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State of Wisconsin  
Governor Tony Evers

TO: **Child Care Eligibility and Authorization Workers  
and Supervisors  
Income Maintenance Supervisors  
Income Maintenance Staff  
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: 18-46

DATE: 11/02/2018

**AMENDED 1/8/2019**

**Wisconsin Shares Child Care**

**SUBJECT: Wisconsin Shares Child Care Self-Employment Policy Updates**

**CROSS REFERENCE:** Wisconsin Shares Child Care Policy and Process Handbook,  
Sections [1.3.8.3.2](#), [1.4.5.4](#), [1.5.11](#), [1.5.12](#), [1.8.4](#), [2.4.3.6](#),  
[2.4.3.7](#) and [2.4.3.8](#).  
Process Help 16.2

**EFFECTIVE DATE:** ~~November 1, 2018~~ **January 15, 2019**

**PURPOSE:** This Operations Memo informs local Child Care agency staff of policy and process changes for self-employed families who receive Wisconsin Shares Child Care Subsidy.

**BACKGROUND:** The Child Care and Development Block Grant (CCDBG) Act of 2014 requires states to create family friendly policies that help families maintain Wisconsin Shares Child Care Subsidy and support continuity of care for children. The intent of these new policies is to provide families with more consistent child care authorizations during their 12-month eligibility period.

**NEW POLICY - ELIGIBILITY**

**Non-Financial Eligibility Requirements - Participation in Approved Activities  
1.3.8.3.2 Self-Employment**

Parents who are self-employed must file taxes with the Internal Revenue Service (IRS) in order for the self-employment to be an approved activity for the Wisconsin Shares

Child Care Subsidy Program. Participation in an Approved Activity shall be verified during the application and eligibility determination process and during the annual eligibility renewal, and when an increase of authorization hours is requested.

A self-employed individual is a person who:

- Carries on a trade or business as a sole proprietor or an independent contractor; or
- Is a member of a partnership that carries on a trade or business; or
- Is otherwise in business for him or herself (including a part-time business).

When the validity of the self-employment is questionable, seven (7) or more of the following conditions must be met by the individual:

- The individual holds or has applied for an identification number with the IRS.
- The individual has filed business or self-employment tax returns with the IRS based on such services in the previous year or, in the case of a new business, in the year in which such services were first performed, or has paid quarterly estimated taxes.
- The individual maintains a separate business with his or her own office, equipment, materials, and other facilities.
- The individual operates under contracts to perform specific services for specific amounts of money and under which the individual controls the means and methods of performing such services.
- The individual incurs the main expenses related to the services that he or she performs under contract.
- The individual is responsible for the satisfactory completion of services that he or she contracts to perform and is liable for a failure to satisfactorily complete the services.
- The individual receives compensation for services performed under a contract on a commission or per-job basis and not on any other basis.
- The individual may realize a profit or suffer a loss under contracts to perform such services.
- The individual has recurring business liabilities or obligations.
- The success or failure of the individual's business depends on the relationship of business receipts to expenditures.

If the parent does not meet at least 7 of the 10 conditions above, the activity does not meet the requirements to be included as an approved activity for Wisconsin Shares Child Care eligibility purposes. If this is the case, agency workers could explore if the approved activity might be regular employment. Workers should use the acceptable sources of verification for employment noted in Section 1.5.11.

**Example 1 (Employment):** Sarah works for her neighbor, Betty. Betty pays Sarah in cash, with no taxes withheld. Sarah cleans Betty's home, mows her lawn, does her laundry, and anything else that Betty asks of her. Because Sarah is working under the direction of Betty, this would be considered employment, not self-employment. Whether or not Betty withholds payroll taxes from Sarah's income is not relevant.

**Example 2 (Self-Employment):** Sarah decides that she is going to open her own cleaning business. She will drive to different homes, use her own cleaning supplies, and control her own work schedule. Sarah would be considered self-employed.

