

Self-Employment

WINK-ed

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Self-Employment

Each potential self-employment (SE) situation should be reviewed on its own merits.

The Tax/Hub is always used as the first verification source on MAGI applications.

- If the Tax/Hub does not pass compatibility or a change has been reported, the case will need to be reviewed to determine whether the tax return or self-employment ledgers are required.
- The VCI/TALX and SEW interfaces can be used as a lead for self-employment but should not be used to verify the income as the individual needs to be allowed to claim SE expenses.

When reviewing information on the case file:

- **Document the start date in the narrative:**
 - The date the individual started the SE may not be the first month income started.
- **Determine if an income tax return or self-employment ledgers should be used:**
 - Has the individual filed a tax return that includes their self-employment?
 - **If yes**, the tax return may be used.
 - If the business was not in operation for the full year, the income can be prorated.
 - **If no**, self-employment ledgers should be used.
- **Determine if the income is from self-employment or from contract work:**
 - Are taxes removed from the pay?
 - Will they receive a W2 or 1099 form?

Note: DHHS providers
(Child Care, Chore,
Transportation, PAS) are
always considered
self-employed.

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Seasonal Income

Determine if the income fluctuated throughout the year:

- *Examples:* construction, lawn service, snow removal.

Certain jobs have a clear history of predictable fluctuations or other indications of future changes in income:

- In these instances, it is allowable to budget using up to 12 months of ledgers or whatever number of ledgers is reflective to account for the fluctuations.
 - *Example:* An individual who is self-employed in construction might provide only 5 ledgers. Say the ledgers are for August, September, October, November, and December. They show the fluctuation from busy-season to off-season **and** are reflective of the projected annual income. These 5 ledgers should be used to determine current income.
- Documentation in the narrative should explain why the income was calculated using the specified ledgers.

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Significant Change

The determination of significant change is based on a twofold process:

- The individual reports a significant change in income and the worker determines if the change is outside the normal fluctuation.
- *Example #1:* Betty Jones has a day care business, and her tax return is used to compute her income. At renewal, she reports her income will be reduced by half over the summer until enrollment picks up again when school starts.
 - Is this a significant change?
 - No, this is a normal, anticipated fluctuation.
 - How should her income be computed?
 - Continue to use her tax return to compute the income.
- *Example #2:* Bob Smith is a self-employed carpet installer. His tax return is used to compute his income. At renewal he reports he and his business partner split up four months ago. (Not an actual partnership.)
 - Is this a significant change?
 - Yes, this is a significant change.
 - How should his income be computed?
 - The individual should complete ledgers listing actual income and actual expenses effective from the date of significant change.

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Significant Change Example

Example #3: Mary Evans became a Child Care Block Grant provider nine months ago. She has been reporting her income and expenses on ledgers. Within her certification period she calls to report she is pregnant, and the doctor has ordered her not to lift more than five pounds. She is going to stop providing infant care but wants to continue with school age childcare.

- Is this a significant change?
 - It depends -we need to know more about Mary's situation.
 - Follow-up questions to ask Mary:
 - Is this a temporary situation?
 - Will your overall net income change?
 - Depending on Mary's answers there may be a significant change.

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Significant Change Example Cont.

It ***IS NOT*** a significant change if Mary's income minus expenses is only temporarily reduced.

- This would be considered a normal fluctuation. Continue to budget the income using the established average.

It ***IS*** a significant change if Mary states her intention is to provide childcare for only school age children from now on causing an ongoing reduction in her income.

How should her income be computed?

- If it is determined there is a significant change, ledgers will need to be completed with an estimate of her income and expenses for three months starting from the date of the significant change.
- Use this to compute a new three-month average.
- At renewal, ledgers will need to be completed showing her actual income and actual expenses.

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Termination of Self-Employment

Termination of self-employment income may be obtained verbally as long as the business has ceased operating and all necessary information is collected from the individual. This information should include:

- The name of the self-employed individual;
- Name or type of self-employment business;
- Gross income and expenses for the final month of operation; and
- Date the income was received.

