

## Best Beginnings Child Care Scholarship Self-Employment Income Verification Form

### What is Self-Employment?

Self-Employment is the act of engaging in a trade or business except as an employee. A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit. An individual is NOT self-employed if performing services that can be controlled by an employer. Source of income and individual activity from which income is generated determines if it is self-employment income.

### How is self-employment income used to determine eligibility?

During the process of determining household eligibility, all gross income is evaluated to determine eligibility. In addition, self-employment status for applicants and participants is also verified. Income from self-employment divided by the number of child care hours requested must equal the current Federal/State Minimum Wage. Hours of care will be adjusted until the Minimum Wage amount is achieved.

### What documents will I need?

The following list of documents, are used to verify earned income. It is the responsibility of the applicant/participant to provide verification of all income used to determine eligibility.

- Bookkeeping records
- Tax Returns –must show proof of filing
- Receipts for ALL allowable expenses
- Pertinent lease agreements [building, vehicle, chair (cosmetology), etc.]
- Self-employment Income Verification form
- Contracts [construction, etc.]
- Bank Statements [personal & business] and cancelled checks
- Signed time sheets and receipt of payroll if have employees

The following list of documents, are used to verify unearned income. It is the responsibility of the applicant/participant to provide verification of all income used to determine eligibility.

- Attorney statements
- Cash income records
- Child Support receipts
- Parenting Plan – court filed
- Retirement Award letter
- Education/Training Award records

Should an error occur during the income eligibility process, regardless of who made the error, the applicant/participant may be fully responsible for any overpayment and may have to complete an agreement to pay all or part of any monies they receive as part of the Best Beginnings Child Care Scholarship program. [Child Care Policy 6-8; page 1 of 4]

## What expenses are allowed or not allowed?

**Allowed** business expenses are subtracted from the gross receipts to determine taxable gross income. Allowable expenses must directly relate to the production of income. Receipts must be attached to be counted.

**Not Allowed** business expenses include those derived from capital investments:

- Depreciation
- Amortization
- Non-sufficient Fund charges
- Credit Card late fees
- Business start up costs
- Personal & entertainment expenses
- Payments on principal portion of loan payments
- Personal transportation
- All expenses for which receipts are not provided

## Instructions

1. You may use the worksheet on the back of this form to verify your self-employment income if:
  - You did not file a business income tax return last year; or
  - You filed a business tax return last year AND expect a significant change in your business earnings this year.
2. You must have business records to verify the information given on this form. Business records include items such as invoices, cancelled checks, receipts for materials purchased, business and personal bank account information and your business calendar for us to determine your work schedule. Copies must accompany this form. We cannot guarantee that original forms will be returned to you.  
**NOTE:** While the IRS may allow more business deductions, this form lists only the business deductions allowable under the scholarship program.
3. If you filed a business tax return last year, please include copies of **IRS forms 1040 and Schedule C**. Include form **8829** if you claim expenses for the business use of your home. These forms must show that they were filed with your tax return.
4. If you own a corporation or partnership, include copies of **IRS forms 1065 or 1120**. Your share of profits not distributed to the principal owners will be counted as income.
5. You must include copies of any estimated taxes you paid to the IRS this year. Generally, the IRS requires you to make estimated tax payments if you expect to owe at least \$1,000.00 in taxes.
6. Please refer to the Self-employment brochure for a partial list of expenses not allowed for the scholarship program.
7. We must be able to verify how many hours you work and the work schedule you listed on your application form. Please attach to this form any information you have that verifies your work schedule.
8. This form must be signed and dated.

**If you have any questions or need help completing this form, please call your CCR&R eligibility worker.**



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 (New 01/11)

**Best Beginnings  
 Child Care Scholarship Program**

**Self-Employment Income  
 Verification Form**

<b>CGR&amp;R ELIGIBILITY SPECIALIST STAFF ONLY</b>	
CASE / CASE EVENT NUMBER	
HEAD OF HOUSEHOLD NAME	
ELIGIBILITY BEGIN DATE	ELIGIBILITY END DATE
ELIGIBILITY DETERMINATION DATE	R&R DATE STAMP
CASE EVENT WORKER NAME	

**1. APPLICANT / PARTICIPANT**

This is the person who is Self Employed and reporting their self employment income.

