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## **Making Self-Employment Work for Potential Business Owners with Disabilities in North Dakota**

**1.) Free Funds for Business Startups for Prospective Business Owners (PBO's) with disabilities** in North Dakota increase the fiscal chances of a successful business start up and are available from two potential sources:

**A.) State Vocational Rehabilitation (VR) can provide startup funds** that should apply to anyone with a disability – except individuals with very minor disabilities. VR funds directly increase profits since they directly pay for either deductible (operating expenses) or non-deductible (i.e. capital equipment) expenses (note, the VR purchased capital equipment (purchased for the owner by VR, not for the business directly, can then be depreciated over time as owner's equipment invested in the business). VR buys the items or services directly and keeps the receipts so the business cannot deduct the expenses as business expenses. Items or Services VR purchases are considered “un-incurred business expenses” to the business, since VR incurs the expense and then pays the expense, but the business does not incur or pay the expense, and the business has no receipts except for large capital equipment purchases that VR does release ownership title to the business owner at the time of purchase.

**B.) Social Security Administration (SSA) Funds via a SSA funding tool called “Plan for Achieving Self Support” (PASS) –** only applies to individuals with disabilities that meet SSA's Definition of Disability & are receiving monthly cash SSI (Supplemental Security Income) and/or SSDI (Social Security Disability Insurance) benefits. SSA PASS funds do not affect P&L, but instead are given to the owner directly – and the owner then deposits the funds into the business as operating capital. PASS funds increase operating cash and directly affect cash flow but do not directly affect P&L.

**2.) North Dakota VR also has a loan fund just for prospective business owners (PBO's) with disabilities** limited to \$5,000

**3.) PBO's (Prospective Business Owners) receiving monthly SSI (Supplemental Security Income) cash benefits from SSA, and/or Medicaid **must not form corporations.**** Limited Liability Companies that do not file as corporations, LLP's, Sole Proprietorships or Partnerships can be formed, but no type of S or C Corporation or any type of Corporation can be formed.

**4.) PBO's receiving SSDI (Social Security Disability Insurance) and Medicare (but not Medicaid), can form corporations – yet it is still **best to not form corporations.**** If a corporation is formed it will be audited each year by SSA, and is very complicated to manage successfully while receiving SSDI benefits.

**5.) Startup financial risks are minimized substantially due to the free business startup funding** available from VR and/or SSA, and also due to the fact that PBO's receiving either SSI or SSDI, (or both) also have an existing **stable personal living source** of funds to live on during the startup period and well beyond the business startup in many cases.

**6.) All of the above points are fairly complicated to understand and analyze for anyone not familiar with SSA, Medicaid, Medicare, and Vocational Rehabilitation policies and procedures.** Each PBO should be encouraged to **work with a Benefits Planning Assistance & Outreach (BPAO) benefits planner** during the business development process. **(To contact the ND Benefits Planner call: 1-800-258-8132)**

7.) PBO's who also receive any type of **housing subsidies, energy assistance, food stamps, or welfare** should also be encouraged to work with a BPAO Benefits Planner.

8.) SSA's SSI (Supplemental Security Income) and Medicaid exclude (do not count) all business property and all funds in a business account, as resources (property or liquid assets) used in a business for non-corporate forms of business. PBO's that receive SSI and/or Medicaid are limited to less than \$2000 in cash resources in personal accounts, and generally are not aware that there is **no limit on liquid cash resources in a business account**. This is one of, if not the only, way for a person with a significant disability to accumulate assets and attain self-sufficiency.

9.) Since SSA, Medicaid, Housing, etc... all use calendar year accounting – it's **imperative that all business planning projections and accounting systems be set up on a calendar year**, which generally results in the first year projections for the business plan showing an exact startup month, such as April (or any specific month) and then a partial calendar year for year one startup projections. This is a non-typical business planning approach but is very important for Social Systems (SSI, Medicaid, Food Stamps, et al) accounting of a business startup. Cash accounting systems work best for individuals receiving SSI and Accrual accounting systems work best of individuals receiving SSDI

**10.) A preferred and useful process is to:**

A.) **1<sup>st</sup> work with a BPAO benefits planner** to develop a rough initial benefits analysis to determine VR and PASS opportunities for free startup funding, VR small business loan funding, and probable impacts on other benefits systems (i.e. Housing, Energy, Food)

B.) Using that initial rough benefits pre-planning information then **develop the business idea using typical business development processes**, proof of concept, feasibility, marketing planning, etc... and develop a typical business and marketing plan with at least 3 years of month-by-month P&L projections (month-by-month projections are required to receive SSA startup funding).

C.) Once the P&L Projections are roughed out and backed up with typical business logic, surveys, customer demographics, etc... then the **BPAO benefits planner needs to be consulted again** for the application of PASS funds (which are derived monthly mathematically based on SSA monthly cash benefits and projected net profits) that dramatically effect Cash Flow, and VR funds (which are one time startup funds initially spread over just a few months generally, that dramatically effect P&L projections). At this point a **cash flow analysis** (month by month for 3 years) **needs to be coordinated with the P&L already developed, along with year end Balance Sheets and a coordinated personal living and benefits analysis.**

D.) **Funding requests to VR and SSA then need to be finalized** and prepared on a PASS (Plan for Achieving Self Support) form for SSA, and a VR counselor then develops an IPE (Individual Plan for Employment) form based on the business plan startup details. VR in North Dakota also require a BAS (Business Assessment Scale) to be completed by the Prospective Business Owner (PBO) with a disability.

E.) If additional funding beyond what is available from SSA or VR is needed then **typical loan applications** are prepared as required by local banks or non-bank lenders.

(Information courtesy of Griffin-Hammis Assoc., LLC)

***North Dakota Medicaid Infrastructure Grant:  
Working Together to Remove Barriers to Employment...  
for People with Disabilities.***