



# **Disability Benefits and Self-Employment**

**Self-Employment For One Stop Customers**

## MANAGE YOUR BENEFITS TO ACHIEVE INDEPENDENCE THROUGH EMPLOYMENT

One of the Social Security Administration's (SSA) highest priorities is to help people with disabilities achieve independence through employment opportunities. For the person who receives Social Security Disability Benefits and wants to explore self-employment as their primary means of work, planning is critical. In a perfect world, the entrepreneur will begin business and benefit planning simultaneously. Otherwise certain advantages and opportunities may be lost.

For instance, SSI recipients have resource limits that affect eligibility for cash and Medicaid benefits and may limit traditional wage employment opportunities. However, in self-employment, the entrepreneur may be allowed to have unlimited accrual of certain resources.

SSDI recipients have a different set of complicated rules to become familiar with, and this program requires more in-depth planning related to self-employment and using work incentives. One advantage is that the SSDI recipient may be able to deposit their entire SSDI check into a Plan to Achieve Self-Support (PASS) account; they would then become eligible for SSI benefits.

This arrangement allows for building a start up or operation fund using the SSDI funds in the PASS account. The beneficiary is then able to receive SSI cash benefits to assist with living expenses. As an SSI recipient, they also become eligible for Medicaid health benefits. In any traditional wage-paying job,

each hour worked produces an hourly wage that is countable income and directly affects benefits. In Self-Employment, Net Earnings from Self-Employment (NESE) is measured as “income”, not gross business income. Determining the break even point (the point at which business income meets business costs) is a key factor in understanding how to manage your benefits and your business in a way that assures success.

## **SOCIAL SECURITY WORK INCENTIVES & SELF-EMPLOYMENT**

### **Plans for Achieving Self Support (PASS)**

Plans for Achieving Self Support (PASS) are powerful and useful tools for small business funding and planning. They are technically an SSI work incentive and tool. Often someone on SSDI can also access a PASS by setting her or his SSDI check aside in a PASS checking account and then becoming SSI eligible due to the PASS (Especially someone with SSDI and significant Medicaid usage qualifying for SSDI and Medicaid through State Medicaid Waivers, Medicaid Spend Down Options and a few other Medicaid receipt options while receiving SSDI).

### **Income Thresholds for Medicaid**

Perhaps one of the most powerful opportunities for someone on SSI and Medicaid while operating small business is a work incentive titled 1619(b) Medicaid. This work incentive allows individuals receiving SSI and Medicaid to earn past the point that an SSI check is reduced to \$0.00 (due to the \$1.00 reduction in SSI for every \$2.00 of gross wages or net self-employment earnings) but still be SSI eligible and still be Medicaid

eligible up to a state threshold of earnings that varies by state. The State 1619(b) Medicaid threshold can be found at: [www.ssa.gov/work/ResourcesToolkit/Health/1619b.html](http://www.ssa.gov/work/ResourcesToolkit/Health/1619b.html)

## **Property Essential to Self Support (PESS)**

PESS is a very powerful advantage for someone who is self-employed and receiving SSI and/or Medicaid. This work incentive allows a small business owner with SSI and/or Medicaid to have unlimited liquid cash funds in a small business account and unlimited small business resources and property. Such opportunities do not exist in regular wage employment. A single person receiving SSI must have less than \$2,000 in liquid cash resources if employed in a wage job.

## **Impairment Related Work Expenses (IRWE)**

IRWE's can be found adequately described in the Social Security's Redbook on Employment Supports at: [www.ssa.gov/work/ResourcesToolkit/redbook.html](http://www.ssa.gov/work/ResourcesToolkit/redbook.html) for wage employment applications. However, IRWE's do not apply very well to small business operations. IRWE expenses generally would be the same as business expenses that are allowed to reduce gross sales to net self-employment income both by the IRS and SSA. There could be some applications where IRWE's make sense in a small business, but often this work incentive is not very applicable to small businesses.

## **BLIND WORK EXPENSES (BWE)**

Blind Work Expenses are powerful tools for someone who is blind by SSA definitions of Blindness, and also receives SSI (BWE's do not apply to SSDI.) BWE's are covered well in Social Security's Redbook on Employment Supports. Unlike IRWE's, Blind Work Expenses do apply very well to self-employment, and are very liberal about what can be excluded from countable income as a BWE. Income taxes are even considered an excludable work expense.

