

Self-Employment & Supplemental Security Income (SSI) 2024 Fact Sheet on Work Incentives

For self-employed SSI recipients, Social Security 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 Work Incentives for SSI. **You should contact your local Social Security Administration Office or a Community Work Incentives Coordinator (CWIC) to help you understand the specific self-employment work incentives and how they apply to you.**

For More Information
Or to Request Services
Please Contact:



Benefits Counseling Services
Dept. of Vocational Services
22 Bramhall Street
Portland, ME 04102-3175
Toll-free in ME: 1-888-208-8700
Maine Relay Service Dial 711
Fax: 207-662-6789

www.benefitsandworkinme.org

How Work Incentives for Self-Employment Help You:

- When assessing how much you are earning in self-employment, the Social Security Administration counts your Net Earnings from Self Employment (NESE). This is your gross income minus your business expenses multiplied by 0.9235.
- The Social Security Administration will work with you to project your annual NESE. Social Security will divide your annual NESE projections by 12 months to figure your monthly NESE, regardless of how many months you are actually self-employed.
- Once your monthly NESE is determined, Social Security will use a countable income formula to adjust 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 is subtracted from your monthly NESE. Then the remainder of your NESE is divided by 2. This means that Social Security counts less than 1/2 of your NESE when figuring your SSI payment amount.
- It is very important to give your best estimate of what you expect your annual NESE will be. If your NESE estimates are too low, you'll have an overpayment. If too high, you'll have an underpayment, but SSA will pay you for any SSI you should have received throughout the year.

SSI recipients need to be aware of several important work incentives. These include:

1. **Property Essential to Self-Support (PESS)** - PESS can exclude resources that are essential to your means of self-support when your eligibility for SSI is determined. If you are the sole proprietor or have a partnership to run your company (not an LLC or corporation), Social Security will not count property that you use in that trade or business. To use this exclusion, inform Social Security of these types of resources.
2. **Student Earned Income Exclusion (SEIE)** - This special exclusion is for individuals who are under age 22, regularly attending school, and earning income. The amount of the exclusion allowed is \$2,290 per month or a maximum of \$9,230 in 2024.
3. **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 you are self-employed at home and you are unable to deduct this as a business expense.

4. **Blind Work Expense (BWE)** - If your primary disability on record with Social Security is blindness, Social Security 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 Community Work Incentives Coordinator (CWIC) or Social Security Administration to learn about the allowable deductions.
5. **Plan for Achieving Self Support (PASS)** - A PASS allows you to set aside income (other than your SSI) 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. This is because Social Security 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 Social Security. A PASS with a self-employment work goal must include a business plan. You may contact a CWIC or Social Security Administration to learn more about a PASS.

Steps for Establishing Self Employment and Work Incentives:

1. First, you will need to determine with Social Security 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. For example, if you are a Limited Liability Corporation (LLC), Social Security Administration doesn't allow you to use the PESS exclusion, unless you are also using the PASS incentive. To determine the type of business structure that is right for you, it is helpful to meet with a small business advisor and your CWIC. In addition, your local Social Security office should have a Work Incentive Liaison or Technical Expert that can help you understand this process.
2. Second, you need to determine if you need assistance with start-up funds. You may be able to access start-up funds by working with Vocational Rehabilitation or Workforce Innovation and Opportunity Act agencies, and may be able to build up start-up funds through use of a PASS (which must be approved by Social Security).
3. 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.
4. 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. Social Security 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 too. A CWIC can help you understand these issues.
- There are many agencies in your community that 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. Examples include the Small Business Administration, the Service Corps of Retired Executives (SCORE), and the Small Business Development Center (SBDC).