

# Self-Employment & Supported Self-Employment Handbook

State of Florida

Division of Vocational Rehabilitation  
(DOE/DVR)

Florida Division of Vocational Rehabilitation  
Self-Employment Handbook

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## I. INTRODUCTION

The Rehabilitation Services Administration has completed demonstration programs on individual choice reporting that between 20-30 percent of their participants choose self-employment. This is substantially above the rate of self-employment or small business ventures reported by state vocational rehabilitation agencies. National data shows that people with disabilities have a higher rate of self-employment and small business experience than people without disabilities (12.2 percent of people with disabilities versus 7.8 percent of people without disabilities).

These statistics are particularly relevant now because of trends in the national economy. The very nature of work is changing. Governments and private sector employers are reducing their workforces, shifting toward more contingent employment, including temporary, part-time and contract employees. These trends are increasing the demand for contract services and goods and many people are responding by starting small businesses or becoming self-employed.

### Why Consider Self-Employment

So why are so many people with disabilities choosing self-employment?

- ☐ Self-employment offers individuals an opportunity to enhance their quality of life and can assist them to become self-sufficient.
- ☐ Self-employment offers the opportunity for an individual to be their own boss.
- ☐ Self-employment can provide flexible work hours and reduced transportation needs.
- ☐ Self-employment offers a substantial option available under our Social Security and Medicaid/Medicare systems, to accumulate personal wealth and manage income in a way that is predictable and personally adjustable even after passage of the Work Incentives Improvement Act.
- ☐ Small businesses owned by individuals with disabilities present the opportunity to create wealth in the personal control of the owner without having a third party making the decisions and holding all of the resources. This is the essence of self-determination.

## II. ROLES OF PARTICIPANTS IN THE SELF-EMPLOYMENT PROCESS

- ☐ Individual
- ☐ Vocational Rehabilitation Counselor
- ☐ Business Planning Team
- ☐ Certified Business and Technical Assistance Consultant (CBTAC)

Counselors do not have to be business experts to assist persons with disabilities with Self-Employment. Counselors and the Supported Employment Committee members are facilitators and are not expected to be business specialists or entrepreneurs. Local resources can provide consultation, assistance with the business plan, and advice on business start-ups.

Individual – always in the “driver’s seat” throughout the process of planning, designing and operating the business.

- ☐ Determines if self-employment is the correct choice
- ☐ Decides what business to pursue
- ☐ Develops a business plan
- ☐ Starts a business

#### Vocational Rehabilitation Counselor

- ☐ Explains DVR’s and individual’s responsibilities
- ☐ Reviews the customer’s potential for self-employment
- ☐ Provides sufficient information about self-employment for the individual to consider including DVR Self-Employment Handbook
- ☐ Guides and supports the individual through the process
- ☐ Refers the individual to CBTAC for Self-Employment services
- ☐ Refers the individual to community resources for additional guidance and other possible funding sources

Business Planning Team – provides individualized guidance, advice and suggestions to the customer in various aspects of business. The Business Planning Team (BPT) may include a benefits planner, employment facilitator, a banker, community leaders, and other representatives who are committed to the business concept. BPT may also include a CBTAC, Small Business Development Center (SBDC) or SCORE Counselors to American’s Small Business representative, or a family member.

- ☐ Listens to, evaluates, and makes recommendations on the individual’s Self-Employment proposal
- ☐ Reviews the business plan
- ☐ Helps to develop capital requirements for the business
- ☐ Helps with marketing and promotion
- ☐ Helps with other important linkages required for business success

## CBTAC

Work with the individuals to:

- Determine if Self-Employment is a viable option
- Assess business concepts identified by individuals
- Assess existing business plans (and provide support necessary to improve or develop further)
- Identify other funding sources
- Educate customer & Business Planning Team members about Self-Employment
- Assist individuals in developing a viable business plan
- Assist with implementation of business plan

### III. CONSIDERATIONS FOR SELF-EMPLOYMENT SUCCESS

The counselor should consider the need for psychological, assistive technology, and functional capacities evaluations to better understand the individual, minimize the limitations imposed by the disability, and to assess the individual's ability to perform the physical requirements of the business being considered. However, formal vocational evaluations; and assessments that measure vocational skills, and traits may not be particularly useful in determining self-employment capacity. Person-centered evaluations identifying unique gifts, talents, learning styles, hopes and dreams, family support, and other individualized inventories such as Discovery work best and should be given great consideration in assessing self-employment potential. ([See Self-Employment Considerations](#))

### IV. TYPES OF BUSINESSES

Individuals may decide what type of business entity is appropriate for them as long as the business is legal and not prohibited in this section. Note: For DVR purposes, Self-Employment and Microenterprises are terms that are interchangeable.

