

# **SOCIAL SECURITY BENEFITS AND SELF-EMPLOYMENT – Part 2 WORK INCENTIVES**

By Lisa Linder

# Hello!



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## About Me:

- Navigating Adult Services
- Community Partner Work Incentive Counselor (CPWIC)
- 2x APSE Excellence in Benefits Planning Recipient
- Formerly with the CO SSA WIPA Program
  - Work Incentive Planning and Assistance
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# Key Points from Part 1

## Social Security Benefits:

75% Retired

25% Disabled

## Contact the SSA Ticket-To-Work

- Help Line 866-968-7842
- WIPA (Work Incentives Planning and Assistance) Free Benefits Counseling

## SSA Reviews

- Medical Review
- Work Review

## Social Security's Definition of Disability:

- The inability to engage in **ANY** substantial gainful activity (SGA)
  - expected to last for a continuous period of at least 12 months.

## Substantial Gainful Activity (SGA):

SGA is used to describe a level of work activity and earnings a person can have while still qualifying for benefits.

- 2025 - \$1,620/month
  - \$2,700 statutory blind individuals
- 2026 - \$1,690
  - \$2,830 statutory blind individuals

# Basic Business Concepts

**Congratulations, you decided to start a self-employment business!**

Key Considerations to keep in mind:

- Business Plan - Roadmap
- Business Structure – Legal organization of a business
- Budget – Detailed plan to manage finances
- Profit & Loss – Assesses financial performance
- Self-Employment or Hobby – Business or fun?
- Accounting Methods – Reporting income & expenses
- NESE – Net Earnings from Self-Employment

Consult:

- CPA or Tax Specialist
- DVR – Division of Vocational Rehabilitation
- SSA's WIPA (Work Incentive Planning & Assistance) Program

# Net Earnings from Self-Employment

- Net Profit is what the IRS uses to determine how much you owe in self-employment taxes.
- SSA is concerned with NESE & uses the following formula:  
$$\text{Gross Income} - \text{Business expenses} = \text{Net Profit}$$
$$\times .9235 = \text{NESE}$$
- SSA deducts  $\frac{1}{2}$  of the self-employment tax that you pay to the IRS.
- <https://secure.ssa.gov/apps10/poms.nsf/lnx/0301803002>
- <https://secure.ssa.gov/apps10/poms.nsf/lnx/0500820200>



# What benefit are you receiving?

The Social Security Administration administers TWO benefits for people with disabilities:

**SSDI**

Social Security Disability Insurance

- Title II
- Entitlement
- All or nothing

**SSI**

Supplemental Security Income

- Title XVI
- Low Income
- Gradual Reduction

These programs are very different from each other!

# Work Incentives = Bridge

- Special rules make it possible for people with disabilities receiving Social Security (SSDI) or Supplemental Security Income (SSI) to work and still receive monthly payments and Medicare or Medicaid.
- System was designed for the those who became disabled before reaching FRA
- Basically, a bridge to getting back to self-sufficiency



# SSDI Trial Work Period Timeline

## 9 months

### Trial Work Period (TWP) pg 20

- 9 months (within 60 month rolling window)
- Must earn \$1,160+ per month (in 2025; \$1,210 in 2026) OR 80 hours in a month to count
- Can earn as much as possible & still receive SSDI check

<https://www.ssa.gov/pubs/EN-64-030.pdf>  
SSA Red Book

## 36 months

### Extended Period of Eligibility (EPE) pg 21

- 36 months (starts first month after TWP ends)
- If earning under SGA \$1,620\* per month = yes SSDI check
- If earning at or over SGA = no SSDI check, but isn't terminated
- After 36 months, if earning under SGA, continue to receive cash benefits until first month earning over SGA

\*2025; \$1,690 in 2026

## 60 months

### Expedited re-instatement (EXR) (pg.19)

- 5 years (60 months) from month benefits terminate due to earnings
- Allows reinstatement of benefits if for any reason, the increase in income does not continue.
- Must still have disability that was the original determination for eligibility
- Don't need to file a new application (pg.25)



# SSDI Work Incentives

## Wage Employee

vs

## Self-Employment

- Impairment Related Work Expenses (IRWE)
- Subsidies & Special Conditions
- Unsuccessful Work Attempt (UWA)

- Impairment Related Work Expenses (IRWE)
- Unincurred Business Expenses
- Unpaid Help

## Medicare

Extended Period of Medicare Coverage (EPMC)

# SSDI and Self-Employment

## Unincurred Expenses

- Social Security deducts from the NESE any business expenses that the beneficiary incurred that **another person or agency paid for**.
  - Social Security makes this deduction even though the beneficiary incurred no actual expense.
  - The item or service must meet the IRS definition of legitimate business expense, the value of which is determined by a variety of methods.

NAME: \_\_\_\_\_

MONTH & YEAR: \_\_\_\_\_

Date	Description of Item/Service. Paid for Contributed	Reason Item/Service provided at No Cost	Name & contact info of Individual, Agency or Business who provided the Item/Service	Value

# SSDI and Self-Employment

## Unpaid Help Log

- Social Security deducts from the NESE when someone receives **free help operating the business**.
  - The reasonable monetary value of any significant amount of unpaid help furnished by a spouse, children, or others should be deducted from the net income.

