

**MFIP, DWP, SNAP, MSA, GA, GRH:**

Verify self-employment income as a condition of eligibility. The agency must determine self-employment income using the method the client chooses for each self-employment business. If business taxes for the most recent tax year were filed with the IRS, the client can choose either the 50% of gross income or the income tax forms method. If a client has not filed business taxes for the most recent year or what was filed no longer reflects current or anticipated income, the client must use the 50% of gross income method.

- 50% of Gross Income Method. The client may use business records or the [Self-Employment Report Form \(DHS-3336\) \(PDF\)](#) as monthly proof of self-employment income.
  - Examples of business records include:
    - Copies of daily, weekly, or monthly ledgers.
    - Invoices.
    - Itemized receipts.
    - Purchase orders.
    - Copies of customer receipts.
    - Transportation logs.
    - Cancelled checks.
    - Copy of business checking account statement.
    - County agency forms.
    - Records from the Small Business Administration (SBA).
    - Records from the Farmers Home Administration (FHA).
    - Records from the Production Credit Association (PCA).
    - Statements from the client's customers.
- Income Tax Forms Method. Complete business tax returns and relevant schedules must be used to verify business income under this method. The form of business determines which income tax return must be filed with the IRS. The most common forms of business are the sole proprietorship, partnership, corporation, and S Corporation. See the IRS website for more information on which schedules are needed for each business <https://www.irs.gov/businesses/small-businesses-self-employed/business-structures> and for more information on tax forms, see <https://www.irs.gov/forms-instructions>.

Require complete personal and business tax returns including all business forms. Required forms include but are not limited to:

- Form 1040 U.S. Individual Income Tax Return.
- Business Schedules (1040) forms:
  - Schedule C Form 1040, Profit or Loss From Business. This schedule is used to report income or loss from a business operated or a profession practiced as a sole proprietor.
  - Schedule C EZ (Form 1040), Net Profit From Business. This schedule is used as a simplified version of Schedule C if operated a business or practiced a profession as a sole proprietorship or qualified joint venture, the client was a statutory employee and has met all the requirements listed in Schedule C-EZ, Part I.
  - Schedule D (Form 1040), Capital Gains and Losses. This form is used to report sales, exchanges or certain involuntary conversions of capital assets, certain capital gain distributions, and nonbusiness bad debts. The form includes the tax computation using maximum capital gain rates.
  - Schedule E (Form 1040), Supplemental Income and Loss. This form is used to report income or loss from rental real estate, royalties.
  - Partnerships, S Corporations, estates, and trusts.
  - Schedule F (Form 1040), Profit or Loss From Farming. Use this form to report farm income and expenses.
  - Schedule SE (Form 1040), Self-Employment Tax. This schedule is used to figure the tax due on net earnings from self-employment.

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- Business 1065 Forms. Form 1065 is used to report income, gains, losses, deductions, credits, and other information from the operation of a partnership.

-- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc. This form is used for reporting the distributive share of a partnership income, credits, etc., filed with Form 1065. The partnership files a copy of this schedule with the IRS to report each owner's share of the partnership's income, deductions, credits, etc.

- Business 1120 Forms. Form 1120, U.S. Corporation Income Tax Return is used to report income, gains, losses, deductions, credits, and to figure the income tax liability of a corporation.

-- Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc. This form is used by S Corporations to report to each person and to the IRS who was a shareholder at any time during the S Corporation's tax year.

See [0017.15.33 \(Self-Employment Income\)](#), [0017.15.33.03 \(Self-Employment, Convert Inc. to Monthly Amt\)](#), and the [Self-Employment Guide](#).