

Exercise 1: Maisel

1040 Form Questions

1. Are there any income sources on Lines 1 through 5 that need to be evaluated?
Line 1 for Wages. Ask about employment status during three-month test period. If wages are from self-employment, then annualize the wages using the W-2.

Line 2 Interest: Will not use in test period because Interest and Dividends total is less than \$120.

2. Is there any Schedule 1 income listed?
Yes.

Schedule 1 Questions

1. What income should be considered for WHEAP?
Line 12 business income.

Gambling earnings should not be counted from the Schedule 1 – instead count any actual gambling winnings in the test period. Count gross earnings, not losses in the test period.

2. What schedule(s) do you need?
Schedule C.

Schedule C Questions

1. Based upon the Schedule C's you have, do you have all the C's per Schedule 1, Line 12 total?
Yes, should have 3 schedules.
2. Is there an indication that Miriam is receiving a wage with any of her businesses?
No, because line 26 is blank for all three businesses. If she has any wages, calculate actual income for the test period.

Final Questions

1. What is the monthly SGI income entered for WHEAP?

Household Member	Income	Source	Verification	Month 1	Month 2	Month 3
Miriam	SE	Party Entertainment	2018 Sched C $\$184 \div 12$	\$15.33	\$15.33	\$15.33
Meriam	SE	Marvelous Mrs. Maisel	2018 Sched C $\$5,955 \div 12$	\$496.25	\$496.25	\$496.25
Meriam	SE	Candles R Us	2018 Sched C $\$954 \div 12$	\$79.50	\$79.50	\$79.50

Exercise 2: Thompson

1040 Form Questions

1. Are there any income sources on Lines 1 through 5 that need to be evaluated?
Line 2, interest income. Ultimately, will not count since the amount is less than \$120 (and there is no Dividend income listed on Line 3).
2. Is there any Schedule 1 income listed?
Yes.

Schedule 1 Questions

1. Is there any business income?
Yes, Line 17
2. What schedule do you need?
Schedule E.

Schedule E Questions

1. What type of business income is reported on the Schedule E?
Partnership Income.
2. How many partnerships are reported on the Schedule E?
There is only one partnership.

Final Questions

1. What is the monthly SGI income entered for WHEAP?
\$1,122.17 for each month of the three-month test period.
$$\$21,044 - \$8,000 \text{ GP} = \$13,044 \div 12 \text{ months} = \$1,087.00$$

The Guaranteed Payments are coded under Wages.
2. What is the wage calculation?
\$666.67 for each month of the three-month test period.
$$\$8,000 \text{ G.P.} \div 12 \text{ months} = \$666.67$$

Remember, Guaranteed Payments are calculated as wages.

Exercise 3: Scott

1040 Form Questions

1. What income listed on the 1040 is possibly counted income for WHEAP?
Line 6 – Schedule 1 income.

Schedule 1 Questions

1. Is there any business income?
Yes, Line 17
2. What schedule do you need?
Schedule E.

Schedule E Questions

1. What type of business income is reported on the Schedule E?
Royalties, Rent and Partnership income.
2. How do you determine if you should use all the rental properties?
You have to ask the applicant about the properties as three of them were not rented for the full year. That could be because a property was bought or sold in 2018 or they just had a break in renters. The applicant tells you the following:

Property	Information by Applicant	Include in Calc?
Royalties	Still collecting	Yes
Main St:	Owned all year and still owns	Yes
Washington St:	Owned al year and still owns	Yes
Madison St:	Purchased July 2018, still owns	Yes

3. What is the rental/royalty income calculation based upon the information provided by the trainer?

Once you identified the properties to include, start with the property that has a loss. That loss offsets income for other properties and royalties.

Household Member	Income	Source	Verification	Month 1	Month 2	Month 3
Drew	R	Madison St. Rental	2018 Schedule E – purchased in July. Loss of \$9,248	\$0	\$0	\$0
Drew	R	Royalties	2018 Sched E \$7,800 – \$9,248 subtracted Madison Loss	\$0	\$0	\$0
Drew	R	Main St Rental	2018 Sched E \$989 - \$1,448 remaining loss	\$0	\$0	\$0
Drew	R	Washington St Rental	2018 Schedule E \$1,288 - \$459 remaining loss = \$829÷12	\$69.09	\$69.08	\$69.09

4. Determine the amount to use for the Partnership (Reference the K-1 as needed).

Schedule E lists the same business three times, in order to separate the three different income types on the K-1. It is up to the accountant if they will separate out income. For WHEAP purposes, the worker only needs to separate out Guaranteed Payments and enter under Wages.

