

SSI and Self-Employment 2022

Net Earnings from Self-Employment (NESE)

The Social Security Administration (SSA) uses NESE to help determine countable earnings for individuals receiving Supplemental Security Income (SSI). NESE is the Net Profit from a business less half of the Medicare and Social Security taxes paid (7.65%) by the beneficiary. A factor of .9235 is used to reduce Net Profit by half of those taxes: **NESE = Net Profit X .9235**

Good Accounting Practices are Critical

As a general rule it is typically recommended for business operators to seek the expertise of an accountant. Because NESE is based on the Net Profit of a business, it is important that all allowable business expenses are considered in order to determine the actual Net Profit. A qualified accountant will know when and how to utilize business deductions provided for by law.

SSI Self Employment Considerations

☆ Four common business structures types are: Sole Proprietorship, Partnership, Limited Liability and Corporations. Typically it is most advantageous for an SSI beneficiary to set-up a business as a Sole Proprietorship (or simple Partnership) because the assets of these two structures can be excluded from the \$2000 resource limit via a SSA rule known as Property Essential for Self Support (PESS).

☆ PESS (see above) allows SSI recipients to have certain business property excluded during resource determinations, regardless of the value or rate of return.

☆ SSA takes the annual NESE and divides it by 12 months to determine monthly NESE regardless of how many months the business was actually operating.

☆ Once NESE is determined, the typical SSI payment calculation is used and all SSI work incentives such as Student Earned Income Exclusions and Impairment Related Work Expenses can be deducted against NESE, if not already used as a tax deduction (see back).

SSI Reporting Tips

Tip #1: SSI recipients are required to notify SSA when self-employment is initiated, even if no profits are generated.

Tip #2: SSI payments will likely be adjusted based on estimated profits in the initial year of business operations. Beneficiaries should estimate carefully, because over estimating NESE will cause SSI underpayments and estimating too low could cause an SSI overpayment.

Tip #3: When estimates are used to adjust the SSI cash payment, the beneficiary must diligently and carefully track actual NESE and adjust the projections as needed to minimize the chance of SSI underpayments and overpayments.

Tip #4: After the initial year of operations, watch out for using projected NESE! SSA will typically use the profits reported to IRS from the previous year to estimate current year's income.

Tip #5: Check with the local SSA office about how and when NESE income should be reported.

WIPA Work Incentive Training Manual 2015-Virginia Commonwealth University

SSI Check Estimate #1

My Projected NESE	\$
Basic Cash Deductions	-\$85
Remaining Balance	\$
50% Deduction	Divide by 2
TOTAL	\$
Estimated SSI Check (\$841-TOTAL)	\$
Total Monthly Income (Earnings + SSI)	\$

SSI Check Estimate #2

My Projected NESE	\$
Basic Cash Deductions	-\$85
Remaining Balance	\$
50% Deduction	Divide by 2
TOTAL	\$
Estimated SSI Check (\$841-TOTAL)	\$
Total Monthly Income (Earnings + SSI)	\$

Net Profit X .9235 = NESE

SSI Check Estimate #3

Unearned Income	\$
GIE Deduction	-\$20
TOTAL #1	\$
My Projected NESE	\$
Basic Cash Deduction	-\$65
Remaining Balance	\$
50% Deduction	Divide by 2
TOTAL #2	\$
Estimated SSI Check (\$841-TOTAL1+TOTAL2)	\$
Total Monthly Income (Income + SSI)	\$

SSI Check Estimate #4

Unearned Income	\$
GIE Deduction	-\$20
TOTAL #1	\$
My Projected NESE	\$
Basic Cash Deduction	-\$65
Remaining Balance	\$
50% Deduction	Divide by 2
TOTAL #2	\$
Estimated SSI Check (\$841-TOTAL1+TOTAL2)	\$
Total Monthly Income (Income + SSI)	\$

Net Profit X .9235 = NESE