COMBINED MANUAL
DESCRIPTION OF CHANGES ATTACHMENT
REVISED SECTIONS – ISSUED 06/2015

The EFFECTIVE DATE of the changes is the same as the issuance date unless stated otherwise.

The following sections add in general provisions 2 new paragraphs about the Simplified Self-Employment Policy Guide (Effective 02/01/15) and prior Self-Employment policy:
0017.15.33 (Self-Employment Income).
0017.15.33.06 (Self-Employment Common Business Expenses).
0017.15.33.09 (Self-Employment Expense for In-Home Business).
0017.15.33.12 (Self-Employment Transportation Expenses).
0017.15.33.15 (Self-Employment Expenses Not Allowed).
0017.15.33.18 (Self-Employment Loss Offset).
0017.15.33.21 (Self-Employment Income From In-Home Day Care).
0017.15.33.24 (Self-Employment Income From Farming).
0017.15.33.27 (Self-Employment Income From Roomer/Boarder).
0017.15.33.30 (Self-Employment Income From Rental Property).

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

Self-employed people are those who are responsible for their own work schedule and do not have coverage under an employer's liability insurance or workers' compensation.

Self-employed people generally work for themselves rather than an employer. However, people employed in some types of services may be self-employed even if they have an employer or work out of another's business location (for example: real estate sales people, people who work for commission sales, manufacturer's representatives, independent contractors). Self-employed people may or may not have FICA deducted from the check an employer or another party issues to them. When self-employed people indicate they are independent contractors, check with the business the self-employed client is contracting with to see if it considers the client to be self-employed or an employee. If the business states that it considers the self-employed person to be an independent contractor, then the client is self-employed.

Self-employed people may own a business solely or in partnership. In partnerships and S-Corporations people may earn a salary.

Information may also be found in the Self-Employment Handbook.

For treatment of income from specific types of self-employment businesses, see:

0017.15.33.21 Self-Employment Income From In-Home Day Care.

0017.15.33.24 Self-Employment Income From Farming.

0017.15.33.27 Self-Employment Income From Roomer/Boarder.

0017.15.33.30 Self-Employment Income From Rental Property.

0017.15.54 Capital Gains as Income.

Use tax forms and business records to determine income and expenses from self-employment. See 0010.18.09 (Verifying Self-Employment Income/Expenses) for information on how to verify self-employment income.

Determining gross earned income from self-employment differs from determining other gross earned income. Subtract allowable costs of doing business from gross receipts. The amount remaining is the gross self-employment income. See:

0017.15.33.06 Self-Employment Common Business Expenses.

0017.15.33.09 Self-Employment Expense for In-Home Business.

0017.15.33.12 Self-Employment Transportation Expenses.

0017.15.33.15 Self-Employment Expenses Not Allowed.

Add gross self-employment income to other earned income to determine total gross earned income for the client. For programs with a gross income limit, count gross self-employment income toward the gross income limit. For some programs, a loss from a self-employment business can offset other income. See 0017.15.33.18 (Self-Employment Loss Offset). Apply the disregards and deductions to total earned income (from self-employment and other earned income) to determine net income. See 0018.06 (Work Expense Deductions), 0018.09 (Dependent Care Deduction), 0018.18 (Earned Income Disregards).

Also see 0017.15.33.03 (Self-Employment, Convert Inc. to Monthly Amt).

MFIP:
Determining gross earned income from self-employment differs from determining other gross earned income. Subtract allowable business expenses from gross income. See 0017.15.33.06 (Self-Employment Common Business Expenses). The amount remaining is the "net gross" self-employment income. Do not count draws for assistance unit members as self-employment income because wages or other benefits paid to a unit member or another member of the household for whom the employer is legally responsible is not an allowable business deduction.

For MFIP only, see information on using the rolling average in 0017.15.33.03 (Self-Employment, Convert Inc. to Monthly Amt).

C-Corporations are not self-employment businesses. See 0002.09 (Glossary: Calendar Month...) for the definition of C-Corporation.

S-Corporations are considered self-employment businesses. See 0002.59 (Glossary: RSDI...) for the definition of S-Corporation.

DWP:
Follow MFIP. After the initial DWP determination, exclude any unanticipated income the unit may receive.

SNAP:
Income from a sole proprietorship and/or partnership or S-Corporation income other than wages, draws, guaranteed payments or compensation of officers is self-employment income.

Wages, draws, guaranteed payments, or compensation of officers paid to the business owner or a household member is considered earned income (not self-employment income) when the business is a partnership or S-Corporation.

