SOs must compare the total household income and household size information provided on the CACFP Form-110 or CACFP Form-101 to the Income Eligibility Guidelines (IEG) to determine tier I eligibility. SOs must not provide the IEG information to individual households or to providers.

Household Size

Household is defined as a group of individuals, related or non-related, who are not residents of an institution or a boarding house, but live as one economic unit. Members of an economic unit would share housing, income and expenses of its members.

Children who are subject to joint custody physically change residences periodically. In these cases, the child is considered to be a member of the household in which he/she resides. Therefore, the child's eligibility could change periodically, depending on the rotating time periods and the number of household members and the income of each household. The percentage of time that a child lives with a provider must be documented.

Family members living apart on a temporary basis are considered household members, i.e., children who are attending college. However, family members living apart on an extended basis are not considered members of the household. The determining factor is whether the living arrangement is "temporary".

Older children or household members who remain in the home, whether or not they contribute a portion of their income to assist with expenses, are considered members of the household and part of the economic unit. In most of these cases, these children are paying only a token amount for room and board and are not economically independent and, therefore, not considered emancipated.

In unusual instances, if a child contributes to the household expenses to the extent of prorating most household expenses, and there is specific, documented evidence to indicate the detailed calculations as well as receipts of such contributions, the child could be considered a household of one and would not be considered part of the economic unit. However, this situation would entail specific prorating of most household expenses and the child's actual payment of his/her portion, as calculated, and would be extremely uncommon.

The number of exemptions reported on Income Tax Form 1040 should match the number of total household members reported on the IEF. If the numbers are different, the number of exemptions reported on Income Tax Form 1040 must be used to indicate the number of total household members. In rare circumstances, an exception could be allowed to the extent the SO has specific, documented evidence to indicate percentages of time and days of the year the child resides in the provider's home. The documentation must clearly support that the child resides with the provider more than 50% of the year to qualify for tier I meal reimbursement.

Household Income

Income is defined as any money received on a recurring basis, including gross earned income. Gross earned income refers to all money earned before deductions, such as income taxes, employee's social security taxes, insurance premiums, bonds, etc. Income includes the household's gross earnings (wages, salaries, tips, commissions), net income from self-owned businesses, Temporary Assistance (TA) benefits or other public assistance payments, pension, alimony and child support payments, military benefits received in cash, such as housing allowances for households living off-base in the general commercial/private real estate market and food or clothing allowances, unemployment compensation, social security, supplemental security income, veteran's payments, annuities, disability benefits, contributions from persons not living in the household, additional cash received or withdrawn from any other sources, including savings, investments, trust accounts and other resources and any other money that may be available to the family.

Any money received for alimony or child support payments must be included as income. However, money paid out for alimony and/or child support may not be deducted to calculate income.

Children who are not the provider's biological or adopted children, but who live in the home without formal legal placement are considered household members and part of the economic unit, and any income received on their behalf would be included in total household income. Foster care payments received by the family from the placing agency are not considered income and do not need to be reported.

Adopted children are considered household members and part of the economic unit, since the household has accepted legal responsibility for the child. Likewise, any income received on their behalf would be included in total household income.

Family members living apart on a "temporary" basis are considered household members and part of the economic unit. Likewise, any income received on their behalf would be included in total household income. This would include income that college students earn from part-time jobs. Any income on the behalf of older children or other household members who remain in the home and are considered members of the household and part of the economic unit would be included in total household income.

Any money that is deducted for purposes of garnished wages or money ordered to be used in a specified manner, for example, due to bankruptcy, must be considered income and cannot be deducted when calculating household income. The gross earnings amount is the appropriate amount to apply, regardless of the portions garnished or paid to creditors.

Business losses cannot be deducted to reduce income, as is allowable per the IRS. To calculate income for purposes of CACFP eligibility, a business loss is considered a net income of $0. Furthermore, if there are multiple businesses involved, the net loss(s) of one business cannot be netted against the net income(s) of another business(es) to derive a lesser total net income figure for all businesses. The net income from each business, indicated on Schedule C, Line 31, or on Schedule F, must be added together to derive the total net income amount attributable to self-employment. If this amount on either Schedule C or Schedule F is less than $0 on any individual Schedule C or Schedule F, the appropriate amount to include in the calculation of total net income is $0. This means that the amount on IRS Income Tax Form 1040, Line 22, cannot be used to derive total income, because that amount includes any business losses that might have occurred. Rather, the amount on Line 22 provides a basis from which adjustments can be made to derive total household income.

After calculating the total net income amount attributable to self-employment based on a review of all individual Schedule Cs and Schedule Fs that comprise the Form 1040, adjustments can be made accordingly to the amount on Line 22 of IRS Income Tax Form 1040. However, if no net business losses resulted from self-employment, the amount on Line 22 of Form 1040 could be used in the calculation of total household income. However, this amount may not be the final total household income figure, due to many other items as noted above that are included in the definition of income, and therefore, may need to be included in the calculation as well.

The amount reported on Line 34 of IRS Income Tax Form 1040, Adjusted Gross Income for IRS tax purposes, is not the appropriate number to use in the calculation of income. This amount represents deductions that are not allowed per CACFP for household income calculation. Specifically, an example is one-half of self-employment tax on Line 28 that is not deductible per CACFP. The social security tax for a self-employed individual represents the portion attributable to both the employee and the employer, and a self-employed individual would be considered both the employer and employee. Therefore, since employee's social security tax is not an exclusion in the calculation of income per CACFP, this amount reported on Line 28 would not be deducted to derive total household income per CACFP.

Income items that are excluded in the calculation to determine a household's eligibility for tier I rates include:

1) Student financial assistance, such as grants and scholarships;
2) Bank loans, since these are only temporary funds and must be repaid;
3) Military on-base housing or military "privatized housing" (does not include military households living off-base in a general commercial/private real estate market);
4) SNAP benefits;
5) Occasional earnings, received on an irregular basis, such as payment for babysitting or lawn mowing. However, the key determinant is whether the payment is on a "recurring" basis. If lawn mowing or babysitting activities occur on a regular basis, i.e., a child's part-time or summer job, it would be considered income and would be included in the calculation of household income. Additionally, earnings by teenagers who have part-time jobs at food establishments, retail businesses, etc. is considered income, even though the teenager may consider the money earned as his/her own "spending money".