



Volunteers of America®

PENNSYLVANIA

Workforce Development Program

A Resource Guide for Entrepreneurs with Disabilities

Working Order®
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Introduction

Unemployment is a chronic problem for many people with disabilities. The 2010 Census estimated that 40.9% of Pennsylvanians between the ages of 21-64 with disabilities were part of the labor force, compared to 84.4% of Pennsylvanians without disabilities. ADA PARC reports that only 27.4% of people with disabilities were employed full time in 2011, 32% of people with a disability 18 to 64 work full or part-time, but more than two-thirds of unemployed people with disabilities say they would like to.

Volunteers of America of Pennsylvania is a nonprofit, 501(c)(3). The Workforce Development Program participants, volunteers, board members and staff believe that work plays a crucial role in our lives. It provides income, a sense of purpose and a chance to become more involved in our community while helping us to develop new skills. Working Order, the entrepreneurship career pathway and small business incubator piece of the Workforce Development Program helps people with disabilities or other obstacles to employment develop entrepreneurial opportunities.

The small business incubator program path serves individuals with disabilities or other obstacles to employment. Our goal is to help people who have been struggling with unemployment, often for many years, to create meaningful work for themselves through entrepreneurship. This small business incubator provides intensive business coaching to help members develop a business concept and evaluate it for feasibility. We offer shared resources such as office space, computer equipment and Internet access. We provide technical assistance, and help to create a network of mentors, advisors and colleagues for our member entrepreneurs. If their business idea proves to be a good fit for the individual's skills, and fills a demand in the market, we help them create a user friendly business plan, and put business structures in place such as the legal form of the business, bookkeeping and information management systems. We provide ongoing support as needed with sales and marketing.

By December of 2014, Working Order has served 660 participants. Of that amount, 419 enrolled to start or increase their business and 51% succeeded. During calendar year 2014, Working Order served 83 participants. 72% were low income and 83% were disabled. The disabilities of these participants included 30% with physical limitations and 37% with mental health challenges. 33% learned a new skill, 8% determined that their business idea was not feasible and went on to seek additional training.

Since being founded in 1996, it has become clear that most people who wanted to start a business needed to go through the same process. Developing successful self-employment, like developing successful traditional employment, takes time, a focus on the big picture,

and a bit of trial and error.

Potential entrepreneurs learn by:

- Talking to each other, to people who know them well and to people who have expertise in the field they want to enter. Finding a coach through the local Small Business Development Center, or SCORE can be an enormous help.
- Researching on line, at the library or business support center.
- Experimenting, trying out the business or key activities to see how it goes.
- Documenting what is learned over time in an easy to review format and updating it continually with new information as it is acquired.

The following resource guide is designed to help Pennsylvanians with disabilities, who have an interest in entrepreneurship, to get started. Answering each of the questions posed in the resource guide will put you well on your way to a useful business plan – the foundation for a successful business. A few reminders before starting.

- This process is about self-discovery. It is far more effective to try out an idea, even in a modified form, to see what happens than it is to accept someone else’s opinion that the idea will or will not work. If possible, work or volunteer for someone who has the kind of business you want to start. It is the best way to learn.
- False starts are common in all career paths. The trick is to turn what could be viewed as a “dead end” into a redirection.

All of us at Volunteers of America wish you the very best of luck!

Volunteers of America gratefully acknowledges the support of the Pennsylvania Developmental Disabilities Council (PADDC) as we replicate and disseminate our program model.

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Volunteers of America of Pennsylvania Workforce Development Program

Entrepreneurship

Part I:

Determining the Feasibility of the Business

Is Starting a Business a Good Idea for Me?



Evaluate your goals, values, skills and circumstances.

Self-examination is an important first step when you consider starting a business. This involves asking yourself a number of questions to gain insight into your personal aspirations and capabilities. Begin by writing answers and expectations down on paper to questions such as:

- What are my personal goals?
- What are my financial goals?
- What skills do I have?
- How are my skills related to the business I want to pursue?
- How successful have I been in using these skills?
- What work experiences have I already had?
- What successes have I experienced at work?
- What is the main reason I want to start my own business?

