

## 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 can use their 2020 U.S. Individual Income Tax Return Form 1040 to report self-employment income for the free and reduced-price meal application. The income to report 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 not allowed in reducing gross business income.

When completing this form, **losses** (negative numbers) reported on any of the lines below are included when determining the **total** self-employed income. If the total income is a negative number, it is to be recorded as zero on the meal application in the column labeled "All Other Income".

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

### **Important Reminders from the U.S. Individual Income Tax Return Form 1040:**

Line 1 cannot be used to report current income. Income from wages or salaries must be reported on the application for the most recent month.

Line 9 (Total Income) and line 11 (Adjusted Gross Income) cannot be used for the purpose of applying for free and reduced-price meals.

The five line items listed below are used to determine allowable self-employment income.

### **From the first page of the U.S. Individual Income Tax Return Form 1040:**

Line 7 Capital Gain or (loss) \_\_\_\_\_

### **From the U.S. Individual Income Tax Return Form 1040 – SCHEDULE 1 - under Part 1 - Additional Income:**

Line 3 Business Income or (loss) \_\_\_\_\_

Line 4 Other Gains or (losses) \_\_\_\_\_

Line 5 Rental Real Estate, etc. \_\_\_\_\_

Line 6 Farm Income or (loss) \_\_\_\_\_

**Total** of the above five lines: \_\_\_\_\_ **equals annual self-employed income \***

\* Report this figure on the meal application in the column labeled "All Other Income".

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

**NOTE:** This form is used only to report income from self-employment and/or farming. If any members of the household have income from other jobs, the gross income from those jobs must be reported on the meal application form.