

# Business Structures & Benefits

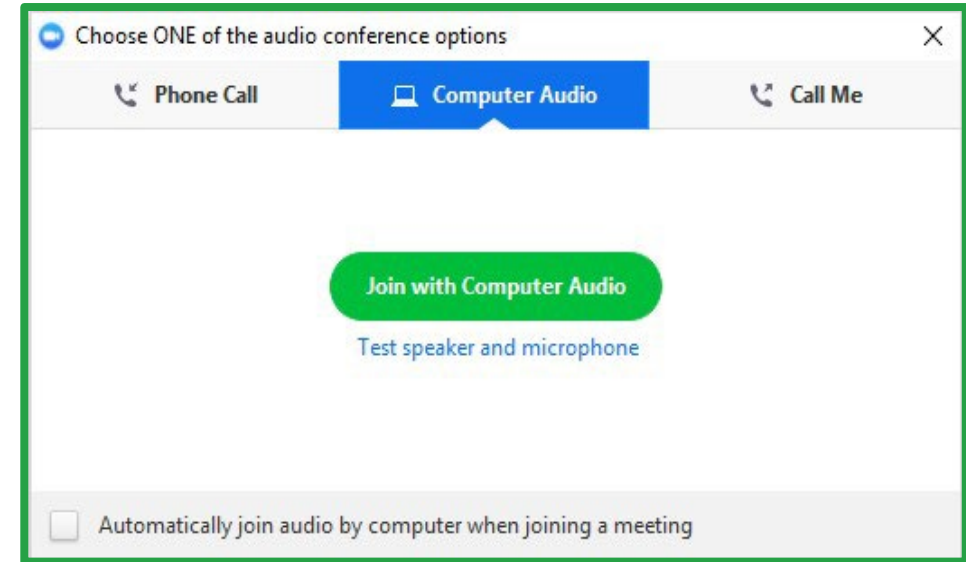
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# Community Navigator Pilot Program



Creating  
Communities  
of Economic  
Cooperation

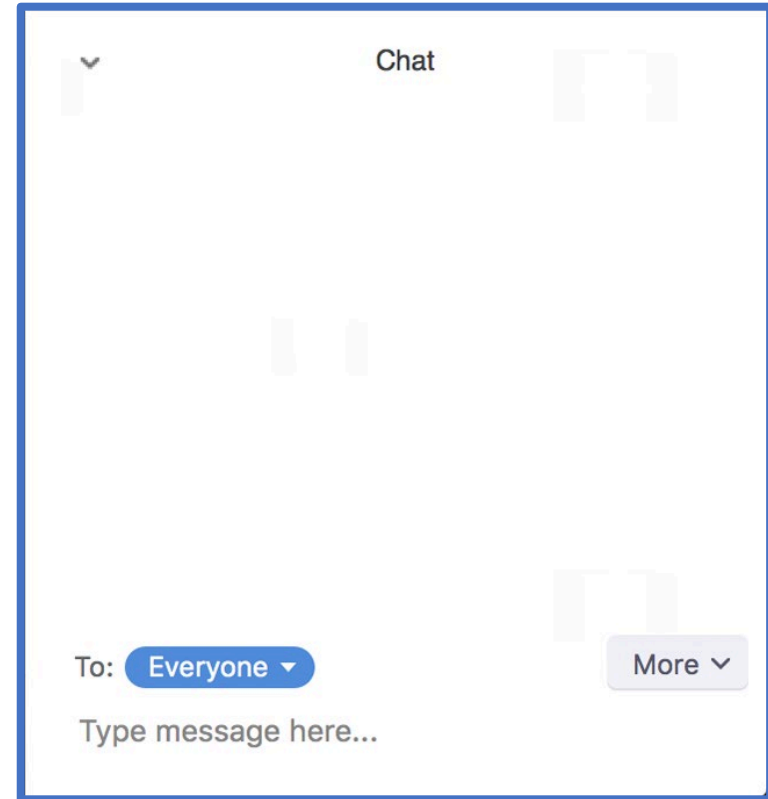
Griffin-Hammis Associates



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# Welcome!

