



THE EFFECT OF INCOME ON SSI ELIGIBILITY AND CASH BENEFIT AMOUNT

Introduction

Supplemental Security Income or SSI is an economic “needs-based” program intended to supplement any income an individual may already have to meet minimum needs for food and shelter. After initial eligibility for SSI is established, SSA continues to assess the countable income of eligible individuals, couples, and deermors on a monthly basis. Countable income is that part of total income received after all applicable work incentives or other exclusions or deductions are applied. To determine how much SSI is due for a month, the countable income is subtracted from the annually determined SSI Federal Benefit Rate (FBR) for either an individual or a couple. The more countable income an individual or couple has in a month, the less the SSI benefit will be for that month. If an individual or couple has too much countable income, they will not be eligible for a payment at all.

NOTE: With the passage of the Social Security Act of 2003, SSA eliminated clothing from the definition of income and from the definition of in-kind support and maintenance. Effective March 9, 2005, SSA is removing the specific reference to clothing from the definition of income. (*Note that this is OISP policy, not ours.*) As a result, SSA generally will not count gifts of clothing as income when deciding whether a person can receive SSI benefits or when computing the amount of the benefits. There will be one situation where SSA will be required to consider clothing as income. This situation could occur when an individual receives clothing from an employer that would count as “wages”. Wages are the same for SSI purposes as for the earnings test in the Social Security retirement program. Under the earnings test, wages may include the value of food, clothing, or shelter, or other items provided instead of cash. Situations in which clothing constitutes wages are very uncommon. For more information about this final rule, see 20 CFR part 416, page 6340.

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An important part of a Benefits Specialist's job is helping SSI recipients understand how income affects their eligibility and cash benefit amount. The following discussion will explain how SSA treats income for the SSI program. The rules apply to both the Federal Benefit as well as Federally Administered State Supplementary payments, in the States where such payments exist.

What is Income? *(OISP Policy)*

The SSI program considers income to be **anything** an individual receives in cash or in-kind that can be used to meet the needs for food or shelter. In-kind income isn't cash, but is actual food or shelter provided to the eligible individual by someone else. Under this definition, income also includes the receipt of anything which can be applied, either directly or by sale or conversion, to meet basic needs of food or shelter. An item would not count as income if it is not food or shelter and could not be used to obtain food or shelter. Other items **are** income (meaning they meet the definition), but are excluded by Federal statute. The SSI program also distinguishes between income which is "earned" and income which is "unearned". Earned income and unearned income are treated very differently.

What is NOT Income? *(OISP Policy)*

Examples of some of the more common items which do NOT meet the definition of income for SSI purposes are listed below. The items listed here are not considered to be income exclusions. Income exclusions apply to items that do meet the definition of income, but are simply excluded when determining countable income.

- ◆ Medical and social services are not income for purposes of the SSI program. Under the complex circumstances specified in SI 00815.050: [Medical and Social Services, Related Cash, and In-Kind Items](#), cash and in-kind items received in conjunction with medical and social services are also not income for SSI purposes. The rules spelled out in this POMS citation are intricate. When in doubt about how to apply the provisions contained in this reference, contact the local SSA Field Office for a formal determination.
- ◆ Food and shelter received during a medical confinement are not income. A medical confinement exists when an individual receives inpatient medical services in a medical treatment facility. For more information see SI 00815.100: [Food and Shelter Received During a Medical Confinement](#).
- ◆ Personal services performed for an eligible individual are not income. Examples of personal services would include mowing the lawn, doing housecleaning, going to the grocery store, and babysitting. See SI 00815.150: [Personal Services](#) for more information.

