Chapter 7 —  
SUBSIDIES AND SPECIAL CONDITIONS

Introduction

A subsidy is support a person receives on the job, which could result in more pay than the actual value of the services the person performs. Only earnings that represent the real value of the work performed are used to determine SGA. SSA makes a determination of the value of the work, after subsidies are subtracted.

Subsidies and special conditions are applicable to both SSI applicants and Title II applicants and beneficiaries. The dollar amount of these is subtracted from gross monthly earnings during the initial eligibility process for both SSI and Social Security, potentially reducing gross earnings below the SGA level. They are applicable to the SSI program only during initial eligibility. For the Social Security program, however, they are considered in ongoing SGA determinations.

Employer Subsidies

Subsidies exist when employers pay workers more in wages than the reasonable value of the actual services performed. To qualify, individuals must have evidence of receiving subsidies such as extra support, supervision, or documentation of lower productivity compared to unimpaired workers performing the same or similar work.

In developing subsidies, employers are requested by the SSA to submit statements documenting the actual value of workers’ services. Subsidies may be either specific or non-specific. In specific subsidies, employers designate a specific dollar amount after calculating the reasonable value of workers’ services. In non-specific subsidies, employers are unable to designate a specific dollar amount as the subsidy. The amount of subsidies is determined by comparing the work of individuals in terms of time, skills, and responsibilities with that of nondisabled individuals in similar work. The proportional value of the work must then be estimated according to the prevailing pay scale of this work. SSA makes this determination.

Special Conditions

Special conditions are items provided by someone other than an employer (e.g. a VR agency, job coach, etc.).

The following information regarding the relationship between supported employment and subsidies is taken from Regional SSA Program Circular, Disability Insurance: “Job Coach Services in Supported Employment,” (Philadelphia Region, 8/2/89):

“Job coach services provided to employees is a strong indication that the work is subsidized. If employers cannot furnish a satisfactory explanation identifying specific amounts as subsidies, further contact should be made with the State agency counselor and/or job coach to:
• Compare the time, energies, skills and responsibilities of workers with disabilities with that of unimpaired individuals performing the same or similar work;

• Estimate the proportionate value of services according to the pay scale for this work (not according to the job coach’s salary); and

• Determine how frequently the job coaches monitor the individuals and how intensively involved the coaches remain. There may be continuing support being given that is not immediately apparent. Extraordinary development, including precisely tailored questions, may be needed in order to fully document the actual level of subsidy. The monitoring agency usually keeps extensive records of all support activities. Almost uniformly, though, the job coaches will maintain records of time spent, type of support provided, and progress in achieving job independence. These records will be vital when determining subsidies whether it is a monetary one or non-specific (i.e., additional services, special considerations, etc.).”

“Unincurred Business Expense” is SSA’s term for self-employment business support that someone else gives to the beneficiary without cost. Examples include:

• Unpaid help;

• VR buys a computer for your business;

• Unincurred business expenses (e.g., business loss); and/or

• Soil Bank Payments (farmers).

Because someone else is contributing this support, the IRS does not allow the individual to deduct his or her cost for income tax purposes. However, SSA deducts the value of these “expenses” when determining SGA for self-employed individuals. For an item or service to qualify as an unincurred business expense, it must be an item or service that the IRS would allow as a legitimate business expense if the individual paid for it, and someone else, other than the individual, did pay for it.

The following list of possible indicators of subsidies is not exhaustive and questions regarding a specific example should be directed to the local SSA office.

• Sheltered employment;

• Childhood disability involved;

• Mental impairment involved;
• Marked discrepancy between amount of pay and value of services;
• Claimants or someone else alleges that claimants do not earn their pay;
• Nature and severity of impairment indicates that employees receive help from others in doing the work; and/or
• Government-sponsored job training or employment programs.

The following example illustrates how subsidies affect Social Security benefits.

**Example: Subsidy Impact on Social Security**

Jim currently receives Social Security benefits, is labeled with mental retardation, and has used his nine-month trial work period during a previous period of employment. Therefore, the potential exists for Jim’s Social Security benefit to stop immediately if he begins to earn gross monthly wages over the SGA level. Jim finds work in private industry through a supported employment agency, which provides job evaluation, training, and support. Jim earns $6 per hour. During the first month of employment, the job coach works with Jim eight hours a day and provides special transportation funded by the agency worth $55 a month.

The extra training and supervision needed to maintain Jim’s job is a subsidy. An unimpaired employee doing the same job receives only one hour of supervision each day. The subsidy is computed by multiplying the number of extra hours provided by the job coach (seven hours/day) by Jim’s hourly wage of $6 for a daily subsidy of $42. During the first month Jim’s gross wage of $960 would be reduced by the subsidy of $840 for countable earnings of $120. Since the countable earnings are below SGA, Jim is not considered to be engaging in SGA, and will therefore be eligible for Social Security in this month. His Social Security will continue for each month that the dollar amount of the subsidy reduces his gross monthly earnings below the SGA level.

By the fourth month on the job, Jim receives assistance from the job coach for five hours per week. He has received a raise to $6.25 per hour based on performance and now pays for the $40 special transportation expense. The gross monthly earnings of $1000 are reduced by the subsidy ($6.25 x 20 hours of job coach intervention) of $125 and the IRWE of $40 for special transportation. Jim’s countable earnings are now $835 per month. As his countable earnings exceed the SGA level he would not receive his Social Security benefit for this month (unless he had not used his grace period up). This example illustrates that the amount of subsidy decreases, as the employee becomes more productive and independent, changing the evaluation of the work from non-SGA to SGA.

