

Shifting the Cost of Self-Pay for SSI Workers in Supported Employment

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Two provisions of the Supplemental Security Income (SSI) program—the Plan for Achieving Self-Support (PASS) and Impairment Related Work Expenses (IRWE)—can have the implicit result of compensating SSI recipients for work expenses they incur. That is, PASS and IRWE can, in effect, shift all or some of a working SSI recipient's expenses from the recipient to the SSI program. This article describes how PASS and IRWE operate and demonstrates the shifting effect. The analysis focuses on expenses for supported employment.

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The Supplemental Security Income (SSI) program effectively compensates disabled SSI recipients for work expenses in some circumstances. This compensation is implicit in two of the program's work incentive provisions: the Plan for Achieving Self Support (PASS) and Impairment Related Work Expenses (IRWE).

PASS and IRWE apply to many different kinds of situations in which SSI recipients are working or are preparing for work. This article analyzes PASS and IRWE as they can be applied to a system of training and work known as supported employment. The supported employment mode of service provides ongoing on-the-job assistance to persons with a mental or physical disability, making it possible for those persons to work in regular jobs in the community.

Under PASS, the recipient can be effectively compensated for up to the full amount of a supported employment expense. Under IRWE, the effective compensation can be up to one-half the expense. These effects of PASS and IRWE warrant being understood by researchers, planners, consumers, and providers of supported employment services, as well as by those interested in SSI.

Needless to say, this article is not meant to be a complete representation of SSI statutory provisions and applicable rules and regulations.¹ Its purposes are to present and explain the compensation effect and to provide a general orientation to the operation of PASS and IRWE.

Supported employment services that can be facilitated by PASS and IRWE include, for example, the services of a job coach or a case manager. A job coach is a training specialist, usually employed by an organization that serves persons with disabilities. Typically, a coach might train a worker who has mental retardation, on the job, in work skills and in the social skills necessary to maintain a job. PASS and IRWE can effectively compensate an SSI recipient for costs of these employment supports in the sense that the recipient's SSI payment is greater than it would have been had the expense not been incurred.

Means of funding job coaching and other employment supports is a topic of great interest and concern within the field of supported employment. Over the past

decade, supported employment has been a rapidly growing new mode of service, but funding mechanisms have not kept up with its increasing popularity and success. Lack of funding has constrained the availability of services, and, therefore, the number of persons who are being served (West, Revell, and Wehman, 1992; Sale, Revell, West, and Kregel, 1992).

As work incentives, PASS and IRWE can help remediate this type of problem. The purpose of PASS and IRWE is to provide the incentive and the means for SSI recipients to become employed, more self-sufficient, and, ultimately, less dependent on SSI.

Although this analysis is simplified to focus on supported employment, the concepts can be applied as well to other costs relating to training and work. The limited focus is meant to highlight how these work incentive provisions of the law can contribute to the development of this important service model.

Excluded and Counted Income Under SSI

SSI is a program of monthly payments to aged, blind, or disabled persons with low income and assets. The program is administered by the Social Security Administration (SSA) and is funded by general revenues of the government, rather than from Social Security taxes. In 1993, the Federal benefit rate for an individual living in his or her own household and without other countable income is \$434 per month. The amount is adjusted annually to reflect changes in the Consumer Price Index. Some States supplement the Federal SSI payment.

Other income received by an SSI recipient is taken into account in determining the amount of the individual's SSI payment. In general, income received by an SSI recipient is counted against the SSI payment amount, except to the extent that part or all of the income is excluded under various provisions of the law. The *counted* portion of income received, as the term is used here, is the portion that reduces the individual's SSI payment, dollar for

dollar. For the analyses of PASS and IRWE in this article, it is necessary to keep account of the amount of a worker's earnings that are excluded from being counted under each exclusion and the amount that is counted.

The exclusions apply differently to earned and unearned income. Earned income is income derived from working. Unearned income consists of Social Security benefits, interest, dividends, rent, gifts, and other income that does not result from employment or self-employment. The favorable way in which earned income is excluded, relative to unearned income, is the most important work incentive under SSI.