NAME: \_\_\_\_\_

MONTH & YEAR: \_\_\_\_\_

Date	Rate	# of Hours	Description of Unpaid Help Provided	Total

<https://secure.ssa.gov/apps10/poms.nsf/lnx/0410510012>

# SSDI and Self-Employment

- Trial Work Period (\$1,160/mo) or 80 hours month
  - Tracking your hours
    - Name, Month & Year
    - Date, Day, Description & Hours Worked

NAME: \_\_\_\_\_ MONTH & YEAR: \_\_\_\_\_

Date	Day	Description of Activity	Hours Worked



# SSDI and Self-Employment

## Impairment Related Work Expense (IRWEs)

- An IRWE is an expense that you pay for, is not reimbursed, is related to an impairment being treated by a healthcare provider and enables you to work.
  - If approved, Social Security will deduct the cost of these expenses from NESE.
- HOWEVER, **most of these expenses qualify as an IRS Tax Deduction**. So, you will deduct it there instead of submitting an IRWE request to SSA - since that will lower your tax obligation and it will decrease NESE for SSA purposes.
- **You cannot claim both** – You can't deduct it on your taxes and claim it as an IRWE!
- Consult a tax professional to make sure the expense meets the IRS definition of an allowable business expense. If it is not, then it is possible to claim the expense as an IRWE.

<https://secure.ssa.gov/poms.nsf/lnx/0410520001>

# SSI Work Incentives

## Wage Employee

vs

## Self-Employment

- Impairment Related Work Expenses (IRWE) or
  - Blind Work Expenses (BWE)
- Student Earned Income Exclusion (SEIE)

- IRWEs or BWEs
- SEIE
- Property Essential to Self-Support (PESS)
- Plan to Achieve Self-Support (PASS)

## Medicaid

1619(b) Extended Medicaid Coverage

# SSI and Self-Employment

## Impairment Related Work Expense (IRWEs)

- SAME as SSDI

## Blind Work Expense (BWEs)

- Only available in the SSI program for individuals receiving SSI based on statutory blindness.
  - Again, deduct these expenses off taxes first. If you can't deduct it on your taxes, then it is possible to claim the expense as a BWE!
  - BWEs are a better work incentive than IRWEs. It just has to be a work expense.
  - Expenses do not have to be related to the person's disability or any medical condition.
  - Any work-related item paid by the blind individual can be excluded as a BWE.
  - Every statutorily blind individual who receives SSI and works will have BWEs.
  - **You cannot claim both** – You can't deduct it on your taxes and claim it as an BWE!
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- SI 00820.535 Blind Work Expense (BWEs): <https://secure.ssa.gov/poms.Nsf/Inx/0500820535>
  - Complete list: <https://secure.ssa.gov/poms.Nsf/Inx/0500820555>

# SSI and Self-Employment

## **Student Earned (SEIE)**

- The Student Earned Income Exclusion (SEIE) is an SSI work incentive that allows students under the age of 22 who are regularly attending school to exclude the following amount per month:
    - \$2,350 per month but not more than \$9,460 in 2025.
    - \$2,410 per month but not more than \$9,730 in 2026.
  - This can help the student keep more of their SSI check when they work.
  - This exclusion is applied to the student's gross wages or NESE.
  - It may be used in addition to other work incentives
- 
- SSA POMS: <https://secure.ssa.gov/poms.nsf/lnx/0500820510>
  - Fact Sheet: [https://www.vcu-ntdc.org/resources/WIPA\\_OtherResources/2025\\_SSI%20Fact%20Sheet%20SEIE.pdf](https://www.vcu-ntdc.org/resources/WIPA_OtherResources/2025_SSI%20Fact%20Sheet%20SEIE.pdf)



# SSI and Self-Employment

## Property Essential to Self-Support (PESS)

- SSI is a low-income, means-tested program.
  - Individuals cannot have more than \$2,000 in countable resources (couples have a combined limit of \$3,000).
- Owning a business with assets, property, equipment or cash in accounts could affect their SSI and/or Medicaid.
  - Depends on how the business is structured
  - Sole Proprietorships and Partnerships can use the PESS provision
- The PESS provision can help SSI recipients who want to start their own business without losing their SSI as some resources are excluded and not counted towards SSI eligibility.
- SSA POMS: <https://secure.ssa.gov/poms.nsf/lnx/0501130500>

# SSI and Self-Employment

## Plan to Achieve Self-Support (PASS)

- Beneficiaries pursuing a self-employment goal should consider having a PASS plan.
  - The PASS plan is a way to save money or pursue certain goals without losing SSI benefits.
  - The money you set aside is not counted against your SSI limits.
  - You save and spend the money according to your PASS plan
- You need to have other money to set aside, besides SSI (income from a job pr NESE, unearned income such as SSDI, etc.)
- This is only an SSI program; however, someone with SSDI can potentially get a PASS plan if the money they are setting aside results in SSI eligibility.
- SSA POMS: <https://secure.ssa.gov/poms.nsf/lnx/0500870001>

# Setting up for Success

## 1. Stay Organized

- Keep copies of your records
  - Taxes
  - Don't shred; may need later

## 2. Report Earnings

- Report to SSA when you start earning money
  - State your expected monthly net profit
  - SSA-795 to document communication

## 3. Track Business Expenses & Taxes

- You have to file an income tax return if NESE is \$400+
- **DO NOT MIX YOUR MONEY**
  - Business/PASS
  - Personal
- Track Monthly Earning, Expenses & # hours
  - By April 15<sup>th</sup>, submit a copy of taxes, including Business Schedule C & SE
  - Keep every receipt (no matter how small)

**THANK YOU!**