

RAW FILE

INTRODUCTION TO SELF EMPLOYMENT SESSION 1
JUNE 2, 2026
1:00 P.M. ET

Services provided by:
Caption First, Inc.
Monument, CO 80132
719-481-9835
www.captionfirst.com

This text is being provided in a rough draft format. Communication Access Realtime Translation (CART) is provided in order to facilitate communication accessibility and may not be a totally verbatim record of the proceedings. This text, document, or file is not to be distributed or used in any way that may violate copyright law. This is a test of closed captioning. This is a test.

>> NIKKI POWIS: Hey, everybody! As you're coming in, we're just waiting for folks to get in. I'm just going to say welcome to the Self-Employment course presented today by Ray Cebula, Debora Wagner and Aleyda betweene. This was developed under a grant, HA21F240198 from the U.S. Department of Education and the Department does not mandate or prescribe practices, models or other activities described or discussed in this document. Contents of this webinar may contain examples of, adaptations of, and links to resources created and maintained by another public or private organization. The Department does not control or guarantee the accuracy, relevance, timeliness, or completeness of this outside information. The content of this webinar does not necessarily represent the policy of the Department. This publication is not intended to represent the views or policy of or to be endorsed by any views expressed or materials provided by any Federal agency. And that is EDGAR 75.620.

>> RAY CEBULA: All right. Let's see if I can find it again. Slide show, from beginning. There, I think we're all set. Thank you, Nikki, and thank you, everybody from NDI. We are really, really happy to be doing this course. It is the first time for us to present this new course, and again, it was created with a grant from the Department of Education, and Nikki asked us to do it, so we decided we'd help out. It's a very good topic. It's a busy topic. And we're going to try to get through all of this for the next five days while we're meeting.

The YTI Institution, the Yang-Tan Institute, is housed in the ILR School at Cornell. Aleyda, myself, and Debora are part of the Work Incentives Support Center that certifies people as work incentive practitioners, as well as provides them with technical assistance and all kinds of good stuff. There's our WISC team. Parker is one of my many dogs and is there to remind you that if you hear dogs barking, it's likely them, but they seem to be sleeping right now, so we'll forget about it now.

Here's our legal notice. It does give the same information regarding the Department of Education that Nikki talked about. It does also indicate that we own these materials and we can't have you out there making money with them or selling them. Feel free if you want, if you're doing a community presentation, to use them, but just don't sell them.

Today's presentation: An Introduction to Self-Employment. Preparation for Self-Employment. We're going to look at business planning, business structure, and tax issues. As you can already tell, we're going to be building an employment team that's made up of some very diverse professions, and it's all very necessary in self-employment, because while it might be an exciting venture, there are lots and lots of rules.

We're going to talk about Social Security's definition of self-employment and net earnings from self-employment. That's a new thing. When you're training to become a benefits planner, we don't talk a lot about this stuff. You're about to get into the waters, knee deep at the very least.

All right, so, Introduction to Self-Employment. Self-employment covers a wide variety of work arrangements: Working for yourself without an employer. I do that sometimes. I might have a little gig on the side. I am self-employed for those purposes. I am not self-employed when I work on a grant for Cornell.

Earning an income without someone else paying you wages. When I do contract in a self-employment situation, it's up to me to make the deal; find out how much I'm going to be paid, what the services are that I'm going to be delivering, and that person who's requesting my services is paying me, not necessarily a wage, but for the whole ball of wax. As we talk, you'll understand why that's not all wages.

And running your own business. You know, I always look to the Veterans Program on Self-Employment, because they do a real good job. They will actually give you courses and help in running a business. Running a business is a tough thing, you know, and the only person you have to blame anything on is yourself, so we're, hopefully, going to put that team together to get us started, and then we will be looking at what's going on in the long run.

So, examples of self-employment: Independent contractor. That's what I do when I am doing things outside of Cornell, of course, with my supervisor's permission.

Freelancer, pretty much the same thing. We look at that, like in news reporting. You may be a freelance writer and you're writing a story and trying to sell it to various news outlets.

Sole proprietor. That's one way of holding a business in which I own everything, you know, I own what's in that business. I own the money it holds. I own all the stock, you know, things like that.

Partnership. Aleyda and I going into business, you know. It's just a different format. Are we going to do that 100%? Or is Aleyda going to be that silent partner? You know?

A Limited Liability Company. This is going to provide a lot of protection, and that's why people look to that, limited liability. I own this, you know, but all you can get if you sue me is what is in the business. You can't come after my home, my cars, my personal bank accounts. Lots and lots of rules. And we're going to talk about those in terms of SSI and SSDI during the workings of the course because Social Security wants to know. They want to know who is owning what and what they are for.

Characteristics of self-employment. It's great. Flexibility. You can work your own schedule without being tied to one employer. You might have several different projects going on. Are you not able to work and get up early in the

morning? Maybe some medications are interfering with that ability to work very early? Well, you can push your schedule back. You can work in the middle of the night. That's up to you.

Special tax rules: Payment of estimated taxes each quarter and filing specialized forms. That's something a lot of people miss. If you're a worker, you know April 15th is your big day. Well, it may not be for self-employment. Every quarter you're going to have to pay estimated taxes and then reconcile it all by the 15th.

Receiving an IRS Form 1099-NEC documenting income based on the service performed for others. Every time I do that, every time I work outside of Cornell, those people send me a 1099 that shows the IRS what they paid me, and I then have to claim that. I will then use the deductions I have to get to that net earnings from self-employment.

Greater risk related to income fluctuations. That's not really a great thing to look forward to, but there is a lot of risk. The thing about a real estate broker that sells a house, works for six months, sells a house, and gets a big chunk of change. Well, they may not have any income for the first six months until that house was sold, and they may not have any income until they sell the next one. There's a lot of balancing. You're going to have to take that commission or whatever you get from selling a house and plot that out so you can support yourself for those months where there is no income. And there's no protection from unemployment or workman's comp. Your own protection against injury on the job is private protection. You're not going to get unemployment insurance. It's really your decision not to work, right? So you're not going to be able to -- there's no coverage for unemployment insurance in self-employment.

Gig work. My friend, Molly Sullivan, does a lot of work in this area, and it's a big deal now. You know, it's a growing field of temporary and freelance work performed by an independent contractor or an informal or on-demand basis.