Income of \$20 in a month from most sources is excluded in calculating the payment amount. Unearned income beyond the \$20 is counted; that is, it reduces the SSI payment dollar for dollar. But the exclusions are more generous with regard to earned income. An additional \$65 in a month is excluded, and half of any amount beyond the initial \$20 and \$65 exclusions is also excluded. (The tables that follow provide numerical examples.) Thus, when SSI recipients work, they keep over half of their earnings and implicitly lose the remainder, in the sense that their payment amount is reduced, but by less than half their earnings.

PASS and IRWE provide additional exclusions. As of September 1992, earned and unearned income of 5,280 SSI recipients was being excluded under PASS (SSA 1992, table 13). Of these recipients, 2,883, or 55 percent, were not then working. Their excluded income was all unearned, primarily Social Security benefits. The remaining 2,397 recipients who had earned income constituted 1.1 percent of the approximately 214,000 persons who were working while receiving SSI payments due to disability.

Recipients with income excluded under IRWE numbered 7,595, representing 3.6 percent of the SSI disabled recipients who were working. (An additional 4,454 recipients had earnings excluded under the more liberal provisions that apply to Work Expenses of the Blind.² These recipients were about 70 percent of the 6,322 persons who were

working while receiving SSI payments due to blindness.)

Although the proportion of SSI disabled workers using the PASS and IRWE provisions is small, it is rising over time. Between September 1991 and September 1992, the number of recipients with a PASS exclusion grew by 69 percent; the number of working recipients with a PASS exclusion grew by 79 percent. During this same period, the number with an IRWE exclusion grew by 37 percent (SSA 1991, table 15; Rigby 1991, table 6).

Plans for Achieving Self-Support

A PASS is a written plan, approved by SSA, that specifies an employment goal to be achieved in the future and the expenditures necessary to pursue that goal. The expenditures may be current and ongoing, such as tuition, or they may be planned for the future, such as outlays for starting a business. Under PASS, income³ is excluded when it is used for the specified current expenditure or saved for the specified future expenditure.

The PASS exclusion applies to earned or unearned income, and it is introduced into the SSI computation after the exclusion of half of earned income.

A PASS can cover an initial period of up to 18 months and can then be extended for another 18 months, for a total of 3 years. It can be extended for a fourth year if completion of a multi-year educational program is part of the plan. The PASS terminates once the specified employment goal has been achieved, the person ceases to comply with or abandons the plan, or the maximum time specified in the plan elapses.

In a supported employment situation, the worker's goal under a PASS might be to achieve a particular level of productivity that he or she can maintain with the help of some given amount of ongoing job coaching. The PASS would be terminated when the target level of productivity is achieved. Also, if the worker's levels of production and independence on the job stabilize before the goal is reached and it appears that the goal will not be achieved, the PASS terminates.

On the other hand, if it appears during the life of the PASS that the recipient can achieve a higher level of productivity than anticipated, the PASS can be extended, subject to the 48-month limitation, until the person reaches the higher level.

The kinds of supported employment expenditures for which income may be excluded under a PASS include those for job coaching, case management, job development, training in job search and other skills, public or private transportation to work, and similar services.

The recipient must pay for the costs from the excluded income, that is, from his or her own funds. This is not a common method of funding supported employment services. Provider organizations are more familiar with funding by vocational rehabilitation and other State agencies and by private contributions than by what is called "self-pay."

Providers may feel it is not practical to require clients to pay for employment services, especially since their earnings are often low. But, to the extent that a client's SSI payment rises due to the expense, the cost is effectively not borne by the client, despite his or her being the nominal payer.

Impairment Related Work Expenses

The costs of impairment related services, equipment, and supplies that a disabled SSI recipient needs in order to work can be deducted from earnings in calculating the monthly SSI payment amount. Job coaching and other services for current employment are bases for this exclusion, provided the services are needed because of the person's impairment. Thus, special transportation necessitated by the worker's impairment, but not regular transportation, is a basis for an IRWE exclusion. (PASS exclusions do not require that the expense be for an impairment related service.) Under IRWE, it is not necessary to be planning for a goal to be achieved in the future, as it is under PASS.

