

*If business claims expenses more than 50% of gross income verification of expenses is required.

Person states they are a business owner or self employed or lists self employment income

Is income from odd jobs, mowing lawns, house cleaning, or other simple self employment endeavor?

Accept statement of self employment.

- Treat as a sole proprietor.
- Request business records and verification of expenses.*
- Provide self employment forms.*

Color Key

- Self Employed
- Records Needed
- Corporations

Does the person have a business license?
[WA DOL](#)

Contact person or business:

- Are wages reported on an IRS [form 1099](#) by company?
- Does the person file an IRS form [1040 schedule C](#), or [1040 form schedule F](#)?

Person is self employed.

- Treat as a sole proprietor.
- Request business records.*
- Provide self employment forms.*

Are taxes and FICA deducted from gross wages?
Are wages reported on an IRS W-2?

Person is not self employed.

- Request wage stubs, W-2s or other verification of wages.

Is the business a [sole proprietorship](#)?

Person is self employed.

- Request business records and verification of expenses.*

Budget self employment income based on program type as described in [WAC 388-450-0085](#)

Is the business a [partnership](#)?

Person is self employed.

- Request business records and verification of expenses.*

Budget share of self employment income based on program type as described in [WAC 388-450-0085](#)

Is the business a [limited liability company \(LLC\)](#)?

How income from an LLC is treated is dependent on what forms the company uses to file federal tax returns.

Does the LLC file IRS form 1040 Schedule C or form 1120?

Form 1040 schedule C:

- Treat as a sole proprietorship or partnership.
- Request LLC agreement if not a sole proprietorship to determine how profits are split among LLC members/partners.

Form 1120:

- Treat as a corporation.

Is the business a [corporation, S-corporation, non-profit corporation](#)?

Person is not self employed.

- Request wage stubs, W-2s or other verification of wages.
- Request form 1120 K-1 to verify distribution of profits from corporation.
- Additional documentation may be requested if personal expenditures (for example rent or mortgage) are paid by corporation

- Budget wages as earned income.
- Budget distributions and the value of all personal expenditures paid by company as unearned income.