Now, look at the statistics. They're from the Gig Economy Data Hub. More than 25% of U.S. workers participate in some gig work. Some of them have full-time jobs and they do Door Dash on weekends and at night, you know. I know somebody who does that. More than 10% of the workers rely on gig work for their primary income. You know, when I fly off to someplace to do a training, I've got my little Uber app and I get an Uber from the airport to the hotel. I may get an Uber while I'm there. All of that is considered gig work, and a lot of those drivers, when I'm talking to them, drive 12 or 14 hours a day, you know. That's their primary source of income. And about 1% of workers regularly use online platforms to connect with work opportunities. Those Uber drivers are watching, you know, they are watching for that ride, for you to post your ride, and they're going to claim it. So, that's one way this is happening.

Examples of companies that offer gig work. We talked about Uber, Lyft, Door Dash, GrubHub. I'm not going to go through all of these. Airbnb, VRBO, Etsy. That's a real big one, and a very big potential for our clients with disabilities who may want to sell things via Etsy. It's a great arts and crafts kind of thing.

Okay, planning is key. Preparing for the self-employment takes a lot of work, you know. If you start doing that today,

you're likely starting a business several months down the road, so it's not like you're just going to open a shop. That would be the very wrong way to do because you haven't done any business planning, you haven't decided what kind of structure you have, and there are lots of tax issues. Aleyda's going to talk to us about those.

Creating a viable business plan. You need one, you know. Think about PASS plans -- Plans to Achieve Self-Support. You need a business plan if you were opening your own business. You need a business plan, whether you're on benefits or not. You know, is this going to work?

Has there been a viability assessment? You know, people planning to start a business must think about the viability before they start their business. Now, if I want to open a little cart on the plaza here in Santa Fe, I can't just go up there, you know. I mean, what's my idea? Well, my idea is to sell everything related to the sea. I'm going to have sea shells and I'm going to have T-shirts with ocean scenes on them. Somebody may tell me -- if I'm talking about viability -- that this isn't the place to do that. How about some pictures of the desert? How about sand, you know? And we've got to make sure this is going to work where you are, and make sure of that before.

Again, the Veterans Administration does a great job. They will talk to you about the viability and suggest changes. I'm just using them as an example.

Who is the target customer? Well, tourists. You know, there are a lot of them here in town all the time. Think about the demand. Think about the market size. How many the carts are surrounding the plaza? What's my competition look like? How is my pricing? Is my pricing out of line with what's going on around me?

Then we've got to look at, you know, thinking about viability up front as the way to adjust plans and maximize success. Now, I know there are people out there who don't even think about that. They're going to open a food truck. They're going to park it. You know, lots of food trucks everywhere nowadays. They found a place to park it, but they didn't think about the viability. You know, are your hot dogs better than the other three carts? Is there anything special about your hot dogs? You know, things like that.

The Small Business Administration can help, if you're not a vet. Look at these two sites: Market Research and Competitive Analysis and Marketing and Sales. There's lots of good help available through the Small Business Administration.

Now, your business plan. It details the steps needed to make a business start-up successful. And there are lots of plans. They can be the traditional type, which are very detailed and comprehensive. My first step is to go to city hall and get a license to have a cart on the plaza. I am going to then develop what type of business, what structure do I want to put in place. Then I'm going to start looking at what types of stock; who are my providers going to be? So I have things to sell. You know, it's a step-by-step guide to starting and developing business, and it also is best to help you with funding or financing.

If you go to a bank with a shabby business plan, you're going to have pretty shabby chances of getting a loan for your business, or any other funding. You know, if you're meeting with a bunch of friends, right? We're going to have a start-up

party. This is what I've got. I want you to invest in my business. If I don't have a very detailed plan, no one's going to give me money to start the business.

Lean start-up plans. Draft quickly. You know, it's real fast. You can do it right now and have one ready before we leave here. It's only outlining the key elements: I want to have a cart on the plaza; I will be selling shave ice, you know? I have several flavors. The price is going to be \$6.95 for each serving.

That's about it, right? Not a whole lot of information there. You're not likely to get a loan, and no one's likely to give me money, other than my mom and dad, right? So, think about that. Which way do you want to start? Is this going to be a really big business, you know? If it's an HVAC business, you've got to have a very detailed plan to begin with because we're buying a lot of very expensive stuff. So, that's a decision you have to make when you're starting.

Now, resources for creating business plans. SCORE, the Service Corps of Retired Executives is a great place. They provide free services. They've helped many owners create a business plan, and they provide mentorship to small business owners. That mentorship is how to run a business. It's what the veterans do as part of their normal self-employment program. So, we have that same thing for the civilian population. Through SCORE. All you've got to do is Google SCORE New Mexico and you're going to get every hit. Or where those services are in New Mexico.

The SBA -- the small businesses administration -- again, Veterans Business Outreach Centers can help veterans, service members, and their spouses start and grow a small business. So, if the veteran chooses not to work with the Veterans Administration, the SBA's going to aggressive them somewhat parallel services.

How about the Women's Business Center at the SBA, particularly for women entrepreneurs that help other women to start and grow small businesses. Notice it's a lot of mentorship here, and that's very, very important, because you just can't have a business idea, write a plan, and imagine everything that might happen.

Business structures. These are very important decisions, too. You know, choosing the right business structure can help protect a self-employed worker. And we don't want to risk our well-being to have I small business. You know, if I want to start a small business, I don't want people coming after my home. I want that protected somehow to the greatest extent possible. So, the business structure will impact the self-employed worker every single day. You can just imagine, every day, if you're working with the public, something could happen. You know, the type of business structure will impact how self-employed people file taxes as well. So, we're putting together all of this stuff before our business opens -- we won't want it to happen to us by default -- so that we are aware of everything that's involved with each type of business.

And we have a handy dandy chart here. The most simple business structure is the sole proprietorship. I would own an unincorporated business myself. No legal process needed to form this. You've just got to go to the state office and register as a business. Maybe the city office as well. It's synonymous with self-employment, a sole proprietorship. But as I said earlier, I own everything. How important do you think it's

going to be to separate my funds from that business funds?
Yeah. To the point where the moment you decide this business needs a jump-start, I'll take \$50,000 of my money and put it into the business. You can't co-mingle this at all. It's a separate entity. The owner has personal liability for all the debts and obligations of the business. The business assets and liabilities are not separate from personal assets and liabilities.

