



Understanding the Student Earned Income Exclusion Factsheet

January 2016

What is the Student Earned Income Exclusion?

The Student Earned Income Exclusion (SEIE) is an SSI work incentive that allows certain individuals who are under age 22 and regularly attending school to exclude a specified amount of gross earned income per month up to a maximum annual exclusion. The Student Earned Income Exclusion (SEIE) decreases the amount of countable earned income so it allows eligible SSI recipients and others on the record and to keep more of their SSI check when they work. In many cases, the SEIE allows students to test their ability to work without having any reduction in the monthly SSI check.

Who can claim the Student Earned Income Exclusion?

Currently, an SSI recipient may qualify for this income exclusion as long as he or she is under age 22 and a student regularly attending school, college, or training designed to prepare him or her for a paying job.

In addition, Section 432 of the Social Security Protection Act extended the Student Earned Income Exclusion (SEIE) to all individuals on a record who are working students under the age of 22, not just the SSI recipient. This means that the SEIE applies to earnings deemed from an ineligible spouse or parent(s) and to the joint earned income of eligible couples when both members are under age 22 and are working students. This represents a significant expansion of this work incentive.

What does “regularly attending school” mean?

Regular attendance means the student takes one or more courses of study and attends classes:

- in a college or university for at least 8 hours per week under a semester or quarter system;
- in grades 7 - 12 for at least 12 hours per week;
- in a course of training to prepare him or her for a paying job for at least 15 hours per week if the course involves shop practice, or 12 hours per week if it does not involve shop practice. This training includes anti-poverty programs, such as the Job Corps and government-supported courses in self-improvement; or
- for less than the amount of time indicated above for reasons beyond the student's control, such as illness, if circumstances justify the reduced credit load or attendance.

Examples of School Attendance

School attendance less than the required hours

Kim is a physically disabled student who attends vocational school only one day per week due to the unavailability of transportation. Although her enrollment for attendance is less than 12 hours per week, Kim qualifies as regularly attending school because the lack of transportation is a circumstance beyond her control.

Enrollment in special course of study

Edward is a 19-year-old student attending a public high school. He does not attend regular classes but receives special training to meet self-improvement skills such as combing hair, dressing, and eating. Edward is not a student for SSI purposes despite attendance at a secondary school facility because he is not attending a curriculum for grades 7-12.

Student in a training course

Sara is a 21-year-old student who attends Perkins School for the Blind. She is in a training course 20 hours per week. Sara spends 15 hours per week learning office skills and 5 hours per week learning personal grooming skills. At the conclusion of the course, Sara will be able to use her office skills for a paying job (sheltered or in a competitive job market). The 15 hours per week that she spends on learning office skills meets the required attendance hours and qualifies her as a student for SSI purposes.

Additional Types of Students

In addition to the general requirements above, a person may qualify as a student in any of the following categories provided the additional criteria are met:

Homeschooled Students: Homeschooling is a private educational program in which a parent or tutor educates the student at home. It's a program of study completed by choice. Social Security considers a homeschooled student to be regularly attending school if he or she is instructed at home in grades 7-12 for at least 12 hours a week. Homeschool instruction must be

in accordance with the homeschool laws of the state or other jurisdiction of the student's residence.

Homebound Students: A homebound student is an individual who is forced to cease actual physical presence in the classroom due to illness, injury, or other circumstances beyond the student's control. A homebound student may be regularly attending school, if he or she:

- must stay home because of a disability;
- studies a course or courses given by a school in grades 7-12, college, university, or government agency; and
- has a home visitor or tutor from school who directs the studying or training.

Online School: An online school is one that offers Internet-based courses to students. Online schools vary considerably in the methods used to provide education to students. Some features of online schools may include:

- Virtual classrooms;
- E-mail for submission of assignments and communication with teachers;
- Telephone for communication with teachers;
- Access to teachers, either online, by telephone or in-person;
- Completion of credits and tests;
- Requirements for time spent online monitored by the school; and
- Individualized instruction.

Social Security considers a recipient who receives his or her education through online schooling to be a student regularly attending school if:

- He or she studies a course or courses given by an online school in grades 7-12, a college or university, or a government agency; and
- The online school is authorized by the laws of the state in which the online school is located. In the case of a foreign school, the foreign school can qualify provided it is part of a secondary or post-secondary school system in a country or facility approved or authorized by the educational authorities in that country to provide secondary or post-secondary education.

How is the Student Earned Income Exclusion applied?