Individuals may choose to consult with an attorney or accountant before deciding on a legal structure. There are no "one size fits all" rules to follow in making the choice. A professional will look at their financial and business circumstances when helping them select a structure. The choice of business entity can affect certain types of Public Benefits such as Social Security and Medicaid. A benefits analysis is a critical step in the process of developing and maintaining a small business for an individual with a disability. Both SSI and SSDI have different policies and laws regulating self-employment; so, it is important to seek assistance from people who are knowledgeable in this area. The law directs Social Security to establish a community based work incentives planning and assistance program to disseminate accurate information about work incentives and provide work incentives planning and assistance to SSA's

beneficiaries with disabilities. The benefits planning assistance and outreach (BPAO) specialists can assist an individual in understanding the effect Self-Employment may have on Public Benefits. Individuals should reevaluate their choice periodically as their personal and business circumstances change.

**The following are brief descriptions of the different types of businesses:**

**Sole Proprietorship**

A sole proprietorship is an unincorporated business that is owned by one individual. It is the simplest form of business organization to start and maintain. The business has no existence apart from the individual, the owner. Profits are taxed at the owner's individual federal tax rate, with the amount reported on Schedule C or Schedule CZ. Sole proprietorships do not file Florida corporate income tax returns, but owners have unlimited personal liability for any debts or other obligations the business incurs. In Florida, that liability is limited by the state's homestead rights laws, preventing creditors from seizing an owner's home.

**Partnership**

A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor, or skill, and expects to share in the profits and losses of the business. Before beginning a partnership, it is a good idea to create a written partnership agreement which identifies the responsibilities of each partner.

A partnership must file an annual information return to report the income, deductions, gains, losses etc., from its operations, but it does not pay income tax. Instead, it "passes through" any profits or losses to its partners. Each partner includes his or her share of the partnership's income or loss on his or her tax return. Limited partnerships must file with the Florida Department of State, Division of Corporations and pay a fee to designate a registered agent, as well as, filing fees.

Partners are not employees and should not be issued a Form W-2. The partnership must furnish copies of Schedule K-1 (Form 1065) to the partners by the date Form 1065 is required to be filed, including extensions.

A partnership can't be dissolved on a whim, so one should be very careful if entering into one. Basically, a partnership is terminated only when all of the business' operations are discontinued or at least 50% of the partnership's capital and profits are sold to another partner or another person. Make sure both partners have the same expectations for the business. The individual funded by Florida Division of Vocational Rehabilitation should be the majority owner (at least 51%) of a business partnership.

## Corporations

The two types of corporations are the traditional C Corporation and the more restrictive S corporation. Corporations are separate legal entities that must be incorporated in this state with the Florida Department of State, Division of Corporations.

1. C Corporation – C Corporation is a standard corporation and most large businesses use this structure. C Corporations provide good liability protection for the owner(s); however a C Corporation is seen as a separate entity and is taxed as such. This can result in double taxation. The Corporation can pay taxes on income, then the owners pay taxes on distributions they receive. The ownership is in the form of shares, so ownership can be transferred more easily. With a C corporation, the corporation rather than individuals pays taxes and assumes liabilities. Florida has a 5.5% corporate tax. Minutes of meetings must be maintained with at least one shareholder meeting per year. Major changes in the business must be supported by resolutions. Legal protection for the owners is only effective if there is no mixing of personal and corporate money and assets. A C Corporation is usually formed with the aid of an attorney or accountant. Some forms of public benefits, such as SSI, do not look favorably on any type of corporation.

2. S Corporation - An eligible domestic corporation can avoid double taxation (once to the shareholders and again to the corporation) by electing to be treated as an S corporation. Generally, an S corporation is exempt from federal income tax other than tax on certain capital gains and passive income. On their tax returns, the S corporation's shareholders include their share of the corporation's separately stated items of income, deduction, loss, and credit, and their share of non-separately stated income or loss.