Now, what I just told you was I'm going to keep all of those separate. What I'm also telling you is that when someone sues my business -- because I own everything -- they could potentially get to my personal assets, but I think no co-mingling is the best way to do this.

A partnership. Aleyda and I. Or maybe Aleyda, I, and Nikki go into business together, and we're going to own that business together. Both partners, or all three of us who are partners, have unlimited liability. So, if I'm not one of the big stakeholders here -- I'm doing more labor than I am putting money into this venture -- if they go after me and find there's nothing to get, they're going to go after Aleyda for all of it. And then, they're going to go after Nikki for what's left, if Aleyda doesn't have the resources to pay whatever is owed. Or any judgment. You know.

Limited Partnership. Two or more people, again, owning a business together. One partner is the general partner and has unlimited liability. So, if I am running the business and Nikki and Aleyda are general partners -- they might help with some labor, they might help run the store, cash out people, and they might have an investment -- they're going to have limited liability. But if you want the whole thing, you've got to come after me.

Business structures with more protection. That Limited Liability Partnership. This is like a Limited Partnership, except there is limited liability to every owner. So, if we set that type up, each one of us are going to have limited liability. It protects each partner from the debts against the partnership. If that business owes money, that's up to the business, right? That's up to the business.

How about a Limited Liability Company, an LLC? It's a hybrid partnership and corporation. This could be a great way to do this. It's still a little informal, but we also have to consider, again, what Social Security thinks about this. It's allowed through state laws. Some states require the LLC to be dissolved and reformed with new membership when a member joins or leaves. So, if Nikki says, okay, it's been five years, I'm out, Aleyda and I have to reform an LLC, or if Laura is going to take Nikki's place, we have to re-form that LLC.

Unless there's an agreement in place to buy, sell, or transfer ownership. You know, Nikki may have an agreement with the rest of the partners that say, when I step aside, my daughter's taking my share and will continue it. That's a particular arrangement we made with Nikki. That's okay. And it's protecting the owners from personal liability. That builds a wall around my house, around my retirement, around my bank accounts that are personal, you know, and leaves the debt to that business. You take what you want from the business. If it's not enough, that's too bad. That's too bad.

Corporate structures. Corporations, a C Corp formed under state or federal law. It's a separate entity. This, you know, Citizens United -- a corporation is a person. I don't like to

think about that, you know. I don't agree with that, but there is a separate identity. The corporation files taxes. We don't file taxes as Ianers of that corporation. We file taxes based on what we made from the corporation. And the corporation is the entity that is liable.

Do you want to chase General Motors through all of their stockholders, or do you want to just go after General Motors? You want to go after just General Motors. There are millions of stockholders.

And an S Corporation. It's formed under federal and state law, again. To qualify into IRS rules, it must be a domestic corporation, so within the United States. Shareholders must be individuals. Certain trusts or estates, so non-human entities can be part of this. No more than 100 shareholders and only one class of stock. It's kind of like a C Corporation when it comes to potential liability. All right, so, those are some of the formats. Those are the most common formats.

And the next step for starting a business. Choose a business name and register it with the state. Ray's Hot Dogs. You know, that's my business name, you know. Somebody may say, you need something snappier than that, Ray, but Ray's Dogs. And I'm going to register that with the state of New Mexico to protect that name.

If required by business structure, obtain a federal ID number, giving that business its own, basically, Social Security number to have everybody file taxes on behalf of the corporation, using that number.

If required, obtain a state tax identification. It's probably likely, you know. It's likely to be required in most states. Check what licenses and permits might be required. You know there's going to be licenses and permits to do anything on the Santa Fe Plaza. They're going to want to know who was out there selling things.

Open a business bank account. Again, keeping things separate. Very important. This is very important. And we have a question: Does co-mingling include paying yourself once in a while?

No, it doesn't. It means that the business you own, you may be taking an owner's draw as a salary. That's going to be important when we talk about Social Security. If Social Security sees that you're not taking any money and you're investing all of your profit into new stock, they're going to say, hey, you know, let's start taking this. Are you doing SGA? Are you drawing enough out that it might impact your SSI? So, we're looking at this through two lenses the entire time for our people who are receiving benefits from Social Security.

And secure. I wish I could see that now. That box keeps popping up on me. Secure business insurance to protect the business. Insurance is something that needs to be done before you can open your doors to your shop or push your coordinate out. You've got to have that. That insurance is going to be in all of the business formats. The best thing you can do to protect your personal assets is have enough insurance from the private sector that's going to protect you from most things. Kind of like what we all do for our own homes, our own liability.

And I'm going to turn this over to Aleyda, so let me stop sharing. I got through that really fast, Aleyda.

>> ALEYDA TORUNO: Yeah. But yes, let me put my presentation up and I'll have a few things to say. All right.

Can everybody see that okay?

>> RAY CEBULA: Yep.

>> ALEYDA TORUNO: All right. All right, so, just a couple of things. I'm going to talk about tax issues, but there are some questions people already are asking, which are great questions. Just I'll -- at the end -- towards the end of the presentation, I'll go over the schedule so people will know when we're talking about Title 2 SSI and what else we'll be talking about, because I know we are getting some specific questions about SSI and Title 2, and we will get to it, and I'll let you know the schedule.

In the meantime, I have the pleasure of talking to you about tax issues, right? Now, we are not tax experts, and we don't expect you to be tax experts, so we're going to talk about how to find a professional to help you with these tax questions and these tax issues that come up, and we'll give you sort of an overview before that about some tax issues to know about. All right. So -- ooh, it's not letting me go. Let's see. Let me try my arrow. Huh. All right, there we go. There we go!

All right, federal tax forms for self employed folks. So, self-employed folks have to file their taxes, and they must file them by April 15th, unless, of course, they get an extension. So, people can always ask for an extension and they can do that.

And then, some of the tax forms are going to sound very familiar. Some of the federal tax forms that are commonly used by folks that are self-employed include that Form 1040, which you might be familiar with if you do your taxes. But the other forms include one called a Schedule C, and that's going to apply to most people who are self-employed. If you happen to be self-employed in the farming business, there is a Schedule F that you would be using.

