



TO: **Child Care Eligibility and Authorization Workers  
and Supervisors  
Income Maintenance Supervisors  
Income Maintenance Lead Workers  
Income Maintenance Staff  
Training Staff  
Child Care Coordinators**

DECE/BCCSA OPERATIONS MEMO

No: 21-11

DATE: 04/12/2021

Child Care

FROM: Junior Martin, Director  
Bureau of Child Care Subsidy Administration  
Division of Early Care and Education  
Department of Children and Families

**SUBJECT: Changes to Wisconsin Shares Child Care Self-Employment Policy**

**CROSS REFERENCE:** [Wisconsin Shares Child Care Policy and Process Handbook](#)  
[Section 1.5.8 Contradictory or Questionable Information](#)  
[Section 1.5.12 Self-Employment Financial Eligibility Verification](#)  
[Section 2.4.3.4 Authorizations During an Activity Break Period](#)  
[Section 2.4.3.5 Authorizations for New Self-Employment](#)  
[Section 2.4.3.6 Authorizations for Ongoing Self-Employment](#)  
[Wis. Stat. s. 49.155\(1m\)\(c\)1](#)  
[EmR2110](#)

**EFFECTIVE DATE:** May 3, 2021

**PURPOSE:** This Operations Memo introduces new policy for Wisconsin Shares authorizations for parents who are engaged in self-employment as their approved activity.

**BACKGROUND:** An emergency administrative rule has been created to define how child care authorizations for individuals who are engaged in self-employment shall be calculated. The previous policy allowed for a 12-month period during which the parent could be eligible for a full-time authorization for new self-employment, and that after the first year the authorized hours were limited to the net income divided by minimum wage. The new policy allows a minimum of 24 months during which the parent could be eligible for a fulltime authorization. Following the initial period, the authorized hours will be based on gross earnings divided by minimum wage rather than net earnings divided by minimum wage.

**NEW POLICY:**

The following new policy highlighted in yellow will be added to the Wisconsin Shares Child Care Policy and Process Handbook with the next release. Policy with a strikethrough is being deleted or moved.

**1.5.8 Contradictory or Questionable Information**

If at any point a local agency receives contradictory or questionable information regarding any eligibility item, the local agency ~~should~~ **must** request documentation to substantiate the parent's claim and allow the parent seven (7) business days to obtain such documentation.

If any form of employment or self-employment verification appears questionable or the agency worker is suspicious of falsification of the documentation, the agency worker must request a second form of verification and document this in case comments (see 1.9).

Employment with an employer who pays in cash **and** does not provide any source of employment verification listed in Section 1.5.12 is not considered valid employment for the purposes of Wisconsin Shares.

**Validity of Self-Employment**

If there is a question regarding the validity of self-employment, agency workers must request additional verification, such as receipts, contracts, or other documentation of income and expenses.

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

1. The individual holds or has applied for an identification number with the Internal Revenue Service (IRS).
2. 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 receives an IRS Form 1099 at year end.
3. The individual maintains a separate business with his or her own office, tools and equipment, materials, and other facilities.
4. 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.
5. The individual incurs the main expenses related to the services that he or she performs under contract.
6. 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.
7. The individual receives compensation for services performed under a contract on a commission or per-job basis and not on any other basis.

8. The individual may realize a profit or suffer a loss under contracts to perform such services.
9. The individual has recurring business liabilities or obligations.
10. The success or failure of the individual's business depends on the relationship of business receipts to expenditures.
11. The business has a Wisconsin's Seller's Permit.
12. The business is registered with the Wisconsin Department of Financial Institutions.
13. The individual uses their privately owned vehicle to provide a service.

If the parent does not meet at least seven (7) of the conditions above, the activity does not meet the requirements to be included as an approved activity for Wisconsin Shares eligibility purposes. If this is the case, agency workers could explore if the approved activity might be regular employment by using the acceptable sources of verification for employment noted in Section 1.5.12.

Questionable or contradictory verification or reporting must be resolved or referred for Front-End Verification according to the local agency's fraud plan.

Local agency workers may request driving history summaries that are available within the individual's web app for those providing ridesharing or delivery services such as but not limited to Uber, Lyft, or GrubHub.