Earned income is excluded when it is used for IRWE. However, unlike the PASS exclusion, the IRWE exclusion is figured before the exclusion of half of

earned income. That is, half the amount excluded as IRWE would have been excluded in any event, since the income is earned. The consequence is that, holding earnings constant, when a work expense is incurred, the SSI payment amount rises by only half the amount of the expense.

Thus, in effect, under PASS the recipient is compensated in full for qualified expenditures, while under IRWE the compensation is half the expenditure. Numerical examples are provided in the tables below.

IRWE exclusions can continue as long as the recipient is employed, without any overall time limitation. As under PASS, the recipient must pay for the costs from his or her own funds.

The Effective Shares of Expenditures Under PASS and IRWE

It is asserted above that, under PASS and IRWE, when a recipient pays for qualified expenses from his or her own funds, there is a compensating rise in the SSI payment amount equal to all or part of the expenditure. The cost is thus shifted, fully or partially, from the recipient to the SSI program.

The computational examples in table 1 demonstrate this effect. The examples show how income is counted and excluded when there are no IRWE or PASS expenditures and how the exclusions operate differently under IRWE from the way they do under PASS.

In table 1 and most of the tables that follow, wages are given at \$500 per month in cases where the recipient is working. Expenses for supported employment, when present, are given at \$200 per month. There is no unearned income. Of course, these parameters are only illustrative.

Let us now consider the recipient's income from all sources—wages as well as SSI—and the expenses of earning that income. We define *net income* as the sum of the SSI payment amount and wages, less expenditures on employment supports. Table 2 calculates the recipient's net income in each of the cases illustrated in table 1.

Let us define the SSI recipient's share of the cost as the amount by which his or her net income declines as a result of paying for supported employment services. The share of the work expense borne by the SSI program is correspondingly defined as the amount the SSI payment rises as a result of the recipient's paying for services.

To calculate the recipient's and the SSI program's shares of the cost, we compare cases (3) and (4) with case (2) in tables 1 and 2. Case (2), "Working, no expense," shows the baseline for counted wages and the SSI payment amount for a recipient without any work expenses. The SSI payment is reduced by \$207.50 to \$226.50 (table 1). Net income is \$726.50, compared with \$434 if the recipient did not work (table 2). Thus, the additional income as a result of working is \$292.50.

Now consider a situation in which this working recipient pays \$200 a month for a job coach. If the cost is classified as an IRWE, the SSI payment will be computed as in case (3). The expense is deducted from earnings before the one-half exclusion. In effect, half the \$200 expense is financed by the increase in the SSI payment—from \$226.50 to \$326.50 (table 1). The other half of the expense is borne by the recipient, in the form of a reduction in his or her net income—from \$726.50 to \$626.50 (table 2).

If the expense is deducted under a PASS, however, then ultimately none of the expense comes from the recipient, as shown in case (4). A PASS exclusion is sequenced after the one-half exclusion. Thus, the entire expense is compensated for by an equivalent increase in the SSI payment—in this case from \$226.50 to \$426.50. Net income, \$726.50, is unchanged by the recipient's having paid a job coach. That is, the \$200 cost of the employment support is borne completely by the SSI program and not at all by the recipient.

Limits of the SSI Compensation

The size of the effective compensation for an expenditure under IRWE or PASS is limited. The SSI payment amount can rise to compensate for the

expenditure only by as much as the payment would have otherwise been reduced by counted wages.⁴ That is, the maximum monthly compensation for the cost of employment supports that can effectively result from PASS and IRWE is the amount of income that would otherwise have been counted in the month.

Table 3 gives the amounts of counted wages that correspond to various amounts of total wages. For example, if total wages are \$400 per month, the counted part of the wage (by which the SSI payment is reduced) is \$157.50. The maximum compensation for an expenditure under PASS or IRWE could then be that \$157.50, as the SSI payment returned to its original level. Table 3 also gives the amount of IRWE or PASS expenditure that would engender the largest possible compensation at each wage level.

When the total wage is \$953 per month, table 3 shows that \$434 is the amount counted. The payment amount is zero. Thus, no higher wage will lead to the counting of more income against the SSI payment. This calculation assumes that the recipient's SSI payment in the absence of work is the standard \$434, and that he or she has no income other than the stated wages.