And then, there's the Schedule SE. And if you're having net earnings that exceed \$400, you'll be using this. Now, net earnings -- remember, Ray mentioned -- is what you make, minus your overhead. And what you have left is your net earnings. And these extra documents are used for very specific purposes. They're to document business expenses that can be deducted, right, based on IRS rules, and also to calculate the Social Security and Medicare tax that people have to pay. All right.

Now, folks have to pay quarterly estimated taxes when they're self-employed, right? Not fun stuff. And this is based on self-employment income projections for the year. And there's a lot of projection going on for people that are self-employed. You don't know what you're going to be making at the end of the year. You're hoping things will go great, but it's all based on projections, and really, it's up to the worker to calculate the amount and make the payment, which, you know, that's going to be difficult. So, you may need to work with a professional.

And then, some self-employed workers must also pay quarterly state taxes, state estimated income taxes, so there are also rules for the state that you must be familiar with. So, the person who's going to be self-employed has to be aware of state rules as well.

So, one thing is that folks who are going to be self-employed, among all the other things we've talked about so far, is that you do really need to advise self-employed workers to save income each month for quarterly taxes, right? They need to do this so that there are no surprises, right? Nobody wants a tax bill that they can't pay. No one wants to be surprised by how much they owe, so planning, planning, planning. Ray said

it. There is a lot of planning when it comes to be self employed. I worked with a lot of people who just jumped into the water and started doing it and we had to backtrack to make sure that things were in place; they knew what to do. But it's best to plan. Really, it is best to plan.

Now, a tax professional can help with estimating taxes, and that's really what a self-employment person should do is work with a tax professional. We'll talk in a little bit about how to find a tax professional. And again, a tax professional will help based on projected self-employment income, all right?

Now, a little bit of bad news, but I'll share some good news when we get to talking about Social Security and how they look at net earnings from self-employment. But folks who are self-employed will often be paying more in taxes, and here's why. Self-employed workers pay income taxes based on net business income. Again, for purposes of the IRS, net income is what you make, minus those IRS-approved business expenses, right? Those get deducted and what you have left is your net.

Self-employed workers may also pay self-employment taxes, and these consist of the FICA amount, right -- Social Security and Medicare -- that normally an employee would contribute as a deduction from their paycheck, right? If you look at your paycheck, you'll see that deduction that you pay. And they also pay the FICA match from the employer. Now, if an employee was working for an employer and you're not self-employed, this tax would be a deduction, first in your paycheck, and then the employer would match that amount. When you're self-employed, you're paying both, okay? How this precisely plays out will depend on the business structure. But that's important to know.

All right, so, let's look at some other tax details based on the type of business structure. So, as Ray mentioned, there is the sole proprietorship. Business assets and liabilities are not separate from personal assets and liabilities, right? The owner pays income tax on net profits, right -- what did you make and what are those expenses -- as well as self-employment FICA taxes for Social Security and Medicare. So, again, it's possible that the person is going to be paying more than if they were not self-employed and just working for an employer.

Okay, what about a partnership? Is the partnership each person contributes money, property, labor, or a skill, and they're also going to share in that business's profits and losses. A partnership must file an annual information return to report that income or any deductions, any gains and any losses. But it does not pay income tax. Instead, it passes through profits or losses to each of the partners, and then each partner reports their share of that income, of that partnership's income they get or loss on their personal tax return. But partners are not considered employees, right? They're not going to get a W-2. They shouldn't be issued a Form W-2. The partnerships get provided with something called a Schedule K1, and it goes to each partner. Or K-1 is also known as Form 1065. All right.

And then, what about an LP, Limited Partnership, and the Limited Liability Partnership? Profits pass through each partner's personal tax returns. If there is a person designated as a general partner, a general partner also pays self-employment taxes. So, again, if people are planning and they know everyone's role and how it works in their state, this is all very important for planning purposes, and obviously, for tax purposes.

If someone has a limited liability company, owners are

considered self-employed and must pay self-employment tax, FICA contributions for Medicare and Social Security, which we all pay, but the self-employed person must also pay those.

All right, so, when it comes to corporations, things are going to look a little bit differently and this is where you need to be careful. So, there's two types of corporations. A C Corporation. The corporation is taxed separately from the owners, because a corporation is considered an entity of its own, right? Shareholders are taxed on the profits, and the profits are distributed as dividends to the shareholders, okay?

And then for S Corporations, they're -- unlike C Corporations, where both profits are taxed at both the corporate level and again when those dividends get distributed, the S Corporations are taxed only once, and it's through a pass-through of net income to the shareholders who report it as personal income. So, the S Corporation provides each shareholder with that K-1 form I mentioned earlier, and that's to report their share.

And then, any shareholder who provides significant services to the corporation -- maybe they provide accounting services or they represent the corporation in some way regularly -- they must also be an employee and they must be issued a W-2 and pay employee FICA taxes via paycheck deduction, and the S Corporation must pay the employer FICA match. So, that's starting to look more like an employer-employee relationship and less like a self-employed relationship, so keep that in mind when you're looking at corporations. Again, planning is the most helpful to know all the roles in any of those tax issues.

All right, state and local taxes. So, we mentioned this earlier. A state may have special tax rules for people that are self-employed. So, not only do you have to deal with federal rules, but you also have to check with your state tax rules. A few states tax business income, so be sure to check how your state taxes different business structures. So, there's got to be some research done into the local rules.

In addition to that, a city may have special self-employment tax rules, so it's not only the state, but the city where the business exists, okay? All right.

All this to say, you have to consult a tax professional. I can't emphasize this enough. These tax rules can be very complex, so it's really important to talk with a tax professional early on. Again, planning, planning, planning. Early on in the self-employment planning process is when all these issues should be discussed, worked out, and the research should be done. It's so important for self-employed individuals to be versed on recordkeeping. They need to understand the recordkeeping and tax filing requirements before they start working. As I mentioned earlier, some people go all in, not really knowing what they're doing, and we had to reverse back and find receipts and find things that they were spending money on. So, again, it's best to plan, to know what's important to keep, and how record keeping will take place.

Now, with our digital age, things are really easy to track and scan and file away, but not everybody has the capacity to do that, or they'll need to learn a way to keep that on a computer, right?

Now, the IRS website has really great tips for choosing a tax return preparer, so check out this link when you have a chance. We also have some additional resources for you. Whoops! Went too fast there. There is a really great tax guide

that is published by the United Way. If you try to click on this link, it may not be working. They're going to put the link in the chat box in just a second. But it's really a great resource. It's an outline that sort of takes you through the different tax issues in a variety of fields.

