



Income – Social Security Benefits; Form 1040 Line 20a

If you did not get a W-2, see instructions.	14	Other gains or (losses). Attach Form 4797.			14		
	15a	IRA distributions	15a		b Taxable amount	15b	
	16a	Pensions and annuities	16a		b Taxable amount	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E				17	
	18	Farm income or (loss). Attach Schedule F				18	
	19	Unemployment compensation				19	
	20a	Social security benefits	20a		b Taxable amount	20b	
	21	Other income. List type and amount				21	
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶				22	
	Adjusted Gross Income	23	Reserved	23			
24		Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24				
25		Health savings account deduction. Attach Form 8889.	25				



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: 30 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

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (A) Self-Employment income? (Form 1099-MISC, cash)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B)
<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"/>	11. (A) Distribution from Pensions, Annuities, and/or IRA? (Form 1099-R)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. (B) Unemployment compensation? (Form 1099-G)
<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"/>	14. (M) Income (or loss) from Rental Property?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, etc.) (Forms W-2G) Specify

Social Security and Railroad Retirement Benefits

- Pub 4012 [Railroad Retirement, Civil Service, and Social Security Benefits](#) shows how to enter data in TaxWise

- The Simplified Method must be used.
- Enter box 9b on line 1 of the Simplified Method section, if applicable.
- Complete the other required entries of the Simplified Method section.
- "Amounts in box 5 are for health insurance premiums paid by the annuitant (and need to be manually entered on the Schedule A worksheet)."

3: Form RRB-1099—Tier 1 (Blue form) Social Security Equivalent Benefits (SSEB)— Treat the benefits reported on this form just like the information reported on SSA-Form 1099. (See below)

4: Form SSA-1099—Social Security Benefit Statement— The Social Security Administration issues Form SSA-1099 to report benefits paid. Use the following procedures for entering this information into TaxWise®:

- From Form 1040, line 20, link to 1040 Wkt 1.
- Scroll to Social Security and Railroad Tier 1 Benefits section.
- "Social Security Received This Year"—Enter Form SSA-1099, box 5 amount, or Form RRB-1099, box 5 amount. Verify recorded on the proper lines and in the proper columns (if a joint return).
- "Medicare to A"—Enter Form SSA-1099, Medical Premiums (include Part B and Part D) or Form RRB-1099, box 11 amount.
- "Federal Tax Withheld"—Enter Form SSA-1099, box 6 amount, or Form RRB-1099, box 10 amount.
- TaxWise will perform all the calculations to determine the taxable amount based on other information in the return.

Social Security and Railroad Retirement Benefits

- Link to Form 1040 Social Security Worksheet from line 20a

20a Social security benefits	0
b Taxable amount	0

From line 20a, link to the **1040 Wkt1-Social Security, Other Income** worksheet:


US 1040, 1040A, 1040EZ, 1040NR, and 1040NR-EZ Income Worksheet			
Name: _____		SSN: _____	
Interest. List all interest on Schedule B, regardless of the amount.			
Unemployment compensation. Fill out 1099G worksheet.			
Additional Earned Income	Taxpayer	Spouse	Total
Scholarship income - no W2	0	0	0
Household employee income - no W2	0	0	0
Social Security and Railroad Tier 1 Benefits	Taxpayer	Spouse	Total
Social security received this year	0	0	
Railroad tier 1 received this year	0	0	
Total before Medicare or Federal tax withheld	0	0	0
Medicare to Schedule A	0	0	
Federal tax withheld	0	0	

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, complete the [Social Security Benefits Worksheet](#) to calculate the taxable portion.

Current year not available 2013 Form 1040—Lines 20a and 20b

Social Security Benefits Worksheet—Lines 20a and 20b Keep for Your Records 

Before you begin:

- ✓ Complete Form 1040, lines 21 and 23 through 32, if they apply to you.
- ✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36).
- ✓ If you are married filing separately and you lived apart from your spouse for all of 2013, enter "D" to the right of the word "benefits" on line 20a. If you do not, you may get a math error notice from the IRS.
- ✓ Be sure you have read the **Exception** in the line 20a and 20b 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 Forms RRB-1099. Also, enter this amount on Form 1040, line 20a 1.

2. Enter one-half of line 1

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.
- TaxWise will calculate the most beneficial option, after you enter prior year tax return information.

Lump Sum Payment of Social Security and Railroad Tier 1 Benefits			
Fill in the total lump sum received above.	Taxpayer	Spouse	Total
Gross amount received attributable to 2011	0	0	0
Using the above modified AGI, this is the taxable amount of the 2011 benefits			0
Amounts taxable from previous years		F9 to worksheet	0
Taxable benefits using the lump-sum election method			0

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		
2014 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name Elliot Blackburn	Box 2. Beneficiary's Social Security Number 316-XX-XXXX	
Box 3. Benefits Paid in 2014 \$15,000.00	Box 4. Benefits Repaid to SSA in 2014	Box 5. Net Benefits for 2014 (Box 3 minus Box 4) \$15,000.00
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit: \$13,741.20 Medicare Part B premiums deducted from your benefits: \$1,258.80 Medicare Prescription Drug premiums (Part D) deducted from your benefits: \$0 Total Additions: Benefits for 2014: \$15,000		DESCRIPTION OF AMOUNT IN BOX 4 Box 6. Voluntary Federal Income Tax Withholding Box 7. Address 388 Noble Circle Your City, State Zip Box 8. Claim Number (Use this number if you need to contact SSA.)
Draft as of June 21, 2014 - Subject to Change		
Form SSA-1099-SM (6-2014)		DO NOT RETURN THIS FORM TO SSA OR IRS



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, complete the Social Security Benefits Worksheet 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.

Practice

- Select the problem from Publication 4491-W based on your certification course of study
- Complete the exercise