The form for Terminated Self-Employment can be found at:

Tools - MAGI - Terminated Self-Employment Telephone Form

- If the form is utilized, the form must be uploaded to Document Imaging after completion.

NOTE: If the individual has an S-corp, partnership or LLC, a verbal statement **cannot** be taken from the individual and verification of the dissolution is required.

See: Policy Log – Chapter 16 – Partnership or S-Corp Dissolution

Self-Employment Ledgers

A separate ledger is needed for each instance of self-employment. (*Example:* A household self-employed in both childcare and lawn care would provide a separate ledger for each business).

How many ledgers are needed?

- Medicaid requires one month of regular income. However, workers will need to use critical thinking and consider the following:
 - If the household begins self-employment during the month of application, use actual income for the first month and projected income for the months forward.
 - If the individual has been self-employed for at least one whole month and attests the income is reflective, only one ledger is needed.
 - If the income is irregular, the three most recent months are needed.
 - If the income fluctuates (has predictable fluctuations of income during specific months of the year), up to 12 months may be needed. Example: lawn mowing.

Self-employment ledgers are not converted, they are averaged (see the [MAGI SE Calculator](#)).

Self-employment ledgers can be completed by phone when processing initial, renewal, and change management cases. All pertinent information should be collected; description and amount of income received, type and amount paid for expenses.

- Ledgers completed by phone do not need to be signed, but it should be documented in the narrative that they were completed in this manner.
- Ledgers completed by phone must be uploaded to Document Imaging.

Self-Employment ledgers are found in MERL under [Tools - Applicable To All Cases](#)

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MC Name MC#

SELF-EMPLOYMENT LEDGER
This document must be completed correctly or it may be returned

Name of Business Owner:
Business Name:
Business Mailing Address:
City, State, Zip Code:
Self-Employment Begin Date (month/day/year):
Dates Covered through
Amounts are: Estimated Actual

GROSS INCOME			EXPENSES (COSTS OF SELF-EMPLOYMENT)		
DATE RECEIVED	SOURCE OF INCOME	AMOUNT	DATE PAID	TYPE OF EXPENSE	AMOUNT PAID

With my signature, I certify I have listed all income and expenses above. I also certify that I have receipts or some source of verification on file for all listed income and expenses reported on this document, and I will keep them on file for a least one year from the date reported.

Client Signature _____ Date _____

Signature of person who helped. _____

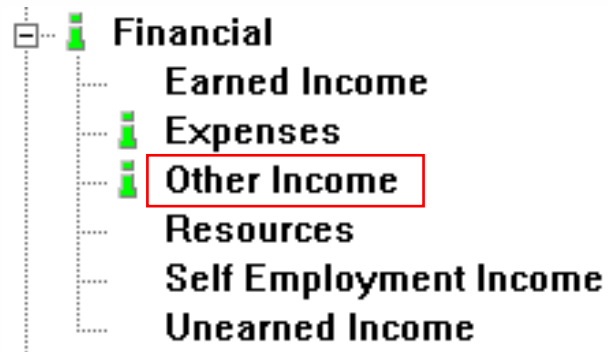
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Entering Self-Employment Ledgers

- When budgeting income using ledgers, enter the computed monthly income from the Self-Employment ledgers into the “Other Income” module in the NFOCUS Expert system as Med Self-Employment Gain (or Loss) along with a description.



A screenshot of the NFOCUS Expert system form for entering self-employment ledger data. The form has the following fields:

Description	Landscaping / Lawn Service
Monthly Amount	500.00
Begin Date	01-01-2020
End Date	
Verified By	Self-Emp Bookkeeping Records

- Use critical thinking skills and document how the income determination was made. (E.g.: what months were used, what expenses were used, why 3 months or 12 months were used, etc.). For help computing the monthly average, see the [MAGI SE Calculator](#).

Tax Returns

Issue #1: Income Tax Return Submitted to the Agency:

- When a new tax return is filed with the IRS and received by the agency, it is considered a significant change that must be acted on.
 - It is not acceptable to document that the Tax Return is “Reasonably Compatible” with the income in the current budget and take no further action.