**Example 3 (Employment and Self-Employment):** Steve works for Smith Farms during the week taking care of the animals on the farm, under the direction of Mr. Smith. Mr. Smith instructs Steve as to what jobs need to be done during the workday on the farm and pays him cash. Steve also has his own landscaping business. Mr. Smith is one of Steve's customers for whom he mows the lawn. Steve indicates to Mr. Smith what days and times he will be there to mow the lawn and also provides his own lawn equipment. Steve would be considered an employee of Smith Farms, but his landscaping business would be considered self-employment.

**Note:** Self-employment as an unregulated child care provider is not allowable as an approved activity for Wisconsin Shares Child Care Subsidy eligibility.

## Financial Eligibility – Monthly Income Calculations

### 1.4.5.4 Self-Employment Income

Self-employment income for Wisconsin Shares Child Care eligibility is defined in statute as the sum of net earnings reported to the Internal Revenue Service and **which also includes** depreciation expenses, personal business and entertainment expenses, personal transportation costs, purchases of capital equipment, and payments on the principal of loans.

The expenses noted above are invalid expenses for Wisconsin Shares Child Care and are added to the net income field in CWW during the Wisconsin Shares Child Care eligibility determination **(see Process Help 16.2.3)**.

CARES Worker Web (CWW) will calculate the monthly self-employment income for the Wisconsin Shares Child Care Assistance Group when the self-employment page is completed. CWW has a field to enter depreciation expenses. Add together personal business and entertainment expenses, personal transportation costs, purchases of capital equipment, and payments on the principal of loans and enter it in the CC Only Invalid Expenses field.

**Example:** John has been a self-employed construction worker for several years. He generally works many hours during the summer months, and very little during the winter. He applies for Wisconsin Shares Child Care Subsidy in November and provides an IRS tax form for the previous year to verify his yearly income and expenses. His **net** total yearly self-employment income ~~minus his total yearly allowable expenses and excluding the plus~~ invalid self-employment expenses for Child Care from his expenses **is are** divided by 12 to determine a monthly income average. Based upon his monthly income he ~~may~~ **meets** financial eligibility criteria **for initial eligibility**.

John reports on January 7 that he has not worked since December 30. This is a normal fluctuation in his business so there would be no change in the income budgeted, however, ~~John's eligibility for child care ends due to his non-participation in an approved activity~~ **John is expecting to return to work in mid-March, which is less than three (3) months, and John will continue to send his child to the child care program. John's eligibility for Wisconsin Shares Child Care will continue according to 1.3.9.2.1 Eligibility for a Temporary Break Period.**

## Verification Requirements

### 1.5.11 Approved Activity Verification

#### Self-Employment

Parents who operate self-employment businesses (see 1.3.8.3.2) must file taxes with the Internal Revenue Service (IRS) in order to be eligible for the Wisconsin Shares Child Care Subsidy Program. Filed IRS tax documents for the most recent tax year must be provided for parents who wish to receive child care subsidy while self-employed. Tax documents must be provided at the annual review that follows the most recent tax filing season (see 1.5.12).

If the self-employment taxes have not yet been filed for the most recent tax filing year because it is prior to the current year tax filing deadline, agencies may use the previous year's filed taxes when determining eligibility. If the parent indicates there has been a significant change in circumstances from the previous tax year, the parent will need to provide Self-Employment Income Report forms (SEIRFs) (form DHS F-00107) for all months until taxes are filed.

SEIRFs may also be submitted for months when the business did file taxes the previous tax year, but the previous year's filed IRS tax documents do not represent the current income for the business. **(see Process Help 16.2.4).**

### 1.5.12 Financial Eligibility Verification

#### Self-Employment

**Financial eligibility shall be verified during the application and eligibility determination process and during the annual eligibility renewal.**

Parents who are self-employed must file taxes with the IRS. For Wisconsin Shares Child Care eligibility, self-employed parents must provide copies of both their personal and business filed IRS tax documents, including all schedules and attachments, for the most recent tax year. Workers may request verification that the tax forms have actually been submitted to the IRS if the documents are questionable.