A Sub S Corporation is usually formed with the aid of an attorney and/or accountant. Some forms of public benefits, such as SSI, do not look favorably on any type of corporation.

## V. SERVICES

Most individuals with disabilities will require support and technical assistance in planning for Self-Employment. Decisions to explore Self-Employment should be based upon:

- ☐ A comprehensive assessment of the customer's potential for success.
- ☐ Thorough preliminary exploration of the business idea by the counselor and customer.
- ☐ Informed customer choice.
- ☐ Matching of the individual's skills and abilities to the local employment market.

- ☐ Economic demand for the product/service.

When self-employment is the means to a vocational goal, DVR will assist in accomplishing this objective. Services will be based on individual needs and may include, but not be limited to:

- ☐ Assessment of customer potential.
- ☐ Referral to and coordination with community resources for basic business courses, assistance in developing a business plan, and assistance in business start-up.
- ☐ Training in the actual field of work.
- ☐ Purchase of tools/equipment necessary for training and/or entry level requirements for the occupation.
- ☐ Obtaining necessary initial stocks and or supplies.
- ☐ Assistance with start-up legal costs (including the cost of forming the business entity.) The time frames need to be included.
- ☐ Assistance with start-up marketing including the costs associated with custom web site design, development, maintenance, and E-commerce development. The time frames need to be included.
- ☐ Assistance with accounting costs and financial reviews as indicated by IPE timelines. The time frames need to be included. Should assure a minimum of quarterly reviews in IPE.
- ☐ Providing appropriate accommodations or assistive technology needed for start-up.
- ☐ Short term rental payment assistance and required security deposits for business start up.
- ☐ Assistance with obtaining the business plan in accessible, easily revised formats (printed or computer discs.)
- ☐ Assistance with finding sources of funding.
- ☐ Referral to resources for small business loans. DVR may not require individuals to obtain loans but should encourage individuals to become acquainted with banks and lending institutions which may provide financial assistance in the future.
- ☐ Acquiring licenses and permits required to lawfully engage in business.

DVR will not provide funding or be involved in assisting consumers plan for:

- ☐ Businesses speculative in nature, such as investments in real estate, etc.
- ☐ Businesses organized as hobbies (A hobby is defined as a pursuit for relaxation outside of a regular occupation. A hobby has no plan for the business to make a profit).
- ☐ Construction and/or purchase of real estate.
- ☐ Sign or co-sign leases or mortgages.
- ☐ Purchase of land.
- ☐ Refinancing of existing debt.



- ☐ Pay salaries.
- ☐ Loans for expansion of existing businesses.
- ☐ Deposit of monies into accounts for discretionary use or for any other purpose including business expansion loans.
- ☐ Purchase of vehicles (state law).
- ☐ Support businesses that may violate community morality or are unlawful.
- ☐ Fund business license renewals on a continuing basis.
- ☐ Businesses that are not-for-profit corporations.
- ☐ Businesses that are franchises.
- ☐ Any business with the objective of paying sub-minimum wage.

All other applicable State and Federal laws, policies, and procedures must be followed, including State purchasing laws.

## VI. SUPPORTED SELF-EMPLOYMENT

Supported Self-Employment means that an individual with a most significant disability can own a business. The difference from Self-employment is that the individual requires supports and ongoing assistance in the day-to-day running of the business. Supported Self-Employment follows the same requirements as Supported Employment (Refer to Operational Policies and Procedures for DVR Counselors Chapter 17, Supported Employment Program). Time limited or Phase I services are provided by DVR. Extended Services (Phase II) or ongoing support services are provided by a State agency other than DVR, private non-profit organization, or any other appropriate non-DVR resource. The major distinction from the Supported Employment definition in the Operational Policies and Procedures for DVR Counselors Chapter 17 is that the monetary income amount may not meet the competitive wage requirement of "competitive employment".

## VII. BUSINESS PLAN

The business plan is a comprehensive document describing all relevant aspects of the business in the proposal and development stage as well as when it is fully operational. It is the foundation for planning activities and provides justification for undertaking the endeavor. All business plans should show the business making a profit with specified timelines.

