

Self Employment and Supplemental Security Income (SSI) Work Incentives

For SSI Beneficiaries
Recipients who engage in self-employment, the Social Security Administration offers some work incentives that can be useful in starting a business and maintaining the business. These work incentives offer a “financial cushion” during the start-up of the business and throughout the life of the business, and are designed to help individuals reach self-sufficiency through their self-employment.

This fact sheet provides a brief overview of Self-Employment and Work Incentives for SSI. You should contact your local Social Security Administration Office and a Benefits Counselor to help you understand the specifics of self-employment and work incentives and how they apply to you.

How Work Incentives for Self Employment Help You:

- The Social Security Administration (SSA) counts Net Earnings from Self Employment (NESE). This is your gross receipts minus your business expenses X .9235. This way, a portion of your net earnings are counted in determining your income from self-employment.
- For self-employment, SSA will work with you to project your average earnings from self-employment over an entire calendar year. Based on these projections, your monthly SSI check will be adjusted based on what you and SSA project will be your *annual* NESE. It is very important to get a good estimate of what you expect your annual earnings from your NESE will be, because SSA will retroactively adjust your SSI check over the entire calendar year. If you have inaccurate projections, you may incur an overpayment or an underpayment in your SSI check.
- When your annual NESE is determined, SSA will use a countable income formula, to determine your SSI monthly payment amount. The General Income Exclusion of \$20 per month (if not already applied to unearned income) and the Earned Income Exclusion of \$65 per month are applied. Then the remainder of your earnings are divided by 2. This means that SSA counts less than 1/2 of your earnings when figuring your SSI payment amount.
- SSI recipients need to be aware of several important work incentives. These include:

-Property Essential to Self-Support (PESS)— PESS Excludes some resources that are essential to your means of self support when your eligibility for SSI is determined. SSA does not count property that you use in a trade or business. To use this exclusion, inform SSA of these type of resources.

-Student Earned Income Exclusion— This is a special exclusion for individuals who are under the age of 22, regularly attending school, and earning income. The amount of the exclusion allowed is \$1,510 per month or a maximum of \$6,100 in 2007.

-Impairment-Related Work Expenses (IRWE)— In some limited circumstances, this work incentive may help you during self-employment if you have reasonable expenses for items and services that are related to your disability, that are necessary for you to work, that you pay out of pocket in the months you are working and are not reimbursed by another source. A good example of an IRWE deduction is modifications to your home if your are self employed at home that you are unable to deduct this as a business expense.

-Blind Work Expense (BWE)— If your primary disability on record with SSA is blindness, SSA will not count any earned income that you use to meet expenses that are needed to earn that income in deciding your SSI eligibility and payment amount. Those even include taxes that you pay for your business. You may contact a benefits counselor or SSA to learn about the allowable deductions.

-Plan for Achieving Self Support (PASS)— A PASS allows you to set aside income and/or resources for a specified time for a work goal. A PASS can help you establish or maintain SSI eligibility and can increase your SSI payment amount. SSA does not count the income and/ or resources you set aside under a PASS when your SSI eligibility and payment amount are determined. A PASS should be submitted on form SSA-545 and must be approved by SSA. A PASS with a self-employment work goal must include a business plan. You may contact a Community Work Incentives Coordinator, a Benefits Information Network Liaison or SSA to learn more about a PASS.

Steps for Establishing Self Employment and Work Incentives :

- First, you will need to determine with SSA if your venture is a trade or business. Is your business a sole proprietorship, a partnership, a Limited Liability Company or a Corporation? These are important things to consider. Each local SSA office has a Work Incentive Liaison or Technical Expert that can help you understand your business.
- Second, you need to determine if you need assistance with start-up funds. This can be arranged through Vocational Rehabilitation, Workforce Investment Act agencies, or SSA (such as a PASS plan).
- Third, you need to determine a method of finance, bookkeeping and accounting that applies to your business. Are you using a "cash accounting method" which is reporting expenses when they are made and recording income when it is received, or an "accrual accounting method" which is recording income when it is earned, not when it is paid, and record your expenses when the obligation arises, not when you pay it. These two methods make a difference in determining your NESE for Social Security purposes.
- Fourth, you need to ensure you are filing the appropriate forms with the Internal Revenue Service. This may be completing quarterly returns, and completing a Schedule C or Schedule C-SE for the business each year. You are responsible for making contributions to FICA and all self-employment tax payments, so completing the appropriate forms is essential. SSA will use tax returns to enter your corrected earnings in the record and adjust your SSI payment.

Other Considerations:

- If you receive other state or federal assistance, you will need to understand the impact of self-employment on these benefits and entitlements also. A Community Work Incentives Coordinator or a Benefits Information Network Liaison can help you understand these issues.
- The Small Business Administration can offer valuable advice to you regarding your business venture, finance and accounting procedures and other important issues that will help you in making your self-employment successful.