



Income – Social Security Benefits

| Yes | No | Unsure | Part III – Income – Last Year, Did You (or Your Spouse) Receive |
|--------------------------|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2. (A) Tip Income? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3. (B) Scholarships? (Forms W-2, 1098-T) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 4. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 11. (A) Retirement income or payments from Pensions, Annuities, and or IRA? (Form 1099-R) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 12. (B) Unemployment Compensation? (Form 1099G) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 8. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 14. (M) Income (or loss) from Rental Property? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 9. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, virtual currency, Sch K-1, royalties, foreign income, other property or services, etc.) Specify _____ |

About Income – Social Security Benefits

- Additional resources listed in L< “References” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise

Objectives – Income – Social Security Benefits

- Determine the taxable portion of Social Security and railroad retirement benefits
- Determine the most advantageous method of reporting lump-sum Social Security benefits
- Report Social Security and railroad retirement benefits on the tax return
- Time Required: 10 minutes

Topics



- Social Security and Railroad Retirement Benefits
- Finding the Taxable Portion
- Lump-Sum Benefit Payments

Key Terms

Definitions are always available in the L< online Glossary.

- Annuity
- Pension
- Railroad Retirement Benefits (RRBs)
- Social Security Benefits

Social Security and Railroad Retirement Benefits

- Social Security benefits:
 - Old-age, survivor, and disability insurance (OASDI)
 - Monthly retirement
 - Reported on Form SSA-1099
- Railroad Retirement Benefits (RRBs):
 - Tier 1 (Social Security equivalent benefits)
 - Tier 2 (treated as a qualified employee plan)
 - Reported on Form RRB-1099
- Intake & Interview Sheet , Part III

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| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <input type="text"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2. (A) Tip Income? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3. (B) Scholarships? (Forms W-2, 1098-T) |
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Social Security and Railroad Retirement Benefits

- Pub 4012, SSA-1099 Distributions shows how to enter data in TaxSlayer

Social Security SSA-1099/RRB-1099 Tier I

Taxpayer's Social Security Benefit (Generally Box 5 of Form SSA-1099)
\$

Taxpayer's Federal Tax Withheld (Amount from Box 6 of Form SSA-1099)
\$

Taxpayer's Medicare Premiums
\$

Spouse's Social Security Benefit (Generally box 5 of Form SSA-1099)
\$

Spouse's Federal Tax Withheld (Amount from Box 6 of Form SSA-1099)
\$

Spouse's Medicare Premiums
\$

Lump-Sum Payments

Enter amount from Box 5 of Form SSA-1099 or from Form RRB-1099 - Tier 1 (Blue form) Net Social Security Equivalent Benefits (SSEB).

Be sure to check for any tax withheld. Often taxpayers choose this option. This is found in box 6 of the SSA-1099 and box 10 of the RRB-1099.

Enter the total of Medicare Parts A, B, C, and D. Repeat for spouse.


If an amount is present in the description of Box 3 on Form SSA-1099, or boxes 7, 8 and 9 on Form RRB-1099, the taxpayer received benefits attributable to a prior year. If the taxpayer is able to provide prior year tax returns, use the Social Security Lump-Sum Payment worksheet on the next page to see if the taxable amount of social security is reduced.

Finding the Taxable Portion

The taxable amount, if any, depends upon:

- Filing status and other reportable income
- Whether the benefits were the taxpayer's only source of income
 - If the benefits were the only source of income, the benefits are generally not taxable, and the taxpayer need not file a federal income tax return
 - If the taxpayer received other income, the software will complete the Social Security Benefits Worksheet to calculate the taxable portion

Current year not available

Keep for Your Records 

Social Security Benefits Worksheet—Lines 6a and 6b

Before you begin:

- ✓ If you are excluding unemployment compensation from your income, complete the Unemployment Compensation Exclusion Worksheet—Schedule 1, line 8, before completing this worksheet.
- ✓ Figure any write-in adjustments to be entered on the dotted line next to Schedule 1, line 22 (see the instructions for Schedule 1, line 22).
- ✓ If you are married filing separately and you lived apart from your spouse for all of 2020, enter "D" to the right of the word "benefits" on line 6a. If you don't, you may get a math error notice from the IRS.
- ✓ Be sure you have read the **Exception** in the line 6a and 6b instructions to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.

