

**Date:** December 18, 2015

**MEPD Bulletin Number: #16-03**

**To:** Eligibility Services – Regional Directors  
Program Managers  
Eligibility Services Supervisors  
Regional Attorneys  
Hearings Officers

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**Subjects:** 1. **Affordable Care Act (ACA)—Counting Self-Employment Correctly**  
2. **ACA—Update to Administrative Renewals Correspondence**

This bulletin is sent to supervisors and other regional managers. Supervisors must share this information with all eligibility staff. Please ensure copies are provided to staff that do not have access to e-mail. If you have any questions regarding the policy information in this bulletin, follow regional procedures. Active bulletins are posted on the Medicaid for the Elderly and People with Disabilities (MEPD) handbook website at [http://www.dads.state.tx.us/handbooks/mepd\\_policy/index.htm](http://www.dads.state.tx.us/handbooks/mepd_policy/index.htm).

## **1. Affordable Care Act (ACA)—Counting Self-Employment Correctly**

### **Background**

The Affordable Care Act (ACA) required states to align self-employment expenses for Medicaid programs with those recognized by the Internal Revenue Service (IRS). Federal requirements provide flexibility to align self-employment expenses for Medicaid programs, SNAP, and TANF, with some exceptions.

### **Current Policy**

#### Self-Employment Expenses

For MEPD programs, allowable costs of producing self-employment income include:

- Money paid to or for employees not living in the home
- Money paid to or for employees living in the home
- Federal, state or local income taxes
- Sales tax

- Property tax
- Rental of business property
- Utilities for business property
- Stock/inventory, raw materials
- Supplies
- Fuel expenses for the business
- Insurance premiums
- Linen service
- Interest for business loans or property
- Lodging when traveling (when not counted as shelter)
- Own meals when traveling for business
- Net loss from same period
- Expenses related to self-employment (advertising, co-op, license fees, journals, etc.)
- Farming-related expenses (feed, seed, plants, seedlings, farm supplies, breeding fees, fertilizer and lime, crop insurance, crop storage, fees for livestock testing, etc.)
- Depreciation related to self-employment
- Cost of doing business in the home (separately identifiable from home expenses), including utilities

Non-allowable costs of producing self-employment income include:

- Purchase and cleaning of uniforms
- Capital asset purchases
- Capital asset improvements
- Payment on principal of loan for income-producing property
- Travel to/from place of business
- Net loss from previous period
- Depreciation related to unearned income (e.g. rental income)

**Note:** Currently, staff must enter net self-employment income in Texas Integrated Eligibility Redesign System (TIERS) after the self-employment expenses described in MEPD handbook (HB) E-6210, Self-Employment Deductions, are subtracted from gross self-employment income.

#### *Verification of Self-Employment Expenses*

Acceptable verification for self-employment expenses include self-employment business records, receipts, or if there is no other form of verification available, Form H1049, Client's Statement of Self-Employment Income. Staff must document why Form H1049 was the only source of verification if no other form of verification is available.

#### **New Policy**

The self-employment expense policy aligns for all programs. However, there are certain self-employment expense types that are not allowed for Supplemental Nutrition Assistance Program (SNAP). See Texas Works Bulletin (TWB) #16-05 for information regarding self-employment expenses for TW programs.

Allowable self-employment expenses are based on costs that can be deducted from federal income taxes according to the IRS Schedule C (Form 1040). Self-employment expenses must be both ordinary and necessary.

- An ordinary expense is one that is common and accepted in the client's type of self-employment industry.
- A necessary expense is one that is helpful and appropriate for the self-employment trade or business. An expense does not have to be indispensable (essential) to be considered necessary.

Allowable and Non-Allowable Self-Employment Expenses for MEPD Programs

| Expense Types  | MEPD Programs |
|--|---------------|
| Advertising  | Allow         |
| Car and truck expenses   | Allow         |
| Commissions and fees   | Allow         |
| Contract labor   | Allow         |
| Costs not related to the self-employment   | Non-Allowed   |
| Costs related to producing income gained from illegal activities, such as prostitution and the sale of illegal drugs | Non-Allowed   |
| Depletion  | Allow         |
| Depreciation   | Allow         |
| Employee benefit programs  | Allow         |
| Insurance  | Allow         |
| Interest   | Allow         |
| Legal and professional services  | Allow         |
| Net loss that occurred in the previous period  | Non-Allowed   |
| Office expense   | Allow         |
| Pension and profit-sharing plans   | Allow         |
| Rent or lease  | Allow         |
| Repairs and maintenance  | Allow         |
| Supplies   | Allow         |
| Taxes and licenses   | Allow         |
| Travel, meals, and entertainment   | Allow         |
| Travel to and from place of business   | Non-Allowed   |
| Utilities  | Allow         |
| Wages  | Allow         |
| Other expenses   | Allow         |

**Note:** Farm income is considered a source of self-employment. The IRS Schedule F, Form 1040 - Profit or Loss from Farming, lists the acceptable deductions for farm income.