Issue #2: Renewals and Income Tax Returns:

- When processing a renewal and self-employment was previously verified using the individuals tax return: The individual should be contacted to see if a new tax return has since been filed with the IRS.
 - **If yes**, the new tax return must be requested.
 - **If no**, ask the individual if the current tax return is reflective. If declared reflective, process the renewal. If the tax return is not reflective or you are unable to reach the individual:
 - Send a VR if working a paper renewal.
 - Send a paper renewal form and change the program case mode to Processing if working a Desk Renewal.

Note: If the individual attests a return was not filed for the current tax year (e.g., Renewal is being processed in 2022 and the tax return in the current budget is for Tax Year 2020) and also attests their intent to file, the previous year’s return can continue to be used as long as it remains reflective. The individual will need to report the new return when it is filed. If there is no intent to file, offer the individual the opportunity to complete SE ledgers.

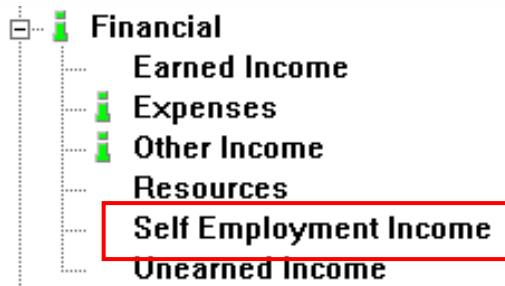
See 477-000-011
Examples: Income
Treatment in
Medicaid

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Entering Self-Employment Tax Return Income

- Income tax returns are entered into the **Self-Employment Income** module in the NFOCUS Expert system (Financial → Self Employment Income).
 - The **Business** tab must be filled out with the business information, tax year being used, and all other information listed. If the individual has Farming income (Sched. F), make sure to click “Yes” on this screen in order to enable the Sched. F tab.
 - Each schedule of the tax return must be entered under the appropriate schedule tab. See the following slides for examples of each screen.



Add SE Income From Tax Return

Business | Sched F | Sched C and Form 8829 | Sched C-EZ | Sched E and Form 4835 | Sched 1 and Form 1040

Describe the SE income: Landscaping / Lawn Service

Return representing tax year: 2020

Number of months tax year reflects: 12

Percentage of income to count: 100.0 %

First month in which income is countable (mm-ccyy): 01-2020

Last month in which income is countable (mm-ccyy):

Self Employment from Farming: ☐ Yes ☐ No

Form 1040 Tax Return

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Last name Your social security number
If joint return, spouse's first name and middle initial Last name Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Foreign country name Foreign province/state/country Foreign postal code If more than four dependents, see instructions and check here ▶ ☐ You ☐ Spouse

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1955 ☐ Are blind Spouse: ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):
(1) First name Last name (2) Social security number (3) Relationship to you (4) ☒ If qualifies for (see instructions):
Child tax credit Credit for other dependents

1 Wages, salaries, tips, etc. Attach Form(s) W-2
2a Tax-exempt interest 2a 2b Taxable interest. Attach Sch. B if required
3a Qualified dividends 3a 3b Ordinary dividends. Attach Sch. B if required
4a IRA distributions 4a 4b Taxable amount
5a Pensions and annuities 5a 5b Taxable amount
6 Social security benefits 6a 6b Taxable amount
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐
8 Other income from Schedule 1, line 9
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**
10 Adjustments to income:
a From Schedule 1, line 22 10a
b Charitable contributions if you take the standard deduction. See instructions
c Add lines 10a and 10b. These are your **total adjustments to income**
11 Subtract line 10c from line 9. This is your **adjusted gross income**
12 Standard deduction or itemized deductions (from Schedule A)
13 Qualified business income deduction. Attach Form 8995 or Form 8995-A
14 Add lines 12 and 13
15 **Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0-

Standard Deduction for—
• Single or Married filing separately, \$12,000
• Married filing jointly or Qualifying widow(er), \$24,000
• Head of household, \$18,000
• If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2019)