Household Member	Income	Source	Verification	Month 1	Month 2	Month 3
Drew	SE	Property Brother Partnership	2018 Schedule E net \$13,679 – \$4,200 (guarantee payments) = = \$9,479 ÷ 12	\$789.92	\$789.92	\$789.92
Drew	W	Guaranteed Payments	2018 Sched E \$4,200 ÷ 12	\$350.00	\$350.00	\$350.00

K-1 Questions

1. Is the business address the same as what is listed on the 1040? If it is, how does that affect the WHEAP application?
No. If it did, would need to review WHEAP policy to determine if you should check “Yes” for business use on the meter.
2. Does the Partner name listed in Part II match the 1040 and Schedule E? **Yes**
3. Is the Line 4 on the K-1 match the amount on the Schedule E?
Yes.

Final Questions

1. What is the total monthly self-generated income?
\$1,2009(\$69.08 + \$789.92 +\$350.00)

Exercise 4: Holden

1040 Form Questions

1. What income listed on the 1040 is possibly counted income for WHEAP?
Line 1 for Wages. Ask about employment status during three-month test period. If wages are from self-employment, then annualize the wages.

Lines 2 and 3: Interest and Dividend combined income is more than \$120, so will annualize for the test period.

Line 6: Income from Schedule 1

2. What is the annualized income amount for the Interest and Dividends?
\$25.42 ($\$43 + \$18 + \$244 = \$305/12$)

Schedule 1 Questions

1. Do you budget the personal capital gains?
No – capital gains from the sale of an asset is not counted (manual 2.3.1)
2. Is there any business income?
Yes, Line 17 and Line 18
3. What schedule(s) do you need?
Schedules E and F

Schedule E Questions

1. What type of business income is reported on the Schedule E?
S-Corporation and Partnership and income.
2. How many businesses are on the Schedule E?
Four – Rocinante Express, Protomolecule Industries, Montana Share Farm and Tycho Station. Some are listed multiple times due both adults having a K-1 and reported Guaranteed Payments.

Final Questions

1. What is the monthly SGI income entered for WHEAP?
There are multiple losses that can offset other business income. Enter the business with losses first. Remember Guaranteed Payments are not included in SGI, but instead posted separately as wages, so they are not offset by any losses.

Household Member	Income	Source	Verification	Month 1	Month 2	Month 3
James	SE	Protomolecule Industries	2018 Schedule E/K-1 Loss of \$5,643.00. GP posted as W	\$0	\$0	\$0
Naomi	SE	Protomolecule Industries	2018 Schedule E/K-1 Loss of \$5,643.00. GP posted as W	\$0	\$0	\$0
James	SE	Montana Share Farm	2018 Sched E/K-1 Loss of \$11,432.00	\$0	\$0	\$0
Naomi	SE	Tyco Station	2018 Schedule E \$3,376 less \$1,499 loss = \$1,877 – other business loss of \$22,718	\$0	\$0	\$0
James	SE	Rocinante Express	2018 Schedule E \$15,989 minus balance of loss \$20,841	\$0	\$0	\$0
Naomi	SE	Rocinante Express	2018 Schedule E \$15,989 minus balance of loss \$4,852 = 11,137 ÷ 12 months	\$928.08	\$928.08	\$928.08
James	SE	Coffee Beans	2018 Schedule F \$6,121 ÷ 12 months	\$510.08	\$510.08	\$510.08

Note: Individual workers might apply the offset of the loss differently. There should be 6 SE incomes entered from the Schedule E (3 for James and 3 for Naomi) and the monthly income between these 6 entries should be \$928.08.

- James informs you that the wages listed on Line 1 of the 1040 are wages he received from his business Rocinante Express and provides his 2018 W-2 statement. What are the wage calculations for all wage entries for this case?

Household Member	Income	Source	Verification	Month 1	Month 2	Month 3
James	W	Rocinante Express	W2 Statement -wages from business \$40,000 ÷ 12	\$3,333.33	\$3,333.33	\$3,333.33
James	W	Protomolecule Industries	2018 Schedule K-1 Guaranteed Payments \$5,500	\$458.33	\$458.33	\$458.33
Naomi	W	Protomolecule Industries	2018 Sched E/K-1 Guaranteed Payments \$6,800	\$566.67	\$566.67	\$566.67