

9055.0035 DETERMINING INCOME FROM SELF-EMPLOYMENT.

Subpart 1. **Gross income.** Gross income from self-employment includes, but is not limited to, income from the sale of goods or services, crops, livestock, produce, and machine rental, including wages paid to the owner or operator and capital gains or losses. Income must be calculated by subtracting allowed expenses from gross income.

Subp. 2. **Allowed expenses.** Allowed expenses include:

- A. interest paid on mortgages and loans;
- B. employee wages, other than wages paid to members of the applicant's household or paid to another person who must contribute to the applicant;
- C. FICA paid on employee wages;
- D. costs of raw materials, including seed and fertilizer;
- E. maintenance and repairs that are not capital expenditures;
- F. tools and supplies that are not capital expenditures;
- G. rent, utility payments, and insurance costs; and
- H. other expenses normally allowed by the Internal Revenue Service, except as specifically excluded in subpart 3.

Subp. 3. **Self-employment expenses not allowed.** Expenses from self-employment specifically not allowed are:

- A. net losses from another period of operation, federal, state, and local income taxes;
- B. the employer's own share of FICA;
- C. money set aside for the self-employed applicant's own retirement;
- D. work-related personal expenses, such as meals consumed on the premises;
- E. payments on loan principal;
- F. capital expenditures;
- G. charitable contributions;
- H. depreciation;
- I. wages or other benefits paid to members of the applicant's household or to persons who must contribute to the applicant;
- J. personal business and entertainment expenses;
- K. the costs of building an inventory; and

L. any other expenses not specifically allowed by the Internal Revenue Service.

Subp. 4. **Determining monthly income.** Self-employment income must be averaged over 12 months. If the business has been in operation less than 12 months, income and expenses must be averaged over the number of months the business has been in operation to determine the average monthly income.

Subp. 5. **Irregular income periods.** If the applicant does not receive income on a monthly basis, the applicant's income and expenses must be averaged over the number of months the applicant earned the income to determine the average monthly income. No more than 12 months may be used to calculate monthly income.

Statutory Authority: *MS s 196.04*

History: *16 SR 1709*

Published Electronically: *July 31, 2006*