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number
If joint return, spouse's first name and middle initial Last name Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
Foreign country name Foreign province/state/country Foreign postal code

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1956 ☐ Are blind Spouse: ☐ Was born before January 2, 1956 ☐ Is blind

Dependents (see instructions):
(1) First name Last name (2) Social security number (3) Relationship to you (4) ☒ If qualifies for (see instructions):
Child tax credit Credit for other dependents

1 Wages, salaries, tips, etc. Attach Form(s) W-2
2a Tax-exempt interest 2a 2b Taxable interest
3a Qualified dividends 3a 3b Ordinary dividends
4a IRA distributions 4a 4b Taxable amount
5a Pensions and annuities 5a 5b Taxable amount
6a Social security benefits 6a 6b Taxable amount
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐
8 Other income from Schedule 1, line 9
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**
10 Adjustments to income:
a From Schedule 1, line 22 10a
b Charitable contributions if you take the standard deduction. See instructions
c Add lines 10a and 10b. These are your **total adjustments to income**
11 Subtract line 10c from line 9. This is your **adjusted gross income**
12 Standard deduction or itemized deductions (from Schedule A)
13 Qualified business income deduction. Attach Form 8995 or Form 8995-A
14 Add lines 12 and 13
15 **Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0-

Standard Deduction for—
• Single or Married filing separately, \$12,000
• Married filing jointly or Qualifying widow(er), \$24,000
• Head of household, \$18,000
• If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2020)

- The Form 1040 shows the income that has been received by the individual and the applicable schedules which may be attached to the return (e.g., Schedule 1, Schedule D)
- Note: Schedule D is for Capital Gains/Losses and Dividends, which is not considered self-employment but is countable income.
- For more information on Capital Gains/ Losses and Dividends, see:

[Policy Log – Ch 16 MAGI Other Income Q&A \(1099, Capital Gains, Interest, Dividends\)](#)

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Schedule 1

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2020 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes	1		
2a	Alimony received	2a		
b	Date of original divorce or separation agreement (see instructions) ▶			
3	Business income or (loss). Attach Schedule C	3		
4	Other gains or (losses). Attach Form 4797	4		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5		
6	Farm income or (loss). Attach Schedule F	6		
7	Unemployment compensation	7		
8	Other income. List type and amount ▶	8		
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9		
Part II Adjustments to Income				
10	Educator expenses	10		
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11		
12	Health savings account deduction. Attach Form 8889	12		
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13		
14	Deductible part of self-employment tax. Attach Schedule SE	14		
15	Self-employed SEP, SIMPLE, and qualified plans	15		
16	Self-employed health insurance deduction	16		
17	Penalty on early withdrawal of savings	17		
18a	Alimony paid	18a		
b	Recipient's SSN ▶			
c	Date of original divorce or separation agreement (see instructions) ▶			
19	IRA deduction	19		
20	Student loan interest deduction	20		
21	Tuition and fees deduction. Attach Form 8917	21		
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22		

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2020

PART I – Additional Income:

- In addition to income from the 1040, this section provides information related to any unearned income, business/self-employment income, rental income, farm income, partnerships/S-corps, etc.
- Not all income listed on the Schedule 1 is considered self-employment but should still be reviewed as it may be countable.

PART II - Adjustments to Income:

- This section provides information regarding deductions that may be used in MAGI budgets (*Example*: Student loan interest, self-employment tax, self-employed health insurance deduction, etc).
- For specific information on allowable deductions see:

[MAGI Income Deductions WINK-ed](#)
[MAGI Deductions Guide](#)

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Schedule C

SCHEDULE C (Form 1040) **Profit or Loss From Business** (Sole Proprietorship)

OMB No. 1545-0074 **2020** Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service (99) **Go to www.irs.gov/ScheduleC for instructions and the latest information.** **Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.**

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from instructions _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____ City, town or post office, state, and ZIP code _____

