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**State of Wisconsin
Governor Scott Walker**

**TO: Income Maintenance Supervisors
Income Maintenance Lead Workers
Income Maintenance Staff
W-2 Agencies
Workforce Development Boards
Job Center Leads and Managers
Training Staff
Child Care Coordinators**

**FROM: Kath McGurk, Director
Bureau of Early Learning and Policy
Division of Early Care and Education
Department of Children and Families**

DECE/BELP OPERATIONS MEMO					
No: 15-41					
DATE: 11/04/2015					
FS	<input type="checkbox"/>	MA	<input type="checkbox"/>	BC+	<input type="checkbox"/>
SC	<input type="checkbox"/>	CTS	<input type="checkbox"/>	FSET	<input type="checkbox"/>
BC+ Basic	<input type="checkbox"/>	BC+ CORE	<input type="checkbox"/>		
CC	<input checked="" type="checkbox"/>	W-2	<input type="checkbox"/>	EA	<input type="checkbox"/>
CF	<input type="checkbox"/>	JAL	<input type="checkbox"/>	JC	<input type="checkbox"/>
RAP	<input type="checkbox"/>	WIA	<input type="checkbox"/>	Other	<input type="checkbox"/> *
				EP	

SUBJECT: Adjusted Self-Employment Income for Child Care

CHILD CARE SELF-EMPLOYMENT MEMO: 2 of 3

CROSS REFERENCE: CC Self-Employment Memos 1 and 3, CC Manual Sections 1.4.8.3.2 and 1.5.5.4. Wisconsin Statutes 49.155 (1m)(c)

EFFECTIVE DATE: November 9, 2015

PURPOSE: To communicate policy and automation changes regarding self-employment income for Wisconsin Shares families. These updates have been made to align policy and automation with statutory requirements.

BACKGROUND: Wisconsin statute 49.155 (1m)(c)1.a. and b. state that for financial eligibility test for farm and self-employment income, include the sum of:

- Net earnings reported to the Internal Revenue Service plus depreciation expenses, personal business and entertainment expenses, personal transportation costs, purchases of capital equipment and payments on the principal of loans.

NEW POLICY: Expenses for depreciation, personal business and entertainment, personal transportation costs, purchases of capital equipment and payments on the principal of loans are not valid expenses and must be added back in net income during child care eligibility determination.

Tax forms submitted to the IRS must be provided in order to make this calculation. Use Self-Employment Income Report Forms (SEIRFs) DCF-F-DWSP2131 or DHS F-00107 and IRS tax forms to show time periods where there is a significant change in income. New businesses are excluded from providing IRS tax documents for the first 6 months of their business and can provide SEIRFs to provide income documentation, however after 6 months, participants are expected to submit filed IRS tax forms, which can include quarterly reported taxes.

GUIDANCE ON POLICY IMPLEMENTATION: If IRS tax or SEIRF forms documentation appears questionable or needs clarification, local agency staff must follow up with the participant and request additional verification such as documentation of receipts, contracts, expenses, etc. if the self-employment appears questionable. Any additional verification requirements must be documented in CWW case comments.

NEW CWW FUNCTIONALITY: Last year, a new field was added to the CWW Self-Employment page, "CC Invalid Expenses". Record the sum of personal business and entertainment, personal transportation costs, purchases of capital equipment and payments on the principal of loans claimed on taxes in this field.

CWW Self-Employment Page Instructions: Enter in the CWW Self-Employment page fields after reviewing participant's taxes as follows:

- **Gross Income:** Enter the total amount of Gross Income claimed for the self-employment.
- **Gross Expenses:** Enter the total amount of all expenses that are listed on the tax documents to be deducted from Self-Employment Income.
- **Depreciation Amount:** Enter the total depreciation amount that is listed on the tax forms.
- **Other Disallowed Expenses:** This field is not applicable to child care. This field should only be filled out to comply with the policy requirements for other programs.
- **CC Only Invalid Expenses:** Calculate the sum of personal business and entertainment, personal transportation costs, purchases of capital equipment and payments on the principal of loans claimed on taxes and enter the sum in this field.
- CWW will then correctly calculate income for this self-employment for child care.

Example: A participant works as an Avon Cosmetics Salesperson and has applied for Child Care and no other programs. The following information was obtained from the IRS tax forms that were submitted for the previous tax year:

- \$20,000 in gross income
- \$15,000 in total gross expense deductions
- Of that \$15,000, the following amounts were identified as expenses that Child Care will not allow and so are added back into the income:
 - \$500 in a depreciation deduction
 - \$100 in travel deductions
 - \$100 in meal deductions
 - \$300 in entertainment deductions

The \$500 in depreciation will be entered into the CWW depreciation field.

The \$100 in travel deductions, \$100 in meal deductions, and \$300 in entertainment expenses will be added together and entered into the CWW CC only invalid expenses field.

A sum of \$1,000 child care expenses will be reduced from the Gross Expenses by the system so this amount will be included on the Child Care Budget page.