The plan shall include:

- ☐ Executive Summary. This section generally describes the name and type of business, the business location, the product, the market, and the management and business goals.
- ☐ Products or Services. This section describes the product or service line and any proprietary position (patent, copyright, legal, and technical).

- Manufacturing Process (if applicable). This section describes the materials, source of supply and production methods.
- Market Analysis and Marketing Strategy. This section describes the total market, industry trends, target market, competition and the methods of selling, distributing and servicing the product or service line.
- Management Plan. This section describes the business organization, personnel, facilities, and operating plan.
- Financial Plan & Benefits Analysis-B/A (a B/A is required if SSA, Medicaid, or other social benefits such as section 8 housing, food stamps, etc., are involved) including at least 2 to 3 years of : Profit and Loss Projections; Cash Flow Projections; Balance Sheet Projections; Break Even Analysis; and Benefits Analysis Projections (if applicable).
- Business Plan Implementation. This section should provide a detailed outline regarding the initial steps to start the business. If the individual will require initial or long term supports, this section should also include:
  - Necessary supports.
  - Funding source for these supports (DVR, Social Security Plan for Achieve Self-Support, other resources etc.).
  - Implementation hours (with projected outcomes) to be provided by a CBTAC, if applicable. When business plan is approved, the counselor may authorize implementation hours for specific outcomes related to the business plan. Payment may occur after the counselor approves completed outcomes.

The complexity and comprehensive nature of the business plan will be determined by the scope of the proposed business. The Business Planning Team can provide assistance in determining how complex and comprehensive the business plan should be.

### VIII. CRITERIA FOR CLOSURE

It is difficult to determine when an individual pursuing a self-employment business goal is stable enough to consider closure. Businesses take a long time to develop and turn a profit, although a business owner may work far more than 40 hours per week in the business. Wage data may be misleading in self-employment because of the complications of expenses, putting money back into the business, business equity, etc. If the counselor is uncertain as to whether a case should be closed, the counselor may consult with a CBTAC.

When does a counselor close the case? Based upon federal regulations, the counselor can determine that a successful employment outcome has been achieved when all of the following criteria are met:

- ☐ The provision of services under the individual's IPE has contributed to the achievement of the employment outcome.
- ☐ The employment outcome is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- ☐ The employment outcome is in the most integrated setting possible, consistent with the individual's informed choice.
- ☐ The individual has maintained the employment outcome for a period of at least 90 days for Self-Employment Plan and 150 days for a Supported Self-Employment Plan.
- ☐ The individual and the rehabilitation counselor consider the employment outcome to be satisfactory and agree that the individual is performing well on the job.

Since neither a specific monetary amount nor number of hours worked per week is mentioned in the Rehabilitation Act, it's left up to the counselor and individual to decide when a case should be closed as successful.

#### Additional Criteria: For Consideration Only

Following are additional indicators that should be considered for successful closure. The individual must meet an essential indicator plus one of the additional indicators.

#### Essential Indicator:

- ☐ The self-employment business has been sustained for 90 days or 150 days if the business is under a Supported-Self-Employment plan (with post-employment follow-up) without additional support from DVR and is able to put money back into the business to maintain ongoing business expenses. A self-employment enterprise will take time to make a profit. Income is used to make a business flourish. If the individual demonstrates an ability to meet business expenses without VR support, the owner is on the way to success.

#### Additional Indicators:

- ☐ Has gone off SSDI. This is a "stand-alone" indicator. If a person can produce enough income to go off SSDI, then their business must be, by definition, successful and producing a livable wage.
- ☐ Has experienced a decrease in public benefits (e.g. SSI, TANF, food stamps, housing subsidy, Medicaid, mental health services, etc.). A person may have a successful business but not be producing enough income to eliminate public benefits. All available income may be used to support or grow the business. However, an indicator of success would be enough income to reduce the need for some benefits.
- ☐ Has made a net profit from the business or has significant gross income. Profits are based on the business adjusted gross income minus eligible business

expenses. The person will submit business statements for counselor review. Examine projected net income and compare to actual net achieved. Obviously, profit indicates some success. Gross income is also used since business expenses or reinvestment may negate profit.

- Has increased equity in the business (equipment, savings on assets and liability statement). Person will submit business statements to the counselor for review. Although unable to show a profit as mentioned above, a person may be increasing the business equity, indicating growth and stability.