



Social Security Income Tax-How Does It Work?

In the video “Social Security Income Tax-How Does It Work?” Hans and Tom use the following illustration to discuss Social Security.

S.S.

MED

LTC

401K/IRA

INCOME

ESTATE

TAXES

SOCIAL SECURITY INCOME TAX-HOW DOES IT WORK?

- PROVISIONAL INCOME = AGI (ADJUSTED GROSS INCOME) + NONTAXABLE INTEREST + HALF YOUR SOCIAL SECURITY BENEFITS

- SINGLE FILERS

PROVISIONAL INCOME < 25,000 NO TAX

PROVISIONAL INCOME = 25,000 - 34,000 UP TO 50% OF BENEFITS TAXABLE

PROVISIONAL INCOME = 34,000 + UP TO 85% OF BENEFITS TAXABLE

- MARRIED FILING JOINTLY

PROVISIONAL INCOME < 32,000 NO TAX

PROVISIONAL INCOME = 32,000 - 44,000 UP TO 50% OF BENEFITS TAXABLE

PROVISIONAL INCOME = 44,000 + UP TO 85% OF BENEFITS TAXABLE

EXAMPLE SINGLE	EXAMPLE MARRIED
36,000 SOCIAL SECURITY	48,000 SOCIAL SECURITY
64,000 OTHER TAXABLE INCOME	102,000 OTHER TAXABLE INCOME
100,000 TAX 12,230 12.2%	150,000 TAX 14,416 9.6%

- APPROXIMATELY 50% OF SOCIAL SECURITY BENEFICIARIES PAY ZERO FED TAX ON SOCIAL SECURITY

- 9 STATES TAX SOCIAL SECURITY CO., CT., MN., MT., NM., RI., UT., VT., WV

- FED GOV COLLECTED 850.7 BILLION TAX ON SOCIAL SECURITY IN 2023

850.7 BILLION WENT BACK INTO SS TRUST FUND

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Federal income taxes on Social Security benefits depend on your total income and filing status. Here's how it works:

1. **Calculate “Provisional Income”:**

- Provisional income is your adjusted gross income (AGI) + nontaxable interest + half of your Social Security benefits.

2. **Determine Taxability Thresholds:**

- **Single filers:**

- If your provisional income is below \$25,000, none of your Social Security benefits are taxed.
- If it's between \$25,000 and \$34,000, up to 50% of your benefits may be taxable.
- If it's above \$34,000, up to 85% of your benefits may be taxable.

- **Married filing jointly:**

- If your provisional income is below \$32,000, none of your benefits are taxed.
- If it's between \$32,000 and \$44,000, up to 50% of your benefits may be taxable.
- If it's above \$44,000, up to 85% of your benefits may be taxable.

3. **Tax Rate:**

- The taxable portion of your Social Security benefits is added to your other income and taxed at your marginal tax rate.

For retirees, managing income sources to control provisional income can help minimize Social Security taxation.

Approximately 50% of Social Security beneficiaries do not pay federal income tax on their benefits. This is because their combined income falls below the thresholds that subject benefits to taxation.

The taxation of Social Security benefits is determined by your combined income, which includes your adjusted gross income, nontaxable interest, and half of your Social Security benefits. If your combined income exceeds certain thresholds—\$25,000 for single filers and \$32,000 for married couples filing jointly—a portion of your benefits becomes taxable.

Since these income thresholds are not indexed for inflation, over time, more beneficiaries may find their benefits subject to taxation. Projections indicate that the proportion of beneficiary families owing federal income tax on their benefits could rise to about 56% between 2015 and 2050.

As of November 2024, nine states tax Social Security benefits to varying extents:

1. **Colorado:** Allows taxpayers aged 65 and older to deduct all federally taxed Social Security benefits from their state taxable income. Retirees aged 55 to 64 can deduct up to \$20,000.

2. **Connecticut:** Exempts Social Security benefits from state income tax for single filers with an adjusted gross income (AGI) under \$75,000 and joint filers under \$100,000. Above these thresholds, up to 25% of benefits may be taxed.

3. **Minnesota:** Taxes Social Security income but offers a subtraction for certain income levels. For tax year 2024, the maximum subtraction is \$5,840 for married joint filers, \$2,725 for married separate filers, and

\$4,560 for single and head-of-household filers. The subtraction decreases as income increases.

4. **Montana:** Follows federal rules for taxing Social Security benefits. Single filers with incomes under \$25,000 and joint filers under \$32,000 are exempt. Above these thresholds, a portion of benefits may be taxable.

5. **New Mexico:** Exempts Social Security benefits from state tax for single filers with AGIs up to \$100,000 and joint filers up to \$150,000. Above these thresholds, benefits are taxable.

