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**FOOD STAMP CERTIFICATION  
ELIGIBILITY REQUIREMENTS  
Special Budgeting Procedures**

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**FS 273 Special Budgeting Procedures  
Change #1-2006  
April 1, 2006**

**273.01 ALIEN SPONSORS**

- A. Calculation of income is dependent on when the sponsor signed or re-signed the affidavit of support. Count as unearned income the full amount of countable income for the sponsor and his spouse (if living together) if the affidavit was signed on or after December 19, 1997. Continue to count this income until:
1. The alien becomes a citizen; **or**
  2. The alien has worked or can be credited with 40 qualifying quarters of social security coverage. Beginning January 1, 1997, a quarter in which the wage earner received federal means-tested assistance (Work First Family Assistance [WFFA], food stamp benefits, Medicaid, North Carolina Health Choice, or Supplemental Security Income [SSI]) is not counted as a qualifying quarter; **or**
  3. The alien sponsor dies, whichever is earlier.
  4. If the sponsor has signed an affidavit for more than one alien, prorate the sponsor s income among the sponsored aliens.
- B. If the affidavit of support was signed or re-signed prior to December 19, 1997, **deem** the income of the sponsor and spouse for three years as follows.
1. Determine the total monthly countable earned income of the sponsor and spouse. Allow the earned income deduction of 20%. Add the calculated earned income to the total countable unearned income of the sponsor and spouse.
  2. Subtract the actual payment of alimony and child support paid to individuals not living with the sponsor and spouse. Subtract the food stamp income limit for the household size of the sponsor s family. Include in the sponsor s household size any dependent that he or his spouse claim or could claim for federal income tax purposes.
  3. The remaining income amount is deemed as unearned income to the sponsored alien s food stamp unit (FSU).
  4. If the sponsor has signed an affidavit for more than one alien, prorate the income from 3. above among the sponsored aliens.
  5. Review the income of the sponsor and spouse at each application, recertification, and reported change in situation.
- C. Battered Aliens
- If it is determined that the sponsored alien has been battered by a spouse, parent, or member of the spouse or parent s household, and the battering is the reason the alien is seeking assistance, do not count the sponsor s (or spouse s) income for 12 months. After the initial 12 months, deeming from the sponsor will be permanently eliminated provided the battery was recognized by a judge or administrative law judge in a court order or by a prior determination of Immigration and Naturalization Service (INS). Also, it is required that the battered individual no longer live in the same household as the batterer **and** the battered individual s FSU must continue to need assistance as a substantial result of the battery. The battered individual must provide verification of being

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battered and of having petitioned INS for permanent resident status. **These provisions do not apply if the battered individual lives with the batterer.**

**273.02 EDUCATIONAL ASSISTANCE**

- A. The only sources of countable educational assistance/scholarships are:
1. Scholarships received from Civic Groups;
  2. Scholarships received from Education Institutions; or
  3. Athletic Scholarships.

**NOTE:** This means that Work Study, Veterans Administration (VA) Educational Assistance and various other types of educational assistance are not countable.

- B. Prorate scholarships in 273.02 A. over the period of time intended to cover. Budget the income either in the month it is received or in the month the FSU anticipates receiving the first installment payment or the full amount of income. Regardless of the date of receipt, prorate the income over the period it is intended to cover.
- C. Scholarships used for or earmarked for the following allowable expenses may be **excluded:** tuition; mandatory school fees, including rental or purchase of any equipment, material, and supplies related to the pursuit of the course of study involved; books; supplies; transportation; miscellaneous personal expenses, other than normal living expenses (room and board), of the student incidental to attending a school, institution or program; dependent care; and origination fees.
- D. Normal living expenses, which are room and board, are **not** excludable. If the scholarship amount is not enough to cover dependent care costs, those costs may be deducted from other income up to the capped amount.
- E. If the scholarship is prorated as income and the student drops out of school, continue to count the assistance as income for the period it was intended to cover.

**273.03 SELF-EMPLOYMENT**

A FSU in which one or more members are engaged in an enterprise for gain, such as an independent contractor, franchise holder, owner/operator, or operator, have self-employment income. When an individual does not have an employee/employer relationship in his work and is responsible for paying his own social security taxes (FICA) and other taxes, he will be determined to be self-employed. If the business is incorporated, do not use self-employment rules to determine the countable income. Count as earned income payments made by the business to the FSU.

**EXAMPLE 1:** A carpenter is part of a crew that is assigned trim work. He/she works steadily for one contractor. The contractor does not withhold income tax on this individual. There is no cost of doing business to the individual such as supplying his tools or materials. The carpenter is determined self-employed.

