



Department of Human Resources  
311 W. Saratoga St.  
Baltimore, MD. 21201-3521

## FIA ACTION TRANSMITTAL

**Control Number: 16-17**

**Effective Date: UPON RECEIPT**

**Issuance Date: 5/31/16**

**TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES  
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT  
FAMILY INVESTMENT SUPERVISORS AND CASE MANAGERS**

**FROM: ROSEMARY MALONE, EXECUTIVE DIRECTOR** 

**RE: SELF EMPLOYMENT INCOME CALCULATION**

**PROGRAM AFFECTED: FOOD SUPPLEMENT PROGRAM (FSP)**

**ORIGINATING OFFICE: OFFICE OF PROGRAMS**

### **SUMMARY:**

As a result of recent administrative hearing decisions, self-employment calculations for the Food Supplement Program (FSP) must change. The previous self-employment calculations were found to be outdated and unreasonable according to federal law, 7 CFR 273.

Effective immediately, local departments of social services must use a 50 percent disregard of a customer's self-employment income when determining FSP benefits. The gross monthly self-employment formula for this calculation has been updated to reflect this change.

Not all business expenses listed on a customer's federal tax Schedule C are allowable deductions for FSP eligibility. Refer to the Food Supplement Program Manual section 104.83 to determine which deductions are allowed. Case Managers can use Schedule C, line 1 which is the gross self-employment income.

### **ACTION REQUIRED:**

CARES currently allows a 30% self-employment disregard. Until CARES is updated, a portion of the self-employment income deduction must be calculated manually or outside of the system. Note in the narrative sections in CARES to refer to the case file, and upload the manual calculation into ECMS.

Case manager calculation steps:

- Step 1: Determine 20 % of the customer's gross self-employment income.
- Step 2: Subtract the 20% disregard amount from the total income. (If you are using tax forms remember to divide the income by 12 to get a monthly amount.)
- Step 3: Enter the amount obtained after completing step 2 into CARES on the ERN2 screen and code it as SE.

CARES will then apply the additional deductions (30% and 20%) that self-employed customers are eligible for. The 30% is the balance of the 50% self-employment disregard and the 20% is the normal earned income disregard.

**Example:**

Customer reports gross self-employment income in the amount of \$30,000 annually. The case manager deducts 20% of the \$30,000 amount from the total income.

$$\$30,000 \times 20\% = \$6,000$$

$$\$30,000 - \$6,000 = \$24,000.$$

Take the remaining amount and divide by 12 to get the correct gross monthly income amount.  $\$24,000/12 = \$2,000$  per month

The case manager enters \$2,000 per month into CARES.

CARES will then calculate the correct monthly income.

The customer also has the option of providing verification of actual income and deductions to determine self-employment income. The Department recommends the customer submit a minimum of three (3) months of income and deductions for this option. As stated above, refer to the Food Supplement Program Manual section 104.83 for a list of allowable deductions.

**INQUIRIES:**

Please direct FSP questions to Rick McClendon [rick.mcclendon@maryland.gov](mailto:rick.mcclendon@maryland.gov) telephone 410-767-7307 or Vera Lynch [vera.lynch@maryland.gov](mailto:vera.lynch@maryland.gov) telephone 410-767-7953. Direct TCA and TDAP questions to Michelle Green at 410-767-7944 or [mgreen@maryland.gov](mailto:mgreen@maryland.gov).

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