§ 416.974a  When and how we will average your earnings.

(a) To determine your initial eligibility for benefits, we will average any earnings you make during the month you file for benefits and any succeeding months to determine if you are doing substantial gainful activity. If your work as an employee or as a self-employed person was continuous without significant change in work patterns or earnings, and there has been no change in the substantial gainful activity earnings levels, your earnings will be averaged over the entire period of work requiring evaluation to determine if you have done substantial gainful activity.

(b) If you work over a period of time during which the substantial gainful activity earnings levels change, we will average your earnings separately for each period in which a different substantial gainful activity earnings level applies.

(c) If there is a significant change in your work pattern or earnings during the period of work requiring evaluation, we will average your earnings over each separate period of work to determine if any of your work efforts were substantial gainful activity.

§ 416.975  Evaluation guides if you are self-employed.

(a) If you are a self-employed person. If you are working or have worked as a self-employed person, we will use the provisions in paragraphs (a) through (d) of this section that are relevant to your work activity. We will use these provisions whenever they are appropriate in connection with your application for supplemental security income benefits (when we make an initial determination on your application and throughout any appeals you may request). We will consider your activities and their value to your business to decide whether you have engaged in substantial gainful activity if you are self-employed. We will not consider your income alone because the amount of income you actually receive may depend on a number of different factors, such as capital investment and profit-sharing agreements. We will generally consider work that you were forced to stop or reduce to below substantial gainful activity after 6 months or less because of your impairment as an unsuccessful work attempt. See paragraph (d) of this section. We will evaluate your work activity based on the value of your services to the business regardless of whether you receive an immediate income for your services. We determine whether you have engaged in substantial gainful activity by applying three tests. If you have not engaged in substantial gainful activity under test one, then we will consider tests two and three. The tests are as follows:

(1) Test One: You have engaged in substantial gainful activity if you render services that are significant to the operation of the business and receive a substantial income from the business. Paragraphs (b) and (c) of this section explain what we mean by significant services and substantial income for purposes of this test.

(2) Test Two: You have engaged in substantial gainful activity if your work activity, in terms of factors such as hours, skills, energy output, efficiency, duties, and responsibilities, is comparable to that of unimpaired individuals in your community who are in the same or similar businesses as their means of livelihood.

(3) Test Three: You have engaged in substantial gainful activity if your
work activity, although not comparable to that of unimpaired individuals, is clearly worth the amount shown in §416.974(b)(2) when considered in terms of its value to the business, or when compared to the salary that an owner would pay to an employee to do the work you are doing.

(b) What we mean by significant services. (1) If you are not a farm landlord and you operate a business entirely by yourself, any services that you render are significant to the business. If your business involves the services of more than one person, we will consider you to be rendering significant services if you contribute more than half the total time required for the management of the business, or you render management services for more than 45 hours a month regardless of the total management time required by the business.

(2) If you are a farm landlord, that is, you rent farm land to another, we will consider you to be rendering significant services if you materially participate in the production or the management of the production of the things raised on the rented farm. (See §404.1082 of this chapter for an explanation of “material participation”.) If you were given social security earnings credits because you materially participated in the activities of the farm and you continue these same activities, we will consider you to be rendering significant services.

(c) What we mean by substantial income. We deduct your normal business expenses from your gross income to determine net income. Once net income is determined, we deduct the reasonable value of any significant amount of unpaid help furnished by your spouse, children, or others. Miscellaneous duties that ordinarily would not have commercial value would not be considered significant. We deduct impairment-related work expenses that have not already been deducted in determining your net income. Impairment-related work expenses are explained in §416.976. We deduct unincurred business expenses paid for you by another individual or agency. An unincurred business expense occurs when a sponsoring agency or another person incurs responsibility for the payment of certain business expenses, e.g., rent, utilities, or purchases and repair of equipment, or provides you with equipment, stock, or other material for the operation of your business. We deduct soil bank payments if they were included as farm income. That part of your income remaining after we have made all applicable deductions represents the actual value of work performed. The resulting amount is the amount we use to determine if you have done substantial gainful activity. We will generally average your income for comparison with the earnings guidelines in §§416.974(b)(2) and 416.974(b)(3). See §416.974a for our rules on averaging of earnings. We will consider this amount to be substantial if—

(1) It averages more than the amounts described in §416.974(b)(2); or

(2) It averages less than the amounts described in §416.974(b)(2) but it is either comparable to what it was before you became seriously impaired if we had not considered your earnings or is comparable to that of unimpaired self-employed persons in your community who are in the same or a similar business as their means of livelihood.