- Introductions
- Join us in conversation!
  - Zoom chat
  - Q&A
  - Microphones



# What is a Business Structure?

- Legal arrangement a person uses for their business.
- Influences everything from day-to-day operations to taxes to amount of personal assets are at risk.
- Influence how business income and assets are treated by public benefit programs.





# Common Business Structures

Sole Proprietorship & Partnership

Limited Liability Company (LLC)

Corporation (S and C)

# Sole Proprietorship & Partnerships

Business Structure Detail	Sole Proprietorship & Partnership
Number of owners	1 (sole proprietorship), 2 or more (partnership)
Complexity	Easiest and least expensive to set up (no business formation paperwork).
Assets	Not separate from personal assets; both can be taken if liable, some partners may have limited protection.
Income	Net profits treated as earned income (pay self-employment tax), partners based on agreement.

# Net Profit

- Business Sales – Business Expenses = Net Profit
  - \$50,000 - \$15,000 = \$35,000 Net Profit
  - Owner's draw: portion of net profits the owner takes out of the business.
  - Owner's draw is NOT the owner's earnings; Net Profit is the owner's earnings.



# Example Sole Proprietorship

- Evelyn is a hairdresser.
- Registered trade name with the state and got a business license from the city.
- Has business and liability insurance for some asset protection against client lawsuit claims.
- \$30,000 sales per year, \$10,000 in expenses, \$20,000 net profit (earned income to her).



# Limited Liability Company (LLC)

Business Structure Detail	Limited Liability Company (LLC)
Number of owners	1 or more
Complexity	Requires some business formation paperwork, generally less costly and intensive than corporation.
Assets	LLC protects from personal liability in most instances (e.g., lawsuits, bankruptcy, etc.)
Income	Same as sole proprietorship or partnership (net profit is earned income) but can choose to file as corporation.

# Example Limited Liability Company (LLC)

- Evelyn is a hairdresser.
- Registered trade name with the state, got a business license from the city, filed LLC paperwork.
- Has LLC for some personal liability protection, she may choose to get some business insurance.
- \$30,000 sales per year, \$10,000 in expenses, \$20,000 net profit (earned income to her).



# Corporations

Business Structure Detail	Corporations
Number of owners	1 or more
Complexity	Most complex to set up and maintain. Requires business formation paperwork.
Assets	Business is a separate entity; owners not personally liable.
Income	Owner is employee and receives paycheck for work done; may also receive dividend or distribution.

# Example Corporation

- Evelyn is a hairdresser.
- Registered trade name with the state, got a business license from the city, filed S-corporation paperwork with the state.
- S-Corporation protects from personal liability, she may choose to get some business insurance.
- \$30,000 sales per year, \$25,000 in expenses (includes \$20,000 salary), \$5,000 net profit.





# Benefits Planning

- Contact a benefits planner (Community Work Incentives Coordinator-CWIC) for one-one-one advisement and support:
  - Go to [choosework.gov](https://www.choosework.gov) or call 1-866-968-7842, TTY 1-866-833-2967, to find a Work Incentive Planning and Assistance (WIPA) program.
  - If working with State Vocational Rehabilitation, ask your counselor.
  - Ask your local [Center for Independent Living](#) for referrals.

# General Effect of Business Structures on Benefits

- Business structures effect how public benefit programs:
  1. Count the business income
  2. Count the business assets



# Social Security Disability Insurance (SSDI)

- Monthly cash benefit based on previous work, comes with Medicare.
- Eligibility: Meet Social Security's definition of disability or blindness and reach insured status.
- Benefit amount: Based on average lifetime earnings.
- Confirm you have it: my SSA account, call Social Security, look at recent letters.
- General work rule: All or nothing if value of work above or below Substantial Gainful Activity (SGA), some exceptions ([ssa.gov/redbook](https://ssa.gov/redbook)).



