

Work Incentives That Can Lower Your NESE

2021 Fact Sheet on Self-Employment Work Incentives

This fact sheet explains one of the many work incentives available to people on Title II Social Security disability benefits.

Examples of Title II disability benefits are: Social Security Disability Insurance (SSDI), Disabled Widow(er) Benefit (DWB), and Childhood Disability Benefits (also known as Disabled Adult Child or DAC benefits).

For More Information
Or to Request Services
Please Contact:



Benefits Counseling Services

Dept. of Vocational Services
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The Social Security Administration has three work incentives that can help lower the amount of your countable Net Earnings from Self-Employment (NESE) if you are earning Substantial Gainful Activity (SGA). In 2021, SGA is \$1,310 per month (\$2,190 if your disability is based on blindness).

1. Impairment Related Work Expenses (IRWE) – You may be able to deduct from your NESE expenses for items or services *related to your disability* if the expenses were necessary for you to work, were reasonably priced and were not paid for by someone else; **and were not already deducted as business expenses.**

2. Unpaid Help – If someone helps you run your business and he or she is not paid for their contributions, you may be able to deduct the value of their work from your NESE. For example, let's say someone volunteers 5 hours a month to help with your bookkeeping. If the going rate for a bookkeeper is \$20/hour, then Social Security would deduct \$100/month from your countable NESE.

3. Unincurred Business Expenses – If someone other than yourself pays any of your business expenses, you may be able to deduct it from your NESE. The expense must be an allowable Internal Revenue Service business expense that was not paid by you. Examples include:

- One of your support agencies pays the rent or purchases equipment for you as part of your employment plan.
- In-kind use of office space, telephone, office equipment, etc.

If you are planning to use any of these work incentives, keep in mind:

- They can only be used after the Trial Work Period.
- You cannot use the same expense as a business expense and a work incentive because it would be used twice to calculate your NESE.
- It is important that you keep receipts and documentation to prove these expenses. Give Social Security copies of this information along with a copy of your completed federal income tax return every year you are self-employed.

How does Social Security count self-employment income?

Only earned income can affect Title II, so the Social Security Administration must first determine if your work activity counts as self-employment (earned income) or a hobby (unearned income). If Social Security decides you have self-employment income, they will only count your **Net Earnings from Self-Employment (NESE)**. NESE is your gross business income minus your business expenses multiplied by 0.9235. Social Security allows you to deduct any business expense that is allowed by the Internal Revenue Service (IRS) and reported on your Federal income tax return.