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2020, check here ☐ Yes ☐ No

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ 1

2 Returns and allowances 2

3 Subtract line 2 from line 1 3

4 Cost of goods sold (from line 42) 4

5 **Gross profit.** Subtract line 4 from line 3 5

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) 6

7 **Gross income.** Add lines 5 and 6 7

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising 8

9 Car and truck expenses (see instructions) 9

10 Commissions and fees 10

11 Contract labor (see instructions) 11

12 Depletion 12

13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) 13

14 Employee benefit programs (other than on line 19) 14

15 Insurance (other than health) 15

16 Interest (see instructions):

a Mortgage (paid to banks, etc.) 16a

b Other 16b

17 Legal and professional services 17

18 Office expense (see instructions) 18

19 Pension and profit-sharing plans 19

20 Rent or lease (see instructions):

a Vehicles, machinery, and equipment 20a

b Other business property 20b

21 Repairs and maintenance 21

22 Supplies (not included in Part III) 22

23 Taxes and licenses 23

24 Travel and meals:

a Travel 24a

b Deductible meals (see instructions) 24b

25 Utilities 25

26 Wages (less employment credits) 26

27a Other expenses (from line 48) 27a

27b **Reserved for future use** 27b

28 **Total expenses** before expenses for business use of home. Add lines 8 through 27a 28

29 Tentative profit or (loss). Subtract line 28 from line 7 29

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. **Simplified method filers only:** Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 30

31 **Net profit or (loss).** Subtract line 30 from line 29.
 • If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3**.
 • If a loss, you **must** go to line 32.
 32 If you have a loss, check the box that describes your investment in this activity. See instructions.
 • If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on **Form 1041, line 3**.
 • If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.
 32a ☐ All investment is at risk.
 32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2020

- Self-employment income will show on **Schedule C – Profit or Loss From Business**.
- The income is entered in the Self-Employment Income Module in Expert under Sched C and Form 8829 (Line 29).
- The Business Use of home is an allowable expense and should be entered on Line 30.

Business Sched F **Sched C and Form 8829** Sched C-EZ Sched E and Form 4835 Sched 1 and Form 1040

SCHEDULE C - PROFIT OR LOSS FROM BUSINESS OR PROFESSION

Depletion + Line 12: _____

Depreciation + Line 13: _____

PA / CC - Deductible Portion of Meal/Entertainment Expense + Line 24(b): _____

SNAP - disallowed items from line 27 - See HELP button for more details + Line 27:a _____

PA / CC - disallowed items from line 27 - See HELP button for more details + Line 27:a _____

Tentative Profit or Loss + Line 29: if profit _____

+ Line 29: if loss _____

PA / CC - Business Use of home - Line 30: _____

SNAP Shelter as a cost of doing business - See HELP button for more details - _____

Schedule E

SCHEDULE E (Form 1040) **Supplemental Income and Loss** (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) OMB No. 1545-0074 **2020** Attachment Sequence No. **13**

Department of the Treasury Internal Revenue Service (99) **Go to www.irs.gov/ScheduleE for instructions and the latest information.**

Name(s) shown on return Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

B If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

1a Physical address of each property (street, city, state, ZIP code)

1b Type of Property (from list below)

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental

2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:

3 Rents received **4** Royalties received

Expenses:

5 Advertising **6** Auto and travel (see instructions) **7** Cleaning and maintenance **8** Commissions **9** Insurance **10** Legal and other professional fees **11** Management fees **12** Mortgage interest paid to banks, etc. (see instructions) **13** Other interest **14** Repairs **15** Supplies **16** Taxes **17** Utilities **18** Depreciation expense or depletion **19** Other (list) **20** Total expenses. Add lines 5 through 19

21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198

22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)

23a Total of all amounts reported on line 3 for all rental properties **23b** Total of all amounts reported on line 4 for all royalty properties **23c** Total of all amounts reported on line 12 for all properties **23d** Total of all amounts reported on line 18 for all properties **23e** Total of all amounts reported on line 20 for all properties

24 **Income.** Add positive amounts shown on line 21. Do not include any losses **25** **Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here

26 **Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020

- Rental real estate, royalties, and S-corp and Partnership income will show on **Schedule E – Supplemental Income and Loss**.
 - Note: if the individual is part of an S-corp. or Partnership, this will show on Part II of the Schedule E. The Schedule K-1 should be requested if the tax return is for a couple who is filing joint taxes, as the K-1 is used to verify percentage of ownership for Partnerships/S-corps. For more information, including how to enter this income, see [MAGI Partnership and S-corp Income](#) on MERL.
- Rental real estate and royalty income is entered in the *Self-Employment Income* module in NFOCUS Expert under **Sched E and Form 4835**.

