

Self-employment and Supplemental Security Income (SSI)

2025 Fact Sheet on Work Incentives

For SSI Beneficiaries who engage in self-employment, the Social Security Administration offers some work incentives that can be useful in starting a business and maintaining the business. These work incentives help individuals reach self-sufficiency through their self-employment.

This fact sheet provides a brief overview of Self-Employment and Work Incentives for SSI. You should contact your local Social Security and a Community Work Incentives Coordinator to help you understand the specifics of self-employment and work incentives and how they apply to you.

For more information and support on your work incentives, contact:

INDIANA WORKS
Work Incentives
Planning and Assistance

In Northern and
Central Indiana:
1-855-641-8382
(Toll free)

In Southern Indiana:
1-888-908-7992
(Toll free)

How Work Incentives for Self-employment Help You:

- When assessing how much you earn in self-employment, Social Security counts Net Earnings from Self Employment (NESE). This is your gross receipts minus your business expenses X .9235. Using this method, a portion of your net earnings is counted in determining your income from self-employment.
- For self-employment, Social Security will work with you to project your average earnings from self-employment over an entire calendar year. Based on these projections, your monthly SSI check will be adjusted based on what you and Social Security project will be your *annual* NESE. It is very important to get a good estimate of what you expect your annual earnings from your NESE will be, because Social Security will retroactively adjust your SSI check over the entire calendar year. If you have inaccurate projections, you may incur an overpayment or an underpayment in your SSI check.
- When your annual NESE is determined, Social Security will use a countable income formula, to determine 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 are applied. The remainder of your earnings are divided by 2. This means Social Security 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:
 - **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. Social Security does not count property that you use in a trade or business. To use this exclusion, inform Social Security of these type 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, necessary for you to work, that you pay out of pocket in the months you are working, and are not reimbursed by another source. Social Security would deduct costs as an IRWE if you don't deduct the expenses as a business expense. A good example of an IRWE deduction would be modifications to your home if you are self-employed, you need the modifications because of your disability, and you cannot deduct these costs on your taxes.
 - **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 benefits counselor or Social Security to learn about the allowable deductions.

- **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. 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 Community Work Incentives Coordinator, a Benefits Information Network Liaison, or Social Security to learn more about a PASS.

Steps for Establishing Self-employment and Work Incentives:

- 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. Each local Social Security office has a Work Incentive Liaison or Technical Expert that can help you understand your business.
- Second, you need to determine if you need assistance with start-up funds. This can be arranged through Vocational Rehabilitation, Workforce Investment Act agencies, or Social Security (such as a PASS plan).
- 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.
- Fourth, you need to ensure you are filing the appropriate forms with the Internal Revenue Service. 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. It may be necessary to contact a certified tax preparer to verify which forms are required.

Other Considerations:

- If you receive other state or federal assistance, you will need to understand the impact of self-employment on these benefits and entitlements also. A Community Work Incentives Coordinator or a Benefits Information Network Liaison can help you understand these issues.
- The Small Business Administration 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.