



**Minnesota Department of Children, Youth, and Families and  
Minnesota Department of Human Services**

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## **Self-Employment Guide**

**A resource for SNAP and Cash Programs**

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## **SE 01.0 Introduction**

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This guide is designed as a resource to help correctly evaluate self-employment income situations for SNAP and cash programs. These programs are listed below:

#### **MFIP, DWP and GA**

These programs follow shared policies.  
RCA follows MFIP.

#### **SNAP**

Follows similar policies however, the differences are pointed out within the individual sections.

#### **MSA**

For SSI recipients: No action by county or tribe is required. SSA will make all income determinations and adjustments.

For non-SSI recipients due to excess income: Follow general provisions.

#### **Housing Support**

Follow MSA for aged, blind, or disabled clients.

Follow GA for all other adults.

This guide is intended to complement the Combined Manual. Self-employment is calculated differently for SNAP and Cash programs. The differences are pointed out within the individual sections.

## SE 02.0 Definition of a self-employed person

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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.

How to confirm if someone meets the definition of self-employment:

- Self-employed people generally work for themselves rather than an employer.
- Self-employed people may or may not have FICA deducted from the check an employer or another party issues to them.
- 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).
  - 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.
- People who provide day care in their own homes are self-employed. People who provide day care in someone else's home are not self-employed.
- People who provide gig work, including those using digital platforms such as an app or website, are considered self-employed independent contractors unless an employer verifies W-2 employee status.
  - Examples of gig work include, but are not limited to:
    - Driving a car for booked rides or deliveries.
    - Running errands or completing tasks.
    - Selling goods online.
    - Renting equipment.
    - Providing creative or professional services.

## SE 03.0 Self-employment ownership types

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Understanding what type of self-employment business someone has will help you in determining how the income will be evaluated.

Self-Employment Ownership Types	Definition for public assistance purposes	The form of the income
<b>Sole proprietorship</b>	<p>An unincorporated business with only one owner who pays personal income tax on profits earned. Also called “a sole trader or proprietorship.”</p> <p>In a sole proprietorship, the owner is:</p> <ul style="list-style-type: none"> <li>• Inseparable from the business</li> <li>• The recipient of all profits</li> </ul>	Income from a sole proprietorship is self-employment income.
<b>Partnership</b>	<p>A relationship existing between two or more people who join to carry on a trade or business. Each partner contributes money, property, labor or skill, and expects to share in the profits and losses of the business. A partnership contract spells out the manner in which profits are to be distributed.</p> <p>The types of partnerships include:</p> <ul style="list-style-type: none"> <li>• General Partnership</li> <li>• Limited Partnership</li> <li>• Limited Liability Partnership</li> </ul>	The profits or losses of the partnership are counted as self-employment income.

Self-Employment Ownership Types	Definition for public assistance purposes	The form of the income
<b>S Corporation (Subchapter S Corporations)</b>	<p>Corporations that elect to pass corporate income and losses to shareholders for federal tax purposes. Corporations are legal entities, and are responsible for their own debts and obligations.</p> <p>An individual involved in an S corporation is considered self-employed.</p>	<p>Earned income: All wages, draws, guaranteed payments, or compensation of officers paid to the business owner or a household member</p> <p>Self-employment income: Any other income from a partnership or S-Corporation</p>
<b>C-Corporation</b>	<p>See <a href="#">0002.09 (Glossary: Calendar Month...)</a> for the definition of C-Corporation.</p> <p>C-Corporations are NOT self-employment businesses.</p>	N.A.

## SE 04.0 Method of calculation

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There are two methods for calculating self-employment income:

1. 50% of gross income.
2. Income tax forms.

The agency must determine self-employment income using the method the client chooses for each self-employment business.

- If the client has not filed business taxes with the Internal Revenue Services (IRS) as of the filing deadline for the most recent tax year, the client must use the 50% of gross income method.
- If the client has not filed taxes for the most recent tax year, they can use the previous year's taxes up to the filing deadline.
  - If the client has a renewal due for 04/2022, and has not filed 2021 taxes yet, the client can still use 2020 taxes to complete the renewal.
  - However, if the client has a renewal due for 05/2022 and has not filed taxes yet, the client must switch to the 50% of gross income method as the filing deadline has passed.

Document the option the applicant or participant has chosen, all calculations and forms used in case notes.

Current program participants must continue to use the same method for each self-employment income source, unless they meet a program-specific changing option.

### SE 04.1 Program specific policies on methods:

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#### **MFIP, DWP and GA:**

See [0022.03.01 \(Prospective Budgeting – Program Provisions\)](#).