*Verification of Self-Employment Expenses*

IRS Schedule C, Form 1040 – Profit or Loss from Business is an acceptable form of verification for self-employment expenses. In addition, IRS Schedule F, Form 1040 - Profit or Loss From Farming, is an acceptable form of verification for self-employment expenses related to farming. All other allowable verification sources for self-employment described in Appendix XVI, Documentation and Verification Guide, continue to be acceptable verification.

## **Forms**

Form H1049, Client's Statement of Self-Employment Income, has been split into an English-only and Spanish-only version. Clients will receive an English or Spanish version of the Form H1049 based on their preferred notice language selection.

To promote self-service, information about clients uploading the Form H1049 through YourTexasBenefits.com and the Your Texas Benefits mobile app was added.



1049\_EN.pdf



1049\_SP.pdf

## **Automation**

### Self-Employment Details Page

On the Self-Employment Details page, a new mandatory question has been added to capture whether the individual has an IRS Schedule C Form – Profit or Loss from Business.

Summary Details Payments Expenses Schedule C

Self Employment - Details

Case Name: user,Test Case #: 100000001 Case Mode: Change Action Case Status: Approved

**TAX SENSITIVE INFORMATION**

Reset Cancel Add Previous Next

Individual Information

Name: Individual #:

Dates

Effective Begin Date: mm / dd / yyyy End Date: mm / dd / yyyy

Reported On: 12 / 23 / 2013 Date Client Became Aware: 12 / 23 / 2013

Verification Received On: 12 / 23 / 2013

Earned Income

Self Employment Type:

Self-Employment Start Date: mm / dd / yyyy Self-Employment End Date: mm / dd / yyyy

Number of months covered by self employment: 0 Expected End Date: mm / dd / yyyy

Do you have Payments/Expenses from Individual's Schedule C form? Tax Year: 2014

Is self employment type legal?

Business Name/ Description:

Verification:

Is income accessible? Reason not accessible:

Is self employment the individual's annual means of self support? NO

If staff answer *Yes* to the question *Do you have Payments/Expenses from individual's Schedule C form?* they will be required to enter the tax year and will be directed to a new Schedule C page to enter the individual's self-employment income and expenses.

**If the staff select Yes when the field was previously blank**, they will be directed to the new Schedule C page.

**If staff select Yes when No was previously selected and the client has no existing active payment or expense records**, they will be directed to the Schedule C page.

**If staff select Yes when No was previously selected and the client has existing active payments or expense records**, a pop-up message is displayed. This message advises staff that there are existing payments and expenses in the Self Employment LUW, and a new record will be created if the Schedule C page is used. The pop-up message asks staff if they would like TIERS to auto-create a new record.

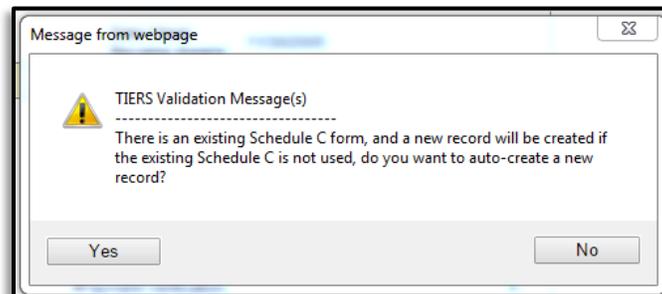
1. **If staff select No to the pop-up message**, the message closes and the new Schedule C question is reset to *No*.

2. **If staff select Yes to the pop-up message**, the existing self-employment record is end dated with the last day of the previous month and a new self-employment record is created.
  - a. The Self Employment – Details page of the new record is pre-populated with the values from the existing record. The effective begin date defaults to the first day of the current month.
  - b. TIERS creates case comments to indicate that an existing self-employment record was automatically closed.



**If staff select No when the field was previously blank**, staff will be directed to the Self Employment Payments and Expenses Logical Unit of Work (LUW).

**If staff select No when Yes was previously selected**, a pop-up message is displayed advising staff that there is an existing Schedule C form, and a new record will be created if the existing Schedule C is not used. The pop-up message asks staff if they would like to auto-create a new record.



