
POLICY TRANSMITTAL NO. 06-18	DATE: JUNE 30, 2006
FAMILY SUPPORT SERVICES DIVISION	DEPARTMENT OF HUMAN SERVICES OFFICE OF PLANNING, POLICY & RESEARCH

TO: ALL OFFICES

SUBJECT: MANUAL MATERIAL

OAC 340:50-7-30; 50-11-20; and 50-11-27.

EXPLANATION: **Policy revisions were approved by the Commission and the Governor as required by the Administrative Procedures Act.**

340:50-7-30 revisions simplify computation of business related expenses for non-farm related self-employed enterprises by allowing 50% of gross income from non-farm related self-employment to be excluded as a business expense for households that declare business expenses or use the net profit for the most recent tax year as reported on the Internal Revenue Service Form 1040, Schedule C, Profit or Loss from Business.

340:50-11-20 is revised to: (1) identify households whose food benefits are processed using the Simplified Food Stamp Program (SFSP) rules; and (2) remove redundant language.

340:50-11-27 is revised to: (1) explain actions to be taken regarding food stamp benefits when the Temporary Assistance for Needy Families (TANF) case closes; and (2) specify that households are not required to report changes while receiving transitional food benefits.

Original signed on 4-18-06

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WF # 05-23 (NAP)

INSTRUCTIONS FOR FILING MANUAL MATERIAL

OAC is the acronym for Oklahoma Administrative Code. If OAC appears before a number on an Appendix or before a Section in text, it means the Appendix or text contains rules or administrative law. Lengthy internal policies and procedures have the same Chapter number as the OAC Chapter to which they pertain following a “DHS” number, such as personnel policy at DHS:2-1 and personnel rules at OAC 340:2-1. The “340” is the Title number that designates DHS as the rulemaking agency; the “2” specifies the Chapter number; and the “1” specifies the Subchapter number.

The chronological order for filing manual material is: (1) OAC 340 by designated Chapter and Subchapter number; (2) if applicable, DHS numbered text for the designated Chapter and Subchapter; and (3) all OAC Appendices with the designated Chapter number. For example, the order for filing personnel policy is OAC 340:2-1, DHS:2-1, and OAC 340:2 Appendices behind all Chapter 2 manual material. Any questions or assistance with filing manual material will be addressed by contacting Policy Management Unit staff at (405) 521-3611.

REMOVE

340:50-7-30

340:50-11-20

340:50-11-27

INSERT

340:50-7-30, pages 1-7, revised 7-1-06

340:50-11-20, 1 page only, revised 7-1-06

340:50-11-27, pages 1-5, revised 7-1-06

340:50-7-30. Self-employed households

Households whose income is derived either wholly or in part from a self-employment enterprise are treated in accordance with the procedures listed in paragraphs (1) through (8) of this Section. ■ 1

(1) **Capital gains.** The proceeds from the sale of capital goods or equipment is income for program purposes and is calculated in the same manner as a capital gain for federal income tax purposes. Even though a percentage of the proceeds from the sale of capital goods or equipment is taxed for federal income tax purposes, the worker counts the full amount of capital gain as income.

(2) **Monthly self-employment income.** Self-employment income which is received on a monthly basis but which represents a household's annual support is normally averaged over a 12-month period. If the averaged amount does not accurately reflect the household's actual monthly circumstances because the household has experienced a substantial increase or decrease in business, the worker calculates the self-employment income based on anticipated earnings.

(3) **Seasonal self-employment income.** Self-employment income which is intended to meet the household's needs for only part of the year is averaged over the period of time it is intended to cover. For example, the income of self-employed vendors who work only in the summer and supplement their income from other sources during the balance of the year is averaged over the summer months rather than a 12-month period.

(4) **Annualized self-employment income.** Self-employment income which represents a household's annual support must be analyzed over a 12-month period, even if the income is received in a shorter period of time. For example, self-employment income received by crop farmers must be averaged over a 12-month period if the income represents the farmer's annual support.

(A) If the averaged annualized amount does not accurately reflect the household's actual circumstances because the household has experienced substantial increase or decrease in business, the worker calculates the self-employment income on anticipated earnings.

(B) The worker does not calculate self-employment income on the basis of prior earnings such as income tax returns when an increase or decrease of business has occurred.

(i) If the household's self-employment enterprise has been in existence for

less than a year, the income from that self-employment enterprise must be averaged over the period of time the business has been in operation and the monthly amount projected for the coming year.

(ii) If the business has been in operation for a short time and there is insufficient data to make a reasonable projection, self-employment income is recomputed at each new certification until a full year's information is available. ■ 2

(5) **Anticipated income.** When a household who would normally have the self-employment income annualized experiences a substantial increase or decrease in business, the worker calculates the self-employment income based on anticipated earnings.

