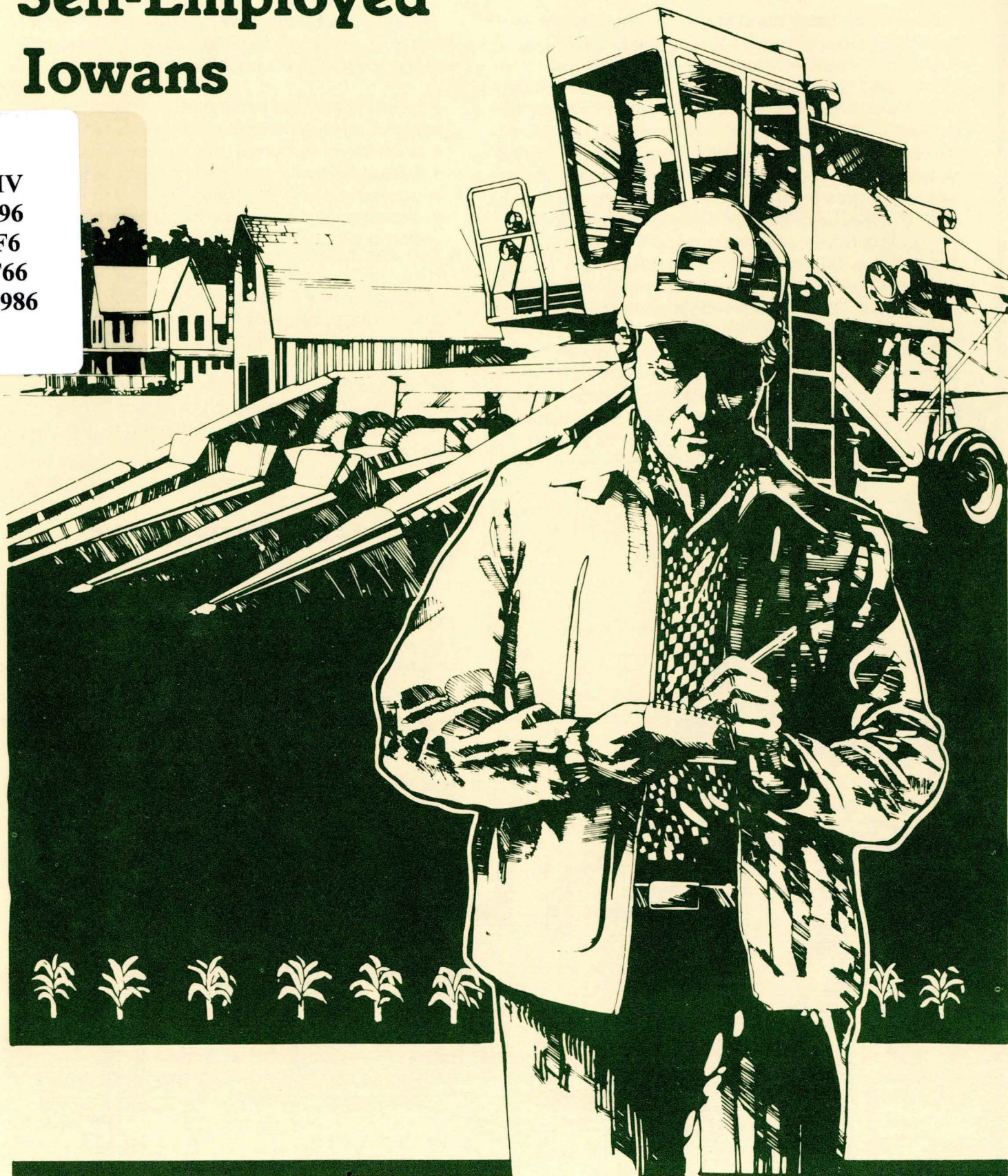


Food Stamps for Farmers and Self-Employed Iowans

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Food Stamps for Farmers and Self-Employed Iowans

THE FOOD STAMP PROGRAM is a state-administered federal program designed to help low-income households obtain the food necessary for sound nutrition and well-balanced meals. Food stamps can help stretch a family's food budget when it's strapped for cash.

Food stamps can be spent like cash in most grocery stores. They can be used to purchase food or plants and seeds that grow food for your household to eat. They cannot be used for non-food items such as paper products or household and personal hygiene supplies. Nor can they be used for alcoholic beverages, tobacco products, vitamins and medicines, pet foods, foods eaten in the store, or hot, ready to eat foods such as barbecued chicken.

Eligibility requirements must be met to qualify for food stamps. They're based on family size and deal primarily with income and available liquid resources of the family. The amount of food stamps a household receives depends upon household size and available income. The brochure "Facts About the Food Stamp Program" contains more information. It's available from county offices of the Iowa Department of Human Services.