Careful thought to answering these questions will assist you in making informed decisions as you proceed.



Define your business concept.

Describe your business concept, or your idea of what you might like to do. Make this as clear and specific as possible. Identify what you value about this concept.



Map out production and delivery procedures.

List the major steps involved in the creation and distribution of your product or service. For each task, determine if it is something you can do, or if you will need to have someone else do it. If someone else will do it, indicate who that will be. Also, note if it is something you can learn to do in time.



Test your business concept for feasibility.

A feasibility plan is a way to address specific details about your business concept in writing. This process focuses on the big picture with the goal of helping to determine if your business concept is or is not a good fit for you.

Essential categories of a feasibility plan include a market analysis and financial projections. In order to project costs, you will also need to address the location for your business. Components of each are as follows:

Market Analysis

Competitors:

Determine who your competitors are and how you compare with them. Make phone calls, visit other businesses, check web sites and interview customers when appropriate. Compare price, quality and availability. Ask yourself how you would differentiate your business from these competitors.

Customers:

Determine who would be most likely to buy your product or service. Estimate how many of these customers you could reach and how much they would be willing and able to pay. Surveys and focus groups may be helpful resources for this step.

Financial Projections

Current Financial Needs:

Create a monthly budget to conclude how much money you need to meet your current financial obligations. Itemize income and expenses to determine your monthly net income (income less expenses). Consider whether you plan for your business income to cover all of your monthly expenses or only to supplement your current income. Consider also how your business income would affect any benefits you must receive such as SSDI or Workers Compensation. Only by fully analyzing your personal finances can you determine what your minimum “draw” or salary from the business must be to meet your needs.

Start Up Costs:

Estimate your start up costs by listing the major expense categories such as purchase and/or renovation of space, purchase and installation of equipment, inventory costs, fees, permits, licenses, insurance and marketing. Next, you should list your sources of start-up funds. It is important to check your assumptions about the funding that may be available through loans or grants. (See “Funding the Business” section.)

If necessary, re-think your start up costs to include only the most essential items. Many successful businesses start with little or no up front costs and grow as sales grow.

Monthly Business Profit and Loss:

A Profit and Loss (P&L) statement will help you analyze whether your business is making or losing money. Try to project your profit and loss for at least 12 to 24 months. Estimate your monthly business income, (total sales and other income generated) as well as your monthly business expenses. These expenses include the ongoing business costs, such as rent, utilities, phone, Internet, salaries, etc. Your projected net income (income less total expense) is an essential component in your feasibility planning.

Location

When choosing a location for your business, whether it is at home, a storefront, a manufacturing business or a service, it is important to consider a number of factors. Such factors include the following.

- Appropriate size and layout
- Availability of transportation
- Proximity to other businesses
- Cost of mortgage or lease
- Cost of maintenance
- Number and location of competitors
- Access to target market
- Amount of foot traffic
- Condition of neighborhood
- Potential for expansion
- Zoning regulations
- Accessibility for disabled individuals*

* The Americans with Disabilities Act (ADA) requires businesses and employers to provide patrons and employees with disabilities with reasonable accommodations. This may include structural changes to a site, such as building a ramp, or changing processes within the business, such as providing training materials in Braille.

For more information, refer to the ADA website at: www.ada.gov.



Make a Determination

..... Is my Business Concept a Good Fit?

Compare your financial and personal goals with the realistic projections you have made about the demands of the business and the expected net income. Based on the results of your comparison, you should now be able to make an informed decision about whether to take the next step in starting a business. If it appears to be a good fit, you will need to write a business plan.

If it doesn't seem feasible, do not give up. Go back to the beginning and re-think your goals, values, skills and circumstances. Perhaps the feasibility experience will have triggered other options to consider, whether it be a different business concept, a variation of your original idea, or areas of education or employment to pursue.



Complete a Business Plan

A business plan is essential to any business for several reasons:

- It helps you define your objectives and keep your business on track;
- It serves as a benchmarking document to track your progress;
- It provides the basis for comparing results to your projections, thus helping to plan for the future; and
- It serves as a document to present to lenders.