(A) For those households whose self-employment income is calculated on an anticipated basis, the worker adds any capital gains the household anticipates it will receive in the next 12 months, starting with the date the application is filed, and divides this amount by 12. This amount is used in successive certification periods during the next 12 months except that a new average monthly amount must be calculated over this 12-month period if the anticipated amount of capital gain changes.

(B) The worker adds the anticipated monthly amount of capital gains to the anticipated monthly self-employment income, and subtracts the cost of producing the self-employment income.

(6) **Determining net monthly non-farm income.** Self-employment income is not compared to the maximum gross income standards shown on Oklahoma Department of Human Services (OKDHS) Appendix C-3, Maximum Food Stamp Allotments and Standards for Deductions, Maximum Income, and Utilities, until after the business expenses have been deducted from the gross self-employment income.

(A) To determine the net monthly self-employment income the worker:

(i) adds all the gross self-employment income including capital gains;

(ii) subtracts 50% of the gross self-employment income for those households declaring business expenses or uses the net profit for the most recent tax year as reported on the Internal Revenue Service Form 1040, Schedule C, Profit or Loss from Business; and

(iii) divides the net self-employment income by the number of months to be averaged.

(B) The monthly net self-employment income is added to all other earned income received by the household.

(i) The total monthly earned income less the earned income deduction according to OKDHS Appendix C-3 is then added to all other monthly income received by the household.

(ii) The standard deduction, dependent care, and shelter costs are computed as for any other household and subtracted to determine the monthly net income of the household.

(7) Household with income from boarders. While a household which operates a commercial boarding house may be considered a food benefit household and self-employed as shown in paragraph (7) of this subsection, households with boarders or roomers that are not commercial boarding houses may also receive food benefits as shown in subparagraphs (A) through (C) of this paragraph.

(A) Persons paying a reasonable amount for room and board are excluded from the household when determining the household's eligibility and benefit level. Payments from the boarder are treated as self-employment income if the boarder is paying a reasonable amount.

(i) The income from boarders includes all direct payments to the household for room and meals, including contributions to the household for part of the household shelter expense.

(ii) Shelter expenses paid directly by boarders to someone outside the household are not counted as income to the household.

(B) After determining the income received from the boarder, the worker excludes 50% of the boarder payment which is a cost of doing business.

(C) The net income from self-employment is included with other earned income and the earned income deduction from OKDHS Appendix C-3 is taken.

(i) Shelter cost the household actually incurred, even if the boarder contributes to the household for part of the household's shelter expense, is computed to determine if the household will receive a shelter deduction.

(ii) The shelter and utility cost cannot include any expense billed to and directly paid by the boarder to a third party.

(8) Self-employed farm income. To be considered a self-employed farmer, the farmer must receive or anticipate receiving annual gross proceeds of \$1000 or more from the farming enterprise. Farming is defined as cultivating or operating a farm for profit either as owner or tenant. A farm includes stock, dairy, poultry, fish, fruit, and truck farms, and also plantations, ranches, ranges, and orchards. A fish farm is an area where fish are grown or raised and where they are artificially fed, protected, and cared for, and does not include an area where they are merely caught or harvested. A plant nursery is a farm for purposes of this definition.

(A) To determine the net monthly self-employed farm income, the worker:

(i) adds all the gross self-employment income including capital gains;

(ii) subtracts the total allowable cost of doing business as listed in paragraph 8 of this subsection, from the total gross self-employment farm income; and

(iii) divides the net self-employment farm income by the number of months to be averaged.

(B) When the business expense exceeds the gross self-employment farm income, the losses are offset against any other countable income in the household. When the annual net loss is established, the loss is prorated by dividing by 12 for the monthly amount to be subtracted from the total countable income prior to subtraction of any applicable standard deduction, dependent care, and shelter costs.

(C) The monthly net self-employment farm income is added to all other earned income received by the household. The total monthly earned income less the earned income deduction according to OKDHS Appendix C-3 is then added to all other monthly income received by the household.

(i) The standard deduction and dependent care costs are computed as for any other household.

(ii) The shelter costs are computed as for any other household unless the income producing farm property is connected to the home property and the self-employment costs cannot be separately identified from the shelter costs.

(l) Proration may be used to separately identify costs based on

information from a mortgage lender, real estate tax records, Farmer's Home Administration (FmHA) documents, or insurance premiums.

(II) The shelter ratio may be applied to taxes and insurance costs if better information is not readily available.

(III) If the cost of rent or mortgage, insurance, taxes, and interest cannot be separated, no self-employment deduction for insurance, taxes, or interest on the mortgage payment is allowed and no portion of the mortgage payment, taxes, or interest may be allowed as shelter costs.

(D) Costs of producing self-employment farm income.