**EXAMPLE 2:** An individual is a painter. He/she provides all the paint, ladders, brushes, and other supplies necessary to complete the job. This individual primarily works for one contractor but occasionally does side jobs. The contractor pays the painter by the job. No taxes are withheld. This painter would be considered self-employed.

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- A. Annualized Self-Employment
1. Self-employment income that represents a household's annual support and is received in a period less frequently than monthly is **annualized over a 12-month period**. This is referred to as **annualized self-employment**.
  2. If the annualized amount does not accurately reflect the FSU's actual circumstances because the FSU has experienced a substantial increase or decrease in business, the county must calculate the self-employment income based on anticipated earnings.
  3. If the FSU's business has been in existence for less than a year but it represents the FSU's annual support, the income from the self-employment shall be prorated over the number of months the business has been in existence. This is annualized self-employment.
- B. Regular Self-Employment
- If the income from self-employment is received at least monthly **or** it does not represent the FSU's annual support, use a two-month base period to anticipate the self-employment income and operational expenses. If the base period is not representative of the FSU's anticipated income for the next certification period, use best available information to anticipate income. Document use of the best available information. This is **regular self-employment**. See **Section 270, Budgeting Fluctuating Income**, for more information on budgeting this income.
- C. Areas of certification affected by the self-employment classification of a FSU or some of its members are:
1. Work registration requirement/exemptions. See Section 240, Work Requirements.
  2. Assignment of certification periods. Refer to Manual Sections 400 through 500 to determine the appropriate certification period.
  3. Annualization of self-employment income or quarterly recertification. See 273.08, Budgeting Annualized Self-Employment Income, and Section 500, Recertifications.
  4. Deductions for the cost of doing business. See 273.08, D., Allowable Costs of Doing Business.
  5. Determination of ABAWD status (works less than 20 hours per week). See Section 240, Work Requirements.

**273.04 TYPICAL SELF-EMPLOYMENT PATTERNS**

FSU circumstances vary greatly depending on the nature of the self-employment enterprise in which it is engaged. The following are some typical forms of self-employment.

A. Regular Income from Self-Employment

These households receive income as profit on a fairly regular schedule (weekly, monthly) or draw a certain amount from the business each week or month and may draw the balance of profit from the enterprise at the end of the business year. The self-employed in this category may include small businesses such as grocers; some farmers, such as dairy farmers; and commercial boarding houses. This is regular self-employment.

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B. Service Type of Business

These households also receive income on a fairly regular basis from the enterprise. However, many times such employment and, therefore, income may be sporadic in nature. Such enterprises may include craftsmen, certain repairmen, franchise holders, or others who work out of their home. Some examples might be Avon or Tupperware sales or an auto mechanic. This is regular self-employment.

C. Seasonal Self-Employment

Many FSU s derive income from short-term seasonal self-employment (such as landscapers and crabbers). Household circumstances in this category may differ depending on whether the seasonal enterprise represents the household s annual support (annualized self-employment) or whether the income is limited to the season only and the household has other sources of income during the remainder of the year (regular self-employment). Seasonal self-employment may include vendors who work only in the summer or tourist season, such as seasonal farmers or fishermen, etc.

D. Cash-Crop Farmers and Similarly Self-Employed

Households in this category receive their annual income from self-employment in a short period of time and control expenditures in order that these funds will defray their expenses for the next 12 months. Included in this category may be cash-crop farmers and some seasonal farmers where the seasonal income is the household s primary support for the year. This is annualized self-employment.

**273.05 RECORDS OF SELF-EMPLOYMENT**

A. Records containing the total business income (including business invoices and accounts receivable) and business expenses (allowable costs of doing business) are essential to determine eligibility and correct benefit level. Last year s tax records may be used when they are representative. In the event the household has no records to substantiate business income and expenses, the county department should assist the household in setting up the necessary records. Remember, deductions from self-employment income must be allowable (reasonable to the cost of doing business) and verification (receipts) provided. See 273.08, D., Allowable Costs of Doing Business.

B. When first working with a household applying for food stamps, if records are not available, the county department can anticipate income and expenses based on the best available information from the self-employed individual. Following this first contact, the household is responsible for keeping adequate records to verify income and expenses.

**273.06 BUDGETING BOARDER INCOME**

A. A boarder is an individual to whom the FSU furnishes lodging and meals in return for cash compensation. Include all direct payments to the FSU from the boarder for their room, meals, and utilities, if separate. Do not consider as income to the FSU any shelter expenses paid directly by the boarder to a third party.