Business | Sched F | Sched C and Form 8829 | Sched C-EZ | **Sched E and Form 4835** | Sched 1 and Form 1040

SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS

For Corporations or Partnerships CONTACT CENTRAL OFFICE STAFF

Enter response as a monthly amount in "Other Income-SE"

Part I - Depreciation/Depletion + Line 18:

MAGI - Total Rental and Royalty Income (if only first page used) + Line 26: if profit
+ Line 26: if loss

Part V - Total Income (if both pages are used) + Line 41: if profit
+ Line 41: if loss

FORM 4835 - FARM RENTAL INCOME AND EXPENSES

Depreciation + Line 12:

Schedule F – MAGI

SCHEDULE F
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Farming

OMB No. 1545-0074
2020
Attachment
Sequence No. 14

▶ Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.
▶ Go to www.irs.gov/ScheduleF for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity _____ **B** Enter code from Part IV _____ **C** Accounting method: ☐ Cash ☐ Accrual **D** Employer ID number (EIN) (see instr.) _____

E Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on passive losses ☐ Yes ☐ No
F Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No
G If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a Sales of livestock and other resale items (see instructions) **1a** _____
b Cost or other basis of livestock or other items reported on line 1a **1b** _____
c Subtract line 1b from line 1a **1c** _____

2 Sales of livestock, produce, grains, and other products you raised **2** _____

3a Cooperative distributions (Form(s) 1099-PATR) **3a** _____ **3b** Taxable amount **3b** _____
4a Agricultural program payments (see instructions) **4a** _____ **4b** Taxable amount **4b** _____

5a Commodity Credit Corporation (CCC) loans reported under election **5a** _____
b CCC loans forfeited **5b** _____ **5c** Taxable amount **5c** _____

6 Crop insurance proceeds and federal crop disaster payments (see instructions):
a Amount received in 2020 **6a** _____ **6b** Taxable amount **6b** _____
c If election to defer to 2021 is attached, check here ☐ **6d** Amount deferred from 2019 **6d** _____

7 Custom hire (machine work) income **7** _____
8 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) **8** _____

9 **Gross income.** Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions. **9** _____

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10 Car and truck expenses (see instructions). Also attach **Form 4562** **10** _____
11 Chemicals **11** _____
12 Conservation expenses (see instructions) **12** _____
13 Custom hire (machine work) **13** _____
14 Depreciation and section 179 expense (see instructions) **14** _____
15 Employee benefit programs other than on line 23 **15** _____
16 Feed **16** _____
17 Fertilizers and lime **17** _____
18 Freight and trucking **18** _____
19 Gasoline, fuel, and oil **19** _____
20 Insurance (other than health) **20** _____
21 Interest (see instructions):
a Mortgage (paid to banks, etc.) **21a** _____
b Other **21b** _____
22 Labor hired (less employment credits) **22** _____

23 Pension and profit-sharing plans **23** _____
24 Rent or lease (see instructions):
a Vehicles, machinery, equipment **24a** _____
b Other (land, animals, etc.) **24b** _____
25 Repairs and maintenance **25** _____
26 Seeds and plants **26** _____
27 Storage and warehousing **27** _____
28 Supplies **28** _____
29 Taxes **29** _____
30 Utilities **30** _____
31 Veterinary, breeding, and medicine **31** _____
32 Other expenses (specify):
a _____ **32a** _____
b _____ **32b** _____
c _____ **32c** _____
d _____ **32d** _____
e _____ **32e** _____
f _____ **32f** _____

33 **Total expenses.** Add lines 10 through 32f. If line 32f is negative, see instructions. **33** _____
34 **Net farm profit or (loss).** Subtract line 33 from line 9. **34** _____
If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.
35 Reserved for future use.
36 Check the box that describes your investment in this activity and see instructions for where to report your loss:
a ☐ All investment is at risk. **b** ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040) 2020

- Farming Income is considered self-employment and will show on the **Schedule F – Profit or Loss From Farming**.
- The income is entered in the *Self-Employment Income* module in NFOCUS Expert under the **Sched F** tab (Line 34) profit or loss, as applicable. Staff should only enter Line 34 for MAGI budgets, and no other information should be entered on this tab.