(i) Allowable costs of producing self-employment farm income include, but are not limited to:

(I) payments on the principal of the purchase price of income producing real estate, capital assets, equipment, machinery, other durable goods;

(II) interest paid to purchase income producing property;

(III) insurance premiums; and

(IV) taxes paid on income producing property. ■ 3

(ii) Items not considered as a cost of producing self-employment income are:

(I) net losses from previous periods;

(II) federal, state, and local income taxes;

(III) money set aside for retirement purposes and other work related personal expenses, such as meals and necessary transportation which are counted for by the appropriate amount of earned income deduction shown on OKDHS Appendix C-3; and

(IV) depreciation. ■ 4

INSTRUCTIONS TO STAFF

1. To be considered self-employed the individual must:

- (1) state he or she is self-employed;**
 - (2) be eligible to file federal and state taxes as a self-employed person. Individuals who own an interest in a corporation do not qualify as self-employed as they do not have business expenses;**
 - (3) not have an employer/employee relationship with another entity; and**
 - (4) have the potential to realize a profit or loss.**
- 2. To average the income and expenses for a self-employment enterprise that has not been in business for a full year, the worker divides the total income by the number of months in business. For example, a self-employment business has been in operation from February 18 to the application month of November. The income is averaged for 9 months, February through October. It is correct to count the first month of business through the last complete month when computing an annualized figure for a new business.**
- 3. Additional examples of allowable costs of producing self-employment income include:**
- (1) licensing fees;**
 - (2) business transportation costs;**
 - (3) rental payments on income producing property. Households who operate a business out of the home may use the shelter costs declared on their taxes as a business expense. The worker allows only the portion of the shelter costs not declared as a business expense for the shelter deduction. For example, if the household declares 25% of the home is used for business purposes, the worker allows only 75% of the expense as a shelter deduction;**
 - (4) utilities paid on business property. Households who operate a business out of the home may elect to use either the utility expense declared on their taxes as a business expense or the appropriate utility standard as a utility expense. They cannot use both;**
 - (5) costs for the repair and maintenance of equipment;**
 - (6) storage and warehousing costs;**

(7) special equipment or clothing specifically needed to perform the job such as a welder's shield or house cleaning uniform; or

(8) the cost of rooms and meals for any self-employed individual whose job takes him or her away from home and requires the individual to remain at the job site overnight.

4. Additional examples of expenses that ARE NOT considered costs of producing self-employment income include:

(1) penalties and fines;

(2) charitable contributions; or

(3) transportation costs to and from work.

PART 3. SIMPLIFIED FOOD STAMP PROGRAM (SFSP) FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) AND COMPANION STATE SUPPLEMENTAL PAYMENT (SSP) RECIPIENT(S)

340:50-11-20. Scope

(a) The Simplified Food Stamp Program (SFSP) rules in this Subchapter are used when ALL food benefit household members are included in: ■ 1 through 2

(1) Temporary Assistance for Needy Families (TANF) cash assistance; or

(2) TANF cash assistance and a companion State Supplemental Payment (SSP) case.

(b) SFSP procedures do not apply when:

(1) no household member receives TANF cash assistance;

(2) all household members receive SSP;

(3) a household member is participating in the Work Supplementation Program; or

(4) any household member is a disqualified food benefit household member as described in OAC 340:50-5-10.1.

INSTRUCTIONS TO STAFF

1. Food benefit household members are defined in OAC 340:50-5-1.

2. A child(ren) approved for Temporary Assistance for Needy Families (TANF) vouchers, whether receiving vouchers or not, is considered included in the TANF cash assistance for the Simplified Food Stamp Program (SFSP).

340:50-11-27. Changes after application and during the certification period

Households are required to report changes in accordance with OAC 340:65-3-1. At each application or redetermination, households are advised of their reporting responsibilities. Households are given a supply of Form FSP-38, Changes in Household Circumstances, and advised to contact their worker to request additional forms as needed.

(1) **Reported change results in closure of TANF.** When the Temporary Assistance for Needy Families (TANF) cash assistance is closed:

(A) the worker closes the food benefits the same effective date as the TANF cash assistance closure when the TANF is closed as a result of: ■ 1

(i) death of the payee;

(ii) failure or refusal to participate in TANF Work;

(iii) the household moves out of state; or

(iv) the household requests closure of the TANF cash assistance and food benefits;

(B) the computer converts the food benefits to transitional food benefits (TFB) when the TANF cash assistance is closed for reasons other than those listed in (A) of this paragraph and: ■ 2 and 3

(i) there is no companion State Supplemental Payment (SSP) case; or

(ii) the TANF case is the primary food benefit case, and the companion SSP case remains open. ■ 4

(C) the computer converts the food benefits to non-PA food benefits when the TANF cash assistance is closed for reasons other than those listed in (A) of this paragraph and the companion SSP case, which is the primary food benefit case, remains open.

