When calculating your earnings from self-employment, the Social Security Administration (SSA) counts Net Earnings from Self Employment (NESE). This is your gross receipts minus your business expenses multiplied by .9235. This way, a portion of your net earnings are counted in determining your income from self-employment.

If you are self-employed and receive Social Security Disability Insurance (SSDI), you should be aware of several important work incentives, including:

- **Trial Work Period**—For self-employment, TWP months count when NESE is over $770 (in 2014) or when you work for 80 hours or more in the self-employment venture. It is important to report your earnings and the hours you work each month to SSA when you are self-employed.

- **Extended Period of Eligibility**—SSA will average your NESE over a period of work activity to determine whether you are earning Substantial Gainful Activity (SGA). (This amount is $1,090 in 2015).*  SSA will consider your activities in your business, and the value of these activities to your business. They also consider market conditions, investments, and services of others who help you, as well as your profit distribution in determining SGA.

- **Impairment-Related Work Expenses (IRWE)**—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, an IRWE may help you during self-employment by keeping your NESE below the SGA level. This work incentive may apply to you in some limited circumstances if you are unable to claim these items as a business expense.

- **Unincurred Business Expenses**—If there is business support given to you at no cost (for example Vocational Rehabilitation pays for services or equipment you need in self-employment), the cost of this support is deducted from your net earnings in determining when you have reached SGA.

- **Unpaid Help**—If you receive help from friends, relatives, professionals or others in performing business-related tasks, and they are not paid for this assistance, the fair labor cost of this assistance is deducted from your net earnings in determining whether you have engaged in SGA.

- **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

Continued on page 2.
Self-Employment and Social Security Disability Insurance

Continued from page 1...

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

1. Consult with SSA to determine if your venture is a trade or business. Is your business a sole proprietorship, a partnership, 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.

2. 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).

3. Research and decide on 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 recording 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.

4. 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 information from what you have filed on your tax returns to determine if you have used Trial Work Period Months or achieved Substantial Gainful Activity.

Other Considerations

If you receive other state or federal assistance, you will also need to understand the impact of self-employment on these benefits and entitlements. 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.

*Special rules apply to individuals who are blind. For 2015, if you are blind, your average monthly earnings over $1,820 will ordinarily demonstrate that you are performing SGA. This is higher than the current guideline for non-blind disabled workers. SSA will decide the SGA of self-employed persons who are blind solely on their earnings. They do not look at time spent in the business or services rendered as they do for non-blind self-employed persons. You may also use any or all of the deductions from earnings that apply to SGA decisions.

The information contained in this fact sheet has been reviewed by the Social Security Administration, Office of Employment Support Programs, for accuracy. However, the viewpoints of this fact sheet do not necessarily reflect the viewpoints of the Social Security Administration.