S-Corporations are considered self-employment businesses. Income received by the shareholders is countable income regardless of whether the individual decides to reinvest his or her income back into the corporation. See 0002.59 (Glossary: RSDI...) for the definition of S-Corporation.

C-Corporations are NOT self-employment businesses. See 0002.09 (Glossary: Calendar Month...) for the definition of C-Corporation.

MSA:
For SSI recipients, no county action is required. SSA will make all income determinations and adjustments.

For non-SSI recipients due to excess income, follow general provisions.

GA:
Use only the income received and expenses paid from the month of application forward, EXCEPT for:

- Farm income. See 0017.15.33.03 (Self-Employment, Convert Inc. to Monthly Amt), 0017.15.33.24 (Self-Employment Income From Farming).

- The cost of building an inventory. Allow the cost of inventory as a deduction only at the time of sale. See 0017.15.33.15 (Self-Employment Expenses Not Allowed).

GRH:
Follow general provisions for aged, blind, or disabled clients. Follow GA for all other adults.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

Self-employed units may deduct expenses directly related to the cost of doing business. Check each expense to see if it is appropriate and necessary to the business. If the expense is reasonable and not prohibited by 0017.15.33.15 (Self-Employment Expenses Not Allowed), subtract the expense from the gross receipts. Document reasons for allowing or disallowing a business expense.

For information on self-employment in-home business expenses and transportation expenses, see 0017.15.33.09 (Self-Employment Expense for In-Home Business), 0017.15.33.12 (Self-Employment Transportation Expenses).

Some common business expenses are:

- Interest on mortgages and loans.
- Employee wages, other than for a person who is part of the unit or who must contribute income to the client. See 0016 (Income From People Not in the Unit).
- FICA paid on an employee's wages.
- Payment on employees' workers' compensation and unemployment insurance.
- Livestock and veterinary or breeding fees.
- Raw material.
- Seed and fertilizer.
- Maintenance and repairs which are not capital expenditures.
- Tax return preparation fees.
- License fees, franchise fees, professional fees, and professional dues.
- Tools and supplies that are not capital expenditures.
- Fuel and transportation expenses other than fuel costs covered by the flat rate transportation deduction. See 0017.15.33.12 (Self-Employment Transportation Expenses).
- Advertising.
- Meals away from local work site (for example: truckers, salespeople).
- Property expenses (for example: rent, insurance, taxes, utilities). For provisions governing in home businesses, see 0017.15.33.09 (Self-Employment Expense for In-Home Business).
- Postage.
- Attorney fees allowed by the IRS.
- Tuition as allowed by IRS publication 508. The IRS allows tuition costs for some classes required to maintain or improve skills in the client's profession or required by law or regulation to keep pay, status, or job.

MFIP, DWP:
Also allow purchase cost of inventory, at the time of sale.

SNAP:
Also allow payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery, and other durable goods.

MSA:
Allow self-employment expenses the IRS allows, unless prohibited in 0017.15.33.15 (Self-Employment Expenses Not Allowed).

GA:
Follow general provisions.

GRH:
Follow MSA for aged, blind, or disabled clients. Follow general provisions for all other adults.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

Determine if the self-employment business operates from the client's home. Allow as a deduction the costs for the portion of the home used exclusively for the business. Also see 0017.15.33.21 (Self-Employment Income From In-Home Day Care).

Use self-employment business and housing costs provided by the client. If these are not available, use the client's tax records or determine a reasonable ratio to allow as a business expense. Compare the number of rooms used for business to the total number of rooms in the house, or compare the total square footage of the house to the square footage used for business. Prorate the expense accordingly.

Deductions include:

- Rent.
- Real estate taxes and insurance.
- Interest on mortgage.
- Utilities.
- Repairs made to specific areas of the home used exclusively for business.

Consider areas used for inventory storage or in-home child care as exclusive business use even though the client does not use them exclusively for business if:

- For inventory storage, the client's home is the only work station. Base the business ratio on square footage of inventory storage to the square footage of the home.
- For in-home child care, the client's home is licensed for child care or is exempt from licensing. Base the business ratio on square footage. In addition to applying the business/home ratio, determine the proportion of time the unit uses the area for child care. Prorate the expense accordingly.

MFIP, DWP, MSA, GA, GRH:
Follow general provisions.

SNAP:
If a unit's self-employment utilities are not metered separately, the unit may claim the standard utility allowance but cannot claim the expense from self-employment income.

If there are separate meters, the unit may claim the standard utility allowance as a utility expense. See 0018.15 (Shelter Deductions).

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

The flat rate deduction for transportation for all programs is 57.5 cents per mile. Use the flat rate deduction or itemize transportation expenses.