The latter two assumptions do not necessarily hold in practice. First, the recipient may have other income that serves to lower the SSI payment. (Such income might or might not be subject to exclusion.)⁵ Second, the SSI payment in the absence of work may be higher than \$434 if the recipient's spouse is also an SSI recipient, or if the recipient lives in a State that supplements the \$434 Federal payment. Wages greater than \$953 would then lead to higher counted income and, thus, a larger amount will be available to compensate for supported employment expenditures. We will not analyze these cases further.

Implicit Tax Rates

An implicit tax rate on earnings is a ratio of a reduction in a government benefit to the earnings that caused the reduction (for example, Aaron 1973, p. 9).

This rate may be measured on a marginal or an average basis. A marginal rate measures the additional reduction due to additional earnings. For an SSI recipient, the marginal implicit tax rate

on wages is zero for the first \$85 per month, and 50 percent on wages from \$85 to the point where counted income completely offsets the SSI payment. For example, when wages are \$85 per

Table 1.—SSI computation when wages, if any, equal \$500 and work expenses, if any, equal \$200

Computation	Not working (1)	Working, no expense (2)	Working, with IRWE (3)	Working, with PASS (4)
Wages	\$0.00	\$500.00	\$500.00	\$500.00
Less exclusion ¹ .....	...	<u>-85.00</u>	<u>-85.00</u>	<u>-85.00</u>
Subtotal .....	...	\$415.00	\$415.00	\$415.00
Less IRWE .....	...	...	<u>-200.00</u>	...
Subtotal .....	...	...	\$215.00	...
Less half .....	...	<u>-207.50</u>	<u>-107.50</u>	<u>-207.50</u>
Subtotal .....	...	\$207.50	\$107.50	\$207.50
Less PASS expenditures .....	...	...	...	<u>-200.00</u>
Counted wages	\$0.00	\$207.50	\$107.50	\$7.50
SSI payment: \$434 less counted wages	\$434.00	\$226.50	\$326.50	\$426.50

¹The \$20 earned/unearned income exclusion, plus the \$65 earned income exclusion.

Table 2.—Net income¹ when wages, if any, equal \$500 and work expenses, if any, equal \$200

Computation	Not working (1)	Working, no expense (2)	Working, with IRWE (3)	Working, with PASS (4)
SSI payment	\$434.00	\$226.50	\$326.50	\$426.50
Plus wages	<u>0.00</u>	<u>500.00</u>	<u>500.00</u>	<u>500.00</u>
Subtotal	\$434.00	\$726.50	\$826.50	\$926.50
Less expenses	<u>-0.00</u>	<u>-0.00</u>	<u>-200.00</u>	<u>-200.00</u>
Net income	\$434.00	\$726.50	\$626.50	\$726.50

¹Net income is defined as the sum of the SSI payment amount and wages, less expenditures on employment supports.

Table 3.—Total monthly wages and counted wages and maximum benefit from IRWE and PASS

Total monthly wages	Counted wages and maximum compensation	Expenditures corresponding to maximum compensation	
		PASS	IRWE
\$100.00	\$7.50	\$7.50	\$15.00
\$200.00	57.50	57.50	115.00
\$300.00	107.50	107.50	215.00
\$400.00	157.50	157.50	315.00
\$500.00	207.50	207.50	415.00
\$600.00	257.50	257.50	515.00
\$700.00	307.50	307.50	615.00
\$800.00	357.50	357.50	715.00
\$900.00	407.50	407.50	815.00
\$953.00	434.00	434.00	868.00

month, the full \$434 SSI payment is made. Additional wages of \$100 (total \$185) reduce the payment by \$50 to \$384. In cases of PASS and IRWE, once the income devoted to the qualified expenditures has been excluded, further earnings are subject to the same zero or 50-percent marginal implicit tax rate that prevails in the ordinary case of SSI.