#### **1.5.12.1 Self-Employment Financial Eligibility Verification**

Self-employment financial eligibility must 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 Internal Revenue Service (IRS). For Wisconsin Shares 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 at application and the annual eligibility renewal. Agency 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 when 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~~

If verification appears questionable or needs clarification, agency workers must request additional supporting evidence such as receipts, contracts, or other documentation of income and expenses to verify that the parent is engaged in self-employment. (see 1.5.8)

If taxes were filed in the previous year, the previous year's tax information may be used if the parent is applying for or completing a child care renewal **and**:

- It is prior to the next tax filing deadline; or
- The parent has filed for a tax filing extension.

~~If the Wisconsin Shares Child Care application or annual eligibility renewal takes place after the current tax year filing deadline and taxes have not been filed, the parent must 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~~

To process the application or renewal, the parent may submit Self-Employment Income Report forms (SEIRF) (form DHS F-00107) **in addition to the previous year's tax forms** if:

- There has been a significant change since the previous year's tax filing; or
- Taxes have not yet been filed because the business was not in operation during the previous year; or
- It is prior to the tax filing deadline.

~~In these situations,~~ If a parent states that the previous year's taxes do not reflect their current income, the parent must provide the previous year's taxes and SEIRF for ~~parents must provide SEIRFs~~ each month since the significant change. ~~The business was in operation if the business is new, or each month since the significant change if taxes were previously filed, up to the month of the Wisconsin Shares application or annual eligibility renewal.~~ If the business is new and does not yet have income, parents must provide SEIRF that reflect prospective income for the first three (3) months of operation. This will give the local agency enough information to process the Wisconsin Shares child care application or annual eligibility renewal.

Agency workers should first attempt to obtain the most recently filed taxes from the parent. If the most recent taxes are not available, then the previous year's taxes are acceptable. If there has been a significant change since the previous year's taxes were filed, or one (1) of the other conditions listed above for accepting SEIRF are met, then SEIRF are acceptable

**Example:** Karen applies for Wisconsin Shares Child Care in January ~~2019~~2021. She has been operating her own salon for the past five (5) years. At application, her ~~2018~~ 2020 taxes have not yet been filed. Karen may submit her ~~2017~~2019 taxes if there has been no change between her 2019 operations and her 2020 operations. If there has been a significant change, Karen can submit SEIRFs for the past 12 months (in this example, January ~~2018~~2020 through December ~~2018~~2020).

The table below provides guidance on when the most recent tax return, the previous year's tax return, SEIRF, or a combination are to be used for verification. Current year means the most recent tax year. If you are in the year 2021, then the current tax year is 2020 and the previous tax year is 2019.

| Scenario | Current year taxes including all schedules and attachments | SEIRF | Previous Year's taxes including all schedules and attachments |
|----------|--|-------|---|
|          |  |       |   |

|   |   |   |   |
|---|---|---|---|
| Business is new   |   | x |   |
| At application and business is not new                                  | x |   | x |
| At application or Annual renewal and current year taxes have been filed | x |   |   |
| Annual renewal and taxes current year taxes have not been filed         |   |   | x |
| Significant change is reported  | x | x |   |
| 6-month tax extension is filed  |   |   | x |
| Business is ongoing   | x |   |   |

**Example 1 (Ongoing Business):** Karen applies for Wisconsin Shares Child Care in January 2019. She has been operating her own salon for the past five (5) years. Since the business has been operating for more than two years, her self-employment is considered ongoing. The authorization shall be based on the minimum wage calculation. At application, her 2018 taxes have not yet been filed. Karen may submit her 2017 taxes for verification.

**Example 2 (Significant Change):** Janette is a self-employed hair stylist. The person who owns the salon retired and Janette decided to purchase the business instead of renting a chair. She contacts her worker and claims a significant change. The taxes she submitted with her renewal are no longer accurate. The agency worker enters the date of the significant change on the CARES Worker Web (CWW) Self-Employment page. CWW will generate the Notice of Proof Needed along with the SEIRFs for all months since the date of the significant change.

**Example 3 (New Business with limited history):** Donna opened a new business last month. She has only been operating her business for one month. She has no additional actual history and hasn't paid taxes. She applies for child care. CWW requires three (3) months to average her income. Donna should fill out three (3) months using the first month's actual earnings and what she anticipates for the next two months.

