

Self-Employment and Supplement Security Income

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

When assessing how much you are earning in self-employment, the Social Security Administration (SSA) counts Net Earnings from Self-Employment (NESE). NESE is calculated by subtracting your business expenses from your gross receipts and then multiplying that result by .9235. This way, a portion of your net earnings are counted when 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. The projected NESE for the year is divided equally throughout all 12 months, whether someone works only part of the year or not. Your monthly SSI check will be adjusted based on what you and the SSA project will be your annual Net Earnings from Self-Employment. It is very important to get a good estimate of your annual Net Earnings from Self-Employment because SSA will retroactively adjust your SSI check over the entire calendar year. If you have inaccurate projections, you may incur an overpayment or underpayment in your SSI check.

Net Earnings, Countable Income, and Work Incentives

Once you've projected your annual Net Earnings from Self-Employment, SSA will use a Countable Income Formula to determine your SSI monthly payment amount. The Countable Income Formula includes a General Income Exclusion of \$20 per month (if not already applied to unearned income) and an Earned Income Exclusion of \$65 per month. Then the remainder of your earnings are divided by two. 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:

Self-Employment and SSI

Continued from page 1.

- **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. 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 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 if you have these types 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 \$2,350 per month or a maximum of \$9,460 in 2025.
- **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 for out of pocket in the months you are working, and that are not reimbursed by another source. If, for example, you are self-employed at home and need to make modifications to your residence to work there, but you are unable to deduct those costs as a business expense, you might be able to declare the expenses as an IRWE.
- **Blind Work Expense (BWE)**—If your primary disability on record with SSA is blindness, Social Security, when deciding your SSI eligibility and payment amount, 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 the allowable deductions.

Self-Employment and SSI

Continued from page 2.

Steps for Establishing Self-Employment and Work Incentives

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 who can help you understand your business.

- Determine if you need assistance with start-up funds. Vocational Rehabilitation, Workforce Investment Act agencies, or SSA (using special programs, such as a PASS plan) may be able to help.
- 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.
- Make sure 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.

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 (BIN) Liaison can help you understand these issues. The Small Business Administration can offer valuable advice regarding your business venture, finance and accounting procedures, and other important issues that will help you in making self-employment successful.

Source: www.ssa.gov. Reviewed by the Center on Community Living and Careers.

Self-Employment and SSI

Continued from page 3.

**For more information, contact the
Indiana Benefits Information Network**

812-855-6508 | www.iidc.indiana.edu/cclc

Indiana's Work Incentive Planning and Assistance Program

North/Central: 855-641-8382 | Southern: 502-548-4492