And then, also another one called The Nerd Wallet. They have -- it's a business, and they have a helpful article: "How to Find a CPA or Tax Accountant Near You." It's all about how to find a qualified certified public accountant or tax professional. You want to find the one that works best for what you're looking for in terms of your business. And of course, the IRS website has helpful information, not always user-friendly, so I think a combination of looking at the United Way information and the Self-Employed Individual Tax Center from the IRS website will be helpful. They have a little bit more details about self-employed folks and taxes, so check that out.

All right. Let's get started with looking at how Social Security defines self-employment, all right? So, this is going to be really interesting. And again, when we finish this section, I'm going to go over the schedule so you'll know what we're covering at each section. Some of you had some great questions about SSI and Title 2, so I suggest hold off until we're in that, until we're talking about those topics, SSI and Title 2, which we will get to. All right.

So, here's how Social Security defines self-employment: You're self-employed if you operate a trade, business, or profession, either by yourself or as a partner. Pretty easy, right? Pretty easy definition. Okay. What Social Security is trying to do is distinguish self-employment versus a hobby, okay? Because if it's a hobby, then it's not going to be counted for purposes of determining whether you're working above or below that substantial gainful activity.

So, if a person claims they made money only from a hobby and are not self-employed, SSA will consider a lot of facts, right? Did they intend to make money? You know, when I sold that widget on Etsy, was I trying to make some money? Did they perform routine activities or continuously operate? Do I have, you know, a site on Etsy where I'm selling things on a regular basis? Do I do this on a regular basis? Do other people perform the same activity as an occupation, right? There's people who sell their products on websites, on platforms. You know, when they create a work of art, they can do that as well. They can use platforms or websites.

Did they tell people in their community that they are engaged in selling goods or services, right? Are they advertising their product that they're selling, whether it's on a website or a platform, right? So, it could start off as a hobby, but if you're making money doing this on a regular basis, it's something that people do to make money and you're advertising it, then it will likely be considered self-employment. But it is considered hobby, then hobby income does not count as substantial gainful activity at the time performed. All right.

I keep forgetting it doesn't let me use that arrow. All right. So, now let's take a look at what counts as earned income for Social Security, right? And this is going to apply to Social Security in general, whether you're on Title 2 or SSI. And again, we will get to those specifically at a later date. So, let's talk about net earnings from self-employment, or NESE. I usually say NEE-SEE, but I understand why it's NESE. If I

use it interchangeably, forgive me. NESE.

All right, what is net earnings from self-employment? All right, so, Social Security will count net earnings from self-employment. And remember, I mentioned to you that the IRS looks at what your net earnings are, right? It's what you make, minus those business expenses. And Social Security looks at the same thing -- business expenses using the same deductions allowed by the IRS. So, a person will use those IRS deductions, and Social Security will recognize those as those deductions normally provided by the IRS. They're probably looking at your tax returns, right? And we will talk about reporting at a later date.

All right. They also, though, will deduct the share of FICA taxes that an employer would pay an employee because self-employed individuals must pay this tax themselves. Remember, I mentioned that that was a little bit of bad news for folks who are self-employed, because not only are they paying that FICA tax, but they're also paying the employer's share that would normally be paid by an employer if they were employed regularly and not self-employed, so Social Security takes that into consideration, and they say, we'll not only give you all of the IRS deductions, but we'll also give you a deduction for that tax that normally is paid by employers. I'll take it, right?

Okay, so how does this look like in practice in terms of Social Security?

So, the way Social Security will look at this is they want to know what net earnings is annually, right, what the year looked like for you, and then they're going to divide it, and how they divide it will depend on which program you are on. All right? So, for SSDI folks -- or Title 2 folks -- income and expenses are divided over the period worked, okay? So, if you started your business -- you planned, planned, planned, and started your business in July, then when you report your income to Social Security for purposes of how they'll divide that net earnings from self-employment, it would be from July through December, for a six-month period, because this is regardless of when the income was earned or the expenses were paid. They're looking at when you were actually in business.

Now, for SSI, it's a little bit different. Income and expenses are divided over 12 months, regardless of when the income was earned or the expenses were paid. And you're saying, what? Yeah. So, if you started your business halfway through the year, what you make in terms of your net earnings will be divided by 12. Okay? By the entire year.

All right. Now, what is Social Security going to look at? They will use the IRS tax forms as evidence of business income and expenses, so they'll look at your tax forms. That's what you can submit. If the individual does not file tax returns, they can give SSA a signed statement of income and expenses. I often had to do this with clients who had small businesses and weren't keeping track of things, and so we would create a spreadsheet -- Word, not Excel, nothing too fancy -- along with a statement of what's going on with their business, what they made, what their expenses were. But again, planning, planning, planning will, hopefully, allow you to provide your tax returns.

And then, Social Security multiplies that net income. Remember, they're going to give you that credit. So, SSI multiplies net income after expenses are deducted by 0.9235 to give credit for the share of FICA taxes that an employer would pay for employees. Remember, that is a bit of good news, is

that Social Security recognizes that the self-employed person may be paying this tax because they are indeed self-employed, and so, they multiply what's left by that number, and it lowers the reportable income. All right?

So, do we have any questions that we need to address? For some reason when I presented, it's not showing me the Q&A box.

>> RAY CEBULA: Yeah, that's okay, Aleyda. I'm getting most of them. Some of them are going to wait until we finish with it all to get them.

>> ALEYDA TORUNO: Okay. All right. Awesome. All right.

So, let's summarize what we talked about, and like I said, I'll talk a little bit about the schedule for the next sessions. All right. So, let's summarize what we talked about.

Many people are self-employed in today's economy. It is very flexible, especially, for people with disabilities. They're able to work when they can work, take a break when they're able to take a break for long periods of time. That was the enticement, right, of self-employment. When I worked with clients, they could work in the morning, take the rest of the day off, come back to work if they felt good enough to work. It's very flexible that way.

Now, before starting self-employment, an individual should develop a business plan. We talked about all the different reasons why a business plan is important. One thing it's also important for is for funding. If somebody wants to fund you, they're going to want to look at a business plan, right? Consider the business entity that best works for them. You want to think about all of these things before you put your shingles up, right? And learn the tax requirements for that business entity. So important to plan and to make sure that you are collecting the information you need to collect and saving the money that you need to pay for those quarterly taxes, right?