**Example 4 (Taxes Not Yet Filed):** Marcella works via the Door Dash App service using her own vehicle to deliver food. She is an independent contractor. She has been doing this work since May first. She applies for Wisconsin Shares Child Care in August. She will not be filing taxes until the following April. The agency worker enters May as the begin month on the CWW Self-Employment page and indicates that taxes have not been filed. CWW will generate a Notice of Proof Needed along with the required SEIRF beginning with the business start date in May through July.

Marcella reports in January the following year, that she is no longer delivering food. Instead, she is working with Uber providing rides, similar to a taxi service. She will receive an IRS Form 1099 from Door Dash for her income taxes. The new work with Uber would not be a change in the type of self-employment. She is still an independent contractor. The only change is with whom

she is contracting her services. Her income and expenses would remain the same based on her taxes from Door Dash unless there is a significant change during her work as an Uber driver.

**Example 5 (Ongoing Self-Employment):** Heidi's business is a farm. She has been operating the farm for three (3) years. At her annual eligibility renewal, the agency worker asks for her taxes to verify her income. The agency worker records on the CWW Self-Employment page that Heidi filed taxes last year. Since Heidi did not already provide a copy of the tax forms including all schedules and attachments, CWW will generate the Notice of Proof Needed indicating that copies of tax forms are needed.

#### **2.4.3.5 Authorizations for New Self-Employment**

During the first ~~12~~ 24 months that a parent is engaged in a new self-employment business, the local 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 full-time (50 hours per week, including any travel time that is needed) until the next annual eligibility renewal due date. If the **second** annual eligibility renewal occurs before the ~~12th~~ 24th month of the new self-employment, the authorization may continue with the same number of hours authorized until the next annual eligibility renewal.

If the parent's self-employment business began prior to the date he or she applies for Wisconsin Shares Child Care, the authorization worker must use the actual start date of the self-employment to determine the ~~12~~ 24-month new self-employment period.

**Example 1 (Self-Employment Prior to Application):** Mary Jo began self-employment on May 6, ~~2019~~ 2021 but did not apply for Wisconsin Shares until July 2021. Mary Jo's worker enters May ~~2019~~ 2021 on the Self-Employment page in CWW, as this is the start of the self-employment. Mary Jo's ~~12th~~ 24th month of self-employment is April ~~2021~~ 2023, but her annual renewal is not until June ~~2020~~ 2023. Her authorization may remain in place until her renewal due date in June 2023. Beginning with the authorization assessment that is completed with the annual renewal, her authorization hours will be based on her **adjusted gross** self-employment earnings divided by the Wisconsin minimum wage.

A parent may be eligible for a full-time authorization for a new sequence 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.

**Example 2 (Initial Eligibility with New Self-Employment):** Rosa starts her own business selling designer shirts in December. At the same time, she applies for Wisconsin Shares Child Care. Her child, Louisa, is eligible for an authorization based on Rosa's stated work schedule (up to 50 hours per week) until the **second** annual eligibility renewal. Following the **second** annual renewal, Louisa's authorized hours must be determined by Rosa's monthly **adjusted gross** self-employment earnings divided by Wisconsin's minimum wage.

**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 child, Aubrey. In September, he reports that he quit his job and will now be starting his own delivery business. His 2-year-old child, Aubrey, is eligible for an authorization based on Richard's stated work schedule (up to 50 hours per week) until the annual renewal that follows the ~~12th~~ 24th 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 **three (3)** ~~few~~ years. He is receiving Wisconsin Shares Child Care for his child, 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 (2) different skill sets, use different tools to perform the work, are performed in different work environments, and the two (2) businesses do not have the same clientele. This is new self-employment. Joseph is eligible for an authorization based on Jonathon's stated work schedule (up to 50 hours per week) until the annual renewal that follows the ~~12th~~ **24th** month of new self-employment.

**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 Sections 2.3.2 and 2.3.3.

#### **2.4.3.6 Authorizations for Ongoing Self-Employment**

Self-employment is considered ongoing after the annual eligibility renewal that follows the ~~12th~~ **24th** month of new self-employment. At each annual renewal, an authorization assessment is required. The authorized hours must be based on monthly **adjusted gross** self-employment income divided by Wisconsin's minimum wage. ~~(\$7.25 per hour). This sum is then rounded up and divided by 4.3 to determine the maximum weekly hours for the authorization.~~ **The resulting number is the maximum number of monthly hours, which is then divided by 4.3 and then rounded up to the next whole number to determine the maximum weekly hours for the authorization. The total authorized hours, including travel time, 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.**

**Note:** The maximum weekly hours for self-employment authorizations displays in CSAW on the Case Activity Summary page based on the information entered on the Self-Employment page in CARES Worker Web (CWW). Agency workers do not need to manually calculate the number of hours that can be authorized for self-employment.

