

**461-150-0095**

**Effective 10-01-15**

**Prospective Budgeting: Averaging and Estimating Self-employment Income; OSIP, OSIPM, QMB**

- (1) Net earnings from self-employment are counted on a taxable year basis by dividing the total earnings by twelve to arrive at a monthly amount.
- (2) Only net losses from self-employment that are documented are divided over the taxable year in the same way as net earnings and excluded only from other earned income of the financial group (see OAR [461-110-0530](#) and [461-145-0130](#)).
- (3) When a self-employed individual is engaged in a business or trade which is neither seasonal nor has income peaks at certain parts of the year, estimate net earnings from self-employment for the current taxable year in the following sequence:
  - (a) When the individual has been conducting the same trade or business for two or more years, has had fairly constant net earnings from self-employment from year-to-year, and anticipates no change or gives no convincing explanation why current net earnings would be substantially different from past net earnings, use the net earnings from the prior year as an estimate for the current taxable year.
  - (b) When an individual has been engaged in the same business for only the preceding taxable year, anticipates no change or gives no convincing explanation why current net earnings would be substantially different from the previous taxable year:
    - (A) Calculate the ratio between net profit or loss and gross receipts from the last year;
    - (B) Calculate the actual gross receipts from the individual's current records and project them for the remainder of the year; and
    - (C) Apply the gross-to-net ratio calculated in paragraph (A) of this subsection to the current year's projected gross

calculated in paragraph (B) of this subsection to arrive at the estimated net earnings.

- (c) When an individual is engaged in a new business, project the income received to date for the remainder of the year as follows:
  - (A) Calculate the net earnings from the individual's profit and loss statement or other business records for the taxable year to date; and
  - (B) Average the monthly net earnings by dividing the net income received to date by the number of months that have elapsed.
- (d) Accept the individual's estimate for the net earnings when an individual is engaged in one of the following:
  - (A) A new business for which there are insufficient net earnings to date.
  - (B) At initial application only, an existing business for which records were not kept.
  - (C) An existing business with anticipated income that varies from past years and a convincing explanation is given for the variation.
- (4) When a self-employed individual is engaged in a trade or business that is seasonal or has income peaks at certain parts of the year, estimate net earnings from self-employment for the current taxable year in the following sequence:
  - (a) When the individual has been conducting the same trade or business for at least one full taxable year, anticipates no change or gives no convincing explanation why current net earnings would be substantially different from past net earnings, use the net earnings from the prior year as an estimate for the current taxable year.

- (b) Accept the individual's estimate for the net earnings when an individual is engaged in one of the following:
  - (A) A new business.
  - (B) At initial application only, an existing business for which records were not kept.
  - (C) An existing business with anticipated income that varies from past years and a convincing explanation is given for the variation.

Statutory/Other Authority: ORS [409.050](#), [411.060](#), [411.070](#), [411.404](#), [411.706](#), [413.085](#), [414.685](#)

Statutes/Other Implemented: ORS [409.010](#), [409.050](#), [411.060](#), [411.070](#), [411.404](#), [411.706](#), [413.085](#), [414.685](#), [414.839](#)

There are no previous rules dated January 1, 2014 or later.

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