A person should definitely seek out professional help. Professional help is available to help with these business planning tasks. Find a person you're comfortable working with to help you plan, plan, plan.

Now, as I introduced to you the Social Security definition of self-employment, you can see that Social Security has its own definition of self-employment. They are still looking at that net income, but Social Security uses net earnings from self-employment when applying work rules for SSDI and SSI, and net earnings from self-employment is going to be those net earnings -- just like IRS looks at -- and then they also have that additional deduction of 0.9235. Okay?

Now, Ray is getting to your questions. If we missed your question or have follow-up questions, you can always contact us at wip-credential@cornell.edu. All right.

So, just wanted to mention what our schedule looks like for the next four sessions, because there are five sessions altogether. Session 2 will be Title 2. We will talk about Title 2 in self-employment. Session 3 will be SSI in self-employment. And then in Session 4, we're going to cover health care, such an important topic for folks that are going to be self-employed -- what health care will be available to them -- Medicare, Medicaid, and other health care options. And then finally, we're going to talk about vocational services and we'll do some practice exercises in Session 5. So, watch out for that.

All right. Any other questions that we need to address? Wow! Did we finish early today?

>> RAY CEBULA: We finished really early. You know, I do have a couple things I could clarify since we're doing this.

>> ALEYDA TORUNO: Okay.

>> RAY CEBULA: I think this session -- and somebody pointed this out -- one of the benefits planners pointed this out -- this session, I think, puts our ability to help our clients under a microscope, you know. And I think as benefits planners, we're not able to do this. I would never advise a client of mine who came in for benefits planning and wanted to be self-employed what type of business structure they should choose. I just don't know enough. And when I was talking earlier about building your self-employment team, that's why we need SCORE. We need SCORE to get a business plan, we need it for the mentoring, we need it for that decision as to business structure. We need an accountant, somebody who does business taxes. You need the benefits planner to figure out how all of this is going to impact the SSDI, the SSI, and all of those other benefits -- the SNAP, the public housing. What is this going to do to someone's benefits?

So, I think that the best thing you can recognize is that we can't be everything to everybody, you know. We need to know our own limits and pull in other expertise. I think it's like almost doing anything we do. You know, if you're doing something, you're not sure about it, you pull in some expertise to get that question, and we really need that extra help during the planning phase, and then after the opening phase, that mentorship is going to be very, very important.

The other thing I want to clarify is CEUs and CRCs. You know, we do know who's here. We do know who is not here. And, in order to get 7.5 hours of CRCs, you need to attend 7.5 hours of sessions. These are being recorded. And I know somebody wrote a while back and said, I can't make this particular class. We can get you that slide deck for that, and the recording for this, and you'll have to go through that.

Laura tells me that we can also tell, if we send that to you, whether you spent five minutes in that session or the entire hour and a half. So, we're pretty serious about the CRC things, because Cornell has, like, blanket authority to do this, and we can't mess it up for anybody.

The CEUs for benefits planners that are credentialed by Cornell, same deal, 7.5 hours if you attend everything and/or make up those courses. If you don't, you're going to get what we know you attended. For those people who are doing this as a benefits planner from Cornell, please don't get offline and put an hour and a half in. Wait till the end and put one entry at 7.5 hours. Or if you're not going to make up a class you missed, put in 6 hours. You know, there's a lot of honesty that we depend upon to do that, but in this case, we can actually tell a whole lot, you know, at least according to Laura. I don't know how well that works. So, that's about that. And the operation of the course.

I think I'm going to be with you on Thursday with Debora, and then Aleyda will be back next week. There will always be at least two of us here to get through this stuff. And we did cover a lot of stuff and we certainly did not cover everything. We went through those business structures and tried to pick out the most common ones and certainly didn't give you examples of everything. You know, people have pointed out that you can use an LLC or an S Corps if you are a sole proprietor. Yeah, you can, you know, but I'm not going to tell somebody that. I want

to talk to somebody at SCORE about that, you know. And the SCORE people are going to give you the whole ball of wax. So, if you're not an expert at business structures, you know, we shouldn't be -- we should give a couple examples. This might happen. This might happen. Let's call Joe at SCORE. He's the guy.

And taxes, most certainly. The only thing I learned about tax in law school was that I should pay somebody else to do mine, and I have done it. I have taken my own advice. You know, the taxes are going to be a different thing. When I get money -- I'm on a panel, and they send me a couple, some small change every once in a while, and I have to remember, when the quarter's over, I need to file taxes on that, you know. Just estimated, but I still need to get something, because if I don't, and file them in a later quarter, the IRS could assess penalties. Not a big deal where I'm coming from, because I'm not doing that much, but those are the things that I think most of us as benefits planners need to deal with, but only on the surface. You know, let's talk to an accountant. I am not an accountant, you know. I barely make my Texas Instrument solar calculator work right, you know? Do I have a sleeping dog? Oh, yeah, I do have a sleeping dog. Someone just pointed out, the dogs are here! You know.

>> NIKKI POWIS: It's not just the sleeping dog question, Ray. It's also, people are very concerned about you having snow out your door.

>> RAY CEBULA: Oh!

>> NIKKI POWIS: We've had several of those.

>> RAY CEBULA: You know, it's not snow. You know, I think we're done with snow up here in the mountains, but today, they said we might have monsoon-like conditions by dinner time. And we are a little early for monsoon season, but it's June, so you know, monsoons are a situation where those clouds are coming in and in the blink of an eye, you'll have a downpour that might last five minutes, might last a half an hour.

>> NIKKI POWIS: It does look like there's snow outside.

>> RAY CEBULA: Yeah, it does, doesn't it?

>> NIKKI POWIS: Yeah. We still do have a few questions in the Q&A. Did you want to have a look at some of those?

>> RAY CEBULA: Okay.

>> NIKKI POWIS: Someone's asking about a consumer who wants to start a business as a 501(c)(3). How does that fit into self-employment? So, that's nonprofit status?

>> RAY CEBULA: Yeah, that's a nonprofit. You know? I don't think -- the nonprofit's going to have to file its own taxes. That's for most -- that's certain. I don't think that 501s or 401 -- whatever we call them -- is going to protect you from in of the scrutiny from Social Security. They are looking at what you're doing. They're looking at is this 501(c)(3) paying you for the work that is being done. We'll get into a lot of that when we talk about benefits.