Participants must be given the option to change their method of self-employment income calculation at six-month review or recertification.

Participants who use the income tax forms method, must continue to use this method until review or recertification, unless there is a Major Change. See MAJOR CHANGE in [0002.39 \(Glossary: Lump Sum...\)](#). Participants with a Major Change can choose the 50% of gross income method for the next benefit month.

#### **SNAP:**

For applications or recertifications:

For applicants or participants choosing the 50% of gross income method, use income received 30 days prior to the date of application, to calculate self-employment income. Current income is an indicator of the gross business receipts that will be available during the next 6-month period.

When gross business receipts fluctuate to the extent that the preceding 30 days is not an accurate indication of anticipated gross business receipts, use a reasonable period of time and gross business receipts based on patterns in the actual earnings over time (for example, the last 3 months) to determine current income.

For applicants or participants choosing the income tax forms method, if the income and expenses on the business tax forms from the most recent tax year are not reflective of what the client reasonably anticipates for income in the certification period, the client must use the 50% of gross income method.

Participants must be given the option to change their method of self-employment income calculation at recertification or at six-month review.

During the certification period:

- Participants who use the 50% of gross income method, may choose the income tax forms method at the next benefit month.
- Participants who use the income tax forms method, must continue to use this method until their next renewal.

**MSA:**

For SSI recipients, no action required.

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

**Housing Support:**

Follow MSA for aged, blind, or disabled clients.

Follow GA for all other adults.

## SE 05.0 Verifications

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Verifying self-employment income is a condition of eligibility. The verifications used will be dependent on the calculation method the client chooses for each income source. Always document the type of verification used. Additional information can be found in [CM 0010.18.09 Verifying Self-Employment Income](#).

### **50% of Gross Income Method**

The income verification must show current gross self-employment income. Expenses are not considered in this calculation method. The client may use business records or the [Self-Employment Report Form \(DHS-3336\)](#) as proof of self-employment income.

Examples of business records include, but are not limited to:









- 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 all relevant schedules must be used to verify income under this method. The type of business determines which 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 see <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>.

Tax forms must be from the current tax year and filed with the IRS by the tax filing deadline. Require complete personal and business tax returns including all business forms. Required forms include but are not limited to the tax forms listed in the chart below.

**Tax forms by ownership type:**

<b>Sole Proprietor</b>		Form 1040 <b>Schedule C, E or F</b>		Use info on <b>Schedule C, E or F</b> to determine self-employment income.
<b>Partnership</b>		<ul style="list-style-type: none"><li>- Form 1040</li><li>- Form 1065: Tax Return For Entire Partnership</li><li>- <b>Schedule K-1 (Form 1065)</b>. Each partner's share of income &amp; expenses is "passed through" to each partner.</li><li>- Each partner uses his/her Schedule K-1 to complete the 1040.</li></ul>		Use figures on <b>Schedule K-1</b> and appropriate 1040 <b>Schedule</b> to determine self-employment income
<b>S Corporation</b>		<ul style="list-style-type: none"><li>- Form 1040</li><li>- <b>Form 1120 S</b> Tax Return For Entire S Corporation</li><li>- <b>Schedule K-1 (Form 1120S)</b>. Each shareholder's share of income &amp; expenses is "passed through" to each shareholder.</li><li>- Each shareholder uses his/her Schedule K-1 to complete the 1040.</li></ul>		Use figures on <b>Schedule K-1</b> and appropriate <b>1040 Schedule</b> to determine self-employment income.
<b>C Corporation</b>		<b>Form 1120</b> Corporation Income Tax Return		Client is not self-employed, use wages to determine income.

## **SE 06.0 Self-employment certification steps**

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1. Applicant or Participant chooses the Self-Employment budgeting method.
2. Determine the type of self-employment income using one of the nine categories from MAXIS. [SE 7.0 MAXIS Self-employment income types](#)
3. Determine the client's level of ownership in the business, sole proprietorship, partnership, or corporation. [SE 03.0 Self-employment ownership types](#)
4. Gather the appropriate business verification, records and/or tax forms based on the client's choice of calculation method. [SE 05.0 Verifications](#)
5. Review the business records or tax forms to determine if they are reflective of the current situation.
6. Determine what time period the business verification covers. For the income tax forms method, if a business has been in operation for less than 12 months or a seasonal business, divide the gross income by the number of months the business was in operation.
7. Calculate countable net income following [CM 0017.15.33.03 Self-Employment, Convert Inc. To Monthly Amount](#) and [SE 08.0 Calculate the countable net income](#).
8. Enter calculated amounts on the appropriate MAXIS STAT panels.
9. CASE/NOTE: Document the specific type of self-employment income, the client's choice of calculation method for each individual self-employment business and how the income was calculated.

