

Self-Employment and SSI Benefits

When you work, your Supplemental Security Income (SSI) payments are reduced by some of your earnings. When you receive SSI and are self-employed, Social Security is going to look at your net business profits, not gross income. Your net profit is calculated by taking your gross income minus any allowable business expenses. Your net profit is then averaged over the entire 12 months of the year and is used to calculate your monthly SSI payments. Your annual net profit will be averaged over the entire calendar year, even if you only worked a few months in the year.

Verification of your net profits cannot occur until your taxes are filed. When you first begin your self-employment, Social Security will ask you to estimate your annual net earnings for SSI calculation purposes. The Connection strongly recommends that you consult with a tax professional to help estimate your net business profits for Social Security. Many new businesses make only a small amount of income after deducting business start-up costs. If, at mid-year, you believe your initial estimate of your net earnings are higher or lower than you expected, contact your SSI worker with an updated estimate. This will help reduce overpayments or underpayments of SSI benefits. The closer your estimate is to reality, the better the chance of avoiding incorrect payment of benefits during the year.



At the end of each year, Social Security will review your completed tax forms. Your net profits will be averaged over the past year and Social Security will then adjust your past SSI payments accordingly. If you were paid too much SSI during that year, you will have an SSI overpayment to re-pay. If you were paid too little SSI, Social Security will owe you a back payment.

If you are conducting the same business for self-employment for several years and no changes are expected, the local Social Security office may use net profits from the previous year to estimate for the current year, in order to calculate your SSI payment.



Answers, Choices, Possibilities

For more information about how self-employment affects Social Security benefits, call the MN Work Incentives Connection:

651-632-5113 or 1-800-976-6728

(TTY: 651-632-5110 or Minnesota Relay – 711)