

50505 Net Profit from Self-Employment

(a)

The net profit from self-employment shall be an estimation of the annual net income for the current year based on the federal tax return filed for the previous year as limited by (c).

(b)

If there is no tax return for the previous year or there is evidence that using the tax return would give an inaccurate estimation of income, the county department shall use current business records. In this circumstance, net profit shall be determined in accordance with (d) and (e).

(c)

The following expenses, when used to determine annual net income on the federal tax return, shall not be deducted: (1) Entertainment costs. (2) Depreciation. (3) Purchase of capital equipment expenditures. (4) Payments on the principal of loans for capital assets or durable goods.

(1)

Entertainment costs.

(2)

Depreciation.

(3)

Purchase of capital equipment expenditures.

(4)

Payments on the principal of loans for capital assets or durable goods.

(d)

Net profit of a self-employed person shall be determined by subtracting from the gross business income, expenses which are directly related to the production of goods or services, and without which the goods or services could not be produced. Such expenses include, but are not limited to: (1) Transportation costs to call upon customers or deliver goods. (2) Payments of the interest of loans for capital assets or durable goods. (3) Payments for rental of space or equipment. (4) Wages and other benefits paid to employees. (5) Material and supply costs. (6) Maintenance and repair costs.

(1)

Transportation costs to call upon customers or deliver goods.

(2)

Payments of the interest of loans for capital assets or durable goods.

(3)

Payments for rental of space or equipment.

(4)

Wages and other benefits paid to employees.

(5)

Material and supply costs.

(6)

Maintenance and repair costs.

(e)

Personal expenses such as income tax payments, lunches and transportation to and from work are not classified as business expenses and shall not be deducted.