### **Self-Employment Subsidy**

Self-Employment Subsidy encompasses several tools including un-incurred business expenses and unpaid help, among several other comparisons to someone without a disability operating a similar business. Subsidy is a powerful tool in the Social Security work incentives world for self-employed individuals that receive SSDI. It's complex and requires reading and understanding. Neither this brochure nor the SSA Redbook is able to provide answers to every question. For more assistance on issues specific to your case, contact the Center for Human Development and see about arranging a benefit analysis with a trained Benefit Specialist.

## **BASIC SELF-EMPLOYMENT & SSA APPROACHES FOR SUCCESS**

As complex as the combination of Social Security policies with self-employment and IRS policies seems, even the most complex system can be broken down into fairly simple terms and strategies. Some

useful thinking tools and approaches for success when dealing with SSA and self-employment considerations are:

- 1) Document SSI and/or SSDI benefits for the entrepreneur and if necessary, other family members.
- 2) Document other living and benefits arrangements and supports, such as Section 8 housing, supported living, food stamps, Medicare, Medicaid, employment supports, single or married, total household income, etc...
- 3) Someone on SSI has two of the brightest potential self-employment systems to work with – both SSI and Medicaid. Someone who has both SSI and SSDI has the same opportunities afforded to someone on SSI when considering self-employment.
- 4) Someone, only receiving SSDI, needs to carefully plan for how small business income will interact with SSDI's all-or-nothing check receipt. Often a useful approach is to develop a PASS, if possible, to set aside the SSDI check and become qualified for SSI. Using a PASS in this situation is the only known way to get such a person on SSI. It needs to be carefully planned with the expectation of intentionally losing the SSDI check due to earning over SGA while the PASS is still active, and then keeping the SSI check that the PASS caused, to become a benefit for the self-employed individual.
- 5) If a PASS is not possible for someone on SSDI, then careful considerations should be spent on potential self-employment subsidy, unpaid help,

un-incurred business expenses and comparability of worth issues for self-employment hours and earnings potentially over the \$780 net self-employment income per month self-employment Substantial Gainful Activity (SGA) limits. The concern here again is if a person earns over SGA in net self-employment earnings, he or she could lose his/her entire SSDI check, without planning and anticipating the loss of an SSDI check intentionally, and this issue needs to be addressed thoroughly for someone on SSDI.

## RESOURCES

For information specific to your situation regarding eligibility or benefits, you should contact your local SSA, BPAO (Benefit Planning Assistance and Outreach Program), or PABSS (Protection and Advocacy for Beneficiaries of Social Security) office.

The Alaska Works Initiative at UAA/CHD also provides training and technical assistance for the Ticket to Work Program, Benefits Planning and Counseling, and other community rehabilitation services.

### **Alaska Works Initiative**

Jennifer Jones  
Project Coordinator/Trainer  
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(907) 272-8270 or 1-800-243-2199  
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## **Benefit Planning Assistance and Outreach Project**

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## **Disability Law Center of Alaska**

David Berube

Advocate

3330 Arctic Blvd. Suite 103

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(907) 565-1002 or 1-800-478-1234

[dberube@dlcak.org](mailto:dberube@dlcak.org)

## **Self-Employment Specialist**

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## **Useful Web Sites**

[www.ssa.gov/work/ResourcesToolkit](http://www.ssa.gov/work/ResourcesToolkit) SSA web site with information on work incentives, policies, the Red Book, etc.

[www.griffinhammis.com](http://www.griffinhammis.com) Cary Griffin and Dave Hammis web site, experts in self employment and disability benefits management for persons with disabilities



[www.passplan.org](http://www.passplan.org) University of Montana Rural Institute site on PASS plans - has forms, samples, and information about other work incentive.

For additional ideas on small business marketing, and for a valuable list of self-employment resources, please refer to separate Center for Human Development brochures on these topics. Other brochures include:

*An Overview of Self-Employment*

*What We Mean By Self-Employment:  
"I Want To Be My Own Boss"*

*Self-Employment: The Business Plan*

*Marketing and Sales:  
How To Market Your Small Business*

*Self-Employment Resources*

*Self-Employment Tips And Traps*

# DEB'S STORY

## The Situation

Deb received Social Security Disability Benefits. She wanted to work on a college education and start her own bookkeeping and tax preparation business.

## Making it Work

Deb was able to use the Plan to Achieve Self Support (PASS) Work Incentive to help with her goal. She deposited her Social Security Disability Insurance check into a separate PASS account for her education expenses. Since money in the PASS account is not considered in eligibility determination, she had no income and immediately became eligible for and received Supplemental Security Income benefits. She also received the Alaska state SSI supplement through Public Assistance and Medicaid health care benefits. She has nearly completed her education and has her own business, Blue Collar Books. She provides bookkeeping and tax preparation services.



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