Basic components of a business plan include the following.

Introuction

- Business description and goals
- Ownership and legal structure
- Your skills and experience relative to your business
- Unique aspects and competitive advantage

Marketing

- Products and/or services offered
- Customer demand
- Target markets, including size and location
- Marketing strategy
- Pricing strategy

Financial Management

- Initial start-up capital - source and amount
- Operating budget and cash flow – monthly for first year
- Projected income statements and balance sheets
- Accounting and bookkeeping procedures
- Proposed financing

Operations

- Business location and description
- Equipment requirements
- Production and distribution of products and/or services
- Staffing and personnel issues
- Day to day management

Concluding Statement

- Summary of business goals and projections
- Expression of your commitment to the business

Your business plan is your roadmap and serves as your representative; therefore it is important that it be complete and concise. If you are planning to start a business that requires funding in the form of a loan for start up or growth, you will need to write a complete business plan. Even if you do not require outside funding, completing a business plan is one of the more important steps you can take to insuring your success.

Volunteers of America of Pennsylvania Workforce Development Program

Entrepreneurship

Part II:

Structuring the Business

If My Business Idea is a Good Fit, How Should I Proceed?



Choose your Business Structure

Businesses are structured in several different legal forms, and the best structure for you will depend upon the type of services or products your business provides. It would be most beneficial for you to consult an attorney or CPA experienced in business start-ups for this task. Some of the most common structures include:

Sole Proprietor –A business structure in which an individual and his/her company are considered a single entity for tax and liability purposes. The owner reports business income or losses on his/her individual income tax return. The owner is liable for any business debts.

Partnership - A type of unincorporated business organization in which two or more people are in business together. Each of the partners is liable for the business, including the actions of the other partners. A limited partner is liable only to the extent of his or her investment in the business. The partnership does not pay taxes, but each partner must report as personal income, and pay taxes on his or her share of the income from the business

Corporation –A business structure in which the company exists as an entity separate from the owners. Its shareholders own a corporation, and the shares can be easily transferred from one person to another, which can make raising capital easier. The corporation pays taxes on its profits, and individual shareholders pay taxes on any dividends they receive. An owner's financial liability for the corporation is limited to the assets they have invested. This allows an owner to protect his or her personal assets from liability. There are federal and state rules regulating the formation of corporations. The services of an experienced attorney and / or CPA are highly recommended to help set up a corporation.

S Corporation – A special type of corporation that differs from other types of corporations primarily in how it is taxed. S Corporations do not pay corporate taxes. Owners of an S Corp pay taxes on the profits of the corporation as part of their personal income. The maximum number of shareholders in an S Corporation is 35.

Limited Liability Company LLC – An entity that has the limited liability aspects of a corporation (offering protection for personal assets), but is taxed like a partnership. There are no limits on the number of shareholders in an LLC.



Select and Obtain Needed Insurance

Your insurance agent will help to identify the appropriate coverage for your business. The following lists some of the most common types of insurance:

General Liability - This form of insurance is designed to protect owners and operators of businesses from a wide variety of liability exposures. Exposures might include liability related to such things as accidents, products sold by the insured, operations completed by the insured or contractual liability.

Property Insurance – Property insurance indemnifies a person with an interest in physical property for its loss or the loss of its income producing abilities. This definition encompasses all lines of insurance written by Property and Inland Marine insurers and can also include certain kinds of insurance written by Casualty insurers, e.g., Burglary and Plate Glass coverage.

Business Owner's Policy (BOP)

A BOP is a package that bundles property and liability insurance together through one affordable premium. The coverage is relatively broad and meant to appeal to small businesses with 100 or fewer employees.

Workers' Compensation – This form of liability insurance requires certain employers to pay benefits and furnish medical care to employees for on-the-job injuries, and to pay benefits to dependents of employees killed by occupational accidents.