The following exercise demonstrates how to compute the effect of specific subsidy on SGA determination: (Example on next page)
Worksheet: Calculating Effect of Specific Subsidy

Bill has finished his TWP and is being reviewed for SGA. He receives 10 hours a month of supported employment services/support and earns $7.50 per hour ($850 per month) in his current job. Calculate the specific subsidy value of this support. What is the effect, if any, on the SGA determination?

<table>
<thead>
<tr>
<th>STEP ONE</th>
<th>Hours of job coach intervention (on-site) per month or number of hours of additional supervision given</th>
</tr>
</thead>
<tbody>
<tr>
<td>x</td>
<td>$____ Multiply by hourly wage of worker</td>
</tr>
<tr>
<td>=</td>
<td>$____ Equals monthly subsidy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP TWO</th>
<th>Monthly Gross Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>- $____</td>
<td>Minus Monthly Subsidy</td>
</tr>
<tr>
<td>= $____</td>
<td>Equals Monthly Gross Wages Counted Toward SGA</td>
</tr>
</tbody>
</table>

To aid the SSA in making subsidy determinations, the following information should be provided.

Relationship of Pay to Services

• How are the total earnings computed?

• What is the typical hourly rate for this position?

• Is the pay reduced proportionately when the individual is absent from work?

• Does individual receive any unusual assistance or supervision? If yes, describe.

• If the pay is not set according to normal business practices, what consideration is given to the following:

  • Size of the individual’s families;
  • Number of years of position service with the employer;
  • Previous earnings;
  • Friendship or relationship to employer;
  • Other factors unrelated to the performance of the worker;
  • Does the employer consider the work to be worth substantially less than the amount paid? If so, what are the reasons for this view?;
  • If the individual is still on the payroll despite unsatisfactory work, what is the employer’s reasons for retaining them?; or
  • If the individual is no longer employed, what led to the termination of employment?
Employer-Provided Job Subsidies (check those that apply and provide cost to employer whenever possible)

___ Extra supervision ___ hours at ___ per hour for month(s) of ________________________________

___ Allows extra time to perform duties (describe): ________________________________

___ Allows lower productivity (describe): ________________________________

___ Special accommodations (describe): ________________________________

___ Provides special transportation ___ miles per day or ___ hours per month at ___ per hour.

___ Adjusts work schedule (explain): ________________________________

___ Adjusts duties (explain): ________________________________

___ Wages paid above productivity (explain): ________________________________

___ Other (describe): ________________________________

______________________________

______________________________

Documented cost of employer provided subsidies ________________________

Special Arrangements/Accommodations

Are these workers subject to the same duties, expectations, responsibilities, and potential for promotion as other workers doing similar jobs for this employer? _____ yes _____ no

Are there any special arrangements in place to maintain the client’s worker in this job? _____ yes _____ no (If yes, explain)

______________________________

______________________________

Were these jobs “created” specifically for this employment situation or client? _____ yes _____ no
Would the employers hire workers outside the context of the supported employment situation? ____ yes ____ no

If workers are terminated from this job, what will be the outcome for them?

________________________________________________________________

Briefly describe workers’ past employment experiences and dates:
________________________________________________________________
________________________________________________________________
________________________________________________________________

Other comments that may help the Social Security Administration in assessing potential impact on benefits:
________________________________________________________________
________________________________________________________________
________________________________________________________________
SOCIAL SECURITY ADMINISTRATION
WORK ACTIVITY QUESTIONNAIRE

Beneficiary______________________________
SS#______________________________________
Period____________________________________

Please answer the following questions. We have provided additional space at the end of this form for your answers or comments.

Subsidy

• Do/did you consider his/her work to be fully worth the amount paid?
  
  _____Yes   _____No

  If “yes, go to section titled “Unsuccessful Work Attempt.”
  If “no,” please answer all of the following questions.

• If you consider(ed) his/her work to be worth substantially less than the amount paid, please estimate the actual value of his/her services, if possible, and explain how you reached that figure. Express this either by a percentage or in dollars.

  If you gave us an estimate, go to the section titled “Unsuccessful Work Attempt.” If you cannot give us an estimate, please answer the following questions.

• Did you grant any of the following special considerations to allow this individual to work? (Check all that apply.)

  _____Fewer or easier duties   _____Extra help/
  _____Lower quality supervision   _____Lower production
  _____More rest period’s   _____Less hours
  _____Special equipment   _____Irregular hours
  _____Special transportation   _____Frequent absences

  Please explain any items you checked above.

• How did/do you compute this person’s actual pay? What factors did you consider in setting this pay rate?
Unsuccessful Work Attempt

• Was/is the person frequently absent from work?
   ____Yes  ____No

• Did the person do the work under special conditions such as with extra help/supervision, fewer/easier duties, frequent rest periods, or lower production?
   ____Yes  ____No

• Was the person’s work satisfactory?
   ____Yes  ____No

• If the person no longer works for you, when did his/her employment end and why?

Space for any additional remarks you wish to provide

______________________________
Signature
______________________________
Title
______________________________
Date
______________________________
Telephone Number