LAST NAME		FIRST NAME		MIDDLE NAME	
ADDRESS (physical)					
CITY		STATE	ZIP	COUNTY	PHONE NUMBER

**2. BUSINESS INFORMATION**

BUSINESS NAME		Federal Tax ID	When was this business started?
BUSINESS ADDRESS (if different)			Did you file a tax return last year? <input type="checkbox"/> YES <input type="checkbox"/> NO
CITY	STATE	ZIP	COUNTY
PHONE NUMBER			
TYPE OF BUSINESS (explain)			
BUSINESS OWNER NAME(S) (if not owned solely by yourself)		1. _____ 2. _____	
How many hours do you work a week? _____ A month? _____ Please attach a weekly / monthly work schedule		What is your income/draw? \$ _____ Per month	
Does the business have employees? <input type="checkbox"/> YES <input type="checkbox"/> NO If yes, how often are they paid?			
Does the business have any company-paid flexible child care benefits that could be taken in cash? <input type="checkbox"/> YES <input type="checkbox"/> NO If, yes, please list amount per month: \$ _____ Who received these benefits?			
Does the business have any contracts from which income is derived? <input type="checkbox"/> YES <input type="checkbox"/> NO If, yes list and give amounts.			
Does the business have lease agreements from which expenses are paid? <input type="checkbox"/> YES <input type="checkbox"/> NO If, yes list number and type of leases.			

## BUSINESS INCOME CALCULATION WORKSHEET

**PLEASE ROUND ALL AMOUNTS TO THE NEAREST DOLLAR**

1. Income	What is this? Documentation is required.	Amount
a. Gross Income earned	Enter your gross business income before deductions	1a.
b. Period covered	Tell us how long it took you to earn this money	1b. From: _____ To: _____
c. Unearned Income	List the amount you have received from sources other than employment such as interest, dividends from investments, or rental property [including boarders]	1c.
2. Business Expense	What is this? Documentation is required.	Amount
<p><b>You have three expense options: Actual Expenses, 35% of your gross income for expenses, or no expenses. Please indicate your choice below. If you choose 35%, you do not need to complete the expenses section of this form. If you have no expenses, please indicate below.</b></p> <p style="text-align: center;"> <input type="checkbox"/> Actual Expenses              <input type="checkbox"/> 35% of gross income for expenses              <input type="checkbox"/> I have no expenses         </p>		
a. Car & Truck Expense	You can claim the standard mileage deduction if you use your car or truck for business purposes. Multiply the miles you traveled for work times \$.55 per mile.	2a. Miles _____ X \$0.55 = \$ _____
b. Insurance	List the amount you pay for business insurance on your business.	2b.
c. Equipment Rental	Enter the cost of renting vehicles, machinery or equipment for your business.	2c.
d. Supplies	Enter the cost of supplies and materials used to operate your business.	2d.
e. Licenses	Enter the cost of any licenses you purchased for your trade or business.	2e.
f. Telephone	Enter your business telephone expense. If you use your home telephone for business, DO NOT, deduct the regular monthly rate charged by your telephone company.	2f.
g. Employee Salaries	Enter the amount you paid to individuals that worked for you. Do not include payments to yourself or any other business owners.	2g.
3. Total Business Expense	Add the total expenses listed in lines 2a through 2g or 35% of line 1a+line 1c. $[(1a+1c) \times .35]$	3.
4. Net Business Income	Subtract the total expenses in line 3 from your gross earnings in line 1a + Line 1c. $[(1a+1c) - 3=4]$	4.

### Please Sign and Date

- With my signature, I certify that I have listed all income and expenses above. I also certify that I have receipts or some type of verification on file for all listed income and expenses reported on this form, and I will keep them on file for at least one year from the date reported.
- I declare and affirm under the penalties of perjury that the information has been examined by me, and to the best of my knowledge and belief, is true and correct.

Business Owner Signature \_\_\_\_\_

Date \_\_\_\_\_