This pamphlet emphasizes specific aspects of the Food Stamp Program that apply to farmers and other self-employed individuals, including:

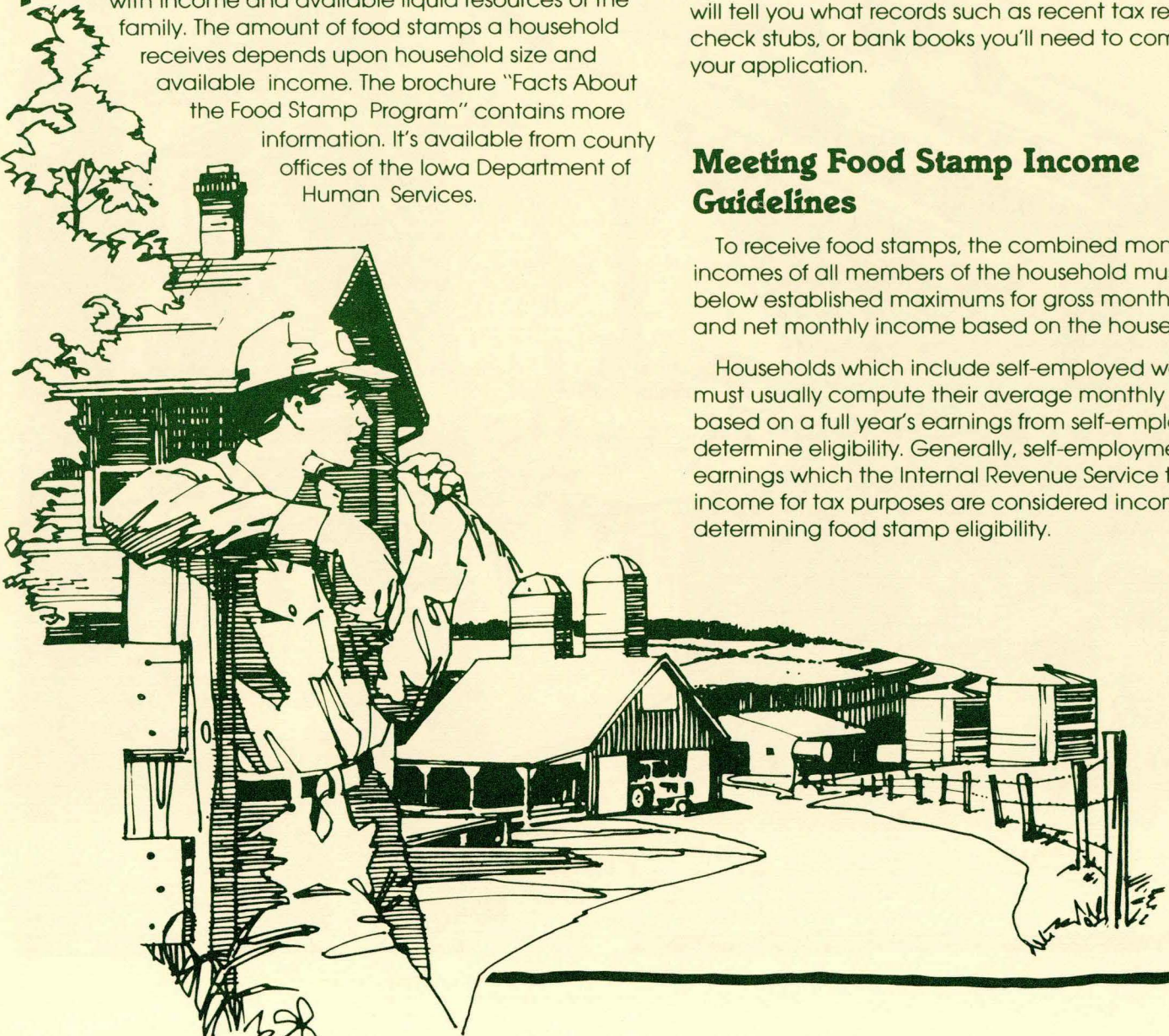
- determining farm income
- exclusion of loans from income
- definition of resources and allowable exclusions
- averaging monthly income to determine eligibility
- bankruptcy and eligibility
- uneven proration of monthly income to vary food stamp allocations.

Applications for food stamps are made at the county human services office by filling out an application form and completing an interview with a caseworker. It may be most convenient to call the office and arrange an appointment in advance. When you do, the caseworker will tell you what records such as recent tax returns, pay check stubs, or bank books you'll need to complete your application.

Meeting Food Stamp Income Guidelines

To receive food stamps, the combined monthly incomes of all members of the household must fall below established maximums for gross monthly income and net monthly income based on the household's size.