The average implicit tax rate compares the overall reduction in the benefit to the overall earnings. The complement of the average rate is the proportion of earnings the worker effectively keeps (not considering any outlays for employment supports). Table 4 shows these proportions for the cases in tables 1 and 2. Again, wages in cases (2), (3), and (4) of table 4 are \$500 per month. In case (2) there are no exclusions for work expenses either because there are no expenses or because all expenses are being paid by an agency. In cases (3) and (4), income of \$200 is excluded for expenses under IRWE or PASS, respectively. Case (1), the case of no wages or expenses, is given for comparison.

Table 4 shows that this worker keeps 58.5 percent of the \$500 wage in the form of increased income when there are no IRWE or PASS expenditures. The implicit tax is the remaining 41.5 percent. In the IRWE and PASS cases, the worker keeps 78.5 percent and 98.5 percent (before paying for work supports), and the implicit tax rates are 21.5 percent and 1.5 percent, respectively. Of course, these percentages hold only in the specific example of \$500 in wages and \$200 in work expenses. Other examples will be considered later.

Increases in Income Due to Working

Table 5 presents an alternative measure of the proportion of wages that a worker keeps. This table focuses on net income, that is, income less work expenses. In the IRWE case, the increase in income net of expenses is \$192.50, or 38.5 percent of the \$500 wage; in the PASS case, the increase due to working is \$292.50, or 58.5 percent. This illustrates again that under PASS the worker is just as well off paying for the

expense—case (4)—as when there is no expense—case (2).

The amounts of increased income and percentages of wages in the above examples were dependent on the figures used for work expenses and wages. The next examples, in tables 6 and 7, show how income amount and percentage of wage vary with variations in the amount of the expense. The tables also show how much of the expense is ultimately borne by the supported employment worker in each case.

In table 6, a monthly wage of \$500 is given, and the supported employment expenditures under the PASS vary from zero to \$700 in \$100 increments. An additional column in the table for expenditures equaling \$207.50 shows that the benefit of the PASS exclusion is exhausted at that expenditure level. Any expenditures above \$207.50 are effectively borne by the recipient. This outcome is consistent with table 3, which shows \$207.50 to be the expenditure that

results in the maximum compensation when wages are \$500. At higher wage levels, the increased SSI would offset higher expenditures. At lower wage levels, the maximum offset would be lower.

Table 6 also shows that a recipient who earns \$500 and has no exclusions for PASS or IRWE keeps, in effect, \$292.50 of his or her earnings after the decline in the SSI payment. That is, the SSI payment amount falls by 41.4 percent of the \$500 wage, leaving 58.5 percent as a net increase in income. As expenditures rise, the SSI payment rises correspondingly, so that the recipient continues to keep \$292.50 in additional income after paying for the employment supports. The \$292.50 and 58.5 percent figures remain constant until the maximum exclusion under the PASS is reached at a \$207.50 expense.

As expenditures rise between \$207.50 and \$500, the \$292.50 gain due to working falls, ultimately to zero, since

Table 4.—Increase in income¹ due to working and implicit average tax rate, when wages, if any, equal \$500 and work expenses, if any, equal \$200

Item	Not working (1)	Working, no expense (2)	Working, with IRWE (3)	Working, with PASS (4)
Income:				
SSI payment plus wages ...	\$434.00	\$726.50	\$826.50	\$926.50
Increase in income:				
Excess over \$434 .....	...	292.50	392.50	492.50
Increase in income as percentage of wages .....	...	58.5	78.5	98.5
Implicit average tax rate (percent) .....	...	41.5	21.5	1.5

¹ Increase in income is measured without subtracting outlays for employment supports.

Table 5.—Increase in net income¹ due to working, when wages, if any, equal \$500 and work expenses, if any, equal \$200

Item	Not working (1)	Working, no expense (2)	Working, with IRWE (3)	Working, with PASS (4)
Net income:				
SSI payment plus wages less expense	\$434.00	\$726.50	\$626.50	\$726.50
Increase in net income:				
Excess over \$434 .....	...	292.50	192.50	292.50
Increase in net income as a percentage of wages ...	...	58.5	38.5	58.5

¹ Increase in net income is measured after subtracting outlays for employment supports.

larger shares of earnings are spent for the supported employment expenditures. As the table shows, once expenses exceed \$500 per month, working creates a net cost to the recipient.