B. Deduct the following allowable costs of doing business from the gross boarder income. The cost of doing business cannot exceed the total boarder payments for lodging and meals.

1. If a FSU operates a commercial boarding house, deduct the allowable and reasonable costs of producing the income. See 273.08, D. for a listing of these deductions.

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2. If the FSU does not operate a commercial boarding house, deduct the greater of the following from boarder income.
  - a. The Thrifty Food Plan (maximum food coupon allotment) for a FSU size that is equal to the number in the boarder household; **or**
  - b. The verified actual separate and identifiable costs of providing room and meals if the actual costs exceed the appropriate Thrifty Food Plan for the number in the boarder household.
  - c. Use a two-month base period unless a change (as defined in Section 270, Budgeting Fluctuating Income) is reported. Enter the averaged monthly income amount into the Food Stamp Information System (FSIS).

**273.07 BUDGETING FARM OR COMMERCIAL FISHING INCOME**

- A. If the business has been in existence at least one year and there has been no substantial increase or decrease in income:
  1. Obtain income and expense verification for the previous year.
  2. Subtract the allowable and reasonable costs of producing the income. See 273.07, D. for a listing of these deductions.
  3. Divide the result by 12 to obtain the average monthly income to count for the certification period.
  4. Continue to budget this amount for the certification period unless the FSU reports a substantial increase or decrease in income.
    - a. Enter the anticipated averaged monthly income in FSIS.
    - b. If there was a loss in farm income, see 273.07, F.
- B. When the FSU reports a substantial increase or decrease in income:
  1. Estimate the annual income and expenses based on the most accurate information available. Average and anticipate this income for the remainder of the certification period.
  2. Enter the anticipated averaged monthly income in FSIS.

If there was a loss in farm income, see 273.0, F.
- C. If the business has been in existence for less than one year and there has been no substantial increase or decrease in income:
  1. Obtain income and expense verification for the number of months that the business has been in existence.
  2. Subtract the allowable and reasonable costs of producing the income. See 273.07 D. for a listing of these deductions.
  3. Divide the result by the number of months that the business has been in existence.
  4. Continue to budget this amount for the certification period unless the FSU reports a substantial increase or decrease in income.

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5. Enter the anticipated averaged monthly income in FSIS.
  6. If there was a loss in farm income, see 273.07, F.
- D. Allowable costs of doing business for gross farm/fishing income include, but are not limited to, labor; livestock; raw materials; seed and fertilizer; repairs to farming and fishing equipment; interest paid on loans used to purchase income producing real or personal property; insurance premiums on the farm and equipment or fishing equipment; taxes paid on income producing property; and for sharecroppers, the percentage of gross sales paid to the landowner for the use of the land.
- E. Non-allowable costs of doing business include, but are not limited to, payments on the principal of loans used to purchase income producing property, capital assets or equipment; expenses paid or incurred from last year's crop production; and depreciation claimed for tax purposes.
- F. Procedures to Offset Farm Losses:
1. A loss from farming occurs when the cost of doing business is greater than the income received. When the annual gross receipts of a farmer are expected to be at least \$1000, offset losses against other FSU income.
    - a. Compute the total gross farm income (which must be at least \$1000), and subtract the allowable costs of doing business. See 273.07, D.
    - b. Subtract any losses from the self-employment income first; **and**
    - c. Subtract any remaining losses from other earned and unearned income.
  2. Continue to budget the loss for the remainder of the certification period using code L in field 80-F on the DSS-8590. If the farm operation discontinues and a farmer has this self-employment income annualized with a monthly loss being offset from other income, remove the offset when income from the farm operation ceases.

**273.08 BUDGETING ANNUALIZED SELF-EMPLOYMENT INCOME**

- A. If the business has been in existence at least one year and there has been no substantial increase or decrease in income:
1. Obtain income and expense verification for the previous year.
  2. Subtract the allowable and reasonable costs of producing the income. See 273.08, D. for a listing of these deductions.
  3. Divide the result by 12 to obtain the average monthly income to count for the certification period.
  4. Continue to budget this amount unless the FSU reports a substantial increase or decrease in income.
- Enter the anticipated averaged monthly income in FSIS.
- B. When the FSU reports a substantial increase or decrease in income:
1. Estimate the annual income and expenses based on the most accurate information available. Average and anticipate this income for the remainder of the certification period.
  2. Enter the anticipated averaged monthly income in FSIS.