Households which include self-employed workers must usually compute their average monthly income based on a full year's earnings from self-employment to determine eligibility. Generally, self-employment earnings which the Internal Revenue Service treats as income for tax purposes are considered income in determining food stamp eligibility.



The food stamp program has a provision that allows self-employed farmers to "offset" a farm loss against any other countable income.

Self-employment income for farmers includes, but is not limited to, income derived from:

- sale of crops and livestock
- price support or subsidy programs
- services provided
- 100 percent of capital gains.

Loans, except educational loans for students, are not considered income.

Many costs of producing income are deducted from gross income before determining eligibility. Generally, any expense which the Internal Revenue Service allows for federal income tax purposes is allowed to offset income in the Food Stamp Program. In addition to materials, supplies and services, legitimate costs include taxes and insurance on business property and interest paid on business expenses.

Some business expenses that are not allowable deductions under the Food Stamp Program include:

- depreciation
- the principal portion of loan payments for purchasing real estate, machinery, equipment or other durable goods
- net losses from previous periods
- federal, state and local income taxes
- contributions to a retirement fund.

Food stamp eligibility and benefits are calculated using anticipated income, usually obtained from the most recent year's tax records.

1. Total the gross self-employment income.
 - include 100 percent of capital gains
2. Subtract allowable costs of producing income.
 - do not subtract depreciation
3. Divide the result by 12.
4. Compare the maximum allowable gross income for households of the same size.

A household which includes a blind, disabled, or elderly member is exempt from the gross income test. It only needs to meet the net income test. All others must be below both the gross and the net income maximums.

Net monthly income is what is left of a household's gross monthly income after allowable expenses are deducted. The types of expenses considered include rent or mortgage payments, utilities, child care expenses and others. Allowable amounts vary depending upon household size and other circumstances. Food stamp caseworkers in local human services offices have more detailed information.

Meeting Food Stamp Resource Guidelines

Although there are maximum resource limitations, households are not expected to sell all they own and use up the income before receiving food stamps.

Many types of business and personal property are not treated as resources in determining food stamp eligibility. Among the excluded items are:

- your home and adjacent property
- clothing and personal belongings
- household goods
- one car or other motor vehicle whose fair market value does not exceed \$4,500
- cash value of life insurance policies
- burial plots for family members.

The most important exemption from household resources for farmers and other self-employed workers is property and supplies necessary to continue self-employment. This includes, but is not limited to:

- tools and machinery
- farm equipment and work vehicles
- necessary spare parts
- seeds for planting
- livestock feed
- rental property which produces income consistent with fair market value
- lines of credit which may be drawn up but have not yet been used
- funds equal to a year's gross income.

Any asset which has been frozen as a result of a bank failure or FDIC takeover is not considered a resource during the time it's frozen. The equity value of grain being held for higher prices is counted as a resource.

After excluding allowable property, a household may have no more than \$2,000 worth of resources if it's to be eligible for food stamps. An exception, allowing up to \$3,000 worth of resources, is made for households with a member who is at least 60 years of age.



Corporations and Food Stamp Eligibility

Members of corporations, including farming corporations, who apply for food stamps are not allowed to exempt property essential to self-employment from their resources. The household's appropriate share of the equity value of the corporation's total assets are also counted as a resource.

Bankruptcy Filings Also Affect Eligibility

If bankruptcy is filed under Chapter 7, the household is usually no longer considered to be engaged in a self-employed enterprise. Consequently, the resource exemption for property essential to self-employment would no longer be granted. However, any assets under the jurisdiction of a trustee would not be considered available to the household nor count as resources.

If bankruptcy and reorganization are filed under Chapter 11 provisions, self-employment considerations still apply. Anticipated income based on the most recent year's tax return and the debt reorganization plan will usually be used to determine food stamp eligibility.

Determining Your Monthly Food Stamp Allotment

The amount of food stamps a household receives is dependent upon its size and monthly income level. Not all eligible households receive the same monthly allotment of food stamps.

Self-employment annual income must be divided evenly by 12 to determine eligibility. However, if a household is eligible and has an uneven cash flow resulting from its self-employment, it has the option of varying the amount of food stamps it receives from month to month. This is done by "redistributing" or unevenly prorating monthly income throughout the year.

By assigning a relatively high income, although less than the allowable maximum, to some months and relatively low income to other months, the amount of food stamps received each month could range from the minimum allotment up to the maximum for that household size. The total number of food stamps received during the course of the year is unlikely to vary significantly, but planning the monthly variations to complement anticipated cash flows can help the household even out monthly fluctuations in its food budget.

For more information contact your county office of the Iowa Department of Human Services.

