

Guidance Memorandum I: CACFP Requirements for Household Size-Income Statements

HSIS Verification Requirements

Providers who submit completed Household Size-Income Statements (HSIS) (Attachment 2) for eligibility determination as a Tier 1 home must also submit support documents.

The support documents must:

- Be official (not self-reported)
- Substantiate the household's current participation in benefit programs or all income sources received by all household members; and
- Be submitted annually with a new HSIS
The previous year's HSIS support documents cannot be pulled forward to support the new HSIS.

Upon receiving a completed HSIS (Attachment 2) and its support documents, check the following:

- 1) The HSIS is fully completed by the Provider, *in accordance with guidance memorandum I, Sections F and G*; and
- 2) Current and proper support documents enable verification of the household's participation in the reported benefit program or all reported income information.

Incomplete Documents and/or Discrepancies:

Incomplete information or any discrepancies between the submitted HSIS and support documents must be resolved prior to making the final eligibility determination and issuing the effective month of the determination.

- The Sponsor must always contact the Provider to obtain any missing information and/or support documents.
- Retain and attach any written Sponsor/Provider correspondence to the HSIS documents for resolving incomplete information and discrepancies. Information obtained by phone from the Provider may be written on the HSIS by Sponsor staff, but then the person spoken to, staff initials, and the date this information was obtained must be noted next to the added or corrected information.

Examples of Discrepancies:

- ❖ When the support documents do not sufficiently verify the reported HSIS information and/or the HSIS is incomplete; and/or
- ❖ When income information on the support documents does not coincide or is not written on the HSIS. *The Sponsor must contact the Provider to confirm receipt of this income before writing it on the HSIS.*

Acceptable Support Documents for Verification

➤ **Benefit Programs (FoodShare WI, W-2 Cash Benefits, and FDPIR):**

The eligibility notice (or some form of this) from the program's administering office which provides the following information:

- Recipient's name and address;
- Case number; and
- Date of eligibility, showing the recipient is currently receiving the benefit

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Acceptable Support Documents for Verification

➤ **Household Income Sources**

- Documents supporting the reported income sources must be current.

Current income means income received by the household for the current month (the month in which the HSIS is completed) or for the month prior to HSIS completion. If such income does not accurately reflect the household’s annual income, income may be based on the projected annual household income. If the prior year’s income provides an accurate reflection of the household’s current annual income, the prior year may be used as a base for the projected annual income.

- Add all household income sources for all household members together to calculate the total household income.
- The documents must show the following information for each income source:
 - ❖ The name of the household member receiving it
 - ❖ The date(s) it was received
 - ❖ The amount received
 - ❖ The pay period
 - ❖ Payment frequency

