

Legal Hotline for Michigan Seniors

1-800-347-5297

Celebratin 15 Years of Service

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Lansing, Michigan 48917

www.legalhotlineonline.org

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This information should be used for informational purposes only and should not be used in place of legal assistance with an experienced attorney.

FEDERAL INCOME TAX ON SOCIAL SECURITY BENEFITS

Do you have to pay federal income tax on your Social Security (SS) and/or Supplemental Security Income (SSI) benefits? The answer depends on the amount of other income you have. If your only income is SS and/or SSI benefits then no federal income tax is due on the benefits.

If you have other income it is added to 1/2 of your SS benefits to determine your "base amount" for income tax purposes. Income means adjusted gross income (AGI) plus tax exempt income. If your base amount is no more than \$25,000 filing single or \$32,000 filing joint then no tax is due on your SS benefits. For base amounts over these limits two levels of taxation apply.

The first level of taxation applies to these base amounts: filing single income of \$25,001 - \$34,000; filing joint income of \$32,001 - \$44,000. One half of your base amount in this level equals the amount of SS benefits that is taxable. However, the amount taxed in this level can not be more than 1/2 of your total SS benefits. For example, if you are filing single and your base amount is \$30,001 then you have \$5,000 of income in this level. One half of that amount is \$2500. So in this example, \$2500 of your SS benefits are taxable (as long as that is not over 1/2 of your total SS benefits).

Beginning with tax year 1994 a second level of taxation applies to those whose base amounts exceed the first taxation level: filing single with base amount income of \$34,001 or more and filing joint with base amount income of \$44,001 or more. The base amount in excess of these limits is multiplied by 85%. That figure is added to the smaller of : a) 1/2 of your total SS benefits or b) \$4500 filing single or \$6000 filing joint. This total equals the amount of SS benefits subject to taxation.

For example assume you are filing single, have \$10,000 in SS benefits and a base amount of \$35,001. Your base amount is \$1000 over the this taxation level so \$1000 is multiplied by

85% which equals \$850. This amount is added to the smaller of \$4500 or 1/2 of your SS benefits. In this example \$4500 is less than 1/2 of your SS benefits so \$4500 is added to \$850 for a total of \$5350. Since this amount is less than 85% of your SS benefits, \$5350 of your SS benefits would be subject to federal income tax.

IRS instructions for Forms 1040 or 1040A have worksheets for computing the actual amount of SS benefits that you will have to pay tax on. The IRS also has several publications that explain taxation of SS benefits in more detail:

Publication #554
Tax Information for Older Americans

Publication #915
Social Security Benefits.

These forms and publications can be obtained at no cost by calling the IRS Publications/Form toll free number, **1-800-829-3676**.

If you are a senior, you can get specific questions answered at the Legal Hotline for Michigan Seniors. Call 1-800-347-5297 (372-5959 for the Lansing area).

The Legal Hotline is a program of Elder Law of Michigan, Inc., a non-profit organization. If you would like to support our work, please consider sending a tax deductible donation to the Legal Hotline, 3815 W. St. Joseph, Ste C-200, Lansing, MI 48917. Thank you.