| | |
|--|---|
| <p>1. Enter the total amount from box 5 of all your Forms SSA-1099 and RRB-1099. Also enter this amount on Form 1040 or 1040-SR, line 6a 1. <input style="width: 100px;" type="text"/></p> <p>2. Multiply line 1 by 50% (0.50) 2. <input style="width: 100px;" type="text"/></p> <p>3. • If you are not excluding unemployment compensation from income, combine the amounts from Form 1040 or 1040-SR, lines 1, 2b, 3b, 4b, 5b, 7, and 8. • If you are excluding unemployment compensation from income, combine the amounts from Form 1040 or 1040-SR, lines 1, 2b, 3b, 4b, 5b, 7, Schedule 1, lines 1 through 7, and line 3 of the Unemployment Compensation Exclusion Worksheet 3. <input style="width: 100px;" type="text"/></p> <p>4. Enter the amount, if any, from Form 1040 or 1040-SR, line 2a 4. <input style="width: 100px;" type="text"/></p> <p>5. Combine lines 2, 3, and 4 5. <input style="width: 100px;" type="text"/></p> <p>6. Enter the total of the amounts from Form 1040 or 1040-SR, line 10b, Schedule 1, lines 10 through 19, plus any write-in adjustments you entered on the dotted line next to Schedule 1, line 22 6. <input style="width: 100px;" type="text"/></p> | <p>1.</p> <p>2.</p> <p>3.</p> <p>4.</p> <p>5.</p> <p>6.</p> |
|--|---|

Lump-Sum Benefit Payments

- Two options for reporting lump-sum benefit payments:
 - Report the entire payment in the year it was received
 - Treat the benefits as received in the earlier year or years if it lowers the taxable portion of the benefits
 - If the taxpayer chooses the second option, only the current year income will be adjusted. Do not file amended returns for the earlier years
- TaxSlayer will calculate the most beneficial option, after you enter prior year tax return information

Social Security Lump-Sum Payment

Year the lump sum payment was made for
2016

Filing Status in Earlier Year *

- Please Select -
- Please Select -
Single
Married Filing Joint
Married Filing Separate
Head of Household
Qualifying Widow(er) with Dependent Children
Nonresident Alien

Modified Adjusted Gross Income for Earlier Year *

Taxable Benefits Reported in Earlier Year

Enter relevant year, as shown on Form SSA-1099.

If more than one year has prior year payments use additional Lump-Sum worksheet.

Dropdown is available for prior year Filing Status.

The screenshot shows a form titled "Social Security Lump-Sum Payment". It has four main input fields: "Year the lump sum payment was made for" (a dropdown menu showing "2016"), "Filing Status in Earlier Year *" (a dropdown menu with "Single" selected), "Modified Adjusted Gross Income for Earlier Year *" (a text box with a dollar sign), and "Taxable Benefits Reported in Earlier Year" (a text box with a dollar sign). To the right of the form are three callout boxes with arrows pointing to the form fields. The first callout points to the year dropdown and says "Enter relevant year, as shown on Form SSA-1099." The second callout points to the filing status dropdown and says "If more than one year has prior year payments use additional Lump-Sum worksheet." The third callout points to the filing status dropdown and says "Dropdown is available for prior year Filing Status."

Lump-Sum Benefit Payments

Sample SSA – 1099 Lump Sum Distribution

- Prior year amounts will show in DESCRIPTION block of Form SSA-1099

| FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT | | |
|--|---|---|
| 2019 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION. | | |
| Box 1. Name | Box 2. Beneficiary's Social Security Number | |
| Box 3. Benefits Paid in 2019 | Box 4. Benefits Repaid to SSA in 2019 | Box 5. Net Benefits for 2019 (Box 3 minus Box 4) |
| DESCRIPTION OF AMOUNT IN BOX 3 | DESCRIPTION OF AMOUNT IN BOX 4 | |
| PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N RUSH ST CHICAGO IL 60611-2092 PAYER'S FEDERAL IDENTIFYING NO. 15-6XXXXXX | | 2019 PAYMENTS BY THE RAILROAD RETIREMENT BOARD |
| 1. Claim Number and Payee Code | 3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2019 | \$ |
| 2. Recipient's Identification Number | 4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2019 | |
| Recipient's Name, Street Address, City, State, and Zip Code | 5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2019 | \$ |
| | 6. Workers' Compensation Offset in 2019 | |
| | | COPY C - FOR RECIPIENT'S RECORDS |

Summary

- This lesson explained how to determine if Social Security/railroad retirement benefits are taxable.
- If the only source of income, benefits are generally not taxable. If there was other income, the software will complete the Social Security Benefits Worksheet found in the Form 1040 Instructions is completed by the software to calculate the taxable portion.
- Two options are available for lump-sum benefit payments: report the whole payment in the year it was received or treat the payment as received in the earlier year or years.
- Check your understanding of this lesson by answering the skill check questions on the student landing page.