9050.0710 CALCULATION OF GROSS INCOME.

Subpart 1. **Items included.** The facility financial staff shall calculate gross income by adding together the amounts of income from sources in subparts 1a to 6 plus any income defined in part 9050.0040, subpart 54, that is not otherwise included in the calculations.

Subp. 1a. **Earned income.** Earned income is treated according to items A to C.

A. Sick leave and vacation payments for earned or accrued leave time are earned income.

B. Earned income received by persons employed on a contractual basis must be prorated over the period covered by the contract even when the payments are received over a lesser period of time.

C. The earned income tax credit, whether received from an employer or from the federal government, is earned income. An applicant or resident or spouse of an applicant or resident who is eligible for the earned income tax credit is required to apply for it. An applicant or resident may choose to apply for the credit either when the applicant or resident files an income tax return for the year in which the applicant or resident was eligible or in advance through the applicant's or resident's employer. A tax refund received due to earnings from a work therapy program must not be considered a means of support.

Subp. 2. **Self-employment earnings.** The facility financial staff shall determine gross earned income from self-employment by totaling gross receipts. Gross receipts from self-employment must be budgeted in the month in which they are received. Expenses must be budgeted against gross receipts in the month in which those expenses are paid, except for items A to C.

A. The purchase cost of inventory items, including materials that are processed or manufactured, must be deducted as an expense at the time payment is received for the sale of those inventory items, processed materials, or manufactured items, regardless of when those costs are incurred or paid.

B. Expenses to cover employee federal insurance contributions act payments (FICA), employee tax withholding, sales tax withholding, employee worker compensation, business insurance, property rental, property taxes, and other costs that are commonly paid at least annually, but less often than monthly, must be prorated forward as deductions from gross receipts over the period they are intended to cover, beginning with the month in which payment for those items is made.

C. Gross receipts from self-employment may be prorated forward to equal the period of time over which the expenses were incurred except that gross receipts must not be prorated over a period that exceeds 12 months. This provision applies only when gross receipts are not received monthly but expenses are incurred on an ongoing monthly basis.

Subp. 3. **Farm income.** Farm income is the difference between gross receipts and operating expenses, subject to the provisions about self-employment income. Gross receipts include sales, rents, subsidies, soil conservation payments, production derived from livestock, and income from the sale of home-produced foods. Farm income must be annualized.

Subp. 4. **Rental income.** Income from rental property must be considered self-employment earnings when effort is expended by the owner to maintain or manage the property. When no effort is expended by the owner to maintain or manage the property, income from rental property must be considered unearned income. The facility financial staff shall total gross rental receipts to determine rental income. When an applicant or resident or spouse lives on the rental property, the facility financial staff shall divide the expenses for upkeep, taxes, insurance, utilities, and interest by the number of rooms to determine expense per room. The facility financial staff shall deduct expenses from rental income only for the number of rooms rented, not for rooms occupied by an applicant, resident, spouse, or household member.

Subp. 5. **Unearned income.** Unearned income is treated according to items A and B.

A. An amount must be deducted for costs necessary to secure payments of unearned income. These costs include legal fees, medical fees, and mandatory deductions such as federal and state income taxes.

B. Payments for illness or disability, except those payments described as earned income in subpart 1a, item A, must be considered unearned income whether the premium payments are made wholly or in part by an employer or by an applicant or resident.

Subp. 6. **Lump sums.** A lump sum is considered an asset immediately upon receipt unless it is a contractual payment or retroactive payment of benefits. Rebates of federal taxes and state taxes are not considered a means of support.

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