The implicit tax rate is 41.5 percent when there is no exclusion for employment expense. The rate declines to zero as the exclusion grows and raises the SSI payment to \$434.

In table 7 the expenses are treated as IRWE. This table, like table 6, gives a monthly wage of \$500 and considers supported employment expenses that vary from zero to \$700 in \$100 increments.

An additional column for expenses of \$415 shows that amount to be the level at which the benefit of the IRWE exclusion is exhausted. Up to that point, half the expense is borne, in effect, by the SSI program through the IRWE exclusion and half is borne by the SSI recipient. As under PASS, when the wage is \$500 the maximum expense that can be shifted to the SSI program is \$207.50 (see table 3). However, unlike PASS, this maximum shifting of \$207.50

is reached when total expenses are \$415, not \$207.50.

The implicit tax rate in the IRWE case falls from 41.5 percent to zero, as in the PASS case (that was shown in table 6). But the zero rate is not reached until the expense exclusion rises to \$415, as opposed to \$207.50 under PASS. These two expense levels are the points at which the advantage of the exclusions is exhausted, as discussed above. (Again, all these tax rates and expense thresholds are dependent on the amount of the monthly wage, which in these examples is \$500.)

Break-even Wage

A break-even point under SSI is an amount of income that reduces the SSI payment to zero. Break-even points are of interest in analyzing income assistance programs (for example, Anderson 1978, pp. 145-147). The break-even point also has a programmatic role in the SSI program.⁶

The 1993 break-even level of wages without PASS, IRWE, or other special

exclusions is \$953. That is, start with wages of \$953 and subtract the standard \$85 exclusion; exclude half the remaining \$868 because the income is earned, which leaves \$434; count the \$434 against the SSI payment of \$434, which reduces the payment to zero.

In the case of an IRWE exclusion, the break-even wage is raised by the amount of the exclusion. For example, if the exclusion is \$200, the break-even wage is \$1,153, calculated as follows: \$85 and \$200 are excluded, leaving \$868; after the one-half exclusion for earned income, \$434 is counted as income and totally offsets the \$434 payment.

When wages are excluded under PASS, the break-even wage is higher by double the amount of the exclusion. In the case of the \$200 exclusion, the break-even monthly wage is \$1,353: Subtracting the \$85 standard exclusion leaves \$1,268; half of that is excluded as earned income, leaving \$634; subtraction of the \$200 PASS exclusion leaves \$434 to be counted against the \$434 SSI payment, and the resulting payment is zero.

Table 6.—Effect of varying the amount of supported employment expense on operation of PASS exclusions, when monthly wage equals \$500

Computation	Amount of supported employment expense								
	\$0.00	\$100.00	\$200.00	\$207.50	\$300.00	\$400.00	\$500.00	\$600.00	\$700.00
Countable wages:									
\$500 wage less \$85 exclusion and half the remainder	\$207.50	\$207.50	\$207.50	\$207.50	\$207.50	\$207.50	\$207.50	\$207.50	\$207.50
Less PASS exclusion	0.00	-100.00	-200.00	-207.50	-207.50	-207.50	-207.50	-207.50	-207.50
Counted wage	\$207.50	\$107.50	\$7.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SSI payment amount and implicit tax rate:									
Payment: \$434 less counted wage	\$226.50	\$326.50	\$426.50	\$434.00	\$434.00	\$434.00	\$434.00	\$434.00	\$434.00
Implicit SSI tax on wage (percent)	41.5	21.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Income net of expense:									
SSI payment	\$226.50	\$326.50	\$426.50	\$434.00	\$434.00	\$434.00	\$434.00	\$434.00	\$434.00
Plus wage	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Subtotal	\$726.50	\$826.50	\$926.50	\$934.00	\$934.00	\$934.00	\$934.00	\$934.00	\$934.00
Less expense	0.00	-100.00	-200.00	-207.50	-300.00	-400.00	-500.00	-600.00	-700.00
Net income	\$726.50	\$726.50	\$726.50	\$726.50	\$634.00	\$534.00	\$434.00	\$334.00	\$234.00
Increase in net income: Excess over \$434	\$292.50	\$292.50	\$292.50	\$292.50	\$200.00	\$100.00	\$0.00	-\$100.00	-\$200.00
Increase in net income as percentage of wage	58.5	58.5	58.5	58.5	40.0	20.0	0.0	-20.0	-40.0
Worker's share of the expense:									
Expense	\$0.00	\$100.00	\$200.00	\$207.50	\$300.00	\$400.00	\$500.00	\$600.00	\$700.00
Less SSI offset	0.00	-100.00	-200.00	-207.50	-207.50	-207.50	-207.50	-207.50	-207.50
Worker's net expense	\$0.00	\$0.00	\$0.00	\$0.00	\$92.50	\$192.50	\$292.50	\$392.50	\$492.50

