

Determining Household Reportable Income - Special Situations

Income for the Self-Employed

Self-employed persons may use their previous year's income as a basis to project their current year's net income, unless their current net income provides a more accurate measure.

Self-employed persons are credited with net income rather than gross income. Net income for self-employed farmers, for example, is figured by subtracting the farmer's operating expenses from the gross receipts.

Deductible business expenses include:

- The cost of goods purchased;
- Rent;
- Utilities;
- Depreciation charges;
- Wages and salaries paid; and
- Business taxes.

Non-deductible business expenses include:

- The value of salable merchandise used by the proprietors of retail businesses; and
- Personal, Federal, State, or local income taxes.

Gross receipts include:

- The total income from goods sold or services rendered by the business;
- The value of all products sold;
- Money received from the rental of land, buildings, or equipment to others; and
- Incidental receipts from the sale of items such as wood, sand, or gravel.

Operating expenses include:

- Cost of feed, fertilizer, seed, and other farming supplies;
- Cash wages paid to employees;
- Depreciation charges;
- Cash rent;
- Interest on farm mortgages;
- Farm building repairs; and
- Farm taxes.

Income from Wages and Self-Employment

For a household with income from wages and self-employment, each amount must be listed separately on the household's free and reduced application. When a household experiences a business loss, income from wages must not be reduced by the amount of the business loss. If income from self-employment is negative, it is listed as zero.

Income from Rental Properties

For households with rental properties, income includes money derived from the rental of rooms, apartments, homes and other leases. The treatment of rental income is similar to the treatment of self-employment income.

Projected Income for Seasonal Workers

Certain workers, such as seasonal workers, experience income fluctuations throughout the year, meaning they earn more money in some months than in other months. For these workers, reporting the previous month's income may distort the household's actual financial circumstances. In these situations, the household may project its annual rate of income, and report this amount as its current income. If the prior year's income provides an accurate reflection of the household's current annual rate of income, the prior year may be used as a basis for the projected annual rate of income.

The LEA must determine the period of time any earnings are received for seasonal workers, as well as the amount and source. Seasonal workers with annual employment contracts, such as school employees, may choose to have their salaries paid over a shorter period of time. To treat these employees in the same manner as employees who choose to have their salaries paid over the full year, the LEA must determine the full amount of income available contractually on an annual basis, and convert all income sources to annual amounts.