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TO: **Income Maintenance Supervisors**
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Income Maintenance Staff
W-2 Agencies
Workforce Development Boards
Job Center Leads and Managers
Training Staff
Child Care Coordinators

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BEM/DWS OPERATIONS MEMO					
No:	07-23	Revised 07-03-2007			
DATE:	05/07/2007				
FS	<input checked="" type="checkbox"/>	MA	<input checked="" type="checkbox"/>	SC	<input type="checkbox"/>
CTS	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>	W-2	<input type="checkbox"/>
FSET	<input type="checkbox"/>	EA	<input type="checkbox"/>	CF	<input type="checkbox"/>
JAL	<input type="checkbox"/>	JC	<input type="checkbox"/>	RAP	<input type="checkbox"/>
WIA	<input type="checkbox"/>	Other	EP	<input type="checkbox"/>	★
PRIORITY: HIGH					

SUBJECT: **New Self-Employment Income Calculating Process For FoodShare,
Medicaid and Child Care Cases when Less than Six Months of Income
Information is Available**

CROSS REFERENCE: FoodShare Wisconsin Handbook Chapter 4.3.3,
Medicaid Eligibility Handbook Chapter 4.2

EFFECTIVE DATE: Immediately

PURPOSE

This memo communicates a change in the way Self-Employment income is calculated for the Medicaid (MA), FoodShare (FS) and Wisconsin Shares Child Care Subsidy (CC) programs.

BACKGROUND

Current MA, FS, and CC policy requires self-employed applicants and recipients who do not have tax records from the previous year nor six months worth of actual earnings to establish a six month cumulative monthly income average. This average is obtained by having the customer submit a Self-Employment Income Reporting Form (SEIRF) for each month of operation until six months of actual earnings have been reported. The worker keeps a cumulative monthly average of self-employment income until the average covers six months.

The USDA Federal Food and Nutrition Services (FNS) which oversees the Wisconsin FoodShare (FS) program recently informed the department that this self-employment reporting policy is not allowed under the FS reduced reporting requirements. In addition, any self-employment case selected for QC review that closed because a SEIRF was not turned in would be found in error.

Therefore, the Department has decided to change the way income is calculated for self-employment cases in which no tax record is available from the previous year and less than six months of actual income information is available. MA and CC self-employment income calculating methods will also change so these programs are aligned.

POLICY

SELF EMPLOYMENT POLICY THAT IS NOT CHANGING

The following self-employment income calculating requirements remain in effect for new applications, at review (recertification) and at the time a change in circumstances is reported:

- When the prior year's self-employment income tax information is available, and the past circumstances represent present circumstances, (this would include normal business fluctuations based on the type of business), use the prior year's tax form to calculate a monthly income amount. (See example 1)
- When the prior year's self-employment income tax information is not available or the past circumstances do not represent present circumstances and at least 6 months (or more) of actual self-employment income information is available, use all the months' income to establish a monthly income amount.

Example 1: John has been a self-employed construction worker for several years. He generally works many hours during the summer months, and very little during the winter. He applies for FS and CC in November and provides an IRS tax form for the previous year to verify his yearly income and expenses. His total yearly self-employment income minus his total yearly allowable expenses is divided by 12 to determine a monthly income average. John is certified for FS and CC eligibility from November through October.

John reports in January that he has not worked since the end of December. This is a normal fluctuation in his business so there would be no change in the income budgeted.

POLICY CHANGE

NEW POLICY

Effective with the release of this document, when the prior year's self-employment income tax information is not available or the past circumstances do not represent present circumstances, additional monthly SEIRFs are no longer required following the initial income calculation at application, review, or change in circumstances for cases where six months worth of actual self-employment income is not available.

For the initial income calculation, to compute anticipated earnings, the applicant or recipient must complete a SEIRF for the months the business has been in operation or for the months of operation since a change in circumstances.

The applicant or recipient may complete a SEIRF for each month separately or combine the information on one SEIRF.

When a new self-employment business is reported or when a change in circumstance occurs and the past circumstances no longer represent the present, recalculate self-employment income:

- When two or more full months of actual self-employment income information is available, use all of the actual income available to establish a monthly net income amount. See example 2.
- When at least one full month but less than two full months of actual self-employment income information is available, calculate a monthly average net income amount using the actual net income received in any partial month of operation, the one full month of operation and an estimate of net income for the next month. See example 3.
- When there is less than one full month of actual income information available, calculate a monthly average net self-employment income using the actual net income received in the partial month (since the change in circumstance occurred) and estimated income and expenses for the next two months. See example 4.

Use the average until the person's next review or if a significant change in circumstances is reported between reviews.

Example 2: Bonnie applies for CC and FS on April 5, 2007. She reports that she started self-employment in January 2007. The agency uses a SEIRF for January, February and March to determine the prospective self-employment income estimate for Bonnie's FS and CC certification period (April 2007 – March 2008).

On Bonnie's September SMRF, no change in self-employment income is reported and the worker continues to use the average determined at the time of application.