Income Source	Acceptable Documents for Verification	Further Detail and Exceptions	Making Calculations
<p>Employment Earnings <i>(Wages/Salary for each job)</i> (Not Self Employed)</p>	<p>Verify Gross Income</p> <ul style="list-style-type: none"> ✓ Most recent paycheck stub ✓ Employer statement ✓ Tax documents (i.e. 1040 and relevant schedules) <i>(See below for more information on the Form 1040.)</i> 	<ul style="list-style-type: none"> ● When wages are paid by the same pay period throughout the year (i.e. every 2 weeks), collect the most recent pay period’s check stub(s). ● If paid seasonally (i.e. construction workers, teachers, migrant workers), obtain the 1040 from the previous calendar year. <i>The most current monthly income will distort the actual amount of income earned annually.</i> 	<ul style="list-style-type: none"> ❖ If more than one pay period of check stubs is submitted to reflect monthly income earned, they should be for consecutive pay periods. Then, average the gross income reported from all of the check stubs. Example: <ul style="list-style-type: none"> ❖ 3 bi-weekly paychecks: add the gross income from the 3 paychecks together and divide by 3 to calculate the average. Then, using the correct multipliers, take the average and multiply out to annual income (unless this is the only reported household income; then, leave it as bi-weekly income and determine the eligibility by referencing the bi-weekly column on the Household Size-Income Scale (GM I – Attachment 4). <p style="text-align: center;">➔ Do not add the paycheck amounts together (instead of calculating the average of the 3 bi-weekly payments) and try to convert 6 weeks of income to annual (or monthly) income.</p>
<p>Self Employed</p>	<p>Verify Net Income</p> <ul style="list-style-type: none"> ✓ Tax documents (i.e. 1040, Schedule C, other relevant schedules) ✓ Official documentation of income and expenses <ul style="list-style-type: none"> ❖ Bank statements ❖ Receipts for deposits and expenses 	<ul style="list-style-type: none"> ❖ Tax documents should be the primary source unless: <ul style="list-style-type: none"> ● The Provider is new and did not file a tax return for the previous year: <i>Use income & expense documents -</i> <ul style="list-style-type: none"> ❖ <i>Income: child care tuition (deposit slips, bank statements)</i> ❖ <i>Expenses: receipts for business expenses</i> ● The previous year’s income does not accurately reflect the Provider’s current income. 	<p style="text-align: center;">➔ Schedule C should be the primary tax document used for verification.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="font-size: small;">SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)</p> <p style="font-size: x-small;">Department of the Treasury Internal Revenue Service (99) ▶ Information about Schedule C and its separate instructions is at www.irs.gov/schedulec. ▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.</p> <hr/> <p>31 Net profit or (loss). Subtract line 30 from line 29.</p> <ul style="list-style-type: none"> • If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32. </div> <p style="color: red; font-size: small;">If a negative #, must count as zero</p>

HSIS Verification Requirements

Households with Wage Income and Self Employment Income	Using Form 1040 for Income Verification
<p>→ The wage earnings and self employment earnings must be reported separately.</p> <p>→ Income from wages cannot be reduced by the amount of a business loss from the self employment income source. If self employment income is negative, it must be listed as zero.</p> <p>→ If the Provider is married but files separately, income earned by the Provider's spouse must be reported (and verified) separately.</p>	<ul style="list-style-type: none"> ● No single line on the Form 1040 adequately captures the household income. ● Differences between how household income is defined by the CACFP and the IRS for tax reporting purposes on tax forms: <ul style="list-style-type: none"> ❖ CACFP does not allow for deductions of business or investment losses; losses must be treated as "zero" income. <i>(Cannot be a negative amount)</i> ❖ CACFP requires annual distributions from IRA accounts, pensions, social security benefits, and other retirement plans to be included within the reported household income. <i>(The IRS permits this income to be partially excluded for taxation purposes.)</i> <ul style="list-style-type: none"> → Subtract amounts reported on lines 15b, 16b, and 20b and add in amounts on 15a, 16a, and 20a. ❖ CACFP requires child support, welfare benefits, and other income to be included. <i>(The IRS permits this income to be excluded.)</i> Refer to GM I, Section G, for all income that must be included. <ul style="list-style-type: none"> → The income from these sources must be reported separately on the HSIS and separate support documents for these sources must be submitted.

HSIS Verification Requirements

Income Source	Acceptable Documents for Verification
Unemployment Compensation• Disability• Worker’s Compensation•	✓ Eligibility notice from the State employment security office ✓ Check stubs ✓ Official letter from worker/disability compensation
Child Support• Alimony Payments•	✓ Court decree ✓ Legal agreement ✓ Copies of checks received
Public Assistance• TANF Payments•	✓ Benefit notice from the administering agency
Social Security Payments• Pensions•Retirement Funds• Supplemental Security Income•Veteran’s Payments•	✓ Benefit notice from Social Security Office ✓ Official summary statement of benefits received ✓ Pension Award Notice
Rental Income•	✓ Official documents of rent received <i>(amount, how often, & receipt date)</i> ❖ Rental/lease agreement ❖ Deposit receipts ❖ Bank statements
Investment Dividends• Savings Withdrawals• Bonds• IRA Distributions• Estate Income•Trust Income•	✓ Investment account summary ✓ Distribution schedule ✓ Bank statements ✓ Court documents