1. **If staff select No to the pop-up message**, the message closes and the new Schedule C question is reset to Yes.
2. **If staff select Yes to the pop-up message**, the existing Schedule C self-employment record is end dated with the last day of the previous month and a new self-employment record is created.
  - a. The Self Employment – Details page of the new record is pre-populated with the values from the existing record. The effective begin date will default to the first day of the current month.
  - b. TIERS creates case comments to indicate that an existing self-employment record was automatically closed.

**Note:** If an IRS Schedule F is provided as verification, staff must select *No* to the question *Do you have Payments/Expenses from individual's Schedule C form?* and continue to enter self-employment expenses related to farming in the existing **Self Employment Payments and Expenses LUW**.

If an IRS Schedule C is provided with the IRS Schedule F, staff must select *Yes* question *Do you have Payments/Expenses from individual's Schedule C form?* and they will be directed to

the new Schedule C page. Staff should check *Other Expenses* and list the expenses related to farming in the *Other Expenses Description* box.

Some of the other changes to the Self-Employment Details page that staff will see include:

- The projection period section is removed.
- The *Start Date* field is now the *Self Employment Start Date* field.
- The *End Date* field is now the *Self-Employment End Date* field.
- The *Description* field is now the *Business Name/Description* field.

**Note:** The Self-Employment Details page also includes a new field for Self-Employment Hours Worked. The new field is for Supplemental Nutrition Assistance Program (SNAP) eligibility. For additional information, see TWB #16-05.

### Self-Employment Expenses Page

Changes to the Self-Employment Expenses page include:

- The drop-down options in the Expense Type field are updated to align with the expenses on IRS Schedule C. Below is a complete list of the new drop-down options.
  - Advertising
  - Car and truck expenses
  - Commissions and fees
  - Contract labor
  - Depletion
  - Depreciation
  - Employee benefit programs
  - Insurance
  - Interest
  - Legal and professional services
  - Net loss from a previous period
  - Office expense
  - Other expenses
  - Pension and profit-sharing plans
  - Rent or lease
  - Repairs and maintenance
  - Supplies
  - Taxes and licenses
  - Travel, meals, and entertainment
  - Travel to and from place of business
  - Utilities
  - Wages
- There is no longer a *Non Allowable Expense* field on the *Self Employment Expense* page. Staff enter all reported expenses and TIERS allows a deduction only for those that are allowable expenses by program.

For each expense type selected, staff must select the corresponding frequency of that expense. Below is a complete list of the frequency drop-down options.

- Irregular more often than monthly

- Annually
- Semi-Annually
- Semi-Monthly
- Monthly
- Irregular less often than monthly
- Bi-Weekly
- Quarterly
- Weekly

Summary Page

The following column header fields are included on the Self Employment Summary page:

- Name
- Individual number
- Type
- Business Name/Description
- Schedule C
- Self-Employment Record Start Date
- Self-Employment Record End Date

**Self Employment - Summary** ? Q STOP

Case Name: user,Test    Case #: 1000000001    Case Mode: Change Action    Case Status: Approved

**TAX SENSITIVE INFORMATION**

Add ▶    ◀ Previous    Next ▶

| Name               | Individual # | Type  | Business Name/Description | Schedule C | Self Employment Record Start Date | Self Employment Record End Date |
|--------------------|--------------|-------|---------------------------|------------|-----------------------------------|---------------------------------|
| ⊗ user,Test 31M    | 999999999    | Sales | Biz                       | Yes        | 01/01/2013                        | 02/23/2013                      |
| ⊗ Edward,ETric 19M | 077077007    | Sales | Aria                      | No         | 01/01/2015                        | 06/02/2015                      |

Add ▶    ◀ Previous    Next ▶

**TAX SENSITIVE INFORMATION**

Schedule C Page

A new Schedule C page is added to the Self-Employment LUW. If staff select Yes when answering the new mandatory Schedule C question on the Self Employment Details page, (*Will payments and expenses be entered from the individual's Schedule C?*), TIERS automatically directs staff to the Schedule C page.

The amount on the IRS Schedule C is an annual expense amount (expenses for a year). Staff must enter the amount from the IRS Schedule C into the applicable fields on the Schedule C page. TIERS will calculate a monthly expense amount automatically.

When the Schedule C page is completed, TIERS creates one expense record for each expense type with an expense amount value.

The screenshot displays the 'Self Employment - Schedule-C' page. At the top, there are navigation tabs: Summary, Details, Payments, Expenses, and Schedule C (which is highlighted). Below the tabs is a red header bar with the title 'Self Employment - Schedule-C' and several icons. A status bar below the header shows: Case Name: User,Test; Case #: 100000001; Case Mode: Change Action; Case Status: Approved.