Example 3: Ricardo is applying for FS and Medicaid eligibility on February 5, 2007. He started self-employment on December 15th. To calculate his prospective self-employment income, he completes a SEIRF for December, January, and February including his actual and expected income and expenses for three months. The worker divides this total by three to determine an anticipated monthly average income amount. This amount is used until a change in self-employment is reported, or until Ricardo completes a new application or a review.

Example 4: Jenny is a FS and CC recipient who has been self-employed as a hair dresser since 2002. Jenny's FS and CC certification period is December 2006 to November 2007. The worker used Jenny's 2005 tax return to establish a monthly income amount.

In March 2007 Jenny reports that she has been unable to work since breaking her arm on February 17. She is not sure when she'll be able to return to work, but it will not be until at least May. The worker has Jenny complete a SEIRF for February 17- February 28 (actual income since the change in circumstance occurred) and for March and April using the best estimate of income to establish her prospective self-employment income. The worker will use these three months to determine a prospective self-employment income estimate for the remainder of the certification period. Jenny does not need to submit any additional SEIRFs.

Remember, eligibility for CC could continue pending Jenny's return to work. However, the CC authorization can continue for up to 6 weeks for a break in employment.

CURRENT CASES SUBMITTING SEIRFS

For cases that are currently submitting SEIRFs under the old policy:

- Do not close the case if a SEIRF is not received after an initial calculation is completed (as outlined by the new policy).
- If a SEIRF is submitted, adjust the cumulative average to include the reported income.

CHANGE REPORTING REQUIREMENTS BY PROGRAM

Medicaid

The change reporting policy remains the same for MA. All changes in income are to be reported within 10 days.

Child Care

Child Care requires the customer to report changes in self-employment income when submitting his/her SMRF. This average will be used for the remainder of the certification period unless a significant change is reported. A change in income must be reported within 10 calendar days if the income increases by \$250 or more or decreases by \$100 or more

FoodShare

Households that are subject to reduced change reporting requirements are only required to report if total household income, including net self-employment income (gross self-employment income less allowable self-employment expenses) exceeds 130% of the federal poverty level (FPL) for the reported household size.

If an increase in net self-employment income causes the total household income to exceed the 130% FPL reporting threshold, the change is required to be reported by the 10th of the month following the month the excess income was received.

REMEMBER ➤ If an increase in self-employment income is reported and the increased income has already been accounted for in the self-employment monthly average, and no change in circumstances has occurred, no further action is required. Also, no action is required if the increase in income is temporary and not expected to continue. Be sure to document in Case Comments that the change was reported and that no action is necessary since the fluctuation has been accounted for in the existing average.

Example 5: John (from example 1) who is open for FS and CC, submits his SMRF in April, showing no change in his self-employment income, so John's worker does not change the income average in CWW. In June, John reports that in May his total net self-employment income exceeded 130% of the FPL for his household size (which is an increase of more than \$250). His worker and John determine that although this increase in income is expected to continue through September, this usual fluctuation in the income has already been taken into consideration as part of the average monthly income that has been budgeted since November, and no further action is required.

The worker documents in Case Comments that the change was reported and records why no further action was needed. At his review in October, John provides his tax return for the previous tax year to verify his self-employment income and a new monthly average is determined.

While eligibility for child care remains in effect, the hours authorized for Child Care would need to be adjusted to reflect the change in John's hours.

Example 6: Kate applied for FS, MA and CC on June 2, 2007. She started her own tailoring business in March 2007 so Kate's worker has her complete SEIRFs for March, April, and May showing her actual self-employment income. The worker combines the income amounts and divides by 3 to get a monthly average. Kate is found eligible for FS, MA and CC with a certification period of June 2007 through May 2008.

In September 2007 Kate reports that her income exceeded the 130% FPL in August because of a large contract she had for that month. The worker talks with Kate to determine whether she expects her income to continue at this higher level. Kate does not expect her business to continue earning income at this higher level and the worker determines this was a normal fluctuation in the business. The worker documents this in Case Comments and continues to use the 3 month average calculated in May until the next review or reported change in circumstances.

Example 7: In April 2008, Kate reports the business income in March again exceeded the 130% FPL. Kate also reports that in February she increased the size of her shop and hired two employees. She expects to see a substantial increase in the income from the business because of this expansion. Since this increase in income is due to a change in circumstances, the worker has Kate complete a SEIRF with the actual income for March and another SEIRF with the estimated income for April. The average income from these two months will be budgeted until the next review or reported change in circumstances.

CARES

The self-employment page in CWW calculates monthly averages for 1 to 6 months, or for 12 months. If a business was in operation for 7 to 11 months in the previous tax year, and no change has been reported, the worker can use the self-employment worksheet to determine a monthly average, entering the one month average in CWW using a "1" month indicator.

CONTACTS

BEM CARES Information & Problem Resolution Center

★Program Categories – FS – FoodShare, MA – Medicaid, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – Food Stamp Employment and Training, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC - Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, Other EP – Other Employment Programs.

DHFS/DHCF/BEM/JE/LA