Professional Liability Insurance – This insurance applies to a variety of licensed professionals and is designed to protect you in practicing your profession and to protect your clients. If a client claims to have suffered damages through your actions as a professional, your professional liability insurance will shield your personal assets and pay for your defense against such a claim. Such coverage also ensures that a client who has suffered damages will be adequately compensated.

Additional types of insurance include:

Travel	Business Automobile
Directors & Officers (D&O).	Umbrella (Supplemental Liability)
Business Interruption	Key Person Life
Fire	Professional Liability/ Errors & Omissions (E&O)



Register your Business

All businesses in PA are required to complete a PA-100 form to register with the Department of Labor and Industry and the Department of Revenue. In addition, limited liability companies, corporations, limited partnerships, limited liability partnerships and businesses with fictitious names must be registered with the Department of State.

Business names in Pennsylvania are designated as fictitious or non-fictitious.

The PA Department of State provides the following descriptions:

Fictitious Name

A fictitious name includes any assumed name, style or designation other than the proper name of the entity using such a name. For example, " Cal's Flowers". Fictitious names must be registered with the state. The business owner must also advertise the name in one general circulation and one legal publication in the county where the business is located. The business owner assumes all costs for registration and advertising.

Non-fictitious Name

A non-fictitious name includes the last name of the owner coupled with the type of business. For example, "Cal Smith's Flowers". Non-fictitious names do not have to be registered or advertised locally.

Your attorney or CPA can help you complete these registrations, or you can register on line at www.paopen4business.state.pa.us



Adhere to Government Requirements

The degree to which a business is bound by government regulations varies with the type and complexity of the business. You may need to consider some or all of the following:

- Obtain zoning requirements, business permits and licenses from local government;
- Comply with federal (OSHA) and state health and safety regulations;
- Comply with federal wage and hour laws;
- Comply with tax filing requirements (Refer to section on Tax Basics).



Establish a Business Banking Account (BBA)*

Business experts agree that every business owner should have a separate business banking account. This allows you to better track your business activities and identifies your bottom line. It also keeps your business finances separate from your personal finances. The cancelled checks from a business checking account serve as a receipt for proof of payment, and you have a convenient record of business expense that may eventually be deducted from your taxes.

There are two major types of business banking accounts available to the small business owner. They are classified as non-interest bearing and interest bearing.

The non-interest bearing is the account of choice for most small business owners. Although this type does not pay any interest on the money deposited into the account, it usually does not require a minimum deposit or a monthly fee.

The interest bearing account will pay interest on the balance, but it will usually require a minimum balance and may have restrictions on the number of checks or withdrawals made on the account each month.



Establish a Bookkeeping System*

Maintaining and generating accurate records and reports is of critical importance to the success of your business. A bookkeeping and accounting system is necessary in order to track your income and expenses, generate financial reports and to collect the necessary information for tax returns and records required by the Social Security Administration. Good bookkeeping also enables you to see the "big picture" of your business and its overall financial status. Consider the process of bookkeeping as a three-step procedure:

Keep all receipts or other records of every payment to and expenditure from your business. When payment is received, record and file both the invoice and method of payment together

Summarize your income and expenses on a regular schedule - daily, weekly or monthly.

Create financial reports from your summaries that will identify specific information about your business, such as your monthly profit or an annual report.

There is no one method required for record keeping. You may choose to use a handwritten system, such as the use of a ledger pad that can be purchased at an office

supply store or a computer software program such as Quicken, Quick-Books or Excel. In any case, the goal is to be able to clearly track money coming in and out of the business, and to use this information to make financial decisions.

* For more information please see IRS publication 583



Know your Tax Obligations *

As a business owner, you will need to know some basic facts about the taxes for which you will be responsible. The type will vary, depending on how your business is categorized and whether you have employees. It is important to identify which taxes you owe, when they are due and how to obtain and complete the necessary tax forms. Consulting a CPA is the best way to be sure you are filing all of the required tax forms on time.

Taxpayer Identification Number

You must have a taxpayer identification number in order for the Internal Revenue Service (IRS) to process your returns. The two most common taxpayer identification numbers are your social security number and an employer identification number (EIN).