We talked today about structure and taxes, nothing to do with benefits. You've got to remember, the IRS is going to look at this as an IRS issue, and Social Security's going to look at it as a work issue. So, I think opening up a nonprofit is fine. If I am running a nonprofit that I set up, you have to pay me. You know, most of the non-profits -- I mean, everything -- lots of things are non-profits, but think about a small nonprofit, you know?

If I'm setting up something to rescue more puppies, you

know, that is going to require work on my part, and Social Security's going to want to see some appropriate wages. And in self-employment for Social Security, we're also looking, if you don't have money, how much labor did you provide? Was it 80 hours a month? If it is, you're using a Trial Work Period. Social Security could, when we're looking at counting income, say, look it, you're not making that much money, you know. You're getting a couple hundred dollars as a draw every month, but you are providing some serious services, so let's look at other non-profits and see how much somebody who works 25 hours a week at this nonprofit would be making.

Look at comparable employment situations to determine how those compare to your situation. And if you're out of whack, you know, they are not going to slap you upside the head, but they could find that you're doing substantial gainful activity, you know. So, we'll talk about that in much more detail later. And that's not only for a nonprofit, that's for a sole proprietorship as well. And when we get to that, you'll see that Social Security doesn't like that for SSI folks because they basically look at it as a way to hide your resources and your income. And they don't want that, so they're going to look at that as well. And the first step in that sequential evaluation is, are you doing SGA? It's not, are you earning money, necessarily. SGA could be the amount of service you're providing to a business, despite the fact that you might not be making money. And --

>> NIKKI POWIS: We have a few things about 80 hours and all of that, so it's good that you're clarifying that. And again, reminder that that will be in more detail in a subsequent session. Area.

>> RAY CEBULA: Oh, yeah.

>> ALEYDA TORUNO: And you can't be faint of heart if you're going to do a nonprofit or any corporation, because it takes a while for Social Security to understand what is going on with that corporation and what money's coming in, who's getting paid; are you a contractor? Are you a -- and so, it takes a while for Social Security to really get that. And so, in the meantime, you're kind of on pins and needles trying to figure out, are they going to get it? Are they going to get it? I've been through that with clients where they're waiting and waiting and waiting. So again, it's not for the faint of heart. If you're willing to do a nonprofit, it could be very rewarding, but in the end, you may be considered self-employed in the future and making good money, but by nature it's a nonprofit organization. So, what's really the goal? Is the goal really to start a nonprofit or to make money? And I don't think they're one and the same when it comes to non-profits, so.

>> NIKKI POWIS: There's a few questions about NESE. Do you want to answer those, or that will be covered?

>> RAY CEBULA: We're going to cover that in more detail --

>> NIKKI POWIS: Later on. Yeah, there's several of those. There is --

>> RAY CEBULA: There is one here about projections. We're going to talk about how Social Security is at NESE and how the first year's going to be handled. We're making a lot of projections across the years.

>> NIKKI POWIS: Yep. Okay. I'm looking through all these questions. I know you can see them as well. One question's very general: If you're self-employed, how often do you have to report your income to Social Security?

>> RAY CEBULA: Rules are the same. SSDI, by the 10th of the next month; SSI, the 6th of the next month. So, your reporting's going to be the same, because you know, you're not the reporting for the business; you're reporting for you as a recipient.

>> NIKKI POWIS: And someone wanted a clarification that Social Security looks at net earnings with SGA, not gross like regular employment.

>> RAY CEBULA: Right, exactly. NESE's the game.

>> NIKKI POWIS: There are a lot, lots of questions! You guys can look at them as well to see. And a reminder that if your question doesn't get answered, it's not that we're not meaning to get to it, and we will be answering all of them that we can answer, or they will get answered in a subsequent session.

>> RAY CEBULA: Yeah, I'm going to own up to this one. Wendy's asking, would you be able to discuss an LLC as a disregarded entity? Absolutely not. I don't know what a disregarded entity means, you know, so I am at my limit. I'm going to call in the expert to help answer that question.

>> NIKKI POWIS: Right. We've still got another couple of questions about attendance and stuff. I think Ray covered that really well. Whether you're on the phone or you're still on Zoom, you still show up, so you know, don't worry too much about that.

If I'm not receiving benefits, is this a course for me? Well, maybe not, but there's some good stuff about general business.

>> ALEYDA TORUNO: Can I answer one of these questions?

>> NIKKI POWIS: Yes, please! Because I'm trying to go through them all, so any you want to answer, please do.

>> ALEYDA TORUNO: If someone on their tax documents already pay their FICA tax, what if -- safe to assume this is not going to calculate it further? So, a lot of times what happens is that Social Security finds out that there's self-employment, the person's already filed their taxes. This 0.9235 rule is a Social Security rule, so absolutely, you can get that implemented. So, if the person's done their tax returns, they paid what they needed to do and taking care of everything with the IRS, and they want to present this information to the Social Security Office and make sure that they also do that 0.9235 deduction.

>> NIKKI POWIS: Ray, can you repeat the days of the month that you had to report for SSI and SSDI? Someone didn't catch it.

>> RAY CEBULA: Yeah. For an SSDI recipient, they need to report their earnings or their takes from the business by the 10th of the following month. We just passed, so I have until the 10th of the month to report what happened in May. For SSI, it's becoming much more merchandiseized and we need to do that earlier so the computer catches up with us. And if I were on SSI, I would be reporting my May income by June 6th. For those of you who have been around a while, it was the 10th for both. I think it's within the last two or three years that they changed SSI to the 6th.

>> NIKKI POWIS: Okay. Someone's asking about accessibility and friendliness of tax platforms. I have absolutely no idea. I don't know if anybody knows if some are better than others. I think that would be an IRS question, I guess, or some tax preparer.

Did you see the one about tax exemptions that apply if you're self-employed and working for another oorgs?

>> ALEYDA TORUNO: Tax exemptions are based on the IRS rules, are whatever the IRS allows as tax exemptions, so --

>> RAY CEBULA: Yeah, I think if you're employed by somebody, there may be some exemptions for you. And if you're self-employed at the same time, it could be a whole separate set or maybe the same thing. That to me looks like a mess, and that to me means get an accountant.

