

MISSISSIPPI DIVISION OF MEDICAID
Eligibility Policy and Procedures Manual

200.09.08A VERIFICATION OF NESE

Verify NESE whenever an individual is self-employed or has been self-employed during the current taxable year by obtaining the most recent federal income tax return filed with IRS. If the business is new, use the individual’s business records or the best estimate available.

The following schedules from the federal income tax return can be used to determine NESE:

Schedule	Section or Line
Schedule SE	Net Earnings: Section A, Line 4 or Section B, Line 4.C NOTE: If line 4 or 4.C shows a positive amount of less than \$400, then line 3 is used, even if the amount of line 3 is greater than \$400. For example, line 3 shows \$410 and line 4/4.C shows \$378. Line 3 should be used because no tax was due.
	Net Loss: Section A, Line 3 or Section B, Line 4.C
Schedule C	Line entitled “Net Profit or Loss”
Schedule C-EZ	Line entitled “Net Profit”
Schedule F	Line entitled “Net Profit or Loss”

200.09.08B ESTIMATING NESE FOR THE CURRENT TAXABLE YEAR

Use the first of the following methods in the sequence below, which is applicable:

SITUATION	METHOD
<p>When an individual:</p> <ul style="list-style-type: none"> Has been conducting the same trade or business for several years; Has had NESE which has been fairly constant from year-to-year; and Anticipates no changes or gives no satisfactory explanation of why current NESE would be substantially lower than past NESE 	<p>Current Year’s Estimate Based on Prior Year’s Profit</p> <p>Use the NESE from the prior year as an estimate for the current taxable year.</p>