



SELF EMPLOYMENT GUIDELINES

The Division of Developmental Disabilities supports the principles that people with developmental disabilities should receive the supports they need to pursue meaningful and productive lives and achieve full integration and inclusion in society through relationships and work, in an individualized manner, consistent with the unique strengths, resources, priorities, concerns, and abilities of each individual.

The Division has established the following guidelines for self-employment services to people with developmental disabilities.

GUIDELINES WHEN CONSIDERING SELF EMPLOYMENT

An individual electing to start their own business needs to develop a business plan, conduct a market analysis for the product or service, and establish the infrastructure to support a successful business.

When considering or preparing for Self Employment, the following should be done:

1. Complete a market analysis of product and business viability.
2. Develop a business plan and marketing plan.
3. Develop a business infrastructure to sustain the business over time.
4. Contact the Office of Rehabilitation Services (ORS) or the Department of Labor & Training (DLT) to determine possible funding for business start up; *(Note: both agencies have separate guidelines and policies for business startups.)*
5. Contact community resources for free business planning services, such as the Small Business Administration, SCORE, etc.
6. Complete any business paperwork required by local and state codes, such as obtaining a tax ID, establishing a sole proprietorship, limited liability corporation.
7. Identify business needs, such as marketing and accounting/bookkeeping, that may need to be developed or contracted out. If the business receives these services for free from a provider or friend, consider having a contingency plan if the arrangement cannot continue.
8. Identify any paid supports needed to start up and maintain a business, such as job development, job coaching, and job retention. *(Note: these cannot be core business functions, but should be comparable to the types of supports used by competitively employed individuals to obtain and maintain employment.)*
9. Address business transportation needs (these would be business-related transportation expenses, beyond the typical commute to/from work).

GUIDELINES FOR ESTABLISHED SELF-EMPLOYMENT BUSINESSES

1. There is an existing business plan that is updated as needed and the self-employed individual can demonstrate progress and earnings.
2. DDD and DHS are provided with an updated ICE form annually or whenever there is a change.
3. Earnings must be at least \$400 to be considered self employed by DDD. See below for a summary of what qualifies as self-employed or hobby, and the IRS Statement on Hobby vs Self Employment.
4. Role of the self-employed person/business owner:
 - To demonstrate that he/she has a profit motive and that the activity is not a hobby.
 - To conduct activities to make the business viable, continue to make progress toward financial benchmarks and milestones, and work towards self-sufficiency.
 - To keep accurate accounting and financial records and report business activity as required by law to the IRS, Social Security Administration, and the State of Rhode Island.
 - To update the business plan when needed, and reach or exceed established benchmarks and milestones.

IRS Statement on Hobby vs Self Employment

Taxpayers should consider the following factors:

- Does the time and effort put into the activity indicate an intention to make a profit?
- Does the taxpayer depend on income from the activity?
- If there are losses, are they due to circumstances beyond the taxpayer's control or did they occur in the start-up phase of the business?
- Has the taxpayer changed methods of operation to improve profitability?
- Does the taxpayer or his/her advisors have the knowledge needed to carry on the activity as a successful business?
- Has the taxpayer made a profit in similar activities in the past?
- Does the activity make a profit in some years?
- Can the taxpayer expect to make a profit in the future from the appreciation of assets used in the activity?

SELF EMPLOYMENT	HOBBY
1. Earn at least \$400 per year	1. Earnings under \$400 per year or no earnings, and not interested in increasing earnings
2. Able to prove/demonstrate a profit motive	2. No profit motive
3. Has a business plan	3. No business plan
4. Must file taxes and report earnings to Social Security Administration	4. May need to file taxes for income earned as a hobby

DDD SUPPORTS FOR SELF-EMPLOYED INDIVIDUALS

The Division of Developmental Disabilities supports the choice of individuals to pursue customized self-employment. Below are descriptions of supports provided during each phase of launching a business.

Developing the Self-Employment Plan: This is a time-limited, and targeted service designed to create a clear plan for the start-up phase of Self-Employment. This is equivalent to and billed like Discovery. This service is limited to ninety (90) calendar days from the date of service initiation. For self-employment goals, this service results in the development of a self-employment business plan, including potential sources of business financing (such as VR, Small Business Administration loans, PASS plans), given that Medicaid funds may not be used to defray the capital expenses associated with starting up a business.

Launching the Self-Employment Business: Supports can be provided to implement a self-employment business plan and launch a business. This service should result in the achievement of an integrated employment outcome consistent with the individual's personal and career goals, as determined through Exploration, Discovery and/or the self-employment planning process and reflected in the person-centered plan/ISP. This service is equivalent to job development and these supports continue until the business is launched.

Establishing the Self-Employment Business: After a business has launched, supports can be provided through job coaching to assist the business owner with the development of their skills and abilities to be successful in self-employment. Job coaches or other paid supports cannot be used to perform any business functions. As appropriate, job coaching should be faded and replaced by job retention.

Business Infrastructure and Role of Provider Agency or Self-Directed Paid Staff: Individual employment supports may include services and supports that assist the participant in achieving self-employment through the operation of a business; however, Medicaid funds may not be used to defray the expenses associated with starting up or operating a business. Assistance for self-employment may include:

- a) aid to the individual in identifying potential business opportunities;
- b) assistance in the development of a business plan, including potential sources of business financing and other assistance in developing and launching a business;
- c) identification of the supports that are necessary in order for the individual to operate the business; and
- d) ongoing assistance, counseling, and guidance once the business has been launched.

A self-employed individual's business should not be dependent on a provider agency or Medicaid-funded self-directed paid staff for its business functions, such as space, bookkeeping, transportation related to the business, or other business functions.

If provider agencies choose to conduct these types of functions, the following should be addressed:

1. There should be a contract, MOU, or written agreement between the provider and the business outlining the functions and the relationship.
2. The business should have a contingency plan for those functions should the relationship with the provider agency end. This should include estimated costs for these services.
3. Provider agencies should provide detailed receipts to self-employed individuals that are part of their collaborative whenever funds are withheld or billed. If funds are withheld by an agency acting as a fiscal agent, the full sale amount should be reported as earnings for the self-employed individual/business, and the funds withheld should be recorded as business expenses.
4. Providers cannot bill for DD-funded services for time spent performing core business functions for a self-employed individual.

Work Incentives Benefits Counseling: Benefits Counseling is available to inform participants about the impact work may have on their benefits. Benefits Counselors ensure participants have the information they need to make employment and financial decisions, including:

1. Developing short and long term financial goals;
2. Understanding the effect of increased earnings on eligibility status and benefit amount of SSI, SSDI, and other federal and state benefits;
3. Making decisions related to the use of public and private health care options;
4. Accessing and benefiting from community resources such as credit repair services, tax preparation assistance, financial education services, and other related supports; and
5. Using Individual Development Accounts, ABLE accounts, and other programs to increase savings and meet goals for large purchases.