- ◆ Receipts from the sale, exchange, or replacement of a resource are not income but are simply resources that have changed their form. This includes any cash or in-kind item that is provided to replace or repair a resource that has been lost, damaged, or stolen. SI 00815.200: [Conversion or Sale of a Resource](#) provides more information on this issue.
- ◆ When an individual receives a rebate, refund, or other return of money he/she has already paid, the money returned is not income. The key idea in applying this policy is a return of an individual's own money. Some "rebates" do not fit that category, so when questions arise, seek assistance from the local SSA Field Office. More information on this provision can be found at SI 00815.250: [Rebates and Refunds](#)
- ◆ Any amount refunded on income taxes already paid is not income. This rule applies even if the income from which the tax was withheld or paid was received in a period prior to application for SSI benefits. Income tax refunds are not income even if the income taxes were excluded as work expenses of the blind (BWEs). See SI 00815.270: [Income Tax Refunds](#).
- ◆ Proceeds of a loan are not income to the borrower because of the borrower's obligation to repay. Likewise, money that a person borrows under a "bona fide" loan agreement is not income. Money received as repayment of the principal of a bona fide loan is also not income. A bona fide agreement is an agreement that is legally valid and made in good faith. If a loan is not bona fide, the cash provided by the lender is the borrower's unearned income in the month received. If a loan is not bona fide, payments towards the principal are unearned income to the lender. Interest received on money loaned is income whether the loan is bona fide or not. SI 00815.350: [Proceeds of a Loan](#) explains these provisions in greater detail.
- ◆ Payment of an individual's bills (including supplementary medical insurance or other medical insurance premiums) by a third party directly to the supplier is not income. However, anything received in-kind as a result of the payment is income if it is food or shelter SI 00815.400: [Bills Paid By a Third Party](#) contains more information on this provision.
- ◆ If an individual's income is lost, stolen, or destroyed and the individual receives a replacement, the replacement is not income per SI 00815.450: [Replacement of Income Already Received](#). Similarly, a payment is not income when the individual is aware that he/she is not due the money and returns the check un-cashed or otherwise refunds all of the erroneously received money. See SI 00815.460: [Return of Erroneous Payments](#).
- ◆ Weatherization assistance such as insulation, storm doors, and windows, etc. is not income for SSI purposes per SI 00815.500: [Weatherization Assistance](#).

Earned Income and How it is Counted *(OISP Policy)*

Any cash or in-kind item that meets the definition of income must be either earned income or unearned income. Earned Income may be received as cash or in-kind and includes the following types of payments:

- ◆ Wages – These payments are what an individual receives (before deductions like taxes) for working as someone else’s employee. Wages may include salaries, commissions, bonuses, severance pay, military pay, sheltered workshop earnings, and any other special payments a person receives because of their employment. SSA counts **gross** earnings from wage employment at the earliest of two points; when the person receives them or when they are credited to their account or set aside for their use. SSA determines earnings each calendar month.
- ◆ In-kind Earned Income – This would include the value of food or shelter, or other items an individual receives instead of cash in exchange for work performed. The most common type of in-kind earned income is when room and board is provided as part of the remuneration an individual receives for live-in employment. SSA assesses in-kind earned income by applying current market value. If an individual receives an item (instead of cash) that is not fully paid for and he/she is responsible for an unpaid balance, only the amount previously paid is counted as income.
- ◆ Net Earnings from Self-Employment (NESE) – This is gross receipts from a trade or business that an individual operates, less allowable deductions. The result is then multiplied by .9235 to deduct ½ of the Social Security taxes paid by self-employed individuals. Generally, SSA allows the same deductions as the IRS when determining NESE. SSA counts net earnings from self-employment (NESE) on a taxable year basis; however the SSA divides the total of the earnings equally among the months in a full calendar year to determine earnings for each month. This computation rule applies even when the individual only worked in self employment for some of the months in the year.

Earned Income Exclusions

Not all earned income counts when determining SSI eligibility and payment amount. SSA first excludes income as authorized by specific Federal laws or statutes. Other earned income exclusions are then applied, in the following order to the remainder of earned income in the month.

1. Earned income tax credit payment effective January 1, 1991 (refunds of Federal income taxes and advance payments by employers);
2. A portion of earned income of a student regularly attending school, who is under the age of 22. This is called the Student Earned Income Exclusion or SEIE. There is a monthly maximum exclusion that accumulates up to an annual maximum. For the limits, look for the current year’s fact sheet on the socialsecurity.gov website.

3. A \$20 monthly general income exclusion, if it has not been excluded from unearned income in the same month;
4. \$65 of earned income in a month;
5. Earned income of individuals that is used to pay impairment-related work expenses (IRWE). These are out-of-pocket costs that are related to the disability of record, reasonable, and necessary for work;
6. One-half of remaining earned income in a month;
7. Earned income of individuals with blindness that is used to meet any expenses the person has related to working-whether or not it is related to blindness, called Blind Work Expenses;
8. Blind Work Expenses include items that would be excluded under the Impairment Related Work Expense (IRWE) rules. In addition, these deductions are any out-of-pocket expense that is necessary for work.
9. Any earned income used to fulfill an approved plan to achieve self-support (PASS).