# SSDI and Business Income

Business Structure	Business Income
<b>Sole Proprietorship or Partnership</b>	Monthly Net Profit x 0.9235 = monthly Net Earnings from Self-Employment (NESE), average in some cases
<b>Limited Liability Company (LLC)</b>	Monthly Net Profit x 0.9235 = monthly NESE, average in some cases *If filing as corporation, gross wages and potentially remaining profit.
<b>Corporation</b>	Gross wages and potentially remaining profit

# SSDI and Business Assets

Business Structure	Business Assets
<b>Sole Proprietorship or Partnership</b>	Assets do not affect SSDI eligibility
<b>Limited Liability Company (LLC)</b>	Assets do not affect SSDI eligibility
<b>Corporation</b>	Assets do not affect SSDI eligibility

# Supplemental Security Income (SSI)

- Monthly cash benefit based on financial need, comes with Medicaid (in most states).
- Eligibility: Meet Social Security's definition of disability or blindness (or be 65 or older), low assets, low income.
- Benefit amount: Based on financial need.
- Confirm you have it: my SSA account, call Social Security, look at recent letters.
- General work rule: SSI reduces as earnings increase, but only about half of earnings count. ([ssa.gov/redbook](https://ssa.gov/redbook)).



# SSI & Business Income

Business Structure	Business Income
<b>Sole Proprietorship or Partnership</b>	Net Profit x 0.9235 / 12 = average monthly Net Earnings from Self-Employment (NESE)
<b>Limited Liability Company (LLC)</b>	Net Profit x 0.9235 / 12 = average monthly NESE *If filing as corporation, gross wages and potentially remaining profit
<b>Corporation</b>	Gross wages and potentially remaining profit

# SSI & Business Assets

Business Structure	Business Assets
<b>Sole Proprietorship or Partnership</b>	Can be excluded by Property Essential to Self Support (PESS)
<b>Limited Liability Company (LLC)</b>	Business assets count
<b>Corporation</b>	Business assets count



# Property Essential to Self-Support (PESS)

- Property used in a trade or business, including liquid resources, can be excluded from resources. (POMS [SI 01130.501](#))
- Evelyn has \$10,000 in business assets: a bank account (\$5,000), hairdresser tools (\$2,000), inventory of hair products (\$3,000).
- Property must be in current use.
  - If not in use, resumption must be expected within 12 months of last use (additional 12-month extension due to disabling condition). (POMS [SI 01130.504](#))



# Summary

- Benefit programs count business income and assets in different ways, based on the business structure.
- People receiving public benefits should take time to consider which business structure will work best for them.
- Reach out to a benefits planner to get help thinking through business structures, as it relates to benefits.

# Community Navigator Pilot Program Goals

Support Entrepreneurs and Small Business owners with disabilities at any point of the Business Life-Cycle.

Reduce barriers accessing needed programs to recover, grow, or start a business.

Increase coordination of the DMV area ecosystem of entrepreneurial support organizations to be responsive and accessible to the needs of entrepreneurs and small business owners with disabilities.

The ecosystem includes; financial assistance, access to capital, contracting and procurement assistance, marketing and communications, operations, management and business development, legal assistance preferred contracting status

For more information contact our Community Navigator:

Ruth Chavez at [rchavez@ndi-inc.org](mailto:rchavez@ndi-inc.org)



# Upcoming Webinars

Ideas for Funding Your Start Up – July 13th from 2:30 to 4:00 pm EST

Understanding PASS Plans – August 10th from 2:30 to 4:00 pm EST

Start Small Think Big – September 21st from 2:30 to 4:00 pm EST

Click [HERE](#) to Register

**We look forward to seeing you at a future webinar!**



# Let's Chat!

Thank you for attending today's webinar! Questions?  
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