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Authorized Signature

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Issue Date: 06/24/04

Topic: Other

Subject: Self-Employment

**Applies to (check all that apply):**

- |                                     |                               |                                     |                                      |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------------|
| <input type="checkbox"/>            | All DHS employees             | <input type="checkbox"/>            | County Mental Health Directors       |
| <input checked="" type="checkbox"/> | Area Agencies on Aging        | <input type="checkbox"/>            | Health Services                      |
| <input checked="" type="checkbox"/> | Children, Adults and Families | <input checked="" type="checkbox"/> | Seniors and People with Disabilities |
| <input type="checkbox"/>            | County DD Program Managers    | <input type="checkbox"/>            | Other (please specify):              |

**Message:**

The July release of CAF/SPD policy revisions includes a clarification and expansion of the policy on self-employment.

Identifying self-employed clients has been a struggle. Case workers have looked at similar situations and labeled income in various ways: as self-employment, as earnings, as unearned income or even as lump-sum. Two proposals for defining self-employment were sent out for field review this spring. Everyone who commented supported the option of revising the current policy and creating worker guide clarifications around it.

The expanded policy clearly labels some of the more troublesome occupations (e.g., selling Avon or picking up cans) to end ongoing confusion. In addition, it cross-references policy on corporations, which states that owners or shareholders of corporations are not considered self-employed. This clarification allows us to keep the existing policy in a more workable form. While the policy is still flexible, we believe it will be easier to administer and less open to interpretation.

Newspaper carriers have been a particular source of frustration. Under the revised policy, they are not self-employed. Even though the papers they work for label them as independent contractors, they are clearly employees, with very limited freedom and financial risk. For FS, allowing only the 50% SEC deduction has disadvantaged clients whose cost of supplies is more than 50% of their monthly earnings. In previous hearings, the decision was made that the money spent by the carriers on newspapers, bags and rubber bands should not be included in the gross income. We have amended policy to state that such ongoing, regular costs to produce income will not be considered available. The balance is treated as earned

income (EML) for all programs.

This policy clarification is reflected in the *Family Services Manual; Counting Client Assets A* (Availability of Income), C (Self-Employment) and new worker guide WG-CA-01; and OARs 461-140-0040 and 461-145-0910.

## Implementation

The DHS 859B (*Self-Employment Income*) has been revised to state that self-employed clients must verify their income. The form itself is not acceptable as proof. For programs that allow short certification/redetermination periods, workers are encouraged to use them, if needed, to allow self-employed clients a transition period in which to begin keeping records of their income and related costs. After this short transition period, deny self-employed applicants who cannot provide verification of income. For marginally self-employed clients (e.g., those who collect and redeem cans), review the worker guide for questions to establish an estimate of income. (WG-CA-01)

## Training Plan

This IM includes a self-test on the new self-employment policy. Later in the year, a FS Skill Challenge will go out on this topic. Although the programs budget income differently, the definition of self-employment applies to all: thus, the skill challenge will be a useful review for all case-carrying staff. If we find that staff are still struggling with identifying self-employed clients after using this new policy, we will consider developing NetLink training to address it.

Please review the new policy before taking the self-test. If you have any questions, please contact the analyst for the program you wish to explore.

## Self-Employment Questions

1. Kimberly works as a hairstylist for a local chain salon. She is paid minimum wage and earns tips. She is new, so she has to work the shifts the more senior stylists do not want. The salon launders the towels and allows her to use other equipment necessary for her to do her job, but she must provide her own scissors.  

Is Kimberly self-employed?	Does she have costs?
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2. Clients with more than one self-employment business will have the income from each business determined separately.      True      False
3. Businesses that are incorporated are not considered to be self-employment enterprises. True      False

4. Bud has a morning paper route for the Bland Gazette. He buys the newspapers, rubber bands and plastic bags from the Gazette. In addition, he has a cost for gas and maintenance for the vehicle he uses to deliver the papers.
- Would we treat Bud's income as self-employment?      Yes                      No
5. The DHS 859B must be submitted as proof of self-employment income.                      True                      False
6. Self-employment income is the gross sales or receipt (before costs).                      True                      False
7. Jolene is applying for Food Stamps and TANF. She is self-employed and has had her current business for two years. She expects to earn as much this year as she did last year. How do you budget the income?
8. Self-employment costs are a required verification for all programs.                      True                      False
9. Clients who collect pop cans and other beverage containers are not considered self-employed because they do not perform work.      True                      False
10. List three of the six self-employment criteria found in the *Identifying and Budgeting Self-Employment Income Worker Guide* and OAR 461-145-0910.

### Self-Employment Answer Key

1. Kimberly works as a hairstylist for a local chain salon. She is paid minimum wage and earns tips. She is new, so she has to work the shifts the more senior stylists do not want. The salon launders the towels and allows her to use other equipment necessary for her to do her job, but she must provide her own scissors.

Is Kimberly self-employed? **No. She has an established work schedule and specified wages.**

Does she have costs? **Yes, but they are minimal and not ongoing, so she does not get an exclusion.**

2. Clients with more than one self-employment business will have the income from each business determined separately.      **True**                      False
3. Businesses that are incorporated are not considered to be self-employment enterprises. **True**                      False

**Corporations do not meet the definition of self-employed.**

4. Bud has a morning paper route for the Bland Gazette. He buys the newspapers, rubber bands and plastic bags from the Gazette. In addition, he has a cost for gas and maintenance for the vehicle he uses to deliver the papers. Would we treat Bud's income as self-employment? Yes **No**

**Newspaper carriers are considered independent contractors by the newspaper, but they do not meet our definition of self-employment. The carrier does not have control over the services, is not responsible for the success or failure of the business, and does not contract for a site or work out of another's business location. Exclude his ongoing costs for newspapers, rubber bands and bags: count the remainder as EML.**

5. The DHS 859B must be submitted as proof of self-employment income. True **False**

**The 859B may be used to gather information about costs. It is not acceptable as proof of self-employment income.**

6. Self-employment income is the gross sales or receipt (before costs). True **False**

7. Jolene is applying for Food Stamps and TANF. She is self-employed and has had her current business for two years. She expects to earn as much this year as she did last year. How do you budget the income? **Annualize**

**Annualize. For TANF and FS, self employment income is annualized unless the situation is new and the financial group cannot determine what the income will be during the budget month. In that case, the income is averaged.**

8. Self-employment costs are a required verification for all programs. True **False**

**MAF requires verification of costs. ERDC and OHP must have costs verified if the client wants to claim actual expenses above 50%. Costs for FS and TANF are verified only if questionable.**

9. Clients who collect pop cans and other beverage containers are not considered self-employed because they do not perform work. True **False**

**Although the work may be considered marginal, it is work and it is self-employment.**

10. List three of the six self-employment criteria found in the *Identifying and Budgeting Self-Employment Income Worker Guide* and OAR 461-145-0910.

- **Engaged in an enterprise for the purpose of producing income.**
- **Responsible for obtaining or providing a service or product by retaining**

- control over the work or services offered.
- Has principal responsibility for the success or failure of the business operation.
- Not required to complete an IRS W-4 for an employer or does not have federal income tax of FICA withheld from a pay check.
- Not covered by employer's liability insurance or workers' comp.
- Contracts for a site or works out of another's business location.

*If you have any questions about this information, contact:*

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