



**Self-Employment Definition:**

- Generate excess cash flow from profitable operations by providing specific goods, products or billable services and earn income directly from one's own trade or profession that is operated directly by the client
- Maintain at least 51% ownership of the business
- Attain greater financial independence by maximizing earning capacity
- The business provides a specific product or service
- Being self-employed means working for oneself rather than working for an employer that pays a salary or a wage.

**Considerations for Self-Employment/Business Ownership – Nebraska VR guidelines look at:**

- 1 Does the participant own at least 51% of the business?
  - *This is a necessary requirement for VR to support a self-employment goal.*
- 2 Does or will the Supported Self-Employment Service take place in a provider-controlled or provider-owned setting?
  - *The provision of supported self-employment services cannot be provided in a setting that is provider-controlled or owned.*
- 3 Is the purpose of the business and the employment goal to help the client establish greater economic self-sufficiency?
  - *This is necessary for a self-employment goal and provides consideration for whether the business is a hobby or an employment pursuit.*
  - *Income is intended to be applied toward the person's living expenses, allowing them to achieve greater self-sufficiency.*
- 4 Is the business a client's primary source of income (aside from SSI/SSDI benefits)?
  - *There should not be another form of employment that is providing a more significant income with this "business" supplementing that income.*
- 5 Is there a market demand/marketability for the product or service to the general public outside of family and friends?
  - *The client needs to market/advertise their product or service to the general public to generate new customers.*
  - *Labor Market reviews and feasibility studies can help determine the answer to this question.*
- 6 Does the business meet Social Security requirements for self-employment, including:
  - Continuity of operations – business activity that is regular, frequent and continuous

- Repetition of transactions -- ongoing proof of effort for repeated business or sales; not sporadic or occasional.
- Regularity of activities -- business activity carried on for livelihood with the intent to earn a profit.

#### 7 Social Security Recipient Considerations:

- How will the client's medical and other various benefits be impacted by developing a business? *Benefits Planning provides the person with information to make an informed choice about earning income and its effect on benefits (including SSA, Medicaid waiver services, SNAP, housing, etc.)*
- Social Security tracks not only income, but also hours worked per month in self-employment. Hours in excess of 80 per month may affect SSA benefits.
- Client must self-report all business income and file yearly federal and state tax returns and is responsible for making FICA (Social Security) contributions.

Other rules and guidelines:

#### 1) Hobbies cannot be supported by Nebraska VR self-employment funds.

##### **Some guidelines on how to identify whether the activity is considered a hobby:**

- Typically done for sport or recreation.
  - The client would do the activity regardless of earning income
- The earning of income to achieve greater self-sufficiency is not the primary aim
- Marketing/advertising the product or service is not an emphasis

#### 2) Paid staff support in relation to Supported Self-Employment, if applicable:

- A Paid staff's role is to provide assistance to clients for help with daily living and functional limitation needs that are incurred by their disability
- Paid staff are not meant to assist clients with their business, for example:
  - A paid staff **could** assist a client with reporting their income to the SSA; but they **could not** assist in keeping the books balanced for the clients' business
- If the client has a staff providing long term supports for self-employment goal, this role needs to be differentiated from their caregiver role for daily living, even if these roles are filled by the same person
- Any profit is considered countable income by SSA using a particular formula, and must be reported to Social Security.

**3) Nebraska VR Self-Employment Funds – cannot be used for following business models:**

- Multi-Level Marketing-*Ponzi/Pyramid Schemes, door to door where you first purchase the product, then attempt to resell at a profit, such as Avon, Pampered Chef, Lularoe, etc .*
- Speculative ventures-*Investment ventures, such as purchasing items, with the hope they will increase in value and can be resold for profit, stock market investments, etc.*
- Illegal or “under the table” business-*Any illegal ventures or anything where you are not paying taxes on income earned*
- Real Estate-*Purchasing of real estate for the purpose of flipping or renting.*
- Commission-based sales
- Hobbies or activities that are not for the purpose of gaining greater economic self-sufficiency
- Dealers of rare coins and stamps
- Pornographic or illicit business
- Passive Ownership (Business investment-no active management or not active with the business itself)
- Churches and organizations promoting religious objectives
- Serial plaintiffs (Litigation)
- Gambling Activities
- Non-profit or charitable organizations
- E-Bay/Online Buy/Sell/Trade or Resellers- *Buying/acquiring random items and reselling them at a profit.*