Social Security Administration

§ 416.1222 How income-producing property essential to self-support is counted.

(a) General. When deciding the value of property used in a trade or business or nonbusiness income-producing activity, only the individual’s equity in the property is counted. We will exclude as essential to self-support up to $6,000 of an individual’s equity in income-producing property if it produces a net annual income to the individual of at least 6 percent of the excluded equity. If the individual’s equity is greater than $6,000, we count only the amount that exceeds $6,000 toward the allowable resource limit specified in § 416.1205 if the net annual income requirement of 6 percent is met on the excluded equity. If the activity produces less than a 6-percent return due to circumstances beyond the individual’s control (for example, crop failure, illness, etc.), and there is a reasonable expectation that the individual’s activity will again produce a 6-percent return, the property is also excluded. If the individual owns more than one piece of property and each produces income, each is looked at to see if the 6-percent rule is met and then the amounts of the individual’s equity in all of those properties producing 6 percent are totaled to see if the total equity is $6,000 or less. The equity in those properties that do not meet the 6-percent rule is counted toward the allowable resource limit specified in § 416.1205. If the individual’s total equity in the properties producing 6-percent income is over the $6,000 equity limit, the amount of equity exceeding $6,000 is counted as a resource toward the allowable resource limit.

Example 1. Sharon has a small business in her home making hand-woven rugs. The looms and other equipment used in the business have a current market value of $7,000. The value of her equity is $5,500 since she owes $1,500 on the looms. Sharon’s net earnings from self-employment is $400. Since Sharon’s equity in the looms and other equipment ($5,500) is under the $6,000 limit...