9500.1225 EARNED INCOME.

Subpart 1. **County agency duty to determine earned income.** The county agency must determine the total amount of earned income available to the filing unit. Earned income from self-employment must be calculated according to subpart 2. Earned income from contractual agreements must be calculated according to subpart 3. The total amount of earned income available to an individual for a month must be determined by combining the amounts of earned income calculated under subparts 2 to 4. The total amount of earned income available to an assistance unit for a month must be determined by combining the total earned income of each filing unit member.

Subp. 2. **Earned income from self-employment.** The county agency must determine the amount of earned income from self-employment by subtracting business costs from gross receipts according to items A to D.

A. Self-employment expenses must be subtracted from gross receipts except for the expenses listed in subitems (1) to (14):

(1) purchases of capital assets;

(2) payments on the principal of loans for capital assets;

(3) depreciation;

(4) amortization;

(5) the wholesale costs of items purchased, processed, or manufactured that are unsold inventory with a deduction for the costs of those items allowed at the time they are sold;

(6) transportation costs that exceed the amount allowed for use of a personal car in the United States Internal Revenue Code;

(7) the cost of transportation between the individual's home and place of employment;

(8) salaries and other employment deductions made for members of an individual's assistance unit or for individuals who live in the individual's household for whom the individual is legally responsible;

(9) monthly expenses in excess of $71 for a roomer;

(10) monthly expenses in excess of $86 for a boarder;

(11) monthly expenses in excess of $157 for a roomer-boarder;

(12) annual expenses in excess of $103 or two percent of the estimated market value on a county tax assessment form, whichever is greater, as a deduction for upkeep and repair against rental income;

(13) expenses not allowed by the United States Internal Revenue Code for self-employment income; and

(14) expenses which exceed 60 percent of gross receipts for child care performed in an individual's home unless the individual can document a higher amount. When funds are received from the quality child care program, those funds are excluded from gross receipts, and the expenses covered by those funds must not be claimed as a business expense that offsets gross receipts.

B. Except for farm income under item C, the self-employment budget period begins in the month of application for applicants and in the first month of self-employment for recipients. 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 subitems (1) to (3):

(1) 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.

(2) Expenses to cover employee FICA, employee tax withholding, sales tax withholding, employee worker's compensation, employee unemployment 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 the payment for these items is made.

(3) Gross receipts from self-employment may be prorated forward to equal the period 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.

C. Farm income must be annualized. Farm income is gross receipts minus operating expenses, subject to item A. Gross receipts include sales, rents, subsidies, soil conservation payments, production derived from livestock, and income from sale of home-produced foods.

D. Income from rental property must be considered self-employment earnings when the owner spends an average of 20 hours per week on maintenance or management of the property. A county agency must deduct an amount for upkeep and repairs, according to item A, subitem (11), for real estate taxes, insurance, utilities, and interest on principal payments. When an applicant or recipient lives on the rental property, the county agency must divide the expenses for upkeep, taxes, insurance, utilities, and interest by the number of rooms to determine the expense per room. The county agency shall deduct expenses from rental income only for the number of rooms rented, not for rooms occupied by an assistance unit. When an owner does not spend an average of 20 hours per week on maintenance or management of the property, income from rental property must be considered unearned income. The deductions described in this item must be subtracted from gross rental receipts.

Subp. 3. **Earned income from contractual agreements.** The county agency must prorate the amount of earned income received by individuals employed on a contractual basis over the period covered by the contract even if the payments are received over a shorter period.

Subp. 4. **Other earned income.** The county agency must consider all other forms of earned income not specifically provided for under subparts 2 and 3 to be earned income available to the individual in the month it is received.

Statutory Authority: *MS s 256D.01; 256D.03; 256D.04; 256D.05; 256D.051; 256D.06; 256D.07; 256D.08; 256D.09; 256D.111*

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