Employer identification numbers are used to identify the tax accounts of employers, certain sole proprietors, corporations, partnerships, estates, trusts and other entities. You must have an EIN if you:

- Have employees;
- Have a qualified retirement plan;
- Operate your business as a corporation or partnership;
- File returns for employment taxes, excise taxes, or alcohol, tobacco or firearms taxes.

To apply for an EIN, you must file an SS-4, Application for an Employer Identification Number Taxpayer Identification

Income Tax

Depending on how your business is structured, you may need to file corporate income tax as well as individual income taxes at the federal, state and local level. In general, income taxes are on a “pay as you go” basis. A business may have to pay its tax as income is earned during the year. For example, businesses may have to pay estimated income taxes quarterly.

Examples of federal income tax forms for various business structures include:

- Sole Proprietors - 1040 and Schedule C
- Corporations - 1120, 1120-A or 1120S
- Partnerships - 1065 and 1040
- S Corporation Shareholder 1040 and Schedule E

State and local income tax forms may also vary with different business structures.

Taxes Related to Employees and Payroll

The forms related to these taxes include:

- Wage and Tax Statement (W-2)
- Employee's Withholding Allowance Certificate (W-4)
- Non-employee Compensation (1099)
- Federal Tax Deposits
- Withheld income and FICA (Social Security and Medicare)
- Unemployment Taxes
- Employers Quarterly Federal Tax Return (941)
- Employers Annual Federal Unemployment Tax Return (940)
- Transmittal of Income and Tax Statements (W-3)
- State Unemployment Tax Returns

Self-Employment Taxes

People who work for themselves must pay the Social Security and Medicare taxes that would normally be withheld by their employer.

Excise Tax

Excise taxes apply to the manufacture and sale of certain products, the operation of certain kinds of businesses, and the use of various kinds of equipment, facilities or products. Federal excise taxes apply to certain broad categories such as

- Environmental taxes
- Communication taxes
- Fuel taxes
- Luxury tax on passenger cars

Your accountant or the IRS can advise you on whether any of these taxes apply to your business.

Sales Tax

The Commonwealth of Pennsylvania has the following requirements for a state sales tax license: **

All businesses selling products or services subject to sales tax must complete a PA-100 Pennsylvania Enterprise Registration Form to obtain a sales tax license. Depending on how much income your sales generate, the tax must be paid monthly, quarterly or bi-annually. The filings must be completed by the 20th day of the month following the close of your designated filing period. Currently, there is no fee in Pennsylvania for the license, which is good for 5 years.

* For detailed information, refer to IRS publication 583.

** Contact the Pennsylvania Department of Revenue to determine if your product or service is subject to sales tax. www.revenue.state.pa.us



Determine if You Need Employees

An important decision in any business is deciding if employees will be needed in order to meet customer demands. If so, you will need to identify the job responsibilities, the number of employees and the skills that are required to match each job. When determining your pay scale, you will need to consider your competitors' wages, what you can afford, the current wage laws and the going rate for someone with the skills and experience you desire for your business. Recruitment, hiring practices, compensation and benefits are but a few of the policies you will need to have in place when becoming an employer. You will also need to develop a job description for each of the positions you are filling.

As a business owner, you must know the difference between an employee and an independent contractor:

Employee

An employee is within the employer's control as to hours worked, wages, where the work is performed, tools and equipment used, deadlines, productivity and customer interactions. The employer withholds income taxes and the employee's portion of social security and Medicare taxes from his/her pay. The employer also pays social security, Medicare and unemployment taxes on employees' wages.

Independent Contractor

An independent contractor is self-employed and is expected to provide everything to complete a job. Typically, an independent contractor is not under the direct supervision of the business that retains his or her services. The business owner provides the independent contractor with a miscellaneous income form (1099) to report wages paid, but does not withhold taxes.



Adhere to Certification and Licensure Requirements

Many professions, such as beauticians, massage therapists or attorneys, involve certification or licensure. It is important for you to comply with these requirements of your business or profession, if any, and maintain a current status.

