

Washington State Division of Developmental Disabilities Self-Employment Policy Guidelines

Self-Employment is earning income directly from one's own business, trade, or profession rather than as a specified salary or wages from an employer. The purpose of a for-profit business is to engage in the trade of goods, services, or both to consumers to earn a profit and increase the wealth of the owner(s).

The first step in determining the role of DDD in Self-Employment is to determine if the proposed activity is a hobby or a business. Check the Internal Revenue Service website www.irs.gov for more information. Also, click [here](#) to see an H&R Block Tax Tip on the same subject. DDD cannot support an activity with employment support services if the activity is a hobby and not a business, since doing so could prove legally and financially detrimental to the individual. DDD's Policy 4.11 *County Services for Working Age Adults* (the "Working Age Adult Policy", click [here](#) to view it) identifies the role of government-funded employment supports as activities needed to assist an individual to earn a living wage.

Once it has been determined that the activity will meet the IRS rules for a business, the self-employed person receiving DDD employment supports will:

- Provide a business plan to the county and DDD demonstrating feasibility as determined by DVR or a neutral, agreed-upon, third party business expert;
- Become licensed if required and follow all local, state, and federal regulations and rules;
- Establish benchmarks for profitability and demonstrate progress is being made toward reaching those profit benchmarks; and
- Demonstrate the business will likely provide a living wage for the individual.

The Division of Vocational Rehabilitation (DVR) will be looked to as a first resource. When DVR is a resource, it is expected that all partners will collaborate and follow "The DVR Business Model." (Click [here](#) to view it.)

1. **Feasibility/profitability:** Following the IRS guidelines means that an activity is carried on for profit if it makes a net profit during at least three of the last five tax years, including the current year, or is able to prove/demonstrate a profit motive, according to the nine factors the IRS uses listed in the H&R Block FAQ above. Earnings must be reported to the IRS for self-employment tax purposes if the net earnings (profit) are \$400 or more in a taxable year. Earnings will also be reported by the employment support provider to the county and DDD (see #6 below).
2. **Role of the self-employed person/business owner, supported by his/her team (guardian (if applicable), family, friends, mentors, residential supports, employment supports, and others assisting the person):**

- To demonstrate through a business plan the feasibility of the business, its appropriateness for the person, financial benchmarks and milestones, and the roles and responsibilities of those involved.
 - To create a product and/or service.
 - To market their business and make sales.
 - To conduct activities to make the business viable and make progress toward financial benchmarks and milestones.
 - To demonstrate that he/she has a profit motive and that the activity is not a hobby.
 - To make a profit in three of the last five years of the business and continually grow that profit, and eventually earn a living from it.
 - To keep accurate accounting and financial records and report business activity as required by law to the IRS, SSA, the State of WA, and local entities if required.
 - To update the business plan when needed and at a minimum annually, and reach or exceed established benchmarks and milestones.
 - To provide a copy of the annual IRS business tax filing to the county and DDD CRM.
 - To look for and procure long term natural supports for the business and decrease support needs from the county and DDD.
3. Role of the DDD Case Resource Manager (CRM), in collaboration with counties:
- To determine if a person's proposed self-employment pathway is appropriate for the person and adheres to the Working Age Adult Policy ([Click here to view it](#)).
 - To assess support needs and identify supports in the ISP. To authorize the CSA.
 - To review the benchmarks and progress made at least annually.

The CRM is responsible for authorizing services. If the business activity fails to reach its benchmarks the CRM, in consultation with the person and their guardian (if applicable), county staff, and employment support staff will work to develop alternate strategies to meet the employment or day activity needs of the client.

4. County role, in collaboration with the DDD CRM:
- To determine if a person's proposed self-employment pathway is appropriate for the person.
 - To implement the CSA and collaborate with contracted providers to provide the supports available and needed to support self-employment (using as a guide the Employment Phases document: [Click here to view it](#)).
 - Through their contractors, to help identify the work the person will do, assist in training the individual, develop independence, and assist in finding other resources and natural supports for other tasks involved in supporting the business.
 - To provide job support services in accordance with the Working Age Adult Policy, but not purchase equipment, supplies, or startup costs.

5. Role of employment support vendors, in collaboration with the DDD CRM and County:
 - To assist the business owner and team to identify and ensure the pieces of a viable business are in place.
 - To train/job coach/provide support for the job tasks of the business as an accommodation for disability.
 - To provide assistance finding and connecting people to community resources and services for long term support such as business planning, feasibility assessments, marketing, accounting, etc.
 - To assist the person in developing a team of support according to their needs.
 - To assist the person and team with continued team building, person centered planning, ongoing business planning, and development of natural supports.
 - To fade their supports over time.

6. County reporting: The County Management Information System (CMIS) designation for “Self-Employment”, for a DDD client who is self-employed, is coded as “Job Type 04”.