

**THE DEPARTMENT OF EARLY EDUCATION AND CARE
SUBSIDIZED CHILD CARE
SELF-EMPLOYMENT COVER LETTER**

Dear Self-Employed Parent:

The Department of Early Education and Care (EEC) provides financial assistance for early education and care to Massachusetts families who meet specific eligibility requirements. Those requirements include income criteria and a documented service need, or reason for needing care. Your eligibility for EEC financial assistance cannot be determined unless you provide sufficient information to verify both your income and service need.

To help you understand EEC's policies regarding self-employment income and the information you will need to provide to determine your eligibility, EEC has prepared this self-employment information packet, which includes a copy of the following documents:

- EEC Report of Self-Employment Earnings form;
- EEC Employment Verification form; and
- IRS Form 4506-T, Request for Transcript of Tax Return.

Self-employed parents, like all parents applying for EEC financial assistance, must document their service need or reason for needing care. If your self-employment can be verified by another party (e.g., clients, customers, suppliers), you will also be required to complete and submit the attached Employment Verification form. The purpose of this form is to document your self-employment and the amount of income that you receive.

Please be advised that EEC will keep your personal information confidential and will not share this information with outside persons or entities, unless necessary to determine and verify your eligibility for EEC financial assistance.

We hope the attached information is helpful and makes the process of applying for EEC financial assistance easier for you. If you have questions or need additional information, please contact your Subsidy Administrator for assistance.

Sincerely,

**DEPARTMENT OF EARLY EDUCATION AND CARE
SUBSIDIZED CHILD CARE
REPORT OF SELF-EMPLOYMENT EARNINGS FORM**

Section I: Family Information

1. Name of Parent: _____
2. Address: _____
3. Telephone: _____
4. Social Security Number: _____

Section II: Information About Self-Employed Family Member (If different from above)

1. Name of Self-Employed Family Member: _____
2. Telephone: _____ Social Security Number: _____

Section III: Information About Business

1. Name of Business: _____
2. Address of Business: _____
3. Business Phone: _____
4. Employer Identification Number (EIN)¹: _____
5. Nature of
Business: _____
6. Corporate Status of Business (Please check one of the following):
____ Sole Proprietorship ____ Partnership ____ Corporation ____ S-Corporation
7. Required Business Documentation Attached (please check and attach a copy of **ONE** of the following):
 - ☐ Doing Business As (DBA) Certificate
 - ☐ Articles of Incorporation on file with the Secretary of the Commonwealth
 - ☐ Certificate of Registration issued by the Secretary of the Commonwealth
 - ☐ Professional License
 - ☐ Other documentation indicating establishment of business (*Please explain*):

¹ Also known as a Federal Identification Number

Section IV: Monthly Self-Employment Income and Expenses

Please report your self-employment income and expenses for **each of the last three (3) months** using the Monthly Self-Employment Earnings Worksheets attached. Please note that although business expenses may be deducted from the income you receive from self-employment, some expenses may not be deducted. For the purposes of determining your eligibility for financial assistance, certain business expenses, such as depreciation and meals and entertainment, are not allowable.

Examples of allowable business expenses are included in the chart below and shall align with Part II of the IRS Form 1040, Schedule C. All business expense receipts must be attached.

