

TAX YEAR
2026

Taxable Social Security Benefits

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Taxable Social Security Benefits

You may have to pay federal income taxes on your Social Security benefits. This usually happens if you have enough other income, such as other retirement income (e.g., pension, 401k, and IRA distributions), wages, self-employment, interest, dividends and other taxable income that must be reported on your tax return, in addition to Social Security benefits.

Taxable Benefits

To determine the amount of Social Security or Railroad Retirement benefits that may be taxable, you must compare the base amount with the total of:
1) One-half of the benefits received, plus
2) All other income, including tax-exempt interest.

Other income is not reduced by any exclusions for:
- Interest from qualified U.S. Savings Bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned by bona fide residents of American Samoa or Puerto Rico.

Taxable Social Security Base Amounts

Filing Status	*Base Amount*
Single, Head of Household, or Qualifying Surviving Spouse	$25,000
Married Filing Separately and lived apart from spouse all year	$25,000
Married Filing Jointly	$32,000
Married Filing Separately	$0

Worksheet to Determine if Benefits May Be Taxable

A)	Amount of Social Security or Railroad Retirement Benefits	A) _____
B)	One-half of amount on line A	B) _____
C)	Taxable pensions, wages, interest, dividends, and other taxable income	C) _____
D)	Tax-exempt interest plus any exclusions from income	D) _____
E)	Add lines B, C, and D	E) _____

If the amount on line E is less than or equal to the base amount, none of the benefits are taxable. If the amount on line E is more than the base amount, some of the benefits may be taxable.

Example #1: *John and Betty, a married couple both age 68, are retired and receive the following income:*

Source	*John*	*Betty*
Social Security	$7,500	$3,500
Pension	$16,000	$6,000
Interest	$250	$250

John and Betty file a joint tax return. Their income used to determine if Social Security benefits are taxable ($28,000) is less than the taxable Social Security base amount ($32,000) for joint filers. None of their Social Security benefits are taxable.

Worksheet to Determine if Benefits May Be Taxable Example #1

A)	Amount of Social Security or Railroad Retirement Benefits	A) $11,000
B)	One-half of amount on line A	B) $ 5,500
C)	Taxable pensions, wages, interest, dividends, and other taxable income	C) $22,500
D)	Tax-exempt interest plus any exclusions from income	D) $ 0
E)	Add lines B, C, and D	E) $28,000



Taxable Social Security Benefits

➲ ***Planning Tip:*** *If the only income received during the year was Social Security or Railroad Retirement benefits, the benefits are generally not taxable. You should consider the consequences of taking taxable IRA distributions and/or doing Roth conversions. Careful planning must be made to not take too large of a distribution so as to cause Social Security or Railroad Retirement benefits to be taxable.*

Example #2: *Assume the same facts as Example #1, however, the combined interest income for John and Betty is $10,000 instead of $500. Their income used to determine if Social Security benefits are taxable ($37,500) is greater than the taxable Social Security base amount ($32,000) for joint filers. Therefore, some of their Social Security benefits are taxable.*

Worksheet to Determine if Benefits May Be Taxable Example #2

A)	Amount of Social Security or Railroad Retirement Benefits	A) $11,000
B)	One-half of amount on line A	B) $ 5,500
C)	Taxable pensions, wages, interest, dividends, and other taxable income	C) $32,000
D)	Tax-exempt interest plus any exclusions from income	D) $ 0
E)	Add lines B, C, and D	E) $37,500

How Much Is Taxable?

Generally, up to 50% of benefits will be taxable. However, up to 85% of benefits can be taxable if either of the following situations applies.

- The total of one-half of the benefits and all other income is more than $34,000 ($44,000 for Married Filing Jointly).
- You are filing Married Filing Separately and lived with your spouse at any time during the year.

Who is taxed. Benefits are included in the taxable income (if taxable) for the person who has the legal right to receive the benefits.

Example: *Lisa receives Social Security benefits as a surviving spouse who is caring for two dependent children, Christopher, age 9, and Michelle, age 7. As dependents of their deceased father, Christopher and Michelle also receive Social Security benefits. The benefits for Christopher and Michelle are made payable to Lisa. When calculating the taxable portion (if any) of the benefits received, Lisa uses only the amount paid for her benefit. The amounts paid for Christopher and Michelle must be added to each child's other income to see whether any of those benefits are taxable to either of the children.*

Withholding. You can choose to have federal income tax withheld from Social Security or Railroad Retirement benefits by completing Form W-4V, *Voluntary Withholding Request.*

Investments That Help Reduce Taxable Social Security Benefits

You may be able to reduce taxable Social Security benefits by reallocating investments that are generating income which is includible in the calculation used to determine taxable Social Security benefits to investments that do not generate includable income.

Tax Planning Strategies

U.S. Series EE and I bonds. If you are earning taxable interest income from a bank CD that is causing a portion of Social Security benefits to be taxed, you could switch the investment to U.S. Savings Bonds. Annual purchase limits apply.

Nonqualified annuities. Like interest accrued on U.S. Savings Bonds, earnings on a nonqualified annuity are deferred until the investment is cashed in. One advantage of choosing nonqualified annuities rather the U.S. Savings Bonds is there is no annual limit on the amount of principal that can be invested.

Real estate, gold, and other investments that produce capital gains. By switching investments from mutual funds and stocks that produce dividend income to investments that produce capital gains, you may realize tax savings by reducing the amount of Social Security benefits subject to tax.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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