LUW; **not** the self-employment LUW.

**Example 4:** Mary Jo is a massage therapist at a local chiropractor's office. She uses a room in the office and uses its table. She provides her own oils and linens used for the massages and sets her own hours. She collects payment directly from the clients and pays the chiropractor's office \$10 for each massage provided. Mary Jo is self-employed.

## COUNTABLE SELF-EMPLOYMENT INCOME

The amount of self-employment income before any deductions is called total proceeds. Countable income from self-employment equals the total proceeds **minus** allowable expenses of producing the income. If allowable expenses exceed the total proceeds, the amount of the loss cannot offset any other income **except** for farm loss amounts; see *Farming Expenses* in this item.

**Example:** An individual operates a retail store. Total proceeds for the month are \$3,200. Allowable expenses total \$3,800. The \$600 deficit **cannot** be used to offset any other income.

Allowable expenses are the higher of 50 percent of the total proceeds, or actual expenses if the client chooses to claim and verify the expenses.

**Note:** MAGI related Medicaid uses adjusted gross income as declared on the federal tax return. SSI-Related MA self-employment deductions are limited to the higher of 25 percent of the total proceeds, or actual expenses if the client chooses to claim and verify the expenses.

## SELF-EMPLOYMENT INCOME EXPENSES

### Allowed

Allowable expenses include all of the following:

- Identifiable expenses of labor, stock, raw material, seed, fertilizer, etc.
- Interest and principal on loans for equipment, real estate or income-producing property.
- Insurance premiums on loans for equipment, real estate and other income-producing property.
- Taxes paid on income-producing property.
- Transportation costs while on the job (example: fuel).
- Purchase of capital equipment.

- A child care provider's cost of meals for children. Do **not** allow costs for the provider's own children.
- Any other identifiable expense of producing self-employment income except those listed below.

**Note:** Allowable expenses for rental/room and board are different than those listed above; see [BEM 504](#). Policy in BEM 504 does not pertain to MAGI Medicaid determinations.

### Not Allowed

Do **not** enter any of the following as self-employment expenses in Bridges:

- A net loss from a previous period.
- Federal, state and local income taxes.
- Personal entertainment or other individual business expenses.
- Money set aside for retirement.
- Depreciation on equipment, real estate or other capital investments.

### Medicaid

Allowable expenses include those allowed by the IRS on forms such as the Schedule C or F. Expenses are listed in Part II of both schedules. An individual with new self-employment may submit an estimated Schedule C, not yet filed with the IRS to assist in verifying expenses.

Part V, other expenses on Schedule C requires documentation from the individual.

Some individuals may include Schedule 1-6 with the federal tax return.

### FARMING EXPENSES

#### **Family Independence Program (FIP), Refugee Cash Assistance (RCA), SDA, Child Development and Care (CDC), Food Assistance Program (FAP)**

Allowable expenses of farming can exceed the proceeds if the actual or anticipated proceeds are \$1,000 or more for the year. This farm loss can then be deducted from other budgetable income of the group to determine the benefit amount, as follows:

- Bridges will deduct the net farm loss from any other budgetable earned income of the group.
- If a net farming loss remains, Bridges deducts it from any budgetable unearned income of the group.

The previous year's tax return is the usual basis to calculate the farming income. The loss is prorated over the year to determine a monthly amount to apply to the other income sources.

## CHILD CARE NUTRITION PAYMENTS

### All TOA

When a child care provider receives payments under the Child Nutrition Act of 1965 or National School Lunch Act, enter this income in the self-employment LUW.

### FIP, RCA, SDA, CDC, Medicaid (MA)

Bridges excludes payments received under the Child Nutrition Act of 1965 and the National School Lunch Act.

### FAP Only

Bridges counts the following result as self-employment income of the child care provider:

Payment received under the Child Nutrition Act of 1965 (Child and Adult Food Care Program) or National School Lunch Act, **minus** the allowable cost of meals for the provider's own children during child care hours. Bridges will use the higher of actual costs (if reported and verified), or 50 percent of the total proceeds for allowable costs; see *Self-employment Expenses* in this item.

## USDA PAYMENT-IN- KIND (PIK) PROGRAM

### FIP, RCA, SDA, CDC and FAP

United States Department of Agriculture payment-in-kind (PIK) program pays farmers to divert land or reduce crop acreage. The Commodity Credit Corporation (CCC) issues PIK commodities (surplus agricultural products) and commodity certificates.

