**Purpose:** To assist in determining self-employment income.

**Special Mention:**

- The line numbers mentioned in this form are from Schedule C, IRS 1040 forms (2011).

**Income from a Business**

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

- In addition to net income, owners must count any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business.

- When calculating net income, owners must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements.

- Excessive amounts claimed on lines 24 and 27 need to be explained.

- If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other household income.

**Specific Instructions:**

1. Enter name of property and unit number.
2. Print applicant’s or resident’s name.
3. Follow line-by-line instructions on the form to determine self-employment income.

The completed **Self-Employed Income Worksheet** should be placed on top of the IRS 1040 with Schedule C and other appropriate schedules.
SELF-EMPLOYMENT INCOME WORKSHEET

Property Name: (1)  
Unit: (1)  

Applicant/Resident Name: (2)  
(3)  

To Calculate Income from Schedule C Profit or Loss From Business:

- **Line 31:** Net profit or (loss)  
- **Add Line 11:** Contract labor: Add any part of the amount for contract labor that is paid to self or household members living in the unit.  
- **Add Line 12:** Depletion  
- **Add Line 13:** Depreciation and Section 179 expense Deduction  

Equals Amount of self-employment income for given tax year = 

Other lines on Schedule C to take into account:
- Line H – If the tax return does not include a full year of self-employment earnings, then the income will need to be annualized.
- Line 24 – Travel and Meal expenses must be reasonable for the type of business.
- Line 27 – Other expenses must be detailed on the second page and be reasonable for the type of business.

Other considerations:
- Any cash withdrawals or payments made to expand the business need to be included in self-employment income.
- Any cash withdrawals or payments made by or to family members must be counted as income (unless resident can document that withdrawals are reimbursement of amounts previously invested in the business). The amount calculated above represents business income for the given tax year. Anticipated income for the next 12 months may be different. If the resident expects to earn less, obtain a written explanation why s/he expects to earn less. If it is anticipated to be more – include the higher amount.
- The amount on Line 12, “Business income or (loss)” on form 1040 should equal “Net profit or (loss)” on Line 31 of Schedule C. If it does not, then the resident may have, or have had another business, and should have another Schedule C.
- All other income and assets disclosed on the tax return must be accounted for.
- Tax return must be signed by the resident(s).
- If net income from business is negative it must be counted as zero income. A negative amount may not be used to offset other household income.

Do Not Include in Expenses:
- Principle Payments on Loans
- Interest on Capital Improvement or Business Expansion Loans
- Do Not
  - Offset any other family member income