



Self-Employment and Supplemental Security Income for the Entrepreneur



Quick Look: For people who are self-employed and getting an SSI check, Social Security offers work incentives that can be useful. They can be useful to start a business or keep a business going. These work incentives help a business owner earn the most they can.

When deciding how much you are making through self-employment, the Social Security Administration (SSA) counts Net Earnings from Self-Employment (NESE). NESE is your gross earnings minus your business costs multiplied by .9235. Only some of your net earnings count to decide how much you are making from self-employment. Remember, gross and net earnings are not the same.

If you are self-employed, SSA will work with you to plan your average earnings over an entire calendar year. Based on what you expect to make or earn, your monthly SSI check will change based on what you and SSA think your yearly NESE will be. It is very important to get a good estimate of your expected yearly NESE. It is important because SSA will go back and adjust your SSI check over the entire calendar year. If you have not estimated well, you may have an overpayment or underpayment in your SSI check.

Once you've estimated your NESE, SSA will use an income formula to decide your SSI monthly check amount. The income formula includes a General Income Exclusion of \$20 per month and an Earned Income Exclusion of \$65 per month. In other words, SSA does not count the first \$85 of income every month. Then the remainder of your earnings are divided by 2. This means that SSA counts less than half of your earnings when figuring your SSI payment amount.

Work Incentives

If you are self-employed and get an SSI check, you should know about important work incentives, such as:

- **Plan for Achieving Self Support (PASS)**—A PASS allows you to set aside money for a work goal. A PASS can help you create or keep SSI eligibility and can increase your SSI check amount. SSA does not count the money you set aside under a PASS when SSA decides your

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eligibility or check amount. A PASS is written 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.

- **Property Essential to Self-Support (PESS)**—PESS excludes some resources that are essential to your means of self-support when SSA determines your eligibility for SSI. SSA does not count property that you use in a trade or business. To use PESS, talk to SSA about the kinds of resources you use for your self-support.
- **Student Earned Income Exclusion**—This is an option for people who are under the age of 22, regularly attending school, and earning income. The amount allowed is \$1,870 per month or a maximum of \$7,550 in 2019.
- **Impairment-Related Work Expenses (IRWE)**—When you're self-employed, an IRWE may help you by keeping your NESE below SGA. An IRWE may apply to you if you are unable to claim certain items as a business expense. You can use an IRWE if you:
 1. have reasonable costs for items and services related to your disability,
 2. and these items and services are necessary for you to work,
 3. and you pay out of pocket for these things in the months you are working,
 4. and no other source helps you pay for these things
- **Blind Work Expense (BWE)**—If your primary disability with SSA is blindness, SSA will not count any earned income that you use for items or expenses needed to earn that income. Those even include taxes that you pay for your business. Contact a benefits counselor or SSA to learn more about this.

Steps for Establishing Self-Employment and Work Incentives

Talk to and meet with SSA to determine if your work activity is a trade or a business. Talk to and meet with SSA to figure out what type of business structure you want (i.e., sole proprietorship, a partnership, corporation). These are important things to figure out. Each local SSA office has a Work Incentive Liaison or Technical Expert that can help you understand your business.

- Decide if you need help finding and getting start-up funds. You have options for this. Refer to the CCLC Self Employment webpage for more information, such as Self-Employment Resource Information and Self-Employment Resource Services documents.

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- Research and decide on a method to keep track of expenses and earnings from your business. You have options and choices to make, and the advice of others who are professionals will be helpful here. The method you choose makes a difference in your NESE for SSA purposes. Refer to the CCLC Self-Employment webpage (<https://www.iidc.indiana.edu/pages/selfemployment>) for more information, such as the “Self-Employment Resource Information” and “Self-Employment Services” documents.
- Make sure you are filing the right forms with the Internal Revenue Service. Refer to the CCLC Self-Employment webpage (use the link above) for more information, such as the “Self-Employment Resource Information” and “Self-Employment Services” documents.

Other Considerations

If you receive other state or federal aid, you will also need to understand the impact of self-employment on these benefits. A Community Work Incentives Coordinator or a Benefits Information Network Liaison can help you understand these issues. You’ll find contact information in the box below.

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.

The Center on Community Living and Careers’ Self-Employment webpage has including the documents “Self-Employment Resource Information” and “Self-Employment Services.” The Center on Community Living and Careers’ website also has a page with much more information about work incentives and benefits.

<https://www.iidc.indiana.edu/pages/fact-sheets-on-work-incentives>

Work Incentives Planning and Assistance

Northern and Central Indiana:
1-855-641-8382 (toll free)
or
Southern Indiana:
1-800-206-6610 (toll free)

 INDIANA INSTITUTE ON DISABILITY AND COMMUNITY
CENTER ON COMMUNITY LIVING AND CAREERS

<https://www.iidc.indiana.edu/cclc>
812-855-6508