Proof of filing taxes may include:

- Email confirmation if the parent filed online
- A tax form signed by the tax professional who filed on behalf of the parent
- A canceled check if taxes were owed after filing
- Bank statements clearly showing a deposit from the IRS
- Transcript of tax return from the IRS
- Verification that IRS form 4868 Application for Automatic Extension of Time to File U.S. Individual Income Tax Return has been filed with the IRS
- Other verification at agency discretion

**Note:** ~~If the parent provides verification of filing for a tax extension (IRS form 4868), the parent must provide completed taxes, including all schedules, to the agency within 7 days of the IRS extension deadline of October 15. The current authorization in CSAW should not extend past October 15 of the current year (see 2.4.3.6).~~

**Process:** If the parent provides verification of filing for a tax extension (IRS form 4868), and the previous year taxes were filed, the previous year's tax information may be used unless the parent indicates there has been a significant change since then. When a significant change has occurred the parent must provide SEIRFs (DHS F-00107) for all months from the significant change to the current month to process the application or annual renewal.

**Process:** ~~Workers will need to set an expected change reminder in CARES Worker Web (CWW) for October 15 (the IRS extension deadline). At that time, workers must send out a Notice of Proof Needed requesting verification of the taxes filed. If verification is not received, the eligibility worker must end the child care eligibility in CWW as of October 31.~~

~~If previous year taxes were filed, agencies may use the previous year's filed taxes when determining eligibility. If the parent indicates there has been a significant change in circumstances from the previous tax year, the parent will need to provide Self-Employment Income Report forms (SEIRFs) (form DHS F-00107) for all months from when the significant change occurred, up to the current month.~~

~~If it is after the current tax year filing deadline, the parent must also provide verification that the IRS form 4868 Application for Automatic Extension of Time to File U.S. Individual Income Tax Return has been filed with the IRS.~~

Self-employed parents who have not filed business taxes for the previous year because the business was not in operation the previous year or because it is prior to the tax filing deadline, must provide SEIRFs for each month the business was in operation up to the month of the Wisconsin Shares application **or annual eligibility renewal.**

If either the IRS tax documents or SEIRFs appear questionable or need clarification, workers must request additional verification, such as receipts, contracts, or documentation of expenses.

## NEW POLICY - AUTHORIZATIONS

### 2.4.3.6 Authorizations for New Self-Employment

During the first 12 months that a parent is engaged in a new self-employment business, the agency may authorize child care for the hours the parent is engaged in self-employment **and needs child care in order to engage in this activity**. The authorization may be up to ~~one~~ full-time (50 hours per week) until the ~~next~~ **annual** eligibility renewal due date. If the renewal date is ~~fewer~~ **less** than 12 months from the start of the new self-employment, the authorization ~~following the renewal must still~~ **may** continue with the same amount of hours authorized until the **first** 12 months **of new self-employment** have passed.

If the parent's self-employment business began prior to the date he or she applies for Wisconsin Shares Child Care, the worker must use the actual start date of the self-employment to determine the 12-month new self-employment period.

**Example:** Mary Jo began self-employment on May 6, 2019 but did not apply for Wisconsin Shares until July. Enter May 2019 on the Self-Employment page in CWW, as this is the start of the self-employment. Mary Jo's 12<sup>th</sup> month of self-employment is April 2020, however the authorization will continue unchanged until the annual renewal due date in June of 2020. In July of 2020, her authorization hours will be determined by her net earnings, when a mandatory authorization assessment occurs.

A parent may be eligible for up to a full-time authorization for a new instance of self-employment only once every 24 months. All months for a new self-employment business count and child care may not be authorized under a new self-employment business for a full time authorization, as described in this section, until 24 months have elapsed.

When travel time is added, the sum of authorized hours cannot exceed 50 hours per week.

**Example 1 (Initial Eligibility with New Self-Employment):** Trista begins a new business baking cakes at the same time she applies for Wisconsin Shares Child Care. During the first 12-month eligibility period, she is not required to demonstrate a profit and the child care authorization may be for the number of hours she reports working, up to full time (35– 50 hours per week). At her Wisconsin Shares Child Care eligibility renewal, Trista's child care authorization will be based on her monthly adjusted self-employment earnings divided by Wisconsin's minimum wage (\$7.25 per hour).