If a unit chooses to itemize, allow only verified transportation expenses such as listed below. A tax form is acceptable verification. Advise the unit to keep receipts for expenses incurred.

If the flat rate deduction is used, advise the unit to track the following for each trip:

- Miles by recording odometer readings or other reasonable method.
- Dates.
- Travel destination.
- Purpose.

NOTE: Encourage taxi drivers to itemize actual transportation expenses because itemization allows lease payments to be included. Lease payments can NOT be allowed if the flat rate is chosen. If itemized transportation expenses are used, the participant will not need to keep a separate set of records to file federal taxes. The Internal Revenue Service (IRS) requires itemization of transportation expenses.

Transportation expenses include:

- Gas and oil costs.
- Parking fees.
- Car insurance.
- Car repairs.
- Interest payments on a car loan.

Self-employment transportation expenses are allowable between the person's principle place of business and other self-employment locations. If there is no principle place of business, allow expenses for self-employment travel beyond a distance of 35 miles, one-way, from the person's home.

Transportation expenses are NOT allowed between the self-employed person's home and principle place of business. Personal transportation expenses are not an allowed self-employment expense.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

Do not allow as a self-employment expense:

- Federal, state, and local income taxes.
- The employer's own share of FICA. This does not include the share the employer pays for an employee.
- Money set aside for the self-employed person's own retirement.
- Work-related personal expenses.

MFIP, DWP:
Do not allow:

- Payments on principal of loans for the purchase of capital assets.
- Purchase of capital assets.
- Charitable contributions.
- Depreciation.
- Amortization.
- Wages or other benefits paid to a unit member or another member of the household for whom the employer is legally responsible.
- The costs of building an inventory. (Deduct the cost of a product only after it sells).
- Transportation costs that exceed the maximum standard mileage rate allowed for use of a personal car by the IRS. See 0017.15.33.12 (Self-Employment Transportation Expenses).
- Costs for mileage between the unit member’s home and place of employment.
- Personal business and entertainment expenses.
- Credit Card payments, including interest charges.
- Any expenses not allowed by the IRS.

SNAP:
Do not allow:

- Net loss from another period.
- Charitable contributions.
- Depreciation.

- Wages or other benefits a sole proprietorship pays to a unit member as a business expense.
- Personal business and entertainment expenses.
- Cost of meals.
- Credit Card payments, including interest charges.

MSA:
Do not allow net loss from another period.

GA:
Do not allow:

- Net loss from another period.
- Payments on principal of loans.
- Capital expenditures.
- Charitable contributions.
- Depreciation.
- Wages or other benefits paid to a unit member or other household member for whom a unit member is legally responsible.
- Personal business and entertainment expenses.
- Any expenses not allowed by the IRS unless specifically authorized by this manual.

GRH:
Follow MSA for aged, blind, or disabled clients. Follow GA for all other adults.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

MFIP:
A person with more than 1 self-employment business may use the loss from 1 business to offset income from another business that person owns.

A loss from a self-employment business may not offset non-self-employment income or income from another person's business.

DWP:
Follow MFIP. After the initial DWP determination, exclude any unanticipated income the unit may receive.

SNAP:
Units operating more than 1 self-employment business may use the loss from 1 business to offset self-employment income from another business.

Units which expect to receive $1,000 or more annual gross income from farming may use a farm loss to offset other earned or unearned income.

1. Average the farm loss to determine a monthly amount.

2. Subtract the farm loss from any other self-employment of the unit.

3. If the farm loss is less than the other self-employment income, add the remaining self-employment income to any other earned and unearned income. Apply the Gross Income Test (GIT) to this result.

   If the farm loss is greater than the other self-employment income, add the unit's other gross earned and unearned income together and subtract the remaining loss. Apply the Gross Income Test (GIT) to this result.

See 0017.15.33.24 (Self-Employment Income From Farming).

MSA:
A loss from self-employment income may be used to offset other earned income.

GA:
Do not use a loss from self-employment to offset other income. This includes other self-employment income.

GRH:
Follow MSA for aged, blind, or disabled clients. Follow GA for all other adults.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

People who provide day care in their own homes are self-employed. In-home day care providers can deduct day care expenses from their day care income.

People who provide day care in someone else's home are not eligible for these deductions.

Instruct in-home day care providers to itemize and verify expenses, unless they use a flat rate deduction. See 0010.18.09 (Verifying Self-Employment Income/Expenses).

Commonly allowable itemized expenses include:

- Food.
- Toys and books.
- Supplies.
- Transportation. See 0017.15.33.12 (Self-Employment Transportation Expenses).
- License fees and professional dues.
- Advertising costs.
- Equipment rental and lease expenses.
- Equipment which is not a capital expenditure.