**Summary Comparison
of PASS and IRWE**

This section briefly highlights differences and similarities between the PASS and IRWE exclusions based on the above discussion. The focus remains on supported employment expenditures.

- **Self-pay:** Both PASS and IRWE exclusions apply only to expenditures from the SSI recipient's own funds.
- **Shifting the cost:** PASS shifts the entire cost of the employment supports to the SSI program, subject to a maximum. IRWE shifts half the cost to the SSI program, subject to the maximum.
- **Maximum shifting:** The maximum amount of expense that can be shifted is the same under both PASS and IRWE.⁷ The maximum equals the amount of the wage that would be counted against the SSI payment amount if the recipient had no supported employment expense.

(Table 3 gives the maximums that correspond to various wage levels.)

- **Break-even point:** An IRWE exclusion raises the break-even wage by the amount of the exclusion. A PASS exclusion raises the break-even wage by twice the amount of the exclusion.
- **Types of expenditures covered:** Under PASS, only expenditures that are part of a plan to achieve a future earnings goal are considered. Expenditures for current employment are covered only if the current job is a means to the goal. Under IRWE, only expenditures for current employment are considered.

Under IRWE, expenditures must be for goods or services that are necessary because of the recipient's impairment. Expenditures under PASS need not be impairment related.
- **Period of time covered:** PASS can cover an initial period of up to

18 months and can then be extended for another 18 months, for a total of 3 years, as required to reach the goal. The plan can be extended for a fourth year to cover a multi-year education or training program. Once the goal is achieved (or is found to be unachievable), the plan and the exclusions terminate. IRWE, on the other hand, is ongoing and has no time limitations.

- **Unearned income:** Both earned and unearned income, including Social Security benefits, may be excluded under PASS. Under IRWE, only earned income is excluded, and the expenses must have been incurred in earning the income.
- **Written plan:** PASS exclusions apply only to expenditures under a written plan that describes the goal and the means of achieving it. The plan is proposed to SSA by the recipient and is effective if approved by SSA. Under IRWE, expenses need

Table 7.—Effect of varying the amount of supported employment expense on operation of IRWE exclusions, when monthly wage equals \$500

Computation	Amount of supported employment expense								
	\$0.00	\$100.00	\$200.00	\$300.00	\$400.00	\$415.00	\$500.00	\$600.00	\$700.00
Countable wages:									
\$500 wage less \$85 exclusion	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00
Less IRWE exclusion	0.00	-100.00	-200.00	-300.00	-400.00	-415.00	-415.00	-415.00	-415.00
Subtotal	\$415.00	\$315.00	\$215.00	\$115.00	\$15.00	\$0.00	\$0.00	\$0.00	\$0.00
Less half	-207.50	-157.50	-107.50	-57.50	-7.50	0.00	0.00	0.00	0.00
Counted wage	\$207.50	\$157.50	\$107.50	\$57.50	\$7.50	\$0.00	\$0.00	\$0.00	\$0.00
SSI payment amount and implicit tax rate:									
Payment: \$434 less counted wage	\$226.50	\$276.50	\$326.50	\$376.50	\$426.50	\$434.00	\$434.00	\$434.00	\$434.00
Implicit SSI tax on wage (percent)	41.5	31.5	21.5	11.5	1.5	0.0	0.0	0.0	0.0
Income net of expense:									
SSI payment	\$226.50	\$276.50	\$326.50	\$376.50	\$426.50	\$434.00	\$434.00	\$434.00	\$434.00
Plus wage	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Subtotal	\$726.50	\$776.50	\$826.50	\$876.50	\$926.50	\$934.00	\$934.00	\$934.00	\$934.00
Less expense	0.00	-100.00	-200.00	-300.00	-400.00	-415.00	-500.00	-600.00	-700.00
Net income	\$726.50	\$676.50	\$626.50	\$576.50	\$526.50	\$519.00	\$434.00	\$334.00	\$234.00
Increase in net income: Excess over \$434	\$292.50	\$242.50	\$192.50	\$142.50	\$92.50	\$85.00	\$0.00	-\$100.00	-\$200.00
Increase in net income as percentage of wage	58.5	48.5	38.5	28.5	18.5	17.0	0.0	-20.0	-40.0
Worker's share of the expense:									
Expense	\$0.00	\$100.00	\$200.00	\$300.00	\$400.00	\$415.00	\$500.00	\$600.00	\$700.00
Less SSI offset	0.00	-50.00	-100.00	-150.00	-200.00	-207.50	-207.50	-207.50	-207.50
Worker's net expense	\$0.00	\$50.00	\$100.00	\$150.00	\$200.00	\$207.50	\$292.50	\$392.50	\$492.50

