Computing Income for Self-Employed Individuals

Individuals who are self-employed or engaged in farming may experience variations in cash flow and cannot easily report a monthly income. These individuals may use their 2016 U.S. Individual Income Tax Return Form 1040 to report self-employment income for the free and reduced price meal application. The income to be recorded is income derived from the business venture less operating costs incurred in the generation of that income. Deductions for personal expenses, such as interest on home mortgages, medical expenses and other similar non-business items are <u>not</u> allowed in reducing gross business income.

USDA announced that **losses** (negative numbers) on the lines listed below can be used to determine the **total** income for this attachment. If the total income is a negative number, it must then be recorded as zero on the application in the category labeled "All Other Income".

Zero income resulting from the use of Form 1040 does not require follow-up.

Please note: Line **7** cannot be reported as current income. Income from wages or salaries must be reported on the application for the most recent month.

Line **22** (total income) and line **37** (adjusted gross income) may not be used for purposes of applying for free and reduced-price meals.

The required information for determining the allowable income from self-employment is to be taken from the **2016 U.S. Individual Income Tax Return Form 1040**.

Line 12, Business Income (or loss) _____	**NOTE:** If any members of the household have income from wages or salary, the gross income from last month must be reported on the application form.
Line 13, Capital Gain (or loss) _____	
Line 14, Other Gains (or losses) _____	
Line 17, Rental Real Estate, etc. _____	This attachment is used only to report income from self-employment and/or farming.
Line 18, Farm Income (or loss) _____	

Total of above lines: _____   **equals annual self-employed income***

If the total of the above lines is a negative number, it must be changed to zero before it is transferred to the application.

* This figure can be reported on the application under "Earnings from Work."