



## WISCONSIN SCHOOL NUTRITION **IN A NUTSHELL**

# Verifying Annual Income on a Free and Reduced Meal Application

When households submit an income based free and reduced meal application, all current income must be reported. Household income should be reported in the frequency it is received. However, households may report annual income. Reporting annual income may be more accurate and easier for some households, especially in cases with seasonal workers or self-employment. SFAs are required to verify a percentage of household free and reduced meal applications annually. This document is intended to assist SFAs with verifying household applications that reported annual income. If a household's application is selected for verification that reported annual income, the household must provide the SFA with tax forms to verify the household's income and meal benefit status. A W2 form should not be used to verify income-based applications.

## **Annual Income Scenarios:**

### **Income for Seasonal Workers**

Certain workers, such as seasonal workers, experience income fluctuations throughout the year, meaning they earn more money in some months than in other months. For these workers, reporting the previous month's income may distort the household's actual financial circumstances. In these situations, the household may project its annual rate of income and report this amount as its current income.

If the prior year's income provides an accurate reflection of the household's current annual rate of income, the prior year may be used as a basis for the projected annual rate of income. The SFA must determine the period of time any earnings are received for seasonal workers, as well as the amount and source. Seasonal workers with annual employment contracts, such as school employees, may choose to have their salaries paid over a shorter period of time. To treat these employees in the same manner as employees who choose to have their salaries paid over the full year, the SFA must determine the full amount of income available contractually on an annual basis and convert all income sources to annual amounts.

### **Income for Self Employed**

Self-employed persons may use their previous year's income as a basis to project their current year's net income, unless their current net income provides a more accurate measure. Self-employed persons are credited with net income rather than gross income. Net income for self-employed farmers, for example, is figured by subtracting the farmer's operating expenses from the gross receipts

### **Income from Wages and Self-Employment**

For a household with income from wages and self-employment, each amount must be listed separately. When a household experiences a business loss, income from wages must not be reduced by the amount of the business loss. If income from self-employment is negative, it is

listed as zero.

### Income from Rental Properties

For households with rental properties, income includes money derived from the rental of rooms, apartments, homes and other leases. The treatment of rental income is similar to the treatment of self-employment income.

### Tax Form Table

Below is a table to help determine what form and line is needed when verifying annual income that is reported on a free and reduced meal application. Important to note that Schedule B, C, E or F may be needed to verify the lines in the 1040 Schedule 1.

\*Contact [dpimealeligibility@dpi.wi.gov](mailto:dpimealeligibility@dpi.wi.gov) if you think a Wage and Tax Statement (W-2) may be needed to verify income.

Category	Tax Form and Line to use
Net income from self-owned business, including farms	Form 1040 Schedule 1, lines 3 and 6 Business and Completed (Schedule C) or Farm Income (Schedule F).
Strike benefits, unemployment compensation, and worker's compensation	Form 1040 Schedule 1, line 7 and 8z
Alimony payments	Form 1040 Schedule 1, line 2a
Pensions	Form 1040, line 5a
Retirement Social Security (including railroad retirement and black lung benefits)	Form 1040, line 6a
Income from trusts or estates	Form 1040 Schedule 1, line 5 and Completed Supplemental Income and Loss (Schedule E).
Investment income	Form 1040, line 2 and Completed Schedule B
Earned interest	Form 1040, line 2 and Completed Schedule B
Net Rental Income	Form 1040 Schedule 1, line 5 and completed Supplemental Income and Loss (Schedule E)
1040 Form (When income is not from a self-owned business or Farm)	Form 1040, line 8 and 9