

Guidance for Self-Employed Applicants

Who is Self-Employed?

Generally, applicants who earn any part of their income from sources other than a regular pay check are self-employed. Some applicants do not think they have self-employment income when in fact they do. Here are a few examples of self-employment income that is sometimes overlooked:

- A contract employee working for an organization. Contract employees receive a 1099 instead of a W-2 for tax filing.
- After hours freelance work
- Arts or craft sales
- Pet / house sitting.
- Dog walking
- Babysitting

Two Documents Needed

For some self-employed applicants, this may be the first time they have been asked to document their income and expenses on paper. The templates linked below are provided to help guide the process. Applicants can use these or something of their own creation.

[Year-to-date Revenue and Expense](#) – This reports actual numbers from the year so far. If the year has just started, numbers from the end of the prior year are also needed. At least six months of history must be included. These numbers may be compiled from bank records, receipts, invoices or other business records.

[Anticipated Revenue and Expense](#) – This reports what is expected to happen over the next 12 months. It is an estimate of what the applicant thinks will happen. Looking at the past can be a basis for the future. The applicant may consult past business or tax records in developing the projection. However, the past may not tell the whole story. Maybe there are new contracts or lines of business that will affect the future income. There could also be a decrease for some of these same reasons.

Business Expenses vs. Personal Expenses

For self-employed applicants, the line between a business expense and a personal expense can sometimes be blurred. As a general rule, if the expense would still be there if the business did not exist, it should not be counted as a business expense and should not be included on business statements of income.

What Goes On the Form

While the templates are self-explanatory for the most part, the next two pages provide some extra guidance. Applicants can also contact the Homeownership Program if they have questions.

Statement of Income for Self-Employment

Applicant Name(s): _____

Business Name, or Type of Business: _____

Reporting (dates – next 12 months): _____

Please fill in all fields below. If no revenue or expense is anticipated, please enter "0". If you operate more than one self-employment enterprise, please complete separate forms for each business/endeavor.

Year-to-date

This should be for all the months in the current year. If the year is new, information for the last six months should be provided. For example, if this is being filled out on March 1, 2019, the dates entered should be 9/1/2018-2/28/2019

Anticipated

This should be for the next 12 months. For example, if it is being filled out on March 1, 2019, the dates entered here should be 3/1/2019-3/1/2020

SECTION ONE: REVENUE

GROSS INCOME	
Gross Receipts for Material Sales	\$
Gross Receipts for Professional Services Rendered	\$
Other Income (Any other additional funds earned through the company such as payments from people leasing space or payments from investors)	
TOTAL GROSS INCOME	\$

If a product is sold (dog leashes, jewelry, etc.) the income from this is entered here.

If a service is provided (massage therapy, yoga teacher, etc.), the income from this is entered here.

SECTION TWO: EXPENSES

EXPENSES	
Cost of Goods Sold (Direct costs to produce or obtain supplies for material sales)	\$
Accounting and Legal Fees	\$
Advertising	\$
Business Insurance (Do <u>not</u> include homeowner or other personal insurance)	\$
Equipment Maintenance and Repairs	\$
Supplies	\$

The supplies purchased to create a product go here (dog tags, beads, etc.)

If someone is hired to manage the businesses finances those fees would go here.

Some professions require liability insurance or there may be insurance on goods in storage. Those should be entered here. Personal health or vehicle insurance should not be included. If the expense would still be there if the business did not exist – it should not be included.

Other consumable supplies needed for the business would be included here (copier paper, bottled water for clients, etc.). Not included are supplies needed to make a product. Those cost are entered above in the "Cost of Goods Sold" section.

If there is equipment that is used for the business (sewing machine, packaging equipment, etc.), the cost to maintain or repair this equipment would go here.

If there is someone else who works for the business (marketing person, assembler, office assistant), the cost of this person is entered here. Included would be wages, employment taxes paid, health insurance premiums, etc.). The business owner's income should not be included here.

Fees for classes or certifications needed to maintain a professional license would go here.

If a location outside of the home is rented in which the business is run, the cost of this would be included here. If the business is run out of the applicant's residence, the rent for the residence should not be included.

Payroll and Payroll Expenses (Taxes, Healthcare Payments, etc.)	\$
Professional Credentials and Certifications	\$
Business Rents and Office Expenses	\$
Telephone and Internet	\$
Travel/Transportation	\$
Other (please explain):	\$
Other (please explain):	\$
Other (please explain):	\$
TOTAL EXPENSES	\$

If travel is required for the business (airfare, hotel, food, etc.), those expenses would be included here.

The other section is the place to put all other expenses not found in the categories above.

NET INCOME	
INCOME REPORTED ABOVE	\$
EXPENSES REPORTED ABOVE	\$
ESTIMATED NET INCOME (REVENUE – EXPENSES)	\$

The total income from page 1 is entered here.

The total expense from above is entered here.

If anticipated income varies greatly over previous years, please explain: _____

REQUIRED: Please explain how you have come to your projection calculation: _____

By signing this document, I certify that the estimates provided above are forecast to be accurate to the best of my knowledge. In compliance with the Boulder County Homeownership Program Application being submitted with this Anticipated Income Statement, I acknowledge that knowingly submitting false information may constitute fraud.

SIGNATURE: _____ DATE: _____

SIGNATURE: _____ DATE: _____

If the net income has increased or decreased substantially an explanation is needed. This could be gaining or losing clients, a change in costs, and/or a new or discontinuing line of work.

For the Statement of Anticipated Income, and explanation of how the projection was calculated is required. Some things the projection may be based on include tax records, on new contracts, and/or income trends over the last few years.