**Example 2 (Initial Eligibility with New Self-Employment):** Rosa starts her own business selling designer shirts in October. She applies for Wisconsin Shares Child Care in December. Her daughter, Louisa, is eligible for a full-time **an** authorization based on the parent's stated work schedule (up to 50 hours per week) until the **annual eligibility renewal**. ~~following October~~. Rosa's worker should write consecutive authorizations until October 31. Starting in November **Following the annual renewal**, Louisa's authorizations would **must** be based on Rosa's monthly adjusted self-employment earnings divided by Wisconsin's minimum wage (\$7.25 per hour).

**Example 3 (Ongoing Eligibility with New Self-Employment):** Richard is employed working as a delivery driver for ABC Trucking and is receiving Wisconsin Shares Child Care for his daughter, Aubrey. In September, he reports that he quit his job and will now be starting his own delivery business. His two (2) year old daughter, Aubrey, is eligible for a full-time authorization (35 to 50 hours per week) based on the new self-employment business for the next 12 months until the annual renewal that follows the 12<sup>th</sup> month of new self-employment.

**Example 4 (Ongoing Eligibility with Changing Self-Employment):** Jonathon is a mechanic and has been operating his business from his home for the past few years. He is receiving Wisconsin Shares Child Care for his son, Joseph. Now, Jonathon wants to close the mechanic shop because he is not making a profit and start a new business as a handyman. Working as a mechanic and working as a handyman are two different skill sets, use different tools to perform the work, are performed in different work environments and the two businesses do not have the same clientele. This is a new self-employment. Joseph is eligible for a full-time authorization for the next 12 months.

**Note:** Self-employment as an unregulated child care provider is not allowed as an approved activity for Wisconsin Shares. If the parent is self-employed as a regulated child care provider, see 2.3.2 and 2.3.3.

#### 2.4.3.7 Authorizations for Ongoing Self-Employment

Self-employment is considered ongoing, after the annual renewal that follows the 12<sup>th</sup> month of new self-employment. After the 12-month period for new self-employment has passed, an authorization assessment is required and subsequent authorizations are limited to the number of hours that produce monthly adjusted self-employment income equivalent to at least Wisconsin's minimum wage based on income information that has been reported to the IRS on tax forms. At each annual renewal an authorization assessment is required and the authorization must be based on monthly adjusted self-employment earnings divided by Wisconsin's minimum wage (\$7.25 per hour).

The monthly adjusted self-employment income divided by the Wisconsin minimum wage equals the maximum number of child care hours that may be authorized per month.

All travel time is already included in the hours allowed under this formula. The total authorized hours cannot exceed the calculated number. If the number of hours requested for child care is less than the calculated amount, travel time can be added, up to the calculated hours.

**Process:** Find the Case Activity Summary page from the left side menu in CSAW. This page will show the self-employment allowed weekly authorized hours based on the minimum wage calculation of adjusted income. In this example 8 hours per week are allowable.

Case Activity Summary		
<b>Case Details</b>		
<b>Case Number</b>	<b>AG Status</b> Open	<b>Primary Person</b>
<b>Admin Agency</b>	<b>Review Date</b> 7/31/2019	<b>Address</b>
<b>Auth Worker ID</b>		
<b>Details of Eligible Adults in the Case</b>		
<b>Name:</b>	<b>Approved Activity:</b> Employment	<b>Effective Month:</b> 08/2018
<b>Employment Details</b>		
There are No Employment Details.		
<b>Self Employment Details</b>	<b>Budgeted Self Employment Income:</b> \$241.66	<b>Allowed Weekly Hours*:</b> 8
<b>Business Type</b>	<b>Business Name</b>	<b>Start Month</b>
Bakery	BAKERY	04/2017

**Note:** When business expenses exceed the business's income, the business is operating at a loss. If the business is operating at a loss, the parent is not eligible for a child care authorization with that self-employed business as the Approved Activity.

