

Net Earnings from Self-Employment (NESE)

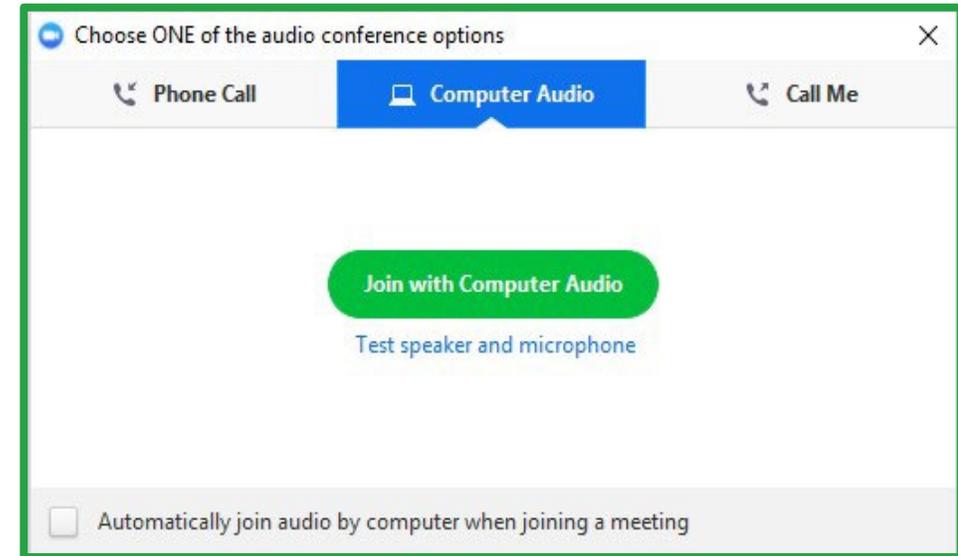
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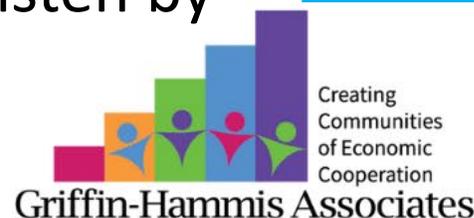
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- Please note: This webinar is being recorded and the materials will be placed on the events page of the National Disability Institute (NDI) and Small Business Administration (SBA) [Small Business Hub](#) website within 1-2 weeks.





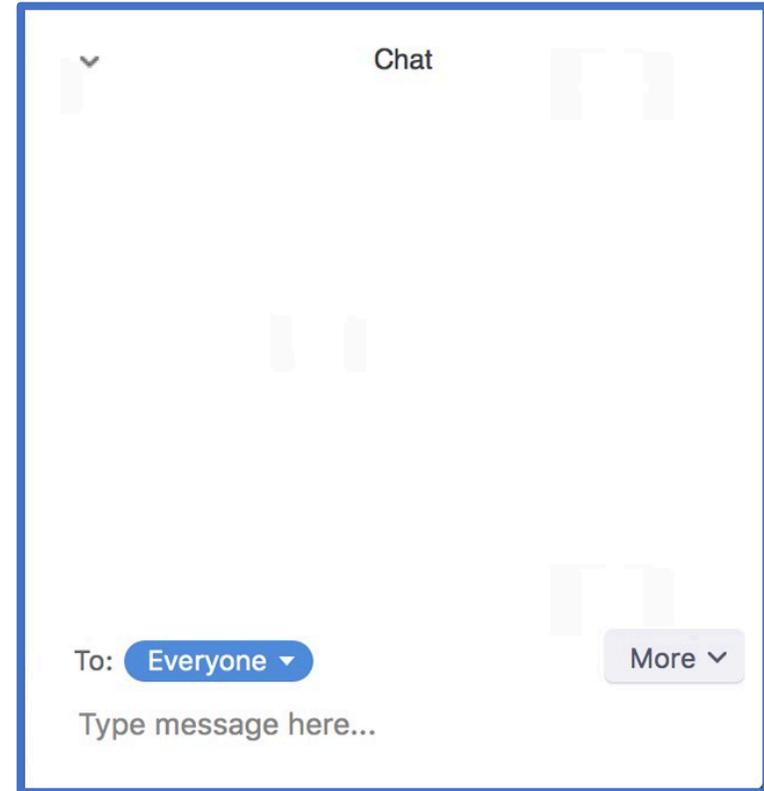
Community Navigator Pilot Program



Funded through a grant with the U.S. Small Business Administration. All opinions, conclusions, and/or recommendations expressed herein are those of the author(s) and do not necessarily reflect the views of the SBA.

Welcome!

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



Why Learn About NESE?



- Social Security disability benefits are a critical support.
- Benefits can be affected by earnings.
- To create a plan, it's essential to know:
 1. Amount of earnings (estimate or actual)
 2. Benefit program work rules
- This webinar is focused on amount of earnings.

Resources to Learn about Benefit Program Rules

- Watch more webinars: see [Small Business Hub – Events](#)
- Contact a benefits planner (Community Work Incentives Coordinator)
 - Go to 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.
- Read: [Social Security’s Red Book](#), choosework.ssa.gov



Overview of Earnings

- Basic earnings definition: money a person gets for work performed
- Working for someone else: gross wages are usually the earnings.
 - Example: 100 hours x \$13 per hour = \$1,300 gross wages
- Owning a business: two primary earning situations
 1. Owner did NOT set themselves up as an employee (**NESE are earnings**)
 2. Owner set themselves up as an employee.