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- C. If the business has been in existence for less than one year and there has been no substantial increase or decrease in income:
1. Obtain income and expense verification for the number of months that the business has been in existence.
  2. Subtract the allowable and reasonable costs of producing the income. See 273.08, D. for a listing of these deductions.
  3. Divide the result by the number of months that the business has been in existence.
  4. Continue to budget this amount for the certification period unless the FSU reports a substantial increase or decrease in income.

Enter the anticipated averaged monthly income in FSIS.

- D. Allowable costs of doing business include:
1. Costs of maintaining a place of business such as, rent, utilities, insurance on the business and its property, and property taxes.  
**NOTE:** If a business is operated in the home, allow only those costs identified for the part of the home used exclusively for the business. If expenses for the business are not separately identifiable, use a prorata share of household expenses as a cost of doing business. Payments on the principal cannot be allowed as a cost of doing business.
  2. Interest paid on loans used to purchase income producing equipment and property.
  3. Taxes paid on income producing property.
  4. Repairs and maintenance related to the business.
  5. Employee labor costs including commissions paid, taxes, FICA insurance, etc.
  6. Cost of goods sold, supplies, and materials.  
**NOTE:** Allow the expense for purchase of goods for resale in the month incurred.  
**EXAMPLE:** An Avon representative purchases \$300 worth of products in October to sell in December. Allow the \$300 expense in October when incurred. Count the income from resale in December when received.
  7. Advertising costs.
  8. Accounting and legal fees.
  9. State and local sales taxes paid.
  10. Professional licenses, permits, and taxes, if necessary, to practice a profession or trade.
  11. Transportation costs necessary to produce income. The transportation deduction is not to exceed the federal mileage rate for income tax purposes.
  12. Actual costs of providing meals as part of the business, such as baby-sitting.

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If an item is used for purposes other than producing income, prorate the expense using the percentage of time the item is used to produce income.

**EXAMPLE:** A self-employed child care provider uses her vehicle 50% of the time in her business. The other 50% of the time she uses it for her own personal use. She is entitled to 50% of the vehicle expenses as a deduction for her business.

- E. Non-allowable costs of doing business include:
1. Payments on the principal of loans used to purchase income producing property or equipment.
  2. Losses from previous periods.
  3. Current or anticipated losses (except for self-employed farmers).
  4. Depreciation claimed for tax purposes.
  5. Deposits into the self-employed individual's retirement account and/or payment for his life and health insurance.
  6. The self-employed individual's work-related expenses accounted for by the earned income deduction including federal, State, and local income taxes, and other work-related personal expenses, such as transportation expenses for the commute to and from the individual's place of business.
  7. Other personal expenses not related to the business, such as meals, clothing, etc.

**273.09 BUDGETING NON-ANNUALIZED SELF-EMPLOYMENT INCOME**

Types of non-annualized self-employment include, but are not limited to, selling Avon, mechanic, hairdresser, carpenter, and baby-sitting in one's own home.

- A. At Initial Application/Reapplication
1. Obtain verification of self-employment income and expenses from the two calendar months prior to the month of application/reapplication. **This is the base period.**
  2. Determine the countable income using the procedures described in Section 270, Budgeting Fluctuating Income.
  3. Deduct the cost of doing business using the list in 273.08, D., Allowable Costs of Doing Business, to obtain the adjusted gross countable income.
  4. Enter the averaged monthly income amount in field 80-F of the DSS-8590.
- B. Change in Income Occurs
1. Obtain verification of the changed income and/or expenses.
  2. Refer to Section 270, Budgeting Fluctuating Income, to determine the appropriate base period, procedures for anticipating new or changed income, and procedures for budgeting terminated income.

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- C. At Recertification
1. Obtain verification of self-employment income and expenses from the two calendar months prior to the last month of the certification period. **This is the base period.**
  2. Determine the countable income using the procedures described in Section 270, Budgeting Fluctuating Income.
  3. Deduct the cost of doing business using the list in 273.08, D., Allowable Costs of Doing Business, to obtain the adjusted gross countable income.
  4. Enter the averaged monthly income amount in field 80-F of the DSS-8590.

**273.10 CAPITAL GAIN INCOME**

- A. The actual capital gain from the sale of capital goods or equipment is included as income. Determine the actual capital gain as follows.
1. Determine if the FSU has capital assets. The following is a listing of capital assets.
    - a. Real property;
    - b. Equipment;
    - c. Machinery; **and**
    - d. Other items expected to last at least 12 months.
  2. Ask the FSU if any member has sold or transferred a capital asset.
  3. Determine if there was a capital gain realized from the sale or transfer of capital assets.
  4. Compute the capital gain as follows.
    - a. Subtract depreciation from the original purchase price of the capital asset to establish the adjusted basis.
    - b. Subtract the adjusted basis from the sales price to establish the capital gain.

