

Message from Policy

While section 3410.10.00 is mainly about self-employment only, the last paragraph is **NOT** limited to self-employment (which is specifies and would not be limited to just teachers and the self employed). If you believe this last paragraph applies in your client's case—that the seasonal employment is intended to meet the needs of the household for the entire year, then the seasonal income may be annualized—it may be converted to an annual amount and then it is converted to a monthly amount based on that annualized amount.

Seasonal employment which is intended to meet the household's needs for the entire year, including self-employment, is annualized to establish a monthly amount.

Tips and Tricks on Budgeting

30 days of income is used unless working for school, self-employment, PRN, or seasonal. Income is then annualized. This makes sure that we are accounting for the annual MAGI budget and are not closing people incorrectly for over income.

Best judgment is to be used on how to figure income and when it is necessary to pend for annualized income. The obvious ones are PRN, working for a school, lawn care, HR Block or other seasonal job. Looking at wage history in DERL is a good indicator to see if a job is only received one or two quarters for years. Paystubs that vary greatly or are missing several pay dates should prompt us to request a better portrayal of income by annualizing.

If we are not able to use a tax record or w2, then we would need to project the income for the year. This can be done with the school formula. (amount of pay / months worked = monthly average. Monthly average X school year of 9 months = annualized income)

Example – Received 8 paychecks for 4 months of the school year. Add all payschecks together divide by the 4 months that you received and multiply by 9. This will give you the best portrayal of income. Remember that even if it is a year round school, most still have 3 months off.

This formula can also be used for regular self-employment that lasts a year by multiplying by 12 instead of 9.

EXAMPLE- Only self employed for 3 months. We take the average of the 3 months income we have and multiply by the 12 months they are expected to be in business. This can and should be done for the expenses as well if returned.

Often times an applicant will have an S – corp and they may pay themselves a wage. AEISE is never used for an S-corp. Schedule E is used to figure the dividends that will be put on AEFUI. A loss will need manually entered on AEMWS. AEFUI and AEINC will be the screens to fill out for an S-corp.

Sometimes we will get employer statements or paystubs that will lead us to believe the business is owned by the applicant. We would then request a tax record. Individual taxes are only used not the business' taxes.

401k income also counts as income in a MAGI budget and should be placed on AEMWS. The taxable distribution amount/s, and the expense for any penalties for early withdrawal, should be annualized over 12 months as described above, unless the member is taking monthly distributions.