## SE 07.0 MAXIS self-employment income types

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MAXIS divides self-employment income into nine types, identifying each type by a numeric code. This section defines each of these types and provides information regarding the certification process.

#### The nine MAXIS self-employment types are:

01	Farming	The activity of growing/raising farm items for the purpose of producing income. The self-employed individual must have direct involvement in the farming activity. Common farming types: Beef Cattle, Dairy, Fruit, Grain, Hobby, Organic, Sod, Tree, Vegetable
02	Real Estate	The activities of buying, selling and/or management or development of real property. This can include Real Estate Agent, Broker or Manager
03	Home Product Sales	Also called Direct Sales Industry. The activity of selling merchandise on-line, door-to-door, parties, from trucks/wagons or from temporary locations. Some examples include: Pampered Chef, Thirty-one, Avon, Tastefully Simple and Partylite.
04	Other Sales	The activity of selling products or goods other than real estate and items defined as home product sales items. Some common sales types: Logging, restaurant, retail store, sales person
05	Personal Services	Also called service industry. Activities that provide services rather than goods to the customer. The service may offer an improved standard of living or convenience, professional or technical expertise, or other essential services. Examples of service types: carpenter, dog groomer, therapist, acupuncture, hair care, housekeeping, plumber, lawn care, tax accountant, taxi driver, Uber driver, Lyft driver, etc.
06	Paper Route	Also called Newspaper Delivery. The activity of delivering newspapers to people's homes.
07	In-home daycare	The activity of providing daycare for other people's children in the individual's own home.
08	Rental	The activity of leasing or renting personal or real property to another person for payment. Examples of rental income: Farmland, House, Apartment, business space, equipment
09	Other	Any activity that does not fall into one of the other eight codes.

## SE 08.0 Calculate the countable net income

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When a unit has more than 1 self-employment business, calculate the income for each business separately. Losses from any business whose earnings are determined using income tax forms, offsets the earnings from the other self-employment business. MAXIS will calculate the income. This is why it is important to enter a separate BUSI panel for each individual self-employment business.

### **Gross income calculation**

For both methods, 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.
- 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 \(Earned Income Disregards\)](#).

### **Deductions from gross income**

For the 50% of gross income method, deductions are calculated by taking 50% off of the gross income.

For the income tax forms method, review business expenses listed on the tax forms.

- The instructions for each tax form provide information on what expenses are allowable under current Internal Revenue Code.
- Allow expenses that are also allowed by Internal Revenue Code except for the following:
  - Net losses carried over into additional tax years. Only allow net losses in the original year in which it occurred.
  - Federal, State, local income taxes and money set aside for retirement.
  - Depreciation
- Divide the expenses by 12 (months) or the number of months the business is in operation or the season for seasonal income to find the monthly average expense for the business.

Subtract allowable business expenses from gross income. This may result in a positive number or a negative number. This is the counted business income.

For both methods, document the gross income and expenses along with which option the applicant or participant has chosen in the CASE/NOTE.

## SE 09.0 MAXIS entry – 50% of gross income method

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### **Cash Provisions**

Use current gross earnings in this calculation. Gross earnings are defined as earned income before taxes and deductions. Business expenses are not used in this calculation method.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

**SNAP Provisions**

Use the gross business income as determined by current business records. Start with income received 30 days prior to the date of application. When income fluctuates to the extent that this income is NOT an accurate indication of anticipated income, use a reasonable period of time and income. No business expenses from the business records are used as part of this calculation.

[REDACTED]

[REDACTED]

[REDACTED]

For all programs, make sure to document the type of self-employment business, the client's choice of calculation method for each individual self-employment business, how the income was calculated and verifications received in CASE/NOTES.

## **SE 10.0 MAXIS entry– income tax forms method**

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Applicants and participants only have a choice of the income tax forms method if they have filed a tax return for the current tax year with the IRS by the tax filing deadline. If taxes have not been filed within this time frame, they cannot choose this method.

Review the gross income from the appropriate business tax forms and divide this amount by the number of months the business was operating during the tax year. This is your monthly income. Review the business expenses to determine if any expenses are not allowed, see [CM 0017.15.33.03 Self-Employment, Convert Inc. To Monthly Amount](#) or [SE 08.0 Calculate the countable net income](#). If any of the expenses listed on the tax forms are not allowed, do not allow these expenses in calculating the allowable expenses. Take the allowable expenses from the tax forms and divide this amount by the number of months the business was in operation during the tax year.