Earned income is never reduced below zero and unused earned income exclusions are never applied to unearned income. An unused portion of a monthly exclusion cannot be carried over for use in subsequent months. In addition, the \$20 general and \$65 earned income exclusions are applied only once to an eligible couple, even when both members (whether eligible or ineligible) have income, since the couple's earned income is combined in determining SSI payments. For more information on how SSI eligible couples are treated, see the VCU BARC briefing paper entitled "Eligible Couples".

Self-Employment and SSI

SSA counts net earnings instead of gross earnings when determining the SSI payments for an individual who is self-employed. The IRS rules for determining net earnings from self-employment are accepted for this purpose. When estimating for a year, the SSA deducts business expenses allowed on Schedule C of the Federal income tax form 1040. These expenses are deducted from the gross receipts that the person expects for the year to determine an estimate of Net Profit from Self-Employment. As discussed previously, NESE is gross receipts for the year, minus allowable expenses, multiplied by .9235. This last step deducts part of the Social Security taxes paid by self-employed individuals.

When NESE is estimated, or determined, SSA divides those net earnings equally among the months in the individual's taxable year even if the business is seasonal, did not operate for the entire year, or ceased operation prior to making application for SSI. SSA generally uses the person's completed tax forms to determine the total net profit for the year. Once the SSA has an estimate or final amount of NESE for a month, SSA uses the same deductions that apply to an employee's earnings. The remaining

amount of the individual's net earnings reduces the SSI benefit. SSA then adjusts the payment amount retroactively. It is essential that SSI recipients who are self-employed make their estimates as early and accurately as possible. As the year progresses, individuals may revise their estimates if earlier estimates were too low, or too high. The more accurate the estimate, the less self-employed SSI recipients will owe or be owed by the SSA when the tax year closes.

Examples with Net Earnings from Self-Employment

Samantha began a quilting business in November of last year. She sold \$800.00 in baby quilts at fairs in November and December. She spent \$250.00 on materials for the quilts. The SSA determined Samantha's Net Profit from Self-Employment to be \$550.00 for the year. Samantha received SSI and had no other income in the year. Instead of counting the \$550.00 as income for November, and December, the SSA divided Samantha's net profit over the calendar year. This gave Samantha a net profit per month of \$45.83. These net earnings were completely excluded under the General and earned income exclusions. Samantha was due her full SSI for the entire year.

In the next year, Samantha's business picked up considerably. In January, she estimated her NESE for the year to be \$3,600. Because of that estimate, the SSA was paying Samantha an SSI payment based on expected Net Earnings from Self-Employment (NESE) of \$300.00 per month, resulting in countable income of \$107.50 per month.

In May, Samantha received a contract to make 200 quilts for a craft catalog. The catalog company agreed to pay Samantha \$6,000.00 over the next six months. Samantha had already made \$4,000.00 for quilts she sold at local fairs. Samantha now estimated her gross earnings from Self-Employment to be \$10,000.00, and her expenses to be \$3400.00. Thus, Samantha called the SSA and revised her estimate for the year to \$6600.00, or \$550.00 in net profit a month. The revised estimate of \$550.00 would yield a lower monthly SSI payment. Samantha was overpaid for the earlier part of the year because her prior estimate was too low.

In April of the next year, Samantha reported that her net profit from her quilting business was actually \$6,000.00, instead of \$6600.00, because her expenses were higher than she expected. The SSA now owes Samantha an underpayment from the prior year created because her estimate was slightly higher than her actual NESE.

As you can see, balancing the estimates of self-employment income against the actual income generated can be challenging. Be sure self-employed individuals make estimates as accurately as possible. Have the individual review their income and expenses periodically to be sure the estimate is close. SSI recipients need to carefully track profits during the year to make certain the original estimates still hold true. Adjusting estimates during the year helps avoid overpayments or underpayments.

Unearned Income and How it is Counted *(OISP Policy)*

Unearned income is all income not directly resulting from current work effort. In other words, unearned income is all other income an SSI recipient receives which is not classified as earned income. Some common examples of unearned income include:

- ◆ **Periodic public payments or private annuities or pensions.** These payments are usually related to prior work or service (SSDI, Veteran's benefits, Railroad Retirement benefits, worker's compensation, unemployment compensation, etc.)
- ◆ **Income of a spouse or parent that is determined by the SSA to be available to meet the need for food and shelter for the SSI recipient.** It is "deemed" to be available to the SSI recipient because of the relationship between the SSI recipient and the parent(s), or an ineligible spouse. Deeming is a very complex SSI issue. For more information, see the VCU BARC website for briefing paper series on deeming.
- ◆ **Alimony and child support payments.** For SSI purposes, alimony and support payments are cash or in-kind contributions to meet some or all of a person's needs for food and shelter. These periodic payments usually result from a court order. Alimony or spousal maintenance is the income of the adult named in the court order. When child support is received and used to support the child, it is counted as to the child, not the parent.
- ◆ **Dividends and interest.** All returns on capital investments, such as stocks, bonds, or savings accounts are considered unearned income for SSI purposes.
- ◆ **Rental payments.** Rental payments for things such as housing, the use of land or machinery are considered to be unearned income in most cases. SSA will only count the value of rental payments after expenses related to the rental properties are deducted. These determinations are made on a taxable year basis.
- ◆ **In-kind support and maintenance.** If an SSI recipient is given food or shelter, or SSA will consider these gifts to be unearned income or in-kind support and maintenance (ISM). Usually, SSA will determine the value of the item or service, and will use that value in the SSI benefit calculation to determine benefit payment. If the monetary value is high, however, SSA places a cap on the effect it will have on the SSI payments. This cap is called the Presumed Maximum Value or PMV.

Unearned income is counted when the individual receives it, when it is credited to the individual's account, or set aside for the individual's use. SSA determines an individual's unearned income for each calendar month. The unearned income that counts when calculating the SSI payment may be higher or lower than the actual income the person receives. For example, SSI recipients who also receive a title II payment may be paying the Medicare Part B premium by having it withheld from their title II payment... When determining countable income, the SSI program will count the full Social Security disability payment before Medicare premiums are deducted even though the individual does not actually receive that amount to spend.

Another instance when SSI would count more than the individual actually receives would be when funds are withheld from unearned income because of a garnishment or to pay a debt or other legal obligation. For example, if an SSDI beneficiary is entitled to \$450 per month in SSDI benefits, but \$150 was being garnisheed every month to pay for back child support, only \$300 each month would actually be received. However, for SSI purposes, the full \$450 would be counted as unearned income.

On the other hand, if an eligible individual is due a cash settlement, SSA will subtract the expenses the individual incurs in getting the payment, before they use the remaining amount in the benefit calculation. For example, if an individual is paid for damages from an accident, SSA will only count what the person gets after deducting the amount paid for the individual's medical, legal, or other expenses connected with the accident.

Unearned Income Exclusions

The amount and source of all unearned income must be determined for SSI eligibility and payment purposes; however SSA does not count all of an individual's unearned income. SSA first excludes all forms of income which are required to be excluded under Federal law. Many Federal statutes in addition to the Social Security Act provide assistance or benefits for individuals and specify that the assistance or benefit that they provide will not be considered in deciding eligibility for SSI. Examples include food stamps, rental subsidies, home energy assistance payments, and educational or employment grants and/or loans.

After all federal deductions have been made, SSA applies other exclusions. There are many forms of unearned income which are excluded, far more than could ever be catalogued in this document. No list can be all-inclusive, since the variety and type of unearned income is limitless. The best advice is to check with your Technical Liaison or the local Claims Representative as specific situations arise. For your convenience, we have attached a quick reference chart of the unearned income exclusions identified and described in the POMS with the citations for each clearly indicated. Items listed in bold print are exclusions required under a Federal statute.



Income Verification

SSA does not determine SSI eligibility solely on the basis of statements concerning eligibility factors by applicants and recipients. When possible, SSA will verify relevant information from independent or collateral sources, and obtain additional information as necessary to be sure that only eligible individuals are paid and that payment amounts are correct.

There is usually a delay between the month an individual receives income, and the month the income is reflected in the SSI payment. This is called Retrospective Monthly Accounting or RMA. For more information on this complicated calculation technique, see the VCU BARC Key Facts entitled, "Retrospective Monthly Accounting".

Conclusion

No matter what type of income an SSI recipient has, only the SSA can make the determination as to when and how it counts. This briefing paper only touches on the variety of types of income, and the various considerations involved when determining SSI eligibility and payment amounts. The Claims Representative making the determination has the best information to help you understand, and to explain to the people with whom you work, what has happened and why.

Frequently Asked Questions

How do income and resources differ?

Income is something received within a month. Resources are what you have already as of the first day of a new month. The difference between income and resources is really one of timing.

Are retroactive Social Security payments treated as income?

Retroactive social security benefits are usually considered income in the month they are received. Retained funds may be excluded as a resource in some circumstances (see BARC briefing paper on resources). The Windfall Offset Provision provides one exception.