The SEIE is applied to a student's gross wages or net earnings from self-employment before any other allowable deductions. In 2016, Social Security will exclude all gross earnings up to a maximum of \$1,780 per month until the full annual exclusion of \$7,180 is exhausted, the individual reaches age 22, or the individual is no longer a student. The annual SEIE maximum applies to the true calendar year that begins in January and ends on the last day of December. It's not possible to apportion the amount of the SEIE applied in a given month. All earnings

received in a month up to the current monthly maximum will be excluded as long as the annual maximum has not been reached.

Social Security applies the SEIE directly to gross wages or net earnings from self-employment before any other deductions or work incentives are applied. The SEIE may be used in addition to other work incentives such as impairment related work expenses, blind work expenses, or a plan for achieving self-support as long as income remains to be excluded after the SEIE has been applied.

As of January of 2001, SEIE amounts are indexed annually, meaning they go up (or at least remain the same) each year in January. In future years, the monthly amount and the yearly limit will be adjusted annually based on any increases in the cost-of-living index. SEIE amounts for all prior years are shown in the following chart:

| For Months | Maximum Exclusion Per Month | Maximum Annual Exclusion |
|-------------------------------|-----------------------------|--------------------------|
| In calendar years before 2001 | \$400 | \$1,620 |
| In calendar year 2001 | \$1,290 | \$5,200 |
| In calendar year 2002 | \$1,320 | \$5,340 |
| In calendar year 2003 | \$1,340 | \$5,410 |
| In calendar year 2004 | \$1,370 | \$5,520 |
| In calendar year 2005 | \$1,410 | \$5,670 |
| In calendar year 2006 | \$1,460 | \$5,910 |
| In calendar year 2007 | \$1,510 | \$6,100 |
| In calendar year 2008 | \$1,550 | \$6,240 |
| In calendar year 2009 & 2010 | \$1,640 | \$6,600 |
| In calendar year 2011 | \$1,640 | \$6,600 |
| In calendar year 2012 | \$1,700 | \$6,840 |
| In calendar year 2013 | \$1,730 | \$6,960 |
| In calendar year 2014 | \$1,750 | \$7,060 |

| | | |
|------------------------------|---------|---------|
| In calendar year 2015 & 2016 | \$1,780 | \$7,180 |
|------------------------------|---------|---------|

Example of SEIE:

Alfonzo is 20 years old and attends college. He has a summer internship and will earn \$2,000.00 per month for the summer. Alfonzo worked part-time earlier in the year, making \$600.00 per month, and will return to that job on September 1. Alfonzo has no unearned income.

Alfonzo’s Earnings:

| | | | | | | | | | | | | |
|----------|-----|-----|-----|-------|-----|------|------|------|------|-----|-----|-----|
| 2016 | Jan | Feb | Mar | April | May | June | July | Aug | Sept | Oct | Nov | Dec |
| Earnings | 600 | 600 | 600 | 600 | 600 | 2000 | 2000 | 2000 | 600 | 600 | 600 | 600 |

Because Alfonzo meets the criteria for regularly attending school, is under 22, and has earned income, the SEIE applies. This means that the amount Social Security excludes will be subject to the monthly and annual limits. The chart below shows how this works.

| | | | | | | | | | | | | |
|----------|-----|------|------|-------|------|------|------|------|------|------|------|------|
| 2016 | Jan | Feb | Mar | April | May | June | July | Aug | Sept | Oct | Nov | Dec |
| Earnings | 600 | 600 | 600 | 600 | 600 | 2000 | 2000 | 2000 | 600 | 600 | 600 | 600 |
| SEIE | 600 | 600 | 600 | 600 | 600 | 1780 | 1780 | 620 | 0 | 0 | 0 | 0 |
| Used | 600 | 1200 | 1800 | 2400 | 3000 | 4780 | 6560 | 7180 | 7180 | 7180 | 7180 | 7180 |

Alfonzo used the last of his SEIE in August. By August, Social Security could exclude \$620, leaving countable earnings of \$1,380. For the rest of the year, Alfonzo doesn’t have access to the SEIE again. In January of the next year, because Alfonzo is still under age 22 and regularly attending school, he will be able to access the SEIE in effect for that calendar year.

