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For Your Now, Your Future, and Your Legacy

# When Is Social Security Income Taxable?

*To find out, look closely at two factors.*

Provided by Catalina Wealth Management

**Your Social Security income could be taxed.** That may seem unfair or unfathomable. Regardless of how you feel about it, it is a possibility.

**Seniors have had to contend with this possibility since 1984.** Social Security benefits became taxable above a certain yearly income level in that year. A second, higher yearly income threshold (at which a higher tax rate applies) was added in 1993. These income thresholds have never been adjusted upward for inflation.[1]

As a result, more Social Security recipients have been exposed to the tax over time. About 56% of senior households now have some percentage of their Social Security incomes taxed.[1]

**Only part of your Social Security income may be taxable, not all of it.** Two factors come into play here: your filing status and your combined income.

Social Security defines your combined income as the sum of your adjusted gross income (AGI), any non-taxable interest earned, and 50% of your Social Security benefit income. (Your combined income is actually a form of modified adjusted gross income, or MAGI.)[2]

Single filers with a combined income from $25,000-$34,000 and joint filers with combined incomes from $32,000-$44,000 may have up to 50% of their Social Security benefits taxed.[2]

Single filers whose combined income tops $34,000 and joint filers with combined incomes above $44,000 may see up to 85% of their Social Security benefits taxed.[2]

If you are a head of household, or a qualifying widow/widower with a dependent child, the combined income thresholds for single filers apply to you.[2]

**What if you are married and file separately?** No income threshold applies. Your benefits will likely be taxed no matter how much you earn or how much Social Security you receive. (The only exception is if you are married filing separately and do not live with your spouse at any time during the year. In that case, part of your Social Security benefits may be taxed if your combined income exceeds $25,000.)[2]

**You may be able to estimate these taxes in advance.** You can use an online calculator (a Google search will lead you to a few such tools) or the worksheet in I.R.S. Publication 915.[2]

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You can even have these taxes withheld from your Social Security income. You can choose either 7%, 10%, 15%, or 22% withholding per payment. Another alternative is to make estimated tax payments per quarter, like a business owner does.[2,3]

**Did you know that 13 states tax Social Security payments?** In alphabetical order, they are: Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont, and West Virginia. Sometimes, only higher-income seniors face such taxation. In Kansas, Missouri, and Rhode Island, for example, the respective AGI thresholds for the taxation of a single filer's Social Security income are $75,000, $80,000, and $85,000.[1]

**What can you do if it appears your benefits will be taxed?** You could explore a few options to try and lessen or avoid the tax hit, but keep in mind that if your combined income is far greater than the $34,000 single filer and $44,000 joint filer thresholds, your chances of averting tax on Social Security income are slim. If your combined income is reasonably near the respective upper threshold, though, some moves might help.

If you have a number of income-generating investments, you could opt to try and revise your portfolio so that less income and tax-exempt interest are produced annually.

A charitable IRA gift may be a good idea. You can make one if you are 70½ or older in the year of the donation. Individually, you can endow a qualified charity with as much as $100,000 in a single year this way. The amount of the gift counts toward your Required Minimum Distribution (RMD) and will not be counted in your taxable income.[4]

You could withdraw more retirement income from Roth accounts. Distributions from Roth IRAs and Roth workplace retirement plan accounts are tax exempt as long as you are age 59½ or older and have held the account for at least five tax years.[5]

**Will the income limits linked to taxation of Social Security benefits ever be raised?** Retirees can only hope so, but with more baby boomers becoming eligible for Social Security, the I.R.S. and the Treasury stand to receive greater tax revenue with the current limits in place.

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**Citations.**


1 - fool.com/retirement/2018/08/30/everything-you-need-to-know-about-social-security.aspx [8/30/18]
2 - forbes.com/sites/kellyphillipserb/2018/02/15/do-you-need-to-pay-tax-on-your-social-security-benefits-in-2018 [2/15/18]
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5 - irs.gov/retirement-plans/retirement-plans-faqs-on-designated-roth-accounts [10/25/17]