### **Cash Provisions**

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

**SNAP Provisions:**

[REDACTED]

[REDACTED]

For all programs, units choosing the income tax forms method for at least one business and operating more than one self-employment business may use the loss from one business to offset self-employment income from another business. [REDACTED]

[REDACTED]

Make sure to document the type of self-employment business, the client's choice of calculation method for each individual self-employment business, how the income was calculated and verifications received in CASE/NOTES.

## **SE 11.0 Special self-employment income situations**

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#### **Capital Gains and Losses**

Capital gains and losses result from the sale of business goods or equipment. A gain or loss is the difference between the amount the business paid for an asset and the amount received upon the sale of the asset. If the sale price is greater, there is a gain. If the costs are greater, there is a loss.

Capital Assets are all types of property that are held by a company for investment and useful business purposes. Capital assets are those assets used by the business to make a profit. Most types of business property are considered capital assets.

Capital losses are deducted on the tax return as a loss from self-employment businesses which reduces the net profit. Capital losses from one self-employment business can be used to reduce total countable self-employment income from other businesses within the unit, within the same tax year.

When calculating income that includes capital gains or losses refer to [CM 0017.15.54 Capital Gains and Losses as Income](#).

#### **Roomer/Boarder Income**

Payments received for lodging and/or meals from people living in the client's home is considered roomer/boarder income for the client. A roomer is a person who is not a unit member who lives with the unit and pays the unit for lodging, but does not eat with the unit or pay the unit for food. A boarder is a person who eats with the unit and pays for meals but does not live with the unit and is not a unit member.

For Cash programs, this is counted as self-employment earned income.

For SNAP, certain types of roomer/boarder income are considered self-employment income. For Examples on how to budget income for SNAP, see [SNAP Shelter Deduction and Rental Income Case Examples](#).

For program specific information, see [CM 0017.15.33.27 Self-employment Income from Roomer/Boarder](#)

#### **Rental Property Income**

Rental Property is owned by the client and rented to others. This may include land or separate living quarters in the same building, such as a duplex.

For MFIP, DWP, GA, non-SSI MSA and Housing Support this income is counted as earned income and earned income disregards are allowed.

For SSI recipients receiving MSA and aged, blind and disabled clients for Housing Support, no county or tribal action is required. SSA makes all income determinations.

For SNAP, income is counted as earned income if the unit spends an average of 20 hours or more per week (80 hours or more per month) maintaining or managing the property. Otherwise it is counted as unearned income. Always enter Rental Property Income on the BUSI panel. MAXIS determines whether the income to be earned or unearned based off of the hours entered on the BUSI panel. See [CM 0017.15.33.30 Self-employment Income from Rental Property](#) for information.

### **Farming Income**

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

Common types of farming 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

### **SNAP Provisions:**

Units with Farming income that results in a profit are treated the same way as other self-employed units.

Units with a farm loss will use the following steps to determine the self-employment income for all of the unit's self-employment businesses.

- Units which expect to receive less than \$1,000 in annual gross income from farming cannot use the farm loss to offset other earned and unearned income.
- Units which expect to receive \$1000 or more in annual gross income from farming and experience a farm loss can use the farm loss to offset other earned and unearned income.

Once the income and expenses have been calculated, follow the steps below to determine how the loss can be applied:

1. Average the farm loss to determine a monthly amount.
2. Subtract the farm loss from any other self-employment income 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. [REDACTED]

If after applying the farm loss offset, the unit passes the GIT and earned income remains, allow the 20% earned income deduction this amount prior to applying other deductions.

## SE 11.1 Special payment types

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The following types of payments **ARE** counted as self-employment income:

- Patronage dividends paid as cash dividends
- Farm Service Agency (FSA) - cash payments (except for disaster payments) are counted as earned self-employment income. These payments include, but are not limited to, Commodity Credit Corporation acreage reduction and conservation payments.
- Private Crop Insurance Payments if the insurance company pays the household in installments.

The following types of payments **ARE NOT** counted as self-employment income.

- Federal gasoline tax credit
- State gasoline tax refund
- Patronage dividends paid in the form of stock
- Federal crop insurance corporation
- Private crop insurance payment if paid as a nonrecurring lump-sum payment
- Disaster assistance payments

## SE 12.0 Additional resources

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[Submit policy questions to PolicyQuest](#)

[DHS-3336-ENG Self-Employment Report Form](#)

[CM 0017.15.33 Self-employment Income](#)

[CM 00.17.15.33.03 Self-employment, Convert Inc. to Monthly Amt](#)

[SNAP Shelter Deduction and Rental Income Case Examples](#)