C. Self-Employment and Microenterprise Income

1. Self-employment; general

(A) Self-employment income is received directly from one’s own business, trade or profession, rather than earning a salary or wages from an employer. Clients are considered self-employed if they meet the criteria in section (B) or (C). Except as noted in section (C), for all programs except SNAP, when a client has established a corporation determine if the client is self-employed per section (B). For SNAP, an owner of an incorporated business is not self-employed in that business. If a client has more than one self-employment business, trade, or profession the income from each is determined separately.

NOTE

Self-employment begins when the person is working to earn income, as opposed to preparing the groundwork to get their business started.

SEE CA B.15 FOR POLICY ON CORPORATIONS.

(B) Except as noted in section (C), a client is self-employed if he or she:

(1) Is considered an independent contractor by the business that employs them; or

(2) Meets at least four of the following criteria:

(a) Is engaged in an enterprise for the purpose of producing income.

(b) Is responsible for obtaining or providing a service or product by retaining control over the work or services offered.

(c) Has principal responsibility for the success or failure of the business operation by assuming the necessary business expenses and profit or loss risks connected with the operation of the business.
(d) Is not required to complete an IRS W-4 form for an employer and does not have federal income tax or FICA payments withheld from a pay check.

(e) Is not covered under an employer’s liability insurance or workers’ compensation.

(C) Notwithstanding section (B) above:

(1) Home care providers paid by SPD are not self-employed.

(2) Child care providers paid by DPU, adult foster care providers paid by SPD, realty agents, and clients who sell plasma, redeem beverage containers, pick mushrooms for sale or similar enterprises are considered to be self-employed.

(3) If a financial group member actively manages the property 20 hours or more per week, the income is treated in the same manner as self-employment income. If a financial group member does not actively manage the property 20 hours or more per week, the income is counted as unearned income with exclusions allowed only in accordance with OAR 461-145-0920.

(D) For ERDC, REF, SNAP and TANF, self-employment income, including microenterprise, is annualized or anticipated if it meets the following criteria:

(1) Self-employment income is annualized when it is:

   (a) Received during less than a 12-month period but is intended as a full year’s income.

   (b) From a business that has operated for a full year and the previous year is representative of what income is expected for the next year.

(2) Self-employment income is anticipated when a financial group begins self-employment and is unable to determine what their income and costs will be during the budget month.

**NOTE**

Self-employment may include income from a business, including a microenterprise, hobby, weekly or monthly garage sales, commercial boarding, or other income-producing property. For day care providers, the gross self-employment income includes payments from DPU, clients, Head Start contracts and USDA meal reimbursements.
NOTE

For SNAP, a client may choose to not annualize their income. When they make this choice, their income may be averaged. However, peak and low business periods must be considered when doing this average. For example, a client with a yard maintenance service earns more during the summer months. The summer months must be included in the average.

(E) When determining countable self-employment income, use gross receipts and sales, including mileage reimbursements, before costs.

Self-Employment; General; Not OSIP, OSIPM, or QMB Rule
461-145-0910 — Self-Employment; General; Not OSIP, OSIPM, or QMB

REFER TO CA-WG #1 FOR EXAMPLES, A GUIDE TO USING TAX FORMS AND MORE INFORMATION. FOR CLIENTS WITH ONGOING COSTS RELATED TO EMPLOYMENT, WHO ARE NOT SELF-EMPLOYED, SEE CA-A.2 ON AVAILABILITY OF INCOME.

2. Self-employment; costs that are excluded to determine countable income

Use the following to determine which costs are excluded from gross self-employment income.

(A) Unless prohibited by subsection (B) and subject to the provisions of subsections (C) and (D) and to section C.3 of this chapter, the necessary costs of producing self-employment income are excluded from gross sales or receipts (before costs), including but not limited to:

(1) Labor (wages paid to an employee or work contracted out);

(2) Raw materials used to make a product and stock (inventory);

(3) Interest paid to purchase income-producing property, such as equipment or capital assets;

(4) For SNAP only, payments on the principal of the purchase price of income-producing property, such as real estate, equipment, machinery, durable goods or capital assets;

(5) Insurance premiums, taxes, assessments and utilities paid on income-producing property;

(6) Service, repair and rental of business equipment (including motor vehicles) and property that is owned, leased or rented;
(7) Advertisement and business supplies;

(8) Licenses, permits, legal or professional fees;

(9) Transportation costs at 20 cents per mile, if the cost is part of the business expense. Commuting expenses to and from the worksite are not part of the business expense;

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**NOTE**

Commuting is the process of the person getting themselves to and from work sites. Transportation costs are allowed only if the client must haul work equipment (lawnmowers, vacuum cleaners, drop cloths, etc.) to a job site.