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.

~~**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 an authorization with that self-employment business as the parent's approved activity.~~

**Note:** Business expenses are not considered in calculating the maximum hours for child care authorizations.

**Additional** factors to consider when determining the authorized hours for self-employment include:

- Self-employed parents are eligible for school closed hours for school age children in addition to the maximum calculation.
- Child care need that is fewer hours than the self-employment minimum wage per hour calculation.



- Additional child care hours for a different 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 authorization worker must 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 been in operation for ~~two (2)~~three (3) years and has a monthly ~~adjusted~~ gross income of \$400. CSAW will calculate a maximum number of hours that can be authorized based on \$400/month divided by \$7.25 to get 55.17 monthly hours, then divided by 4.3 (12.8) which is rounded up to 56 hours for the month and then divided by 4.3 to determine the weekly amount (this weekly amount displays on the Case Activity Summary page in CSAW) 13 weekly hours and are displayed on the Case Activity Summary page in CSAW. ~~Tiffany's child care authorization must not exceed 56 hours of child care each month (14 hours per week). Tiffany's worker must not add additional hours for travel. If Tiffany requests only 10 hours per week for work, up to 4 hours of travel time per week could be added to the authorization.~~ If Tiffany's child care need exceeds 13 hours per week, the worker must override the derived hours in CSAW and not add travel time. If Tiffany's child care need is 10 hours per week, up to 3 hours of travel time per week can be added to the authorized hours.

**Example 2 (Two-Parent Household-Separate Self-Employed Businesses):** Keisha and Rick are married and have four (4) children. Rick has an auto repair business. Rick works at the auto repair business from 6 a.m. to 6 p.m. Monday through Friday and on Saturday mornings. The auto repair business produces a monthly ~~adjusted~~ gross self-employment income of \$1,000. Keisha has her own small business selling scented candles and home décor. The monthly ~~adjusted~~ gross income from Keisha's business is \$600. Keisha works about 15 hours per week, always in the evenings after Rick is home. Keisha and Rick do not have overlapping schedules; therefore, they are not eligible for an authorization regardless of the calculated hours on the CSAW Case Activity page.

**Example 3 (Two-Parent Household Shared Ongoing Self-Employed Business):** Mary and Tom are married and share a business selling honey and they. They work the exact same hours. Their monthly ~~adjusted~~ gross income of \$1,000 is divided equally because they are equal partners Wisconsin is a marital property state. Mary's ~~adjusted~~ gross income of \$500/month divided by \$7.25 makes her eligible for 68.96 (round to 69) hours per month and Tom's adjusted income of \$500/month divided by \$7.25 makes him eligible for 68.96 (round to 69) hours of child care per month. Their work hours overlap; therefore, they are eligible for up to 69 hours of child care subsidy per month.

**CSAW Changes:** The CSAW Case Activity Summary page has been updated to add a 24-month self-employment clock. The clock will be based on the business' start date that is pulled from the Self-Employment page in CARES Worker Web (CWW). The clock will count down from 24 months to zero. Workers should review this page before authorizing a new self-employment approved activity to ensure the clock is at zero. The Case Activity Summary page will also be updated to display the gross self-employment income instead of the adjusted net income from CWW. The clock on the CSAW Case Activity Summary page is informational only. No functionality has been added to this page to interface with other parts of CSAW. This change to CSAW was made effective on 05/03/21.



**Implementation:** There will be a soft rollout of the new Self-Employment policy. As of the effective date of this Operations Memo, when families complete their annual renewal or new families apply for Wisconsin Shares, or if the local agency has contact with the parents, for ongoing self-employment, the new gross income formula must be used to determine the authorized hours. If new self-employment is reported during the eligibility period, apply this revised policy. See section 2.4.3.5. If a parent with ongoing eligibility begins a new self-employment sequence during the 12-month eligibility period, the parent must provide 3 months of SEIRFs indicating their new approved activity and expected income.

***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.

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