Business **Sched F** Sched C and Form 8829 Sched C-EZ Sched E and Form 4835 Sched 1 and Form 1040

SCHEDULE F - FARM INCOME AND EXPENSE

SNAP - Crop Insurance Taxable Amount - Line 6(b): _____

SNAP - Crop Insurance Amount Deferred - Line 6(d): _____

Only that Portion Representing Federal or State Fuel Tax Credits or Refunds - Line 8(a)(b): _____

Gross Income + Line 9: if profit _____
+ Line 9: if loss _____

Depreciation + Line 14 _____

Other disallowed items from Part II + Line 32a-f: _____

PA / CC - Total Expenses - Line 33: _____

SNAP / MAGI - Net Farm Profit or Loss + Line 34: if profit _____
+ Line 34: if loss _____

Schedule F – Non-MAGI

SCHEDULE F
(Form 1040)

Profit or Loss From Farming

OMB No. 1545-0074
2020
Attachment Sequence No. **14**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.
▶ Go to www.irs.gov/ScheduleF for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity _____ **B** Enter code from Part IV _____ **C** Accounting method: ☐ Cash ☐ Accrual **D** Employer ID number (EIN) (see instr.) _____

E Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on passive losses ☐ Yes ☐ No
F Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No
G If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a Sales of livestock and other resale items (see instructions) **1a** _____
b Cost or other basis of livestock or other items reported on line 1a **1b** _____
c Subtract line 1b from line 1a **1c** _____

2 Sales of livestock, produce, grains, and other products you raised **2** _____

3a Cooperative distributions (Form(s) 1099-PATR) **3a** _____ **3b** Taxable amount **3b** _____
4a Agricultural program payments (see instructions) **4a** _____ **4b** Taxable amount **4b** _____

5a Commodity Credit Corporation (CCC) loans reported under election **5a** _____
b CCC loans forfeited **5b** _____ **5c** Taxable amount **5c** _____

6 Crop insurance proceeds and federal crop disaster payments (see instructions):
a Amount received in 2020 **6a** _____ **6b** Taxable amount **6b** _____
c If election to defer to 2021 is attached, check here ☐ **6d** Amount deferred from 2019 **6d** _____

7 Custom hire (machine work) income **7** _____
8 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) **8** _____

9 **Gross income.** Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions. **9** _____

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10 Car and truck expenses (see instructions). Also attach **Form 4562** **10** _____
11 Chemicals **11** _____
12 Conservation expenses (see instructions) **12** _____
13 Custom hire (machine work) **13** _____
14 Depreciation and section 179 expense (see instructions) **14** _____
15 Employee benefit programs other than on line 23 **15** _____
16 Feed **16** _____
17 Fertilizers and lime **17** _____
18 Freight and trucking **18** _____
19 Gasoline, fuel, and oil **19** _____
20 Insurance (other than health) **20** _____
21 Interest (see instructions):
a Mortgage (paid to banks, etc.) **21a** _____
b Other **21b** _____
22 Labor hired (less employment credits) **22** _____

23 Pension and profit-sharing plans **23** _____
24 Rent or lease (see instructions):
a Vehicles, machinery, equipment **24a** _____
b Other (land, animals, etc.) **24b** _____
25 Repairs and maintenance **25** _____
26 Seeds and plants **26** _____
27 Storage and warehousing **27** _____
28 Supplies **28** _____
29 Taxes **29** _____
30 Utilities **30** _____
31 Veterinary, breeding, and medicine **31** _____
32 Other expenses (specify):
a _____ **32a** _____
b _____ **32b** _____
c _____ **32c** _____
d _____ **32d** _____
e _____ **32e** _____
f _____ **32f** _____