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(10) Charges for telephone service that can be verified as a necessary cost for self-employment; and

(11) Meals and snacks provided by family day care providers receiving USDA meal reimbursements for children in their care (including their own). Use the actual cost of the meals if the provider can document the cost.

If they cannot document the actual cost, use the following figures:

(a) Breakfast – $.83;

(b) Lunch – $1.51;

(c) Dinner – $1.51; and

(d) Snacks – $.45.

(12) Materials purchased for resale, such as Avon products. For newspaper carriers, this includes the monthly cost of newspapers, bags and rubber bands.

(B) The following costs are not allowable costs for doing business:

(1) Business losses from previous months;

(2) For all programs except SNAP, payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery and other durable goods;
(3) Federal, state and local income taxes, draws or salaries paid to any financial group member, money set aside for personal retirement and other work-related personal expenses (such as transportation, personal business and entertainment expenses);

(4) Depreciation. Depreciation is a prorated lessening of value assigned to a capital asset based on its useful life expectancy and initial cost;

(5) Costs related to traveling to another area to seek business when there is no reasonable possibility of deriving income from the trip;

(6) Interest or fees on personal credit cards;

(7) Personal telephone charges.

SEE OAR 461-145-600 (COUNTING CLIENT ASSETS, B.87) FOR INFORMATION ON HOW TO TREAT INVENTORY.

(8) Shelter or utility costs associated with the client’s home, except as authorized by subsection (C) below.

(C) The exclusions for items used for both business and personal purposes, such as automobiles and real property (including utilities), are limited by the following rules:

(1) For ERDC, the portion of the expense that is for business use only is excluded; and

(2) For SNAP, costs are excluded for a separate office or shop located on the property used as a home, unless the office or shop is part of the dwelling in which the client lives. Costs for other items used for both business and personal use are excluded.

(D) If no member of the financial group has been self-employed for a sufficiently long period to ascertain the costs of self-employment, they may be estimated.

(E) For clients participating in the microenterprise component of the JOBS program, costs are excluded according to general accounting principals as applied by an accounting professional, such as a certified public accountant or bookkeeper, and OAR 461-145-0920.
3. **Exclusions Allowed From Self-Employment Income**

The following explains how exclusions are taken from self-employment gross income in the different programs. Gross income less exclusions leaves *countable income*. Costs of producing self-employment income, determined in accordance with section C.2 of this chapter, are excludable according to the following guidelines:

(A) In the REF program, no costs are excludable.

(B) In the TANF program:

   (1) For a client participating in the microenterprise component of the JOBS program, costs are excluded according to general accounting principals as applied by an accounting professional, such as a certified public accountant or bookkeeper, and OAR 461-145-0920.

   (2) For all other clients, no costs are excluded.

(C) In the SNAP program, if there are any excludable costs, the exclusion is 50 percent of gross self-employment income.

(D) In the ERDC program, if the client claims an excludable cost, the minimum exclusion is 50 percent of gross self-employment income and the maximum exclusion is the total excludable cost.

4. **Additional exclusions for farming costs; SNAP**

In the SNAP program, if gross self-employment income from farming is less than the costs calculated in accordance with OAR 461-145-0920, and the client receives or anticipates receiving annual gross farm income of $1,000 or more, then farming-related costs that exceed self-employment income from farming are allowed as an exclusion from nonfarm self-employment income, other earned income, and unearned income.
Additional Exclusions for Farming Costs; SNAP Rule

461-145-0931 — Additional Exclusions for Farming Costs; SNAP

✔ SEE SNAP-G.17 FOR AN EXAMPLE OF HOW TO TREAT FARM INCOME.