(2) **Reported changes during the TFB certification period.** The household is not required to report changes timely while receiving TFB. If there is an application for TANF while in TFB status, at certification of the TANF cash assistance, food benefits are converted to Simplified Food Stamp Program (SFSP) as long as all household members are receiving cash assistance. ■ 5

(3) **Notifications.** The TANF applicant is given a copy of the signed and dated Form FSS-1, Comprehensive Application and Review, which informs the applicant food benefit eligibility is determined using information contained in Form FSS-1. Notification of eligibility is required at certification and any time the food benefit amount changes. The notice is computer-generated. ■ 6 and 7

INSTRUCTIONS TO STAFF

1. The food benefits are closed **by the computer** when the Temporary Assistance for Needy Families (TANF) cash assistance is closed for the reasons listed in (1) through (4) of this Instructions to Staff (ITS). **The worker closes the food benefits for the reason listed in (5) of this ITS,** or if the payee is disqualified for food benefits for an intentional program violation (IPV). The reason codes from OKDHS Appendix U, Reasons for Negative Case Actions, are:

(1) death (01);

(2) **TANF extension – failed or refused to meet TANF work requirement (29B);**

(3) moved out of state (42);

(4) failed or refused to meet TANF Work requirements (52A); or

(5) client requests closure of TANF and food benefits (46A, 46B, or 46C).

2. The food benefits are converted **by the computer,** to transitional food benefits (TFB) when the TANF cash assistance is closed for reasons other than those listed in ITS 1 of this Section. **The computer updates the TFB certification period to three months for the next effective date and updates the Action Type block with T to indicate TFB.**

3. Income other than TANF cash assistance prior to the month of closure continues to be considered in the TFB calculation for the duration of the TFB period. Any new income the client reports which causes the TANF cash assistance to be closed is automatically omitted by the computer to determine the TFB allotment. Examples of this calculation are a client receiving TANF cash assistance who:

(1) has no income requests closure of the TANF benefit.

- (A)** The TFB allotment is based on zero income as the TANF benefit is removed effective the date the TANF benefit is closed.
- (B)** Family Assistance/Client Services (FACS) Case Notes are updated to document the reason for the closure;
- (2)** has earned or unearned income considered against the TANF benefits reports an increase in the income making him or her ineligible for TANF.
- (A)** The TANF benefit is removed and only the income considered prior to the closure of the TANF benefit is used to determine the TFB.
- (B)** The increased income amount is updated on FACS for the TANF benefit closure and FACS Case Notes are updated to document the reason for closure.
- (C)** The increased income is not considered in determining TFB;
- (3)** obtains employment and reports earnings in excess of the TANF benefit and Food Stamp Program (FSP) food benefit income guidelines.
- (A)** The income is updated in FACS and the TANF benefit is closed.
- (B)** FACS Case Notes are updated to document the reason for closure.
- (C)** The TANF benefit is automatically omitted by the computer and the TFB is based on zero income. The new income is not used in the calculation of the TFB; or
- (4)** reports obtaining unearned income in excess of the TANF and FSP food benefit income guidelines.
- (A)** The income is updated in FACS and the TANF benefit is closed. FACS Case Notes are updated to document the reason for closure.
- (B)** The TANF benefit is automatically omitted by the computer and the TFB is based on zero income.
- (C)** The new income is not used in the calculation of the TFB.

4. The worker enters C in the action taken field in FACS. The C code allows the computer to determine the length of the Non-Public Assistance (non-PA) certification period.

(1) The certification length is changed to 12 months if the food benefits are in the first through tenth month of certification.

(2) If the certification is in the 11th or 12th month, the certification length is changed to 14 months to ensure the client will receive Form FSP 36, Notice of Expiration of Eligibility.

5. During the three month TFB period, the TFB changes only when the client requests closure of the TFB and reapplies for food benefits or a household member leaves the home and applies for food benefits in another household.

(1) The option to remain on TFB or to reapply for food benefits is explained to the client.

(2) The worker encourages the client to remain on TFB if it results in higher benefits.

(3) FACS and FACS Case Notes are updated and TFB is not affected when the client reports:

(A) a new household member.

(i) The worker documents the information regarding the new household member in FACS case notes.

(ii) The new household member is not added to the food benefits until the TFB period has ended;

(B) income exceeding 130% of the poverty level as shown on OKDHS Appendix C-3, Maximum Food Stamp Allotments and Standards for Deductions, Income, and Utilities; or

(C) a household member has left the home and has not applied for food benefits in another household.

6. See OKDHS Appendix B-2, Deadlines for Case Actions.

7. See OAC 340:65-5-1 for notification requirements.