In addition, deduct expenses for the area of the home used for day care. See 0017.15.33.09 (Self-Employment Expense for In-Home Business).

MFIP, GA:
In-home day care providers may itemize expenses or take a flat rate deduction of 60% of gross receipts. Use the method most advantageous to the unit. People who provide day care in someone else's home must use actual expenses. See 0017.15.33.03 (Self-Employment, Convert Inc. to Monthly Amt).

Do not count payments from the Minnesota Child Care Food Program in calculating gross receipts. If using the actual expense method, do not deduct expenses reimbursed through the Minnesota Child Care Food Program.

DWP:
Follow MFIP. After the initial DWP determination, exclude any unanticipated income the unit may receive.

SNAP:
In-home day care providers must itemize expenses.

Exclude the portion of Minnesota Child Care Food Program funds paid for meals served to the provider's own children. Count all other Minnesota Child Care Food Program payments in calculating gross receipts.

For meals provided, providers may choose either actual costs or the reimbursement amounts currently allowed by the Child and

Adult Care Food Program (effective July 1, 2014 - June 30, 2015):

Breakfast	$1.31
Lunch or supper	$2.47
Snack	$0.73

MSA:
In-home day care providers must itemize expenses.

Exclude the portion of Minnesota Child Care Food Program funds paid for meals served to the provider's own children. Count all other Minnesota Child Care Food Program payments in calculating gross receipts.

GRH:
Follow SNAP for aged, blind, or disabled clients. Follow MFIP for all other adults.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

Farmers are self-employed. They may work full-time, part-time, or as hobby farmers.

Common types of farm income include:

- Proceeds from sale of crops, livestock, or products.
- Production from livestock.
- Income from home-produced food.
- Soil conservation payments and other subsidies.
- Proceeds from machine rental, including wages to the farmer/operator.
- Capital gains. See 0017.15.54 (Capital Gains as Income).

Deduct from farm income all allowable expenses necessary to produce the income. Separate farm and shelter expenses using farm records and information from the mortgage lender, tax assessor, or Farmer's Home Administration. When it is not possible to separate farm and shelter expenses, determine the ratio of farm property to home property and multiply the expense by the ratio.

Also see:

0010.18.09	Verifying Self-Employment Income/Expenses.
0017.15.33.03	Self-Employment, Convert Inc. to Monthly Amt.
0017.15.33.06	Self-Employment Common Business Expenses.
0017.15.33.15	Self-Employment Expenses Not Allowed.
0022	Budgeting and Benefit Determination.

MFIP, DWP:
Follow general provisions.

SNAP:
Average farm income and expenses over a 12-month period. Use the unit's most current tax return as a guide. If the tax return is not available or does not reflect true circumstances, use the client's farm records.

If the farm income has greatly increased or decreased from the income shown on the tax return or farm records, anticipate the earnings and calculate a new average. Use the average for the remainder of the certification period.

MSA, GA, GRH:
Average farm income and expenses over a 12-month period. Use the unit's most current tax return as a guide. If the tax return is

not available or does not reflect true circumstances, use the client's farm records.

If the farm income has greatly increased or decreased from the income shown on the tax return or farm records, estimate the earnings. Calculate a new average each month until there is a 12-month average. Use the average figure for 12 months or until the client files a new tax return form, whichever is shorter.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

If a client receives payments for lodging, meals, or related services from people living in the client's home, the income is roomer/boarder income. Units with roomer/boarder income are self-employed. Count the income as earned income.

- A roomer lives with the unit and pays for lodging only.
- A boarder eats with the unit and pays for meals only.
- A roomer and boarder lives AND eats with the unit and pays for lodging AND meals.

Roomer/boarder income is different from rental property or from shared living expense income. For information on rental property income, see 0017.15.33.30 (Self-Employment Income From Rental Property). For information on shared living expense income, see 0017.06 (Excluded Income).

MFIP, DWP:
Allow a flat rate deduction for each roomer, boarder, and roomer/boarder:

- Roomer: $71 per month.
- Boarder: $200 per month (the Thrifty Food Plan amount for 1).
- Roomer/boarder: $271 per month (the roomer rate plus the Thrifty Food Plan amount for 1).

If there is more than 1 boarder (or roomer/boarder), use the total number of boarders as the unit size in determining the Thrifty Food Plan amount. See the SNAP provisions of 0022.12.01 (How to Calculate Benefit Level - SNAP/MSA/GRH).