A warning icon and the text 'TAX SENSITIVE INFORMATION' are displayed. Below this are four buttons: Reset, Cancel, Previous, and Next.

The form is divided into several sections:

- Individual Information:** Name: User,Test 32M; Individual #: 600594345; Updated Date: 04/17/2006.
- Dates:** Effective Begin Date: 11/01/2005; End Date: (blank); Reported On: 11/30/2005; Date Client Became Aware: 11/30/2005.
- Payment / Expense Details:** Self-Employment Type: Construction/Repair Work; Pay/ Exp Report Date: [mm / dd / yyyy]; Tax Year: 2014; Pay / Exp Verification Received Date: [mm / dd / yyyy]; Pay/ Exp Discovery Date: [mm / dd / yyyy]; Gross Payment Amount: \$ [input field].

| Expense details  |  |        |   |  |        |
|--|--|--------|---|--|--------|
| Expense types  |  | Amount | Expense types   |  | Amount |
| 8 Advertising:   |  | \$     | 20 rent or lease  |  | \$     |
| 9 Car and truck expenses                                 |  | \$     | 21 Repairs and maintenance  |  | \$     |
| 10 Comissions and fees                                   |  | \$     | 22 Supplies   |  | \$     |
| 11 Contract labor  |  | \$     | 23 Taxes and licenses   |  | \$     |
| 12 Depletion   |  | \$     | 24 Travel, meals, and entertainment (a) travel (b) deductible means and entertainment (do not include travel to and from place of business) |  | \$     |
| 13 Depreciation and section 179 expense deduction        |  | \$     | 25 Utilities (do not include unless these expenses can be identified as necessary for the business separately)                              |  | \$     |
| 14 Employee benefit programs (other than line 19)        |  | \$     | 26 Wages (for employees not living in the home)   |  | \$     |
| 15 Insurance (other than helath)                         |  | \$     | 27 Other Expenses   |  | \$     |
| 16 Interest (a) Mortgage (paid to banks, etc.) (b) Other |  | \$     |   |  |        |
| 17 Legal and professional services                       |  | \$     |   |  |        |
| 18 Office expense  |  | \$     |   |  |        |
| 19 Pension and profit-sharing plans                      |  | \$     |   |  |        |

Other Expenses Description:

**Effective Date**

Changes to policy are effective December 19, 2015.

**Handbook**

The handbook will be updated with the June 2016 Revision.

**Training**

Self-Employment income and expenses will be presented as part of web-based training: Updates to Self-Employment LUW.

**2. ACA—Update to Administrative Renewals Correspondence**

**Background**

The ACA required states to modify the renewal process for MAGI Texas Works (TW) Medicaid programs, the Children’s Health Insurance Program (CHIP), and Medicaid for the Elderly and People with Disabilities (MEPD). An individual is now only required to complete and return a renewal form when HHSC cannot complete the renewal process based on existing information

available in TIERS and information available through electronic data sources (ELDS). The new redetermination process is called the administrative renewal process.

### **Current Policy**

There is no policy regarding administrative renewal correspondence when the review due date for an individual is aligned with another individual receiving coverage in the same medical type program when the following scenarios occur after the automated renewal process has been initiated by requesting electronic data sources (ELDS):

- A new individual is added to a case; or
- An individual is transferred to another medical type program.

### **New Policy**

For MEPD programs, when a new individual is added to a case, their review due date may be aligned with the review due date of another individual in the same medical type program on the case. If the review due dates are aligned after the system has initiated the automated renewal process by requesting ELDS, the new individual will be sent one of the following forms:

- H1200-A, Medical Assistance Only (MAO) Redetermination;
- H1200-MBIC-R, Application for Benefits;
- H1200-EZ, Application for Assistance – Aged and Disabled; and
- H1200-PFS, Medical Application for Assistance.

For the following programs, when an existing individual is transferred to a different medical type program, their review due date may be aligned with that of another individual in the same medical type program on the case. If the review due dates are aligned after the system has initiated the automated renewal process by requesting ELDS, the individual who was transferred to a different type program will be sent H1200, Application for Assistance – Aged and Disabled:

- TP23, MC - SLMB;
- TP24, MC - QMB;
- TP25, MC - QDWI; and
- TP26, MC - QI 1.

### **Effective Date**

Changes to policy are effective December 19, 2015.

### **Handbook**

The handbook will be updated with the June 2016 Revision.

### **Training**

Training on updates to the Administrative Renewals Correspondence policy will be presented in a web-based course titled “R95-3 ACA-Updates to Medicaid Renewals.”