1. Advertising	Business related advertising and promotional costs.	11. Office Expenses	Expenses for office supplies and postage.
2. Automobile Expenses	If a personal car or truck is used for business purposes, only the business portion of vehicle expenses costs may be deducted. This includes Gas, Insurance, Maintenance, and registration.	12. Pension or Profit-Sharing Plan	Contributions you made for the benefit of your employees to a pension, profit-sharing, or annuity plan.
3. Commissions and Fees	Transaction/processing fees; Referral/broker/selling fees; Finder's fees; Sales commissions Fees for legal referrals; Shared commissions (common in real estate) Commissions paid to managers and agents who are not employees Fees for drop shippers; Fees for online referrals	13. Repairs and Maintenance	Repairs that do not improve a unit of property. This generally includes the costs of routine repairs and maintenance to your property that result from your use of the property and that keep the property in an ordinary, efficient operating condition. (i.e. painting exteriors or interiors of business buildings, repairing broken window panes, replacing worn-out minor parts, sealing cracks and leaks, and changing oil or other fluids to maintain business equipment).
4. Cost of goods sold	The direct costs attributable to the production of the goods sold in a company. This amount includes the cost of the materials used in creating the good along with the direct labor costs used to produce the good.	14. Rent for Leased Vehicles, Machinery, or Equipment	Rented or leased vehicles, machinery, or equipment related to your business.
5. Contract Labor	Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business.	15. Rent for Other Business Property (e.g. office space)	Rent or lease other property, such as office space in a building.
6. Employee Benefit Programs (e.g., health, accident, life insurance and dependent care assistance program)	Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included section 12. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.	16. Supplies	Cost of materials and supplies only to the extent you actually consumed and used them in your business during the tax year. Cost of books, professional instruments, equipment, etc.,
7. Insurance (e.g. commercial liability, fire insurance, etc.)	Amounts paid for business insurance (if your home is used for business purposes, you may deduct amounts paid only for commercial property insurance, but not for homeowner's or renter's insurance);	17. Taxes and Licenses	State and local sales taxes imposed on you as the seller of goods or services. Real estate and personal property taxes on business assets. Licenses and regulatory fees for your trade or business paid each year to state or local governments.
8. Interest paid on mortgage owed banks	As shown on IRS Tax Form 1098	18. Transportation	Mileage expenses, public transportation, taxi, other modes of transportation between business sites, but not including the mileage from home to the first business site and from

			the last business site to home.
9. Other interest payment (specify)	Example: Investment Interest	19. Utilities	If the home is used for business purposes, only the business portion of residential expenses may be deducted (e.g. separate business phone line and any extra utility costs that can be attributed to the business);
10. Legal and Professional Services	Fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to operating your business. Include fees for tax advice related to your business and for preparation of the tax forms related to your business. Also, include expenses incurred in resolving asserted tax deficiencies related to your business.	20. Wages and Salaries for Employee/s	Amounts paid for employee salaries and taxes on those salaries as well as any employee benefit plans (i.e. health insurance or retirement plans for your employees)

Examples of business expenses that are not allowable and should not be listed include:

- personal expenses, such as health insurance premiums, life insurance premiums, or retirement benefits;
- taxes that you pay on your net income, including Social Security, federal, and state taxes;
- monthly mortgage or rental payment for your home;
- depreciation; and
- business losses from prior months/years.

MONTHLY SELF-EMPLOYMENT EARNINGS WORKSHEET

Parent's Name: _____

Name of self-employed family member whose earnings are listed on this worksheet (if different from above): _____

Month and year: _____
(e.g., January 2007)

**A. Monthly Gross Receipts or Sales
(including all tips)**

\$ _____

Monthly Business Expenses

1. Advertising	\$	11. Office Expenses	\$
2. Automobile Expenses:	\$	12. Pension or Profit-Sharing Plan (for employees)	\$
3. Commissions and Fees	\$	13. Repairs and Maintenance	\$
4. Cost of goods sold	\$	14. Rent for Leased Vehicles, Machinery, or Equipment	\$
5. Contract Labor	\$	15. Rent for Other Business Property (e.g. office space)	\$
6. Employee Benefit Programs (e.g., health, accident, life insurance and dependent care assistance program)	\$	16. Supplies	\$
7. Insurance (e.g. commercial liability, fire insurance, etc.)	\$	17. Taxes and Licenses	\$
8. Interest paid on mortgage owed banks	\$	18. Transportation	\$
9. Other interest payment (specify)	\$	19. Utilities	\$
10. Legal and Professional Services	\$	20. Wages and Salaries for Employee/s	\$

B. Total Monthly Business Expenses
*** Please attach all receipts**

(Add together lines 1 through 19) \$ _____

C. Net Monthly Business Income

Subtract line B from line A) \$ _____

MONTHLY SELF-EMPLOYMENT EARNINGS WORKSHEET

Parent's Name: _____

Name of self-employed family member whose earnings are listed on this worksheet (if different from above): _____

Month and year: _____
(e.g., January 2007)