Some businesses become certified as a:

Minority Owned Business Enterprise (MBE) -A member of a minority group owns 51% of the business

Women Owned Business Enterprise (WBE) A woman owns 51% of the business

Disadvantaged Business Enterprise (DBE) The business is owned or controlled by socially and economically disadvantaged individuals, including minorities and women.

Obtaining certification may give your business a competitive advantage for certain contracts. Some businesses, such as government contractors, may be required to set aside a certain portion of their subcontracts for MBE, WBE or DBE certified businesses.

The certification process is different at the state and federal levels, but completing state certification is a good first step. To find out more about MBE WBE and DBE certification in Pennsylvania, go to www.dgs.state.pa.us.

Suggestions to assist you in your research for contracts earmarked specifically for MBE, WBE or DBE businesses include:

Go to the website www.dgs.state.pa.us and do a keyword search for Procurement Bid Opportunities. By entering a keyword relative to your business, all contracts including that word will be displayed.

Ask prime contractors of large companies if they have diversity coordinators for you to contact in order to pursue contracts.

Network and make yourself known to those who may be required to offer contracts to certified businesses. Contracts under \$100,000 do not require advertisement; therefore your research and contacts are important.

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Entrepreneurship

Part III:

Funding the Business

Can I Obtain Financial Help to Start my Business?



Identify Funding Sources

Many people believe that the government often issues money in the form of grants to start up businesses. In fact, this is very rare. There are, however, other ways for you to obtain funding for your business.

Borrowing is one common source. Before approaching a bank or lender, you should have a completed business plan. It is also important to understand the factors that influence whether you may qualify for a loan. Key points to consider are:

- Your ability to repay;
- Your credit history; and
- Some form of collateral. - Collateral is something of value that you own and that can be sold to pay back loan if you default.
Collateral, therefore, serves as a secondary source of repayment.

In addition to banks, there are other resources to consider, for example, the loan guarantee program through the Small Business Association, or in some regions, a matching funds program from the Office of Vocational Rehabilitation.



Utilize Personal Resources

The most likely source of funding for a very small business is personal resources.

Consider the following.

- Savings, stocks and bonds
- Mortgage on real property
- Home mortgage refinancing
- Loan against or cash surrender value of insurance
- Passbook, credit union, personal loan
- Cosigner loan
- Family and friends

Remember, many small business owners overestimate what they need to get started..Consider what you can do with borrowed or used equipment and reinvest in the business as your income grows.

Volunteers of America of Pennsylvania Workforce Development Program

Entrepreneurship

Part IV:

Disability Related Issues

What is the Impact of My Disability on My Business?



Consider Your Circumstances

Being realistic is the key to answering how your disability and other circumstances will impact your business. Review the following list of questions and look at your individual situation. Answer those most relevant to you and your circumstances. Develop additional questions specific to your disability and business.

Ask yourself:

- How long am I able to work per day/week/month?
- Will I need a flexible work schedule?
- Am I able to work and communicate with other employees?
- Am I able to communicate effectively with customers?
- Am I able to perform bookkeeping functions for the business?
- Am I physically and cognitively capable of performing the essential tasks necessary to run the business from day to day?
- Will I need an assistive device or other technology to assist me?
- Will I need to have structural changes made to the business location?
- Are there safety issues that I need to be aware of?
- What type of continuing support is available to me?
- Do I have attendant care schedules to work around?
- Do I have transportation concerns?
- Do I have childcare and/or other family responsibilities?

Review your answers and compare the positives to the negatives in order to make an informed decision.

As an entrepreneur you have the ability to adjust your own work schedule, however, you may need to work more than the traditional job hours in order to meet the demands of your business.



Determine the Need for Accommodations or Assistive Technology

Structural Accommodations

You may need to restructure the facility where your business is operated in order to be as productive and independent as possible. Replacement of stairs with ramps and adjusting heights in the work area are two examples of structural modifications.

Resources on Assistive Technology

There are many places to find information about assistive technology. One of the best resources is the Internet. You can search for a specific type of device utilizing a search engine such as www.google.com, or you can browse a site designed to list various types of assistive technology devices along with links for further investigation.