Factors to consider for determining the authorized hours for self-employment include:

- Self-employed parents are eligible for school closed hours and inclement weather hours for school-age children, in addition to the maximum calculation.
- The child care need may be less than the self-employment minimum wage per hour calculation.
- Additional child care hours may be needed for another approved activity that may include travel time.
- Multiple parents in the household that do not have overlapping schedules.
- When there are two (2) self-employed parents that have different maximum calculated hours in CSAW, the worker needs to use the lesser of the two (2) calculations for the maximum authorization amount.

**Example 1 (Single Parent Self-Employed Business):** Tiffany's cake business has a monthly adjusted income of \$400. CSAW will calculate a weekly maximum authorized hours based on \$400/month by \$7.25 to get 55.17 monthly hours, which is rounded up to 56 hours for the month and then divided by 4.3 (this weekly amount will be displayed on the Case Activity Summary page). If Tiffany will expects to utilize 56 hours for of child care each month, this will be her monthly authorized hours. Do not add additional hours for travel.

**Example 2 (Single Parent Self-Employed and going to school):** Kenisha has been self-employed for 14 months selling cosmetics. Her monthly adjusted income is \$500. Divide \$500 by \$7.25 to get 68.97 hours for the month. Kenisha is also finishing college to get her business degree. She attends school part-time 13 hours per week, and needs 2 hours per week for travel time.  $68.97 + (15 \times 4.348125) = 134.17$  hours for the month. 134.17 is rounded to 135 hours for the month.

**Example 32 (Two-Parent Household-Separate Self-Employed Businesses):** Keisha and Rick are married and have 4 children. Rick has an auto repair business. Rick works at the auto repair from 6 a.m. to 6 p.m. Monday through Friday and also on Saturday mornings. The auto repair business produces a monthly adjusted income of \$1,000. Keisha has her own small business selling scented candles and home décor. The monthly adjusted income from Keisha's business is \$600. Keisha works about 15 hours per week, always in the evenings after Rick is home. Since they indicated they do not have overlapping schedules, they do not qualify for an authorization.

**Example 43 (Two-Parent Household Shared Self-Employed Business):** Keisha and Rick share a business selling honey and work the exact same hours. Their monthly adjusted income of \$1,000 is split in half because they are equal partners. Keisha's adjusted income of \$500 makes her eligible for 68.96 (round to 69) hours and Rick's adjusted income of \$500 makes him eligible for 68.96 (round to 69) hours of child care. Their work hours overlap, therefore they are eligible for up to 69 hours of child care subsidy per month.

~~**Example 5 (Single Parent Self-Employed Business):** Bob is self-employed at Bob's Burgers and makes \$15,000 a year. He pays himself a draw/salary of \$10,000 per year. That draw/salary amount is entered in Employment Page in CWW. The remaining \$5,000 self-employment income is entered on the self-employment page in CWW. Use the total Self-Employment Income of \$15,000 to calculate the number of authorized hours. Divide \$15,000 ÷ 12 to find a monthly income of \$1,250. Then \$1,250 ÷ 7.25 = 172.41. Bob is eligible for a maximum of 173 hours per month.~~

### **CSAW Process:**

Following an annual renewal and authorization assessment, if the family remains in the Copayment Stabilization Period, the copayment per hour will be based on the income information from the current renewal until the next annual renewal, unless income decreases (see 2.5.3.1). If the family transitions to either the Gradual Phase Out Period or Exit Period at renewal, the copayment per hour could change according to income fluctuations during the eligibility period (see 2.5.3.2 and 2.5.3.3). Parents must provide the current year personal and business taxes, including all pages and schedules, or proof of a tax filing extension, for each annual eligibility renewal.

### **CONTACTS:**

For Wisconsin Shares Child Care policy questions outside of Milwaukee County contact your Bureau of Regional Operations (BRO), Child Care Coordinators at [BROCCPolicyHelpDesk@wisconsin.gov](mailto:BROCCPolicyHelpDesk@wisconsin.gov).

For Child Care CARES/CWW and CSAW Processing Questions statewide, and policy questions in Milwaukee County, contact the Child Care Subsidy and Technical Assistance line at: [childcare@wisconsin.gov](mailto:childcare@wisconsin.gov) or (608) 422-7200.