33 **Total expenses.** Add lines 10 through 32f. If line 32f is negative, see instructions. **33** _____
34 **Net farm profit or (loss).** Subtract line 33 from line 9. **34** _____
If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Reserved for future use.
36 Check the box that describes your investment in this activity and see instructions for where to report your loss:
a ☐ All investment is at risk. **b** ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040) 2020

- Farming Income is considered self-employment and will show on the **Schedule F – Profit or Loss From Farming**.
- The income is entered in the *Self-Employment Income* module in NFOCUS Expert under the **Sched F** tab (Line 9) profit or loss, as applicable.
 - Staff no longer need to add Depreciation on this screen as the NFOCUS system will automatically count this information. If staff inadvertently add Depreciation the amount of income used in the budget will be incorrect.

Business **Sched F** Sched C and Form 8829 Sched C-EZ Sched E and Form 4835 Sched 1 and Form 1040

SCHEDULE F - FARM INCOME AND EXPENSE

SNAP - Crop Insurance Taxable Amount - Line 6(b): _____

SNAP - Crop Insurance Amount Deferred - Line 6(d): _____

Only that Portion Representing Federal or State Fuel Tax Credits or Refunds - Line 8(a)(b): _____

Gross Income + Line 9: if profit _____
+ Line 9: if loss _____

Depreciation + Line 14 _____

Other disallowed items from Part II + Line 32a-f: _____

PA / CC - Total Expenses - Line 33: _____

SNAP / MAGI - Net Farm Profit or Loss + Line 34: if profit _____
+ Line 34: if loss _____

MAGI Self-Employment Disregards

477 NAC 16-001.07B– Disregards for Self-Employment

All operating expenses related to producing the goods or services and without which the goods or services could not be produced are deducted from gross income.

477 NAC 16.001.07C– Operating Expenses – Farm Income

All expenses related to farm income are considered operating expenses and are allowable.

- If using a **tax return**, all expenses and deductions will already be included in the totals entered. Staff should not question the expense information listed on the tax return.
- If using **ledgers**, the expenses will be attested to by the individual. Staff should allow each deduction that the individual claims, if applicable to the business. Staff should not question information or dig into the expenses unless information does not appear to be accurate.

Note: Personal expenses unrelated to the business are not allowed (e.g., it would not be acceptable to count part of mortgage payment as an expense if the business is not run from the home).

Non-MAGI Self-Employment Disregards

477 NAC 22-003.03 Self-Employment: Self-employment is an activity or work effort performed by the individual for the purpose of generating income. Passive receipt of income from a resource does not constitute self-employment. For self-employed individuals, the net amount of income, after payment of expenses, is used to determine eligibility. Gross income and expenses must be verified. If the self-employed individual files taxes on this source of income, then the taxable amount of income from the self-employment may be used.

003.03(A) OFFSET OF INCOME: Losses from self-employment may be used to offset other earned income of the individual or a financially responsible spouse or relative. Self-employment losses cannot be used to offset unearned income.

- If using a **tax return**, all expenses and deductions will already be included in the totals entered. Staff should not question the expense information listed on the tax return.
- If using **ledgers**, the expenses will be attested to by the individual. Staff should allow each deduction that the individual claims, if applicable to the business. Staff should not question information or dig into the expenses unless information does not appear to be accurate.

Note: Personal expenses unrelated to the business are not allowed (e.g., part of mortgage payment if the business is not run from the home).

Additional Sources of Information

- [Self-Employment Q&A](#)
- [Policy Log: Chapter 16- MAGI Other Income Q&A \(1099, Capital Gains, Interest, Dividends\)](#)
- [Appendix Reference: 477-000-007](#)
- [Policy Log: Chapter 16 - Taxable and Non-Taxable Income Examples](#)
- [Medicaid Income Handling Guide](#)

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Questions? Submit to:

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