Helpful sites include:

www.wheelchairnet.org Although the title of this site focuses on wheelchairs, this extremely well thought out site includes a wealth of information related to many types of assistive technology.

www.abledata.com The National Institute on Disability and Rehabilitation Research (NIDR) sponsors this premier site for information on assistive technology.

www.abilityhub.com This assistive technology solutions site directs you to adaptive equipment and alternative methods available for accessing computers.

www.temple.edu/instituteondisabilities/atlend/ Information on assistive technology can also be investigated through Pennsylvania's Assistive Technology Lending Library.



Understand How Business Income Affects Social Security Benefits

Overview

It is important to make an informed decision about working or starting a business that generates income as it may have an impact on your Social Security benefits. There are many social and financial benefits to working. On the other hand, if you exceed the income limits set by the Social Security Administration, you risk your eligibility for monetary benefits, as well as health insurance, and it is important to know if your earned income can replace the income from your benefits. This situation is different for every individual and should be carefully considered. The Social Security Administration is offering new incentives to help make the transition from benefits based income to earned income easier and more secure.

Business owners with disabilities, whose businesses are set up in the form of a corporation, can accumulate assets, including cash assets, within the business without having those assets have a negative influence on their benefits. The owner may choose to also be an employee of the business and draw a salary from the business that keeps his or her income within the income limits.

Advanced planning, good record-keeping procedures and documentation of your monthly business net income will help you to avoid unplanned for reductions or discontinuation of your current benefits. The Social Security Administration is a good source of information concerning your benefits. You should include potential changes in your benefits in your business planning.

Description of Benefits

The Social Security Administration (SSA) pays cash benefits to people whom, due to a physical or mental disability, are unable to earn a substantial wage. For 2004, earnings of more than \$810 per month, or more than \$1,350 per month for individuals who are blind, are considered substantial earnings. These amounts are adjusted each year based on increases in national average wages.

There are two different types of benefits designed to assist people with disabilities that are paid through the Social Security Administration. You may have one or both of these types of benefits. The guidelines for eligibility and earned income are different for the two types of benefits, so be sure you understand which benefits you have.

Social Security Disability Benefits (SSDI) are an earned benefit. Workers pay Social Security taxes and earn work credits based on how

much they earn. If a person becomes disabled they may be eligible for SSDI benefits which are based on their earnings.

Supplemental Security Income (SSI) is a federal program that makes monthly payments to people with disabilities who have limited income and assets. The program is administered by the Social Security Administration, but the payments are financed by the general revenue funds, not from Social Security taxes.

Substantial Gainful Activity (SGA)

The Social Security Administration uses an earning guideline to evaluate your work activity in order to determine whether you are considered disabled under the law. This guideline is known as Substantial Gainful Activity (SGA). A specific dollar amount is assigned as the monthly allowance. You will need to refer to the Social Security Administration's current Red Book or contact them directly for the most recent figures. Your self-employed work is considered SGA if:

You render significant services to the business, AND you receive SGA level average monthly income;

Your work is comparable to the work of unimpaired people in your community engaged in the same or similar business;

Your average monthly work is worth SGA level earnings in terms of its effect on the business, or when compared to what you would have to pay an employee to do the work.

Social Security Incentive Programs

There are special rules, called work incentives, which make it possible for SSDI and SSI disability beneficiaries to work and still receive monthly payments and retain Medicare or Medicaid coverage.

SSDI Work Incentives

SSDI beneficiaries may attempt to work during a Trial Work Period (TWP). While working, they have extended eligibility for monetary benefits and may continue to receive Medicare. People who receive Social Security disability benefits for over 24 months are eligible for Medicare.

A TWP allows you to test your ability to work for at least nine months. The months do not have to be consecutive. Monthly earnings of \$580 or more count as a trial work month. During the TWP, you can receive your full Social Security disability benefits regardless of the amount you earn. After completion of nine trial work months, if your earnings are not substantial, full benefits generally continue. If earnings are more than the substantial level, cash benefits are normally suspended while Medicare continues.

