



Income – Social Security Benefits

Page 2

Answer the following questions on this page and the next page about you and your spouse's tax situation

Received money from any of the following in 2024:	Income to be included (To be completed by certified volunteer)	Notes/Comments
<input type="checkbox"/> (B) Wages as a part-time or full-time employee How many jobs _____	<input type="checkbox"/> (B) W-2s Number of forms _____	
<input type="checkbox"/> (B/A) Tips	<input type="checkbox"/> (B/A) Tips (basic when reported on W2)	
<input type="checkbox"/> (B/A) Retirement account, pension or annuity proceeds	<input type="checkbox"/> (B/A) 1099-R (basic when taxable amount is reported) Number of forms _____	
<input type="checkbox"/> (B) Disability benefits		
<input type="checkbox"/> (B) Social Security or Railroad Retirement Benefits	<input type="checkbox"/> (B) SSA-1099, RRB-1099	
<input type="checkbox"/> (B) Unemployment benefits	<input type="checkbox"/> (B) 1099-G Number of forms _____	
<input type="checkbox"/> (B) Refund of state or local income tax	<input type="checkbox"/> Did you receive a refund of state or local taxes <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Did you itemize last year <input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> (B) Interest or dividends (bank account, bonds, etc.)	<input type="checkbox"/> (B) 1099-INT/DIV Number of forms _____	
<input type="checkbox"/> (A) Sale of stocks, bonds or real estate Did you report a loss on last year's return <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> (A) 1099-B Number of forms _____ (include brokerage statement) <input type="checkbox"/> Capital Loss carryover	
<input type="checkbox"/> (B) Alimony	<input type="checkbox"/> (B) Alimony Amount \$ _____	



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, page 2

Answer the following questions on this page and the next page about you and your spouse's tax situation	
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<input type="checkbox"/> (B) Alimony	<input type="checkbox"/> (B) Alimony Amount \$ _____

Social Security and Railroad Retirement Benefits

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

Form SSA-1099/RRB-1099 Tier 1 Distributions

N *Income>Form 1099-R, RRB, SSA>Social Security Benefits/RRB-1099; or Keyword: SSA*

1. Enter amount from Box 5 of Form SSA-1099 or from Form RRB-1099 - Tier 1 (Blue form) Net Social Security Equivalent Benefits (SSEB).
2. 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.
3. Enter the total of Medicare Parts A, B, C, and D. Repeat for spouse. If Medicare premiums have been used for the Self Employed Health Insurance deduction, do NOT enter on this screen.
4. 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.

Social Security SSA-1099/RRB-1099 Tier I

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

\$ **1**

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

\$ **2**

Taxpayer's Medicare Premiums

\$ **3**

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

BEGIN WORKSHEET **4**

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

Social Security Benefits Worksheet—Lines 6a and 6b Keep for Your Records 

Before you begin:

- ✓ Figure any write-in adjustments to be entered on Schedule 1, line 24z (see the instructions for Schedule 1, line 24z).
- ✓ If you are married filing separately and you lived apart from your spouse for all of 2023, 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.

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 type="text"/>
2. Multiply line 1 by 50% (0.50)	2.	<input type="text"/>
3. Combine the amounts from Form 1040 or 1040-SR, lines 1z, 2b, 3b, 4b, 5b, 7, and 8	3.	<input type="text"/>
4. Enter the amount, if any, from Form 1040 or 1040-SR, line 2a	4.	<input type="text"/>
5. Combine lines 2, 3, and 4	5.	<input type="text"/>

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

The screenshot shows a form titled "Social Security Lump-Sum Payment". It contains several input fields and a dropdown menu, each with a blue circled number indicating a step:

- 1. "Year the lump-sum payment was made for" with a dropdown menu showing "2018".
- 2. "Filing Status in Earlier Year" with a dropdown menu showing "- Please Select -".
- 3. "SSA Payments received in Earlier Year" with a text input field.
- 4. "Taxable Benefits Reported in Earlier Year" with a text input field.

Other fields include "Portion of this year's SSA for Earlier year" and "Modified Adjusted Gross Income for Earlier Year", both with text input fields.

1. Enter relevant year, as shown on Form SSA-1099. If more than one year has prior year payments use additional Lump-Sum worksheet.
2. Drop-down menu is available for prior year Filing Status.
3. If the prior year return was MFJ, include Social Security payments received that year by BOTH taxpayer and spouse.
4. Leave the SSA payments received in an earlier year and/or the taxable benefits reported in an earlier year boxes empty if not applicable. All other boxes require entries. The calculation won't be correct without the prior year Modified AGI. The software will determine total taxable Social Security based on

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		
2024 • 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 2024	Box 4. Benefits Repaid to SSA in 2024	Box 5. Net Benefits for 2024 (Box 3 minus Box 4)
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
		Box 6. Voluntary Federal Income Tax Withholding



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 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.