>> ALEYDA TORUNO: Right. There's a lot of questions about reporting, and I'm pretty sure we're going to address reporting, but it is confusing because there are a lot of projections, right? For folks that are starting their self-employment business, they're not going to know what they're really, truly going to earn until the end of the year, right? And so, they may need to report an estimate of what they're going to be making each month. It could be wrong. They could be way off. They could be on. They could certainly project it correctly. But the bottom line is they have to report something to Social Security in the process of them starting this business -- what their projections are going to be -- that's why working with a tax advisor to try to get that projection is really important for Social Security purposes, to report what they think they're going to make.

Once they do their taxes, they get that tax filing done and all those schedules done, then that can be provided to Social Security, and then everything can be reconciled, right? What did they actually earn?

>> RAY CEBULA: Yeah, and I think that that report would come much sooner if you estimated, I'm going to be making \$1,500 a month and it turns out you're making \$750. Even during that first year when you're projecting, you know, and waiting for that reconciliation at the end of the year, if you do interrupt \$1,500 number by a much lower number or a much higher number, I would report that as well.

>> NIKKI POWIS: This is kind of related to what you're talking about, but someone's asking if it means someone on SSDI doesn't need to try to track their monthly income but can just divide their yearly earnings by the months the business was open. I don't think that's what you're saying.

>> ALEYDA TORUNO: No. I can speak from experience that most businesses -- even non-profits, of which I will be very well aware of -- Ray's laughing. He knows what I'm talking about -- track their business expenses on a monthly business, right? So, there's tracking for purposes of the business, and then there's reporting for purposes of Social Security. At the end of the year, someone will know what they made, right, when they do their tax returns? And Social Security will take a look at that, and if you're on Title 2, it will be divided by the number of months that the business existed and the person was working in. And for SSI, they'll divide it by 12, the number of months in a year.

>> RAY CEBULA: Yep. Yeah, and I think that little discussion -- what Aleyda just said -- needs to be reinforced. We have all of the business planning, the business taxes, the business structure. And when we're dealing with folks who are receiving benefits from Social Security, we have a whole different set of rules that may not be consistent with tax rules. They're Social Security rules, and we have to pay attention to both things. It could be that we're counting

different things as income, or not income, for taxes. When we get into that worksheet, we're going to look and see, do we have IRWEs -- impairment-related work expenses? Well, your accountant's going to try to make those IRWEs a business expense, because you get a dollar-for-dollar back, right, rather than the 50 cents on the dollar for an IRWE, but how many of those? Is that going to include my blood pressure medication? I don't think so. But some IRWEs could be a business expense income and reduce to NESE in a different way. So, we're looking at taking people who are vulnerable and putting an extra set of rules from SSA on top of all of the self-employment we discussed.

>> NIKKI POWIS: Couple of questions about different types. So, any consideration for self-employment work that is performed remotely, possibly for customers in other states and/or professional services consulting?

>> RAY CEBULA: Yeah, you know --

>> NIKKI POWIS: Does it matter what kind?

>> RAY CEBULA: It doesn't matter. And I think that's the wonder of what we're trying to do now, to allow people to become self-employed. If you can work out of your home and do this, that might be the magic ticket for somebody with a disability, you know, and it doesn't matter if your business is one state, you know, one county, or the entire country. You have to figure out where that's going to be incorporated, right? Aleyda? What all of that stuff happens. That's another question. You know, you may not be incorporated if you're going to go that route in the same state that you work in. That's why all of these Delaware corporations exist, right? It's real easy to incorporate in Delaware.

>> NIKKI POWIS: This is an interesting one. It's about the use of AI to help you get your hours, and has there been any precedent on this?

>> RAY CEBULA: AI makes me nervous at this point.

>> NIKKI POWIS: Mm-hmm.

>> RAY CEBULA: It's everywhere. I think we're going to have to deal with it. I know that it doesn't speak Social Security very well at all, you know. It's made some progress, but I think if you were looking to see how many hours a month I could be expected to work in X business and make it a success, I think that's a valid question to ask AI and come up with something.

You know, some of the estimates -- what does a plumber make in Dallas, Texas, you know, if they own their own business? Yeah, you can do that. So, I think AI might very well be something that Social Security will pay attention to and look at almost over and above what the recipient thinks, you know, because you're not cheating with AI, right? And we've got to admit that Social Security's always watching very closely in these self-employment situations. Because it is so easy to make things in your personal life part of the business and back and forth, and Social Security's going to want to look carefully. But if you have an AI that told me a plumber in Dallas, Texas, is making \$75 an hour and I'm expecting that I have the ability and the capacity to work for 25 hours a week, we've got some solid numbers for Social Security's guestimates, you know, and we'll watch that during that first year; make a change if we need to, but at the end of the year, we're going to reconcile and at that reconciliation, you'll determine what your estimate is for the next year.

>> NIKKI POWIS: Are you going to address overpayments, somebody's asking, in a subsequent session?

>> RAY CEBULA: Well, not during this course, we're not. That's up to you, Nikki. We'll have to talk about that.

>> NIKKI POWIS: We have the other webinars that you've done. I'm not sure that you covered overpayments in those, but yeah. Okay.

>> RAY CEBULA: We usually fight over who gets to do the overpayment sessions. They're very exciting.

>> NIKKI POWIS: Okay. We are down to the wire with time here, so just a reminder, we are going to try and get through all of your questions. We may not get the answers out for two or three or four weeks because there's a lot, but we'll do the best we can. Recordings are available.

Laura, who is amazing with NDI, she is going to try and get those out in the morning, so you can rewatch or you can also, you know, if you missed some of it or something, and that will be the case moving forward, so when you have to miss a session, you can watch it. And remember, you don't have to tell us who you are or that you've watched it. We can track that.

So, yep, I think we probably should just be done with questions for now because we are out of time.

>> RAY CEBULA: All right.

>> ALEYDA TORUNO: Thank you, everyone.

>> RAY CEBULA: Thanks, everybody! And I'll see you on Thursday. Bye-bye, Nikki. Have a good one.

>> NIKKI POWIS: Yeah, thanks.

(Session concluded at 2:28 p.m. ET)

This text is being provided in a realtime format. Communication Access Realtime Translation (CART) or captioning are provided in order to facilitate communication accessibility and may not be a totally verbatim record of the proceedings.