For 3 years after a TWP, you can receive a monetary Social Security disability benefit for any month that earnings are below the substantial earnings level of \$810 in 2004. Benefits may resume without a new application. Medicare coverage may continue for 93 months after the end of the TWP, even if monetary benefits have been discontinued.

SSI Work Incentives

SSI beneficiaries can continue to receive payments and retain Medicaid coverage when they return to work. Medicaid is a state health insurance program for people who have limited income and assets. In Pennsylvania, SSI disability beneficiaries are eligible for Medicaid.

Working SSI disability beneficiaries may continue to receive payments even if their earnings are more than the substantial level. Other income combined with earnings may cause payments to end if total income exceeds SSI eligibility levels. SSI disability beneficiaries in Pennsylvania can receive SSI payments ranging from \$1.00 to a maximum of \$591.40 monthly. You can earn up to \$65 monthly (\$85 if SSI is your only income) before your SSI payment amount is reduced. Once you earn over \$65 monthly (\$85 if applicable), your benefit amount is reduced by \$1.00 for every \$2.00 earned over that amount. If you live in Pennsylvania, and your only income is SSI and earnings, you can earn up to \$1,267.80 in a month before your benefit is reduced to zero.

Medicaid coverage can continue in most cases even though SSI payments have stopped due to work, if Medicaid is needed in order to work.

Incentives Applying to SSDI and SSI

Expedited Reinstatement: If your benefits stopped because of your earnings and you are no longer able to work because of the same disability, you can request that your benefits be reinstated without filing a new application. The request must be within 60 months from the month benefits were stopped.

The amount of earnings under both programs can actually be higher if the worker is paying for Impairment-Related Work Expenses (IRWE) out of their own pocket.

Other Helpful Programs from Social Security

Ticket to Work

The Ticket to Work program is designed to increase your choice in obtaining the employment and vocational support services you may need to acquire and keep a job. Upon receiving a "ticket", you may use it to receive vocational services from an approved provider of your choice. The program is voluntary, and the services are provided at no cost to you

Plan for Achieving Self-Support (PASS)

The PASS program allows you to set aside income and/or resources for a specified time for expenses related to achieving your work goal. The amount set aside is not counted as income when determining your SSI payment as long as the expense is directly related to your work goal. More details can be found in the SSA Red Book.

NOTE: This resource guide provides only basic information on work incentives. It is not intended to answer all of your questions. If you have any questions concerning returning to work or disability work incentives, you should speak with a Social Security representative. More information is contained in two Social Security Publications, "2004 Red Book On Employment Support" and "Working While Disabled...How We Can Help". You can phone for copies of either pamphlet from Social Security at 1-800-772-1213. The same information can be found on the Internet at www.socialsecurity.gov/work

Volunteers of America of Pennsylvania Workforce Development Program

Entrepreneurship

Part V:

Helpful Resources

What Resources are Available for Small Businesses?



Volunteers of America of Pennsylvania
Workforce Development Program
Working Order small business incubator
1650 Main Street
Sharpsburg, PA 15215
(412) 782-5344
(412) 782-5373 (fax)
entre@workingorder.org



Local Resources

Small Business Administration –

See the listing for Small Business Administration in the U.S. Government section of your local phone book.

Social Security Office

Pennsylvania Department of Revenue

Chamber of Commerce and Jaycees (Junior Chamber of Commerce)

Small Business Development Centers (see listing of centers in PA)

Bucknell University
Clarion University
Duquesne University
Gannon University
Indiana University
Kutztown University
Lehigh University
Lock Haven University
Penn State University
Saint Francis University
Saint Vincent University
Temple University
University of Pittsburgh
University of Scranton
Wharton School
Wilkes University

Libraries

Bankers and Accountants

Trade and Industry Association Branches



Publications

Social Security Administration Red Book on Employment Support
IRS publication 583 - Starting a Business and Keeping Records
Small Business Administration publications



Websites

Small Business Administration - www.sba.gov
Social Security Administration - www.sa.gov/work
AHEDD - www.ahedd.org
Americans with Disabilities Act - www.ada.gov