Subtract the flat rate deduction for each roomer, boarder, and roomer/boarder from total roomer/boarder income to get gross roomer/boarder self-employment income.

SNAP:
Allow the following expenses for a roomer/boarder:

- Roomer: The verified expense of providing the room. See the general provisions of 0017.15.33.30 (Self-Employment Income From Rental Property) for instructions on how to determine the expense.
- Boarder: The verified expense of providing the food or the Thrifty Food Plan. For Thrifty Food Plan amounts, see 0022.12.01 (How to Calculate Benefit Level - SNAP/MSA/GRH).
- Roomer and boarder: The verified expense of providing the room and the Thrifty Food Plan amount or the verified expense of providing the food, whichever is greater. For the Thrifty Food Plan Amounts, see 0022.12.01 (How to Calculate Benefit Level - SNAP/MSA/GRH).

If there is more than 1 boarder, use the total number of boarders as the unit size in determining the Thrifty Food Plan amount.

Deduct the allowable expenses, up to the amount of the income, to get gross self-employment income. For treatment of boarders who pay less than the Thrifty Food Plan amount for food, see 0014.03.06 (Determining the SNAP Unit), 0022.12.01 (How to

Calculate Benefit Level - SNAP/MSA/GRH).

MSA:
Allow the following expenses for a roomer/boarder:

- Roomer: The verified expense of providing the room.
- Boarder: The verified expense of providing the food.
- Roomer and boarder: The verified expense of providing the room and board.

Deduct the allowable expenses, up to the amount of the income, to get gross self-employment income.

GA:
Allow a flat rate deduction for each roomer/boarder:

- Roomer: $71 per month.
- Boarder: $86 per month.
- Roomer and boarder: $157 per month.

Subtract the flat rate deduction for each roomer/boarder from total roomer/boarder income to get gross self-employment income.

GRH:
Follow MSA for aged, blind, or disabled clients. Follow GA for all other adults.

Information regarding the 2/1/15 Self-Employment policy may be found in the Simplified Self-Employment Policy Guide (PDF) Effective 02/01/15.

Information regarding the Self-Employment policy prior to 2/1/15 is below.

Rental property is property the client owns and rents to others. This may include separate living quarters in the same building, such as a duplex. For information on rental income from people living with the client, see 0017.15.33.27 (Self-Employment Income From Roomer/Boarder).

Income from rental property may be earned or unearned. See the program provisions for when rental income is earned or unearned. Deduct allowable expenses from both earned and unearned rental income to get gross rental income. Allow earned income disregards only for earned rental income. See 0018.18 (Earned Income Disregards).

Allowable expenses for rental property include:

- Real estate tax.
- Insurance.
- Utilities.
- Interest.
- Upkeep and repairs.

When the client lives on the rental property, determine the rental property ratio. Divide the number of rooms or square footage that the client rents out by the total number of rooms or square footage in the building. To determine the portion of an expense that is an allowable deduction, multiply the expense by the ratio.

MFIP, DWP:
Clients may deduct either actual expenses for upkeep and repairs, or use a flat deduction of 2% of the estimated market value on the county tax assessment form. Clients may switch between the flat rate deduction and actual expense method only at recertification. Help clients determine which deduction would be more favorable to them. If clients choose the flat deduction, divide 2% of the estimated market value by 12 to get the monthly deduction amount.

Count income from rental property as earned income when the unit spends an average of at least 43 hours per month maintaining or managing the property. Otherwise, count it as unearned income. Allow earned income disregards only for earned rental income. See 0018.18 (Earned Income Disregards). For information on computing the average number of hours worked per month, see 0017.15.33 (Self-Employment Income).

SNAP:
Count income from rental property as earned income when the unit spends an average of 20 hours or more per week maintaining or managing the property. Otherwise count it as unearned income.

If a unit rents out a room in its home and includes utilities in the rent, the unit may claim the standard utility allowance (SUA) in its SNAP budget or as a deduction from its self-employment earnings. The unit CANNOT claim the SUA in both budgets.

MSA:
For SSI recipients, no county action is required.

For SSI excess income clients:

Count income from rental property as earned income for each month the client spends an average of at least 10 hours per week maintaining or managing the property.

Count income as unearned for each month the client spends less than 10 hours per week maintaining or managing the property.

GA:
Count income from rental property as earned income when the client spends an average of at least 20 hours per week maintaining or managing the property. Otherwise count it as unearned income.

Allow up to $103 per year or 2% of the estimated market value on the county tax assessment form, whichever is greater, for upkeep and repairs.

GRH:
Follow MSA for aged, blind, or disabled clients. Follow GA for all other adults.