A. Monthly Gross Receipts or Sales (including all tips)
--

\$ _____

Monthly Business Expenses

1. Advertising	\$	11. Office Expenses	\$
2. Automobile Expenses:	\$	12. Pension or Profit-Sharing Plan (for employees)	\$
3. Commissions and Fees	\$	13. Repairs and Maintenance	\$
4. Cost of goods sold	\$	14. Rent for Leased Vehicles, Machinery, or Equipment	\$
5 Contract Labor	\$	15. Rent for Other Business Property (e.g. office space)	\$
6. Employee Benefit Programs (e.g., health, accident, life insurance and dependent care assistance program)	\$	16. Supplies	\$
7. Insurance (e.g. commercial liability, fire insurance, etc.)	\$	17. Taxes and Licenses	\$
8. Interest paid on mortgage owed banks	\$	18. Transportation	\$
9. Other interest payment (specify)	\$	19. Utilities	\$
10. Legal and Professional Services	\$	20. Wages and Salaries for Employee/s	\$

B. Total Monthly Business Expenses * Please attach all receipts
--

(Add together lines 1 through 19) \$ _____

C. Net Monthly Business Income

Subtract line B from line A) \$ _____

MONTHLY SELF-EMPLOYMENT EARNINGS WORKSHEET

Parent's Name: _____

Name of self-employed family member whose earnings are listed on this worksheet (if different from above): _____

Month and year: _____
(e.g., January 2007)

A. Monthly Gross Receipts or Sales (including all tips)
--

\$ _____

Monthly Business Expenses

1. Advertising	\$	11. Office Expenses	\$
2. Automobile Expenses:	\$	12. Pension or Profit-Sharing Plan (for employees)	\$
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5 Contract Labor	\$	15. Rent for Other Business Property (e.g. office space)	\$
6. Employee Benefit Programs (e.g., health, accident, life insurance and dependent care assistance program)	\$	16. Supplies	\$
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8. Interest paid on mortgage owed banks	\$	18. Transportation	\$
9. Other interest payment (specify)	\$	19. Utilities	\$
10. Legal and Professional Services	\$	20. Wages and Salaries for Employee/s	\$

B. Total Monthly Business Expenses * Please attach all receipts
--

(Add together lines 1 through 19) \$ _____

C. Net Monthly Business Income

Subtract line B from line A) \$ _____

Section V: Certification

I understand that I am responsible for providing a copy of my most recent federal income tax returns, including all applicable forms and schedules, as well as a federal income tax return transcript.

I certify under the pains and penalties of perjury that the information provided is correct and complete to the best of my knowledge. I understand that providing false or misleading information in connection with my application for EEC financial assistance, receiving EEC financial assistance as a result of any false or misleading information, and/or the concealing or withholding of information for the purpose of establishing or maintaining eligibility or increasing the level of child care assistance may lead to an immediate termination of my child care subsidy.

I also understand that I must **report within 30 days any temporary or non-temporary change**. Temporary changes include: any time-limited absence from a parent's approved activity due to an illness or need to care for a family member; any interruption in work for a seasonal worker who is not working between regular industry work seasons; any reduction in work, training or education hours, as long as the parent is still working or attending training or education; any other cessation of a parent's approved activity that does not exceed 12 weeks; and change in residency within Massachusetts. Non-temporary changes include: total household income exceeding 85% SMI; changes in family contact information; changes in household composition for more than 30 total days in a 12 month authorization; changes in child custody arrangements; any out of state change in address; or any change or cessation of a parent's work, training, or education participation that lasts more than 12 weeks. I understand that engaging in Substantiated Fraud, failing to report a Non-Temporary Change within 30 days from the date the change occurred, failing to accurately report income at eligibility Authorization/Reauthorization, failing to respond to an EEC request for more information, or any non-payment of fees may be deemed an Intentional Program Violation and result in termination of the child care subsidy. I understand that an Intentional Program Violation or Substantiated Fraud may result in sanctions that will preclude eligibility for any future EEC subsidy, an obligation to repay the cost of child care, and/or the assessment of a civil fine.

Parent Name (*printed*): _____

Parent Signature: _____

Date: _____

Self-Employed Family Member (*if different from above*):

Parent Name (*printed*): _____

Parent Signature: _____

Date: _____