only be reported to SSA, and may be reported after they are incurred.

The PASS and IRWE provisions of the SSI program are important, whether viewed from the perspective of work incentives, sources of funding for services, or the effect on implicit tax rates. These provisions can potentially contribute to the establishment of supported employment as a standard element in the array of vocational services for persons with disabilities.

Notes

¹ The statute governing the SSI program is title XVI of the Social Security Act. Corresponding regulations are in the Code of Federal Regulations, title 20, part 416, of which sections 416.976, 416.1112, and 416.1180-2 regulate PASS and IRWE.

² Income earned by a person who receives SSI due to blindness may be excluded to the extent of the worker's expenses in earning that income. Such work expenses can be the basis for an exclusion whether or not they are related to the worker's blindness. Examples include transportation to and from work, meals consumed during work hours, job equipment, licenses, income and employment taxes, and costs of job training. These expenses are deducted from earned income after the one-half exclusion (as PASS income is deducted; see page 46), rather than before the one-half exclusion (as under IRWE provisions).

³ To be eligible for SSI, an individual's or a couple's assets may not exceed certain established limits. A PASS may be written to exclude assets that are being conserved in pursuit of the specified goal. The exclusion of assets is not discussed in this article.

⁴ Unearned income may also be excluded under PASS. This analysis and the subsequent examples assume that the recipient's only income is the wages derived from a supported employment job.

⁵ Income from another source cannot be excluded under the IRWE provision. Under PASS, income other than the wages from the supported employment job, whether earned or unearned, can be excluded if it is available for the purposes specified in the plan. If, for example, the income takes the form of room and board furnished in kind, it is not available to pay for PASS expenditures and cannot be excluded.

Editor's Note

If you or someone you know would like assistance in pursuing a Plan for Achieving Self-Support or information about expenses that qualify as Impairment Related Work Expenses, call Social Security at 1-800-772-1213, or talk with the work incentive coordinator at your local Social Security office. You may also find the following Social Security publications helpful:

- *Working While Disabled—A Guide to Plans for Achieving Self-Support While Receiving Supplemental Security Income* (SSA Pub. No. 05-11017).
- *Working While Disabled—How Social Security Can Help* (SSA Pub. No. 05-10095).
- *Red Book on Work Incentives* (SSA Pub. No. 64-030).

Copies of the first two publications may be ordered by calling 1-800-772-1213; the *Red Book* is available from the Office of Research and Statistics, Publications Staff, at 202-282-7138 or by writing to the following address:

SSA/ORS Publications Staff
Room 209 Van Ness Centre
4301 Connecticut Avenue, NW
Washington, DC 20008

⁶ Eligibility for Medicaid under section 1619(b) of the Social Security Act is determined, in part, by reference to the break-even level of earned income.

⁷ Unearned income may be excluded under PASS. For a recipient with unearned and earned income, more income can thus be excluded under PASS than under IRWE. The present analysis and examples assume that the recipient's only income is the wages derived from a supported employment job.

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