

SSI & Self-Employment

SSI Fact Sheet 2025

What does Social Security consider to be self-employment?

Social Security must determine whether a Supplemental Security Income (SSI) beneficiary is engaging in self-employment. Social Security's general policy when determining the existence of a trade or business is to consider the following:

- Is there a good-faith intention of making a profit or producing income?
- Is there continuity of operations, repetition of transactions, or regularity of activities?
- Are the functions being performed considered to be a regular occupation or profession?
- Does the individual portray themselves as being engaged in the selling of goods or services?

What should be considered when starting a business?

Business feasibility: Has it been determined that the business idea will work? Have you done any test marketing, or have you talked to knowledgeable people about whether or not your business idea has a reasonable chance for success?

Financial start-up: Do you know how much it will cost to start your business? Do you have any ideas about how to get the money you think you will need, or do you know where you can get assistance with start-up funds? This can be arranged through Vocational Rehabilitation or Social Security (such as with a Plan to Achieve Self-Support, or PASS).

Business plan development: If you plan to apply for a loan, submit a PASS, or ask the State Vocational Rehabilitation Agency for funds, you will probably need a formal, written business plan. Can you write this document yourself, or will you need help?

Legal business structure: Will your business be a corporation, partnership, Limited Liability Company (LLC), or sole proprietorship? Business structure decisions are important because it affects how Social Security looks at any income your business generates, as well as how taxes are assessed. Each local Social Security office has a Work Incentive Liaison (WIL) who can help you understand your business.

Accounting & bookkeeping: Being self-employed requires that you keep track of business income and expenses. Do you plan to do your own bookkeeping and accounting, or will you use the services of a professional? Have you investigated the cost of accounting software or the services of a bookkeeper/accountant? Will you need training to perform your own accounting? Will you use a cost or an accrual accounting method to track revenues and expenses? These two methods make a difference in determining your Net Earnings from Self Employment (NESE) for Social Security purposes.

Self-employment tax implications: When you are self-employed you need to ensure you are filing the appropriate forms with the Internal Revenue Service (IRS). This may be completing quarterly returns and completing a Schedule C or Schedule C-SE for the business each year. Also, you are still responsible for making contributions to the Federal Insurance Contribution Act (FICA) and all self-employment tax payments, so completing the appropriate forms is essential.

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Licenses, permits or other legal requirements:

Will your business require any licenses or permits for you to operate legally? Do you know what paperwork needs to be filed to meet federal, state, and local tax requirements?

Accommodations you might need to operate your business successfully: Have you thought about what services and supports you might need to accommodate your disability as you manage your business? If you need services or supports because of your disability, do you know where to get help arranging and paying for these services or supports?

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

How are self-employment earnings calculated?

When assessing how much you are earning in self-employment, Social Security counts Net Earnings from Self Employment (NESE). NESE is calculated by deducting business expenses from gross revenues, and then multiplying the difference by 0.9235. The result is the portion of your net earnings counted as income from self-employment, which is then divided across the 12 months.

It is highly recommended that at the start of every calendar year, you work with Social Security to project your annual NESE, and that you file your taxes soon after the end of the year to know what your actual NESE was for the previous year.

How does NESE impact your SSI payment?

Once your annual NESE projection is determined, your monthly SSI payments for the remainder of the year will be adjusted based on this figure. Once you have filed your taxes for the previous year and report your actual NESE figure to Social Security, they will then compare your projections to your actuals to determine whether you may have incurred an overpayment or an underpayment in your monthly SSI payments. Like taxes, it may be best to overestimate your NESE projections to avoid an overpayment.

When calculating the amount of your SSI payment every month, Social Security always applies a couple of exclusions amounting to \$85, and thereafter they will count less than half of your NESE and will reduce your SSI payment by \$1 for every \$2. In other words, although less than half of your NESE will impact your monthly SSI payment, you still must be sure to remember the income you received from your business.

How can SSI work incentives help?

SSI recipients need to be aware of several important work incentives that, if applicable, can reduce the impact countable income normally has on an individual's SSI payment. These include:

Property Essential to Self-Supports (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 PESS, inform Social Security of these types of resources.

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Student Earned Income Exclusion (SEIE):

This is a special exclusion for individuals who are under the age of 22, regularly attending school, and earning income. With SEIE, a qualified individual can earn up to \$2,350 in a month, or a yearly maximum of \$9,460 in 2025, without experiencing any impact on their SSI payment.

Impairment Related Work Expense (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 out-of-pocket in the months you are working, and that are not reimbursed by another source. A good example of an IRWE deduction, if you are self-employed and working from home, would be modifications to your home that you are not able to deduct as a business expense. If approved by Social Security, an IRWE will reduce your countable earned income, allowing half the cost of the expense to remain in your SSI payment.

Blind Work Expense (BWE):

If your primary disability on record with Social Security is statutory blindness, Social Security will not count any earned income that you use to meet expenses that are necessary to allow you to work. Social Security will apply the BWE when deciding your SSI eligibility and payment amount. If approved by Social Security, a BWE will reduce your countable earned income, allowing the full cost of the expense to remain in your SSI payment.

You must pay the cost yourself and receive no reimbursement from any other source for Social Security to approve the expense.

Plan for Achieving Self Support (PASS):

A PASS allows you to set aside income and/or resources for a specified time towards a work goal. A PASS can help you establish or maintain SSI eligibility and can increase your SSI payment amount. A PASS, with a self-employment work goal, must include a business plan.

Unincurred Business Expenses:

If there is business support given to you at no cost (i.e., Vocational Rehabilitation pays for services or equipment you need in self-employment), the cost of this support is deducted from your net earnings in determining when you have reached SGA.

Unpaid Help:

If you receive help from friends, relatives, professionals, or others in performing business-related tasks, and they are not paid by you, the fair labor cost of this assistance is deducted from your net earnings in determining whether you have reached SGA.

For more information about

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