

Best Beginnings Child Care Scholarship Self-Employment Income Verification Form

What is Self-Employment?

Self-Employment is the act of engaging in a trade or business except as an employee. A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit. An individual is NOT self-employed if performing services that can be controlled by an employer. Source of income and individual activity from which income is generated determines if it is self-employment income.

How is self-employment income used to determine eligibility?

During the process of determining household eligibility, all gross income is evaluated to determine eligibility. In addition, self-employment status for applicants and participants is also verified. Income from self-employment divided by the number of child care hours requested must equal the current Federal/State Minimum Wage.

What documents will I need?

The following list of documents, are used to verify earned income. It is the responsibility of the applicant/participant to provide verification of all income used to determine eligibility.

- Bookkeeping records
- Tax Returns –must show proof of filing
- Receipts for ALL allowable expenses
- Pertinent lease agreements [building, vehicle, chair (cosmetology), etc.]
- Self-employment Income Verification form
- Contracts [construction, etc.]
- Bank Statements [personal & business] and cancelled checks
- Signed time sheets and receipt of payroll if have employees

The following list of documents, are used to verify unearned income. It is the responsibility of the applicant/participant to provide verification of all income used to determine eligibility.

- Attorney statements
- Cash income records
- Child Support receipts
- Parenting Plan – court filed
- Retirement Award letter
- Education/Training Award records

Should an error occur during the income eligibility process, regardless of who made the error, the applicant/participant may be fully responsible for any overpayment and may have to complete an agreement to pay all or part of any monies they receive as part of the Best Beginnings Child Care Scholarship program. [Child Care Policy 6-8; page 1 of 4]

What expenses are allowed or not allowed?

Allowed business expenses are subtracted from the gross receipts to determine taxable gross income. Allowable expenses must directly relate to the production of income. Receipts must be attached to be counted.

Not Allowed business expenses include those derived from capital investments:

- Depreciation
- Amortization
- Non-sufficient Fund charges
- Credit Card late fees
- Business start up costs
- Personal & entertainment expenses
- Payments on principal portion of loan payments
- Personal transportation
- All expenses for which receipts are not provided

Instructions

1. You may use the worksheet on the back of this form to verify your self-employment income if:
 - You did not file a business income tax return last year; or
 - You filed a business tax return last year AND expect a significant change in your business earnings this year.
2. You must have business records to verify the information given on this form. Business records include items such as invoices, cancelled checks, receipts for materials purchased, business and personal bank account information and your business calendar for us to determine your work schedule. Copies must accompany this form. We cannot guarantee that original forms will be returned to you.
NOTE: While the IRS may allow more business deductions, this form lists only the business deductions allowable under the scholarship program.
3. If you filed a business tax return last year, please include copies of **IRS forms 1040 and Schedule C**. Include form **8829** if you claim expenses for the business use of your home. These forms must show that they were filed with your tax return.
4. If you own a corporation or partnership, include copies of **IRS forms 1065 or 1120**. Your share of profits not distributed to the principal owners will be counted as income.
5. You must include copies of any estimated taxes you paid to the IRS this year. Generally, the IRS requires you to make estimated tax payments if you expect to owe at least \$1,000.00 in taxes.
6. Please refer to the Self-employment brochure for a partial list of expenses not allowed for the scholarship program.
7. We must be able to verify how many hours you work and the work schedule you listed on your application form. Please attach to this form any information you have that verifies your work schedule.
8. This form must be signed, dated, and notarized by a Notary Public.

If you have any questions or need help completing this form, please call your CCR&R eligibility worker.