The screenshot shows the 'Self Employment' form with the following details:

- Effective Period:** Begin Month: 02 / 2015, End Month: MM / YYYY, Last Updated: 02/24/2015
- Additional Information:**
 - Individual: KESHA JONES 34F PP, Sequence: 1
 - Business Name: [Empty], Business Tax ID: [Empty]
 - Business Type: AV - COSMETICS - SALES/AVON, Business Ownership Type: SP - Sole Proprietorship
 - Business Start Month: 02 / 2013, Most Recent Business Taxes Filed Year: 2013
 - Self-Managed?: Yes, Monthly Hours: 120, Number of Months For Average: 12
 - Verification: SE - SELF-EMPLOYMENT RECORDS
- Details:**
 - Gross Income: \$ 20000 .00
 - Gross Expenses: \$ 15000 .00
 - Depreciation Amount: \$ 500 .00
 - Other Disallowed Expenses: \$.00
 - CC Only Invalid Exp.: \$ 500 .00

Callout 1: The worker doesn't enter an amount for "Other Disallowed Expenses" because Kesha is only applying for Child Care and no other programs.

Callout 2: The worker adds together the CC only invalid expenses identified on the participant's tax forms: \$100 (travel), \$100 (meals), and \$300 (entertainment) for a total of \$500.

Gross Income	Verification	Gross Expense	Verification	Depreciation Amount	Other Disallowed Expense	CC Only Invalid Exp.	Delete
20000.00	TX - TAX RECORDS	15000.00	TX - TAX RECORDS	500.00		500.00	

When a case has other IM programs, some of the disallowed expenses may be entered twice, once in CC Only Invalid Expenses and again in Other Disallowed Expenses for other programs. CWW allows the duplicate expenses to be applied correctly to each assistance program

independently.

These annual amounts will then be converted to a monthly amount based on the "Number of months for average" that has been entered on this page:

- The annual Gross Self-Employment Income of \$20,000 divided by 12 months is \$1,666.66.
- The annual Gross Expenses of \$15,000 minus \$1,000 for the total expenses that are not allowed for child care equals \$14,000
 - \$14,000 divided by 12 months is \$1,166.66.
- The monthly Gross Self-Employment Income \$1,666.66 minus \$1,166.66 (monthly allowable gross expenses) equals \$500.

For Child Care, the monthly countable income from self-employment is \$500. These amounts are displayed on the Child Care budget page in CWW as shown below.

Primary Person : KESHA JONES 34F PP		Case: 2150787423	Status: Open Mode: Ongoing
▶ Action Items (1)	▶ Documents (0)	▶ Discrepancies (0)	▶ Work Items (0)

Child Care Budget

Gross Income	
Assistance Group Overview	
Assistance Group:	CC - CHILD CARE
Eligibility Begin:	04/01/2015
Determination Date:	02/28/2015
Sequence:	
Eligibility End:	
Result	
Assistance Group Status:	O - OPEN
Child Care Gross Income Test:	PASS
Ability Status:	
Gross Income Test	
Gross Self Employment Income:	\$ 1,666.66
Self Employment Allowable Expenses:	- 1,166.66
Adjusted Self Employment Income:	\$ 500.00
Gross Earned Income:	+ -
Unearned Income:	+ -
Assigned Child Support:	+ -
Countable Gross Income:	\$ 500.00
Assistance Group Size:	2
Gross Income Limit:	\$ 2,655.00 (Tested Against FPL 200%)

Individual Income

▶ KESHA JONES 34F PP (EA - ELIGIBLE ADULT)

Gross Income: \$ 500.00

Monthly Gross Income was derived from the yearly \$20,000/12=\$1,666.66

The monthly Self-Employment Expenses were derived from: Yearly Gross Expenses \$15,000-\$1,000 (Depreciation & CC Only Invalid Exp)= \$14,000/12

ACTION NEEDED: Previous year tax documents that are submitted to the IRS for the business must be requested and collected at the next Six Month Report (SMRF) or annual review, whichever comes first. This includes individuals that are not required by IRS standards to file taxes.

Individuals who have not filed taxes for the previous year, must now file taxes if they want to participate in the Wisconsin Shares program and these IRS tax documents can include quarterly reported taxes. The only exception to this requirement is for new businesses up to the first 6 months of business operation.

Self-Employment Income Report Form DCF-F-DWSP2131 or DHS F-00107 can be used for new self-employed businesses for the first six months of the business operation and can also be submitted in addition to IRS tax documentation that does not reflect current self-employment income.

Re-enter self-employment income information as instructed above in the “CWW Self-Employment Page Instructions.”

CONTACTS: For Wisconsin Shares Child Care policy questions outside of Milwaukee County contact your Bureau of Regional Operations (BRO), Child Care Coordinators at http://dcf.wisconsin.gov/regional_operations/pdf/contact_list.pdf

For Child Care CARES/CWW, CSAW and CCPI Processing Questions statewide and policy questions in Milwaukee County contact the Child Care Help desk at: childcare@wisconsin.gov or (608) 264-1657.

*Program Categories – FS – FoodShare, MA – Medicaid, BC+ – BadgerCare Plus, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – FoodShare Employment and Training, BC+ Core – BadgerCare Plus Core, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC - Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, Other EP – Other Employment Programs.

DCF/DECE/BELP/MRD