Count a commodity or a commodity certificate as self-employment income if either of the following:

- Cash is actually received for it.
- It is reasonably anticipated that it will be sold or returned to the CCC during the year for which the income is being calculated.

**Exceptions:**

- A commodity or commodity certificate is an asset if the intention is to hold it for over 12 months.
- Exclude a commodity intended for use as feed or seed as income and as an asset.

Enter PIK income in the self-employment LUW as **other self-employment**.

**VERIFICATION  
REQUIREMENTS**

**All TOA except Children Under 19 (U19)**

Verify countable income at **all** of the following:

- Application, including a program add, prior to authorizing benefits.

**Note:** See Bridges Administrative Manual ([BAM](#) 117, [FAP Expedited Service](#)), for expedited income verification rules.

- At member add, only the income of the member being added.

**Note:** See [BAM 220, Case Actions](#), for CDC member add requirements.

- Redetermination/Renewal.
- When program policy requires a change be budgeted.

**Exception:** For FIP, RCA, SDA, and FAP, verify income that decreases or stops. Do not verify starting or increasing income unless income change information is unclear, inconsistent or questionable. Select **starting or increasing income** as the verification source. Selecting **client statement** as the verification source results in Bridges incorrectly pending eligibility and generating a verification checklist.

The individual has primary responsibility for obtaining verification. Do not deny assistance because an individual is unable to verify income. Assist the individual in obtaining verification when requested; see [BAM 130, Verification And Collateral Contacts](#), and [BEM 702, CDC Verifications](#).

### Children Under 19 (U19) Only

Income and expenses are **not** verified for Children Under 19. Individual statement is an acceptable verification source for income and income-related expenses.

## VERIFICATION SOURCES

### Self-Employment Income

#### All TOA, except Medicaid

- Primary source - Income tax return provided:
  - The client hasn't started or ended self-employment, or received an increase/decrease in income, etc.
  - The tax return is still representative of future income.
  - The client filed a tax return.
- Secondary source - DHS-431, Self-Employment Statement, with all income receipts to support claimed income.
- Third source - DHS-431, Self-Employment Statement, without receipts.

#### Medicaid

Form 1040, U.S. individual federal income tax return.

Form 1040 NR, non-resident alien federal income tax return.

Schedule C, Profit or Loss From Business, including all attachments. P This form is used in conjunction with IRS form 1040. Schedule C is acceptable even if not yet filed with the IRS.

A non-tax filer may submit a completed Schedule C to verify expenses without a 1040. This may occur with a new business entity.

A tax-filer may submit a Schedule C along with the accompanying 1040.

Schedule F, Farm Rental Income and Expenses may be filed in conjunction with Form 1040.

The DHS-431, Self-Employment Statement, is not acceptable verification for Medicaid purposes.

### **Self-Employment Expenses**

#### **All Programs except Medicaid**

DHS-431, Self-Employment Statement, with receipts.

#### **Medicaid**

Form 1040, U.S. individual federal income tax return.

Form 1040NR, Non-resident alien federal income tax return.

Schedule C, Profit or Loss From Business, if accompanied by a tax return.

Schedule F, Farm Rental Income and expenses if accompanied by a tax return.

### **USDA Payment-In-Kind (PIK)**

#### **All Programs**

- PIK commodity/certificate income.
- Business receipts.
- Accounting or other business records.
- Written statement from the Commodity Credit Corporation (CCC) or purchaser.

### **USDA Payment-In-Kind (PIK) Commodities/Certificates Asset**

- PIK certificate.
- Statement from Commodity Credit Corporation.
- Statement from local livestock or implement dealers.
- Statement of county agricultural agent.



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**RESOURCES****FIP**

MCL 400.1 et. seq.

**SDA**

Annual Appropriations Act  
Mich Admin Code, R 400.3151- 400.3180

**CDC**

The Child Care and Development Block Grant (CCDBG) Act (42 USC § 9858 et. seq.), as amended by the CCDBG Act of 2014 (Pub. L. 113-186).  
45 CFR Parts 98 and 99.  
Social Security Act, as amended 2016.

**MA**

Social Security Act Sections 1902(a)(10), 1931  
42 CFR 435, Subparts H and I  
MCL 400.106

The Affordable Care Act (Pub. L. 111-148) and the Health Care and Education Reconciliation Act (Pub. L. 111-152).

**FAP**

7 CFR 273.9.1, 273.2(f)(2)(i)  
Child Care and Development Block Grant of 1990, P. L. 101-508,  
Section 5105(a)(3)  
P. L. 108-447