Net Earnings from Self-Employment



- Business Revenue: the money the business brings in (e.g., sales)
- Business Expenses: the money the business spends (e.g., rent, insurance, etc.)
- NESE calculation:
 - Step 1: Business Revenue - Business Expenses = Net Profit
 - Step 2: Net Profit x 0.9235 = NESE

Shawna's NESE

- Shawna is a self-employed massage therapist:
 - Step 1: \$2,000 Business Revenue - \$520 Business Expenses = \$1,480 Net Profit
 - Step 2: \$1,480 Net Profit x 0.9235 = \$1,367 NESE
- \$1,367 NESE is Shawna's earnings for Social Security purposes.



Tonya's NESE

- Tonya is a freelance computer programmer:
 - Step 1: \$3,000 Business Revenue - \$500 Business Expenses = \$2,500 Net Profit
 - Step 2: \$2,500 Net Profit x 0.9235 = \$2,309 NESE
- \$2,309 NESE is Tonya's earnings for Social Security purposes.



Tracking Business Revenue and Expenses

- Create a system that works best based on the business and the business owner.
 - Does the business have a lot of revenue transactions and/or expenses?
 - Yes: Consider using bookkeeping software or a bookkeeper.
 - No: Consider using a spreadsheet, a document, or paper worksheets.
 - Is the business owner comfortable using a computer and tracking details throughout the month?
 - Yes: Consider bookkeeping software or using a spreadsheet.
 - No: Consider using a bookkeeper or document/paper worksheets (if the business has minimal transactions).

Sample Monthly Net Profit Worksheet

- Net profit worksheet can be as simple as a list of sales and a list of expenses.
- Create a system that works best for the business and the business owner.

Month/Year: February 2022

<u>Amount</u> of Sales	Description of Sales	Copy of Check or Invoice? (Yes/No)
\$150	1 Massage (2/5/2022)	Yes
\$600	4 Massages (2/8/2022)	Yes
\$50	Massage lotion sales to customer (2/8/2022)	Yes
\$600	4 Massages (2/15/2022)	Yes
\$600	4 Massages (2/25/2022)	Yes
\$2,000	TOTAL for the Month	

Amount of Expenses	Description of Expenses	Receipt? (Yes/No)
\$500	Rent (2/1/2022)	Yes
\$20	Laundry (2/15/2022)	Yes
\$520	TOTAL for the Month	

\$1,480 Profit/Loss for the Month



NESE versus Owner's Draw

- NESE:
 - Business Revenue – Business Expenses = Net Profit
 - Net Profit x 0.9253 = NESE
- Owner's Draw: portion of net profits the owner takes out of the business.
 - Owner's draw is NOT the owner's earnings; NESE is generally the owner's earnings for Social Security purposes.



Shawna's NESE and Owner's Draw



- Shawna's NESE:
 - Step 1: \$2,000 Business Revenue - \$520 Business Expenses = \$1,480 Net Profit
 - Step 2: \$1,480 Net Profit x 0.9235 = \$1,367 NESE
- Shawna's Owner's Draws:
 - She moves \$1,200 of her monthly profits to personal account each month.
- Note: \$1,367 is her earnings for Social Security purposes, NOT \$1,200.

Tonya's NESE and Owner's Draw

- Tonya's NESE:
 - Step 1: \$3,000 Business Revenue - \$500 Business Expenses = \$2,500 Net Profit
 - Step 2: \$2,500 Net Profit x 0.9235 = \$2,309 NESE
- Tonya's Owner's Draws:
 - She moves \$2,000 of her monthly profits to personal account each month.
- Note: \$2,309 is her earnings for Social Security purposes, NOT \$2,000.



Recap on Business Owner Who is NOT an Employee

- No paycheck in this situation.
- NESE is the business owner's earnings:
 - $\text{Business Revenue} - \text{Business Expenses} = \text{Net Profit}$, $\text{Net Profit} \times 0.9235 = \text{NESE}$
- Owner gets earnings by taking owner's draws, which are some or all of the net profits
- Talk with a Benefits Planner (see slide 9) and stay tuned for more webinars that explain how NESE affects Social Security disability benefits.

Talk with Experts to Decide Whether to be an Employee or Not

- Several factors to consider when deciding whether to be an employee of your business or not.
- Talk with a Benefits Planner (see slide 9) and stay tuned for more webinars that explain how NESE affects Social Security disability benefits.
- Talk with a tax expert to decide whether to be an employee of your business or not since there are many considerations (e.g., paperwork and costs, tax savings, etc.).



Summary

- When a business owner is not an employee of the business, NESE is their earnings.
- NESE is Business Revenue – Business Expenses x 0.9235
- Talk with a tax expert to decide if you should set yourself up as an employee or not.
- Talk with a benefits planner (see slide 9) and stay tuned for more webinars that explain how NESE affects Social Security disability 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



Upcoming Webinars

Braiding Funding for Self-Employment – November 16th from 2:30 pm to 4:00 pm EST

[Click HERE \(DisabilitySmallBusiness.org/Events\) to Register](https://DisabilitySmallBusiness.org/Events)

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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[NDI and SBA Small Business Hub \(disabilitysmallbusiness.org\)](http://disabilitysmallbusiness.org)
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