(d) The unsuccessful work attempt—(1) General. Ordinarily, work you have done will not show that you are able to do substantial gainful activity if, after working for a period of 6 months or less, you were forced by your impairment to stop working or to reduce the amount of work you do so that you are no longer performing substantial gainful activity and you meet the conditions described in paragraphs (d)(2), (3), (4), and (5) of this section.

(2) Event that must precede an unsuccessful work attempt. There must be a significant break in the continuity of your work before we will consider you to have begun a work attempt that later proved unsuccessful. You must have stopped working or reduced your work and earnings below substantial gainful activity because of your impairment or because of the removal of special conditions which took into account your impairment and permitted you to work. Examples of such special conditions may include any significant amount of unpaid help furnished by your spouse, children, or others, or
unincurred business expenses, as de-
scribed in paragraph (c) of this section,
paid for you by another individual or
agency. We will consider your prior
work to be “discontinued” for a signifi-
cant period if you were out of work at
least 30 consecutive days. We will also
consider your prior work to be “dis-
continued” if, because of your impair-
ment, you were forced to change to an-
other type of work.

(3) If you worked 3 months or less. We
will consider work of 3 months or less
to be an unsuccessful work attempt if it
ended, or was reduced below substan-
tial gainful activity, because of your
impairment or because of the removal
of special conditions which took into
account your impairment and per-
mitted you to work.

(4) If you work between 3 and 6 months.
We will consider work that lasted
longer than 3 months to be an unsuc-
cessful work attempt if it ended, or was
reduced below substantial gainful ac-
tivity, within 6 months because of your
impairment or because of the removal
of special conditions which took into
account your impairment and per-
mitted you to work and—

(i) You were frequently unable to
work because of your impairment;

(ii) Your work was unsatisfactory be-
cause of your impairment;

(iii) You worked during a period of
temporary remission of your impair-
ment; or

(iv) You worked under special condi-
tions that were essential to your per-
formance and these conditions were re-
moved.

(5) If you worked more than 6 months.
We will not consider work you per-
formed at the substantial gainful activ-
ity level for more than 6 months to be
an unsuccessful work attempt regard-
less of why it ended or was reduced
below the substantial gainful activity
level.

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FR 21940, May 16, 1983; 49 FR 22274, May 29,
1984; 65 FR 42796, July 11, 2000]

§ 416.976 Impairment-related work ex-
penses.

(a) General. When we figure your
earnings in deciding if you have done
substantial gainful activity, and in de-
termining your countable earned in-
come (see §416.1112(c)(5)), we will sub-
tract the reasonable costs to you of cer-
tain items and services which, be-
cause of your impairment(s), you need
and use to enable you to work. The
costs are deductible even though you
also need or use the items and services
to carry out daily living functions un-
related to your work. Paragraph (b) of
this section explains the conditions for
deducting work expenses. Paragraph (c)
of this section describes the expenses
we will deduct. Paragraph (d) of this
section explains when expenses may be
deducted. Paragraph (e) of this section
describes how expenses may be allo-
cated. Paragraph (f) of this section ex-
plains the limitations on deducting ex-
penses. Paragraph (g) of this section
explains our verification procedures.

(b) Conditions for deducting impair-
ment-related work expenses. We will de-
duct impairment-related work ex-
penses if—

(1) You are otherwise disabled as de-
finite in §§416.905 through 416.907;

(2) The severity of your impair-
ment(s) requires you to purchase (or
rent) certain items and services in
order to work;

(3) You pay the cost of the item or
service. No deduction will be allowed
to the extent that payment has been or
will be made by another source. No de-
duction will be allowed to the extent
that you have been, could be, or will be
reimbursed for such cost by any other
source (such as through a private in-
urance plan, Medicare or Medicaid, or
other plan or agency). For example, if
you purchase crutches for $80 but you
were, could be, or will be reimbursed
$64 by some agency, plan, or program,
we will deduct only $16;

(4) You pay for the item or service in
accordance with paragraph (d) of this
section; and

(5) Your payment is in cash (includ-
ing checks or other forms of money).
Payment in kind is not deductible.

(c) What expenses may be deducted—(1)
Payments for attendant care services. (i)
If because of your impairment(s) you
need assistance in traveling to and
from work, or while at work you need
assistance with personal functions

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