**EXAMPLE:** A farmer purchased a tractor for \$3000 in 1984. Over a period of ten years, he claimed \$2500 in depreciation on the tractor. In 1994, he sold the tractor for \$1100.

Purchase Price	\$3000	Sales Price	\$1100
Depreciation Claimed	- 2500	Less Adjusted Basis	- 500
Adjusted Basis	\$ 500	Capital Gain	\$ 600

- B. Budget a capital gain in the same manner as annualized self-employment income. Prorate the gain over 12 months. Count the \$600 capital gain as self-employment income prorated over 12 months.

**273.11 INSURANCE SETTLEMENTS**

Crop insurance settlements and insurance settlements on stock-in-trade held for resale (but not settlements on property, such as buildings, vehicles, etc.) are earned income subject to the cost of doing business. The settlements shall be considered as if they were the actual earned income from the self-employment enterprise and shall have the costs incurred in the attempted production of income deducted.

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**EXAMPLE:** A farmer may lose a cotton crop due to a hailstorm and, subsequently, receive a \$1000 crop insurance settlement. In attempting to produce this crop, the farmer had spent \$300 for seed, fertilizer, etc. The \$300 would be deducted from the \$1000 as identifiable costs of doing business, thus leaving \$700 of the insurance settlement to be treated as actual self-employment income for food stamp purposes.

**273.12 AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (ASCS) CASH PAYMENTS**

- A. The ASCS provides payments for crop losses. These include, but are not limited to, Commodity Credit Corporation and acreage reduction and conservation payments. These payments may be one-time payments or installment payments. Such payments are counted as earned self-employment income except when provided as a loan. Farm loans are excluded from income.
- B. If ASCS payments are the result of a Presidential declared disaster or emergency, they are excluded from income and resources in accordance with the Disaster Relief Act of 1974 as amended.

**273.13 FEDERAL CROP INSURANCE CORPORATION (FCIC)**

- A. The FCIC is a separate agency within the U. S. Department of Agriculture.
- B. FCIC also provides payments to farmers for crop losses but, unlike ASCS payments, the farmer must pay a premium for FCIC insurance.
- C. The federal government subsidizes the premiums.
- D. The insurance payments are paid out as a nonrecurring lump-sum payment. Therefore, they are considered a resource.
- E. Other crop insurance settlements from private companies that are made as a nonrecurring lump-sum payment are counted as a resource in the month of receipt and until spent.

**273.14 NON-COMPLIANCE WITH WORK FIRST FAMILY ASSISTANCE (WFFA)**

- A. Do not increase a FSU s benefits when a FSU member fails to comply with WFFA and the household is certified for benefits at the time the sanction is imposed. Continue to count the gross payment (amount the FSU would be eligible for had it complied) until the client complies or the sanction ends. This policy does not apply to initial applications or reapplications as long as the FSU was not receiving food stamps when the sanction was imposed.

**EXAMPLE:** A family receiving food stamps and a WFFA payment of \$236 per month is sanctioned due to failure to comply with the WFFA work requirements outlined in the Mutual Responsibility Agreement (MRA). The family is ineligible for a WFFA payment for one month or until compliance, whichever is later. Continue to budget \$236 to calculate the food stamp benefits.

**EXAMPLE:** An ongoing food stamp family is placed in Pay-after-Performance because they failed to comply with WFFA work requirements. The family was receiving \$272 WFFA benefits prior to the sanction. Budget \$272 to calculate the food stamp benefits.

**EXAMPLE:** FSU applies in October. A WFFA sanction started in August, reducing the check from \$236 to zero. Do not count the WFFA payment since the household was not receiving food stamps at the time the Work First sanction was imposed.

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**EXAMPLE:** FSU applies in October. A WFFA sanction started in October, reducing the check from \$236 to zero. Do not count the WFFA payment because the household was not receiving food stamps at the time the Work First sanction was imposed.

**EXAMPLE:** The FSU received benefits from April through August. The FSU reapplies in October. A WFFA sanction started in August and is still in effect. Count gross WFFA payment since the FSU was getting food stamps at the time the WFFA sanction was imposed.

- B. If the WFFA benefits **terminate** due to non-compliance or failure to meet an eligibility requirement, remove the payment from the food stamp budget effective the month after the payment terminates.

**NOTE:** The case must terminate for this rule to apply.