If a person who is receiving SSI benefits files an application for SSDI and retroactive benefits are due, SSA will reduce the amount of the retroactive payments by the amount of the SSI overpayment the award creates. When determining this overpayment, the SSA will calculate the back SSI payments again, as if the person had received SSDI in those months. The SSA refers to this as the windfall offset.

For example, upon filing an application for SSDI, SSA determines that Sue is due retroactive benefits for the past 6 months. SSA then reduced Sue's SSDI retroactive payment by the amount of SSI overpayment before issuing the check to Sue.

In cases like Sue's, the SSA would not count the remainder of the retroactive payment as income when Sue receives it. In some cases, however, retroactive payments would be considered income, so Benefits Specialists should not

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assume that retroactive payments are not countable. Whether or not the retroactive benefit is considered as income in the month may be very complex. Please remember that it is the SSA's job to decide this! When in doubt as to what will happen, check with your Technical Liaison or ask the SSA!

Are residual checks or royalties counted as income?

Royalties include compensation paid to the owner for the use of property, usually copyrighted material (e.g. books, music, or art) or natural resources (e.g. minerals, oil, gravel or timber). SSA counts payments of royalties in connection with any publication of an individual's work at the earliest of the following points: when received, when they are credited to the individual's account or when they are set aside for individual's use. Royalties are considered unearned income unless they are received as part of a trade or business.

Are food stamps or subsidized housing assistance counted as income for SSI calculations?

Food Stamps, housing subsidies, energy assistance, disaster relief, and many other types of unearned income are excluded when the SSA calculates the SSI payment eligibility and payment amounts.

How is child support counted?

Child support payments are considered to be unearned income to the child only and are not income to the parent. When a child's benefit is being calculated, the SSA excludes one-third of the amount of a child support payment made for an eligible child under age 18 by an absent parent. The one-third exclusion rule does not apply when determining the income of ineligible children in deeming calculations.

How does SSA treat infrequent or irregular income (earned or un-earned) when determining eligibility and monthly payment amount?

SSA will exclude up to \$10 of earned income in a month if it is infrequent or irregular, e.g. income received only once in a calendar quarter from a single source and/or it is not reasonably expected. If the total amount of infrequent or irregular earned income for a month exceeds \$10, SSA will not use this exclusion.

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SSA will also exclude up to \$20 of unearned income received in a month if it is infrequent or irregular, e.g. income received only once in a calendar quarter from a single source and/or it is not reasonably expected. If the total amount of infrequent or irregular unearned income in a month exceeds \$20, SSA will not use this exclusion.

When an SSI recipient is receiving a monthly stipend from participating in a volunteer service program such as Americorps* Vista, does SSA count this as earned income?

SSA excludes payments made to volunteers participating in such service programs from income and resources. An exception to this exclusion rule is if the Corporation for National and Community Service (CNCS) determines that the volunteer's value, adjusted to reflect the hours served is equal to or greater than the minimum wage in effect under the Fair Labor Standards Act or the minimum wage under applicable state law, whichever is greater. To date, the above exception has never been determined for a participant in a volunteer service program.

How are Veteran's Benefits considered when calculating SSI payments?

There are many types of veteran's benefits. How the SSA treats VA payments depends on the type of pay the person is receiving. Making this determination is beyond the requirements of a Benefits Specialist. If the individual receives a benefit from the Veteran's Administration, check with the SSA to see if it will affect the individual's payments.

Is Unemployment Compensation considered as income?

Unemployment benefits are considered to be unearned income for SSI purposes.



Resources

- [SI 00820.002](#) Earned Income
- [SI 00820.500](#) Earned Income Exclusions – General
- [SI 00830.010](#) When to Count Unearned Income
- [SI 00830.099](#) Guide to Unearned Income Exclusions
- [SI 00835.200](#) The One-Third Reduction Provision
- [SI 00835.300](#) Presumed Maximum Value Rule
- [SI 00820.200](#) Net Earnings from Self-Employment
- [SI 00820.210](#) How to Determine Net Earnings from Self-Employment
- [SI 00820.450](#) Royalties and Honoraria

<p>Virginia Commonwealth University's Benefits Assistance Resource Center</p> <p>Give us a call or e-mail us....We are the answer to your Social Security Work Incentives questions!!!</p> <p>Virginia Commonwealth University Benefits Assistance Resource Center P.O. Box 842011 1314 W. Main St. Richmond, VA 23284-2011 (804) 828-1851 VOICE -- (804) 828-2494 TTY -- (804) 828-2193 FAX http://www.vcu-barc.org</p>	
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