Alfonzo’s Estimated Payment for July 2016:

| Step | Calculation |
|--------------------------------|-------------|
| Unearned Income | 0 |
| General Income Exclusion (GIE) | - 0 |
| Countable Unearned Income | = 0 |

| | |
|--|--------------|
| Gross Earned Income | \$2,000.00 |
| Student Earned Income Exclusion | - 1,780.00 |
| Remainder | \$220.00 |
| General Income Exclusion (if not used above) | - \$20.00 |
| Remainder | \$200.00 |
| Earned Income Exclusion (EIE) | - \$65.00 |
| Remainder | \$135.00 |
| Impairment Related Work Expense (IRWE) | - 0 |
| Remainder | \$135.00 |
| Divide by 2 | \$67.50 |
| Blind Work Expenses (BWE) | - 0 |
| Total Countable Earned Income | = \$67.50 |
| Total Countable Unearned Income | 0 |
| Total Countable Earned Income | + \$67.50 |
| PASS Deduction | - 0 |
| Total Countable Income | = \$67.50 |
| Base SSI Rate (check for VTR) | \$733.00 |
| Total Countable Income | - \$67.50 |
| Adjusted SSI Payment | = \$665.50 |
| Adjusted SSI Payment | \$665.50 |
| Gross Unearned Income Received | + 0 |
| Gross Earned Income Received | + \$2,000.00 |
| Subtotal | = \$2,665.50 |

| | |
|-----------------------------|--------------|
| PASS, BWE, or IRWE Expenses | - 0 |
| Total Financial Outcome | = \$2,665.50 |

What happens to the SEIE when school attendance is interrupted?

Most education programs are interrupted by vacations or breaks so lots of questions come up about whether or not individuals can still apply the SEIE when school isn't in session. Fortunately, an SSI recipient remains a student when classes end if he or she attended classes regularly just before the school closed for school break and;

- tells Social Security that he or she intends to resume attending regularly when school reopens; or
- resumes attending regularly when school reopens.

For most students, this would allow the SEIE to be applied to summer employment when school is not in session. When an SSI recipient graduates from school (or simply stops attending) and doesn't intend to resume school later, the SEIE will apply for the last month during which school was attended, then stop.

When a student changes his or her intent to return, and doesn't return to school, the individual is no longer considered a student effective with the month the intent changed.

Example of SEIE when intent to resume school changes:

Jane is a 19-year-old student who enrolled in a vocational course. In June 2016, she completed one-half of the courses, and reported her intent to return to school for the second half in late August 2016. In October 2016, Jane contacted Social Security to let them know that she did not return to school. Jane lost her student status effective August 1, 2016.

It's also possible to apply the SEIE when a student has a brief interruption in school attendance for reasons out of his or her control. For example, a student's counselor or teacher may believe the student needs to stay out of class for a short time to enable him or her to continue studying or training. When this happens, Social Security may consider the recipient to be a student regularly attending school for the purposes of applying the SEIE.

How does Social Security know when someone is a student?

For individuals under age 22, Social Security typically verifies student status during the annual SSI re-determination process. SSI recipients under age 22 should also report school attendance when reporting employment just to make sure Social Security is aware of SEIE potential. Social security will verify school enrollment by asking to see school records such as an ID card, tuition receipts, or other comparable evidence. If the individual doesn't have any evidence to present, Social Security may contact the school to verify attendance. Social Security will accept either a written or an oral statement from the school or agency.

If the student's allegation of attendance meets the regular attendance standards, Social Security will accept his or her allegation of the number of hours of attendance without requesting school certification of attendance. If the student alleges a reduced credit load or attendance due to circumstances beyond his or her control, Social Security will obtain an explanation from the student and document the information.

If Social Security is aware of an individual's student status, they will generally apply the exclusion automatically when earnings are reported. There is no special form or process needed to request the SEIE and in most cases, it isn't necessary to request that this exclusion.

How does the SEIE work for members of an eligible couple?

If one or both members of an eligible couple are working students, Social Security will take the SEIE into account when computing the correct payment. While Social Security will apply the SEIE to a couple in the order that is most advantageous to the members, it's important to remember that:

- The SEIE applies only **once** to the combined earnings of the couple, even if **both** members of the couple are students and are working.
- The SEIE does **not** apply when one member of a couple is a non-working student and the other member of the couple works but is not a student.

How does the SEIE work for an ineligible spouse or ineligible parents?

If an ineligible spouse or one or both ineligible parents are working students, Social Security will look to see if the ineligible individual's earnings are less than or equal to the SEIE in a month (provided the annual SEIE limit has not been reached). If earnings are less than the SEIE, then the SEIE is equal to the amount of the monthly earnings and there is no deemed income. If earnings exceed the amount of the SEIE in a month, Social Security will calculate the amount of the exclusion and look to see how much income is left after the SEIE and all other applicable deductions are applied. The amount remaining is the amount of deemed income.

If both of the ineligible parents are students, both are working and both are under age 22, the SEIE applies only **once** to the combined earnings of the parents. The SEIE does **not** apply at all if one ineligible parent is a non-working student and the other ineligible parent works but is not a student. Both factors must be met for the SEIE to apply.