

Department of Social and Health Services

Olympia, Washington

**EAZ Manual**

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**Summary**

Updated mileage reimbursement amount

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# Self Employment Income

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## Revised August 1, 2024

Clarifying Information - [WAC 388-450-0085](#)

### 1. Determine gross self-employment (SE) income

To determine gross self-employment income, add together the total sales for all items the business sold and all income from providing services.

### 2. Always allow the 50% of the gross SE income as the standard deduction for cost of doing business if the person doesn't have actual verified costs for non roomer / boarder SE income. This includes when the person

a. Claims no SE expenses;

b. Has SE expenses under 50% of the gross SE income;

or

c. When the SE income is treated as unearned. See [WAC 388-450-0080\(7\)](#) for when SE income is treated as unearned income.

d. Individuals claiming to have SE expenses greater than 50% of the gross SE income must provide proof of these expenses.

### 3. Transportation costs such as gas, oil, replacing worn items, registration and licensing fees, and auto loans:

a. The person may claim the actual transportation costs; or

b. Claim the State standard cost per mile. The Office of Financial Management publishes the standard cost for a privately owned vehicle in section 10.90.20 of the State Administrative and Accounting Manual: <https://ofm.wa.gov/sites/default/files/public/legacy/policy/10.90a.pdf>

c. The client must provide **detailed mileage records or other documentation** showing beginning and ending mileage and destination of each trip to support the expense.

4. If someone chooses to use their actual expenses instead of the standard 50% deduction, they must list out and provide documentation of the expenses within application or recertification processing timeliness "standards of promptness" before we can use them. If verified expenses are less than the 50% standard deduction, the system will use the standard 50% to calculate benefits.

## NOTE:

The mileage rate as of January 1, [2024-2025](#) is \$0.~~67~~70 / mile.

### 5. Business Expenses

Generally, someone may claim any **business** expense that is allowed by the Internal Revenue Service (IRS), with the exception that we don't allow a deduction for depreciation.

[IRS Topic 509 - Business use of a home](#) - Explains how to calculate business use of a home and that a qualified day care provider must apply the percentage of hours an area is used for business when calculating the allowable home business expenses.

[IRS Publication 463 - Travel, Entertainment, Gift, and Car Expenses](#) - Explains the rules and limits associated with these business deductions. Entertainment expenses are subject to the "directly related" test that specifies the main purpose was to conduct business with an expectation of getting income or other business benefit, and certain other restrictions

Some examples of allowable business expenses are:

- Materials used to produce goods
- Maintenance of business property
- Space rent
- Payroll or wages
- Chemicals, fertilizers, and supplies used to produce goods or services
- Vehicle expenses for business purposes with documentation
- Business loans (interest and principle)
- Business phone
- Banking fees

Some examples of line items we **don't** count as an expense are:

- Health insurance for you and your family
- Personal Utilities (no separate meter from home)
- Personal phone
- Rent or mortgage of your home
- Depreciation
- Vehicle expenses without documentation
- Guaranteed payments

Examples of allowable documentation of expenses are:

- Receipts for expense claimed.
- Itemized bank statements that correspond to expense claimed.
- Itemized bank card statements that correspond to expense claimed.

## **EXAMPLE**

Bob's Paintland holds an annual holiday party for employees. This is not an allowable business expense because its purpose is to celebrate with employees, not increase customer business.

**EXAMPLE**

Ginny is a real estate agent. She holds open houses every month at the various homes she has listed for sale. She serves food and drinks at the open houses, and even hires musicians on occasion. The expense is allowable because the purpose of the open house is to increase her customer base and sell homes.