6. **Rhode Island:** Exempts Social Security benefits for individuals who have reached full retirement age and have AGIs below \$95,800 (single filers) or \$119,750 (joint filers). Above these thresholds, benefits are taxable.

7. **Utah:** Taxes Social Security benefits but offers a nonrefundable tax credit to offset the tax for certain income levels. The credit phases out as income increases.

8. **Vermont:** Exempts Social Security benefits for single filers with AGIs up to \$50,000 and joint filers up to \$65,000. Partial exemptions apply for incomes slightly above these thresholds.

9. **West Virginia:** Is phasing out its tax on Social Security benefits. By 2026, benefits will be fully exempt from state taxation.

Each state's approach varies, often including income thresholds and age considerations. It's advisable to consult the specific state's tax authority or a tax professional for detailed information.

In 2023, the federal government collected \$50.7 billion in federal income tax on Social Security. The \$50.7 billion went right back into the Social Security trust fund to pay future Social Security checks.

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning , 2024, ending See separate instructions.

Your first name and middle initial Last name Your social security number 001-01-0001

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP Code
Foreign country name Foreign province/state/county Foreign postal code
Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
You Spouse

Filing Status
[x] Single [] Head of Household (HOH)
[] Married filing jointly
[] Married filing separately (MFS) [] Qualifying Surviving Spouse (QSS)
If you checked the MFS box, enter the name of spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent.

Digital Assets
At any time during 2024, did you (a) receive (as a reward, award, or payment for property or service); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)
Yes No

Standard Deduction
Someone can claim: [] You as a dependent [] Your spouse as a dependent
[] Spouse itemizes on a separate return or you were a dual-status alien

Age / Blindness
You: [x] Were born before January 2, 1960 [] Are blind Spouse: [] Was born before January 2, 1960 [] Is blind

Table with 5 columns: (1) First name Last name, (2) Social security number, (3) Relationship to you, (4) Check the box if qualified for (see instructions): Child tax credit, Credit for other dependents. Includes rows for dependents.

Income section table with columns for line number, description, and amount. Includes lines 1a through 1z.

Standard Deduction for -- section table with columns for line number, description, and amount. Includes lines 2a through 15.

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	12,230
	17	Amount from Schedule 2, line 3	17	0
	18	Add lines 16 and 17	18	12,230
	19	Child tax credit or credit for other dependents from Schedule 8812	19	0
	20	Amount from Schedule 3, line 8	20	0
	21	Add lines 19 and 20	21	0
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22	12,230
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	0
24	Add lines 22 and 23. This is your total tax	24	12,230	

Payments	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	0
	b	Form(s) 1099	25b	0
	c	Other forms (see instructions)	25c	0
	d	Add lines 25a through 25c	25d	0
	26	2024 estimated tax payments and amount applied from 2023 return	26	
	27	Earned income credit (EIC)	27	0
	28	Additional child tax credit from Schedule 8812	28	0
	29	American opportunity credit from Form 8863, line 8	29	
	30	Reserved for future use	30	
31	Amount from Schedule 3, line 15	31	0	
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	0	
33	Add lines 25d, 26, and 32. These are your total payments	33	0	

Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	0
	35 a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	0
	b	Routing number <input type="text"/>	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
	d	Account number <input type="text"/>		
36	Amount of line 34 you want applied to your 2025 estimated tax	36	0	

Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions	37	12,230
	38	Estimated tax penalty (see instructions)	38	0

Third Party Designee

Do you want to allow another person to discuss this return with the IRS?
See instructions **Yes**. Complete below. **No**

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation	If the IRS sent you an identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Phone no. <input type="text"/>	Email address <input type="text"/>		

Paid Preparers Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address		Phone no.	Firm's EIN

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning , 2024, ending See separate instructions.

Personal information section including name, address, and social security numbers.

Filing Status section with checkboxes for Single, Married filing jointly, etc.

Digital Assets section with Yes/No options.

Standard Deduction section with checkboxes for dependent status.

Age / Blindness section with checkboxes for age and blindness.

Table with 5 columns: (1) First name, Last name, (2) Social security number, (3) Relationship to you, (4) Check the box if qualified for.

Income section table with rows 1a through 1z and columns for amounts.

Standard Deduction for -- section table with rows 2a through 15 and columns for amounts.

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	14,416
	17	Amount from Schedule 2, line 3	17	0
	18	Add lines 16 and 17	18	14,416
	19	Child tax credit or credit for other dependents from Schedule 8812	19	0
	20	Amount from Schedule 3, line 8	20	0
	21	Add lines 19 and 20	21	0
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22	14,416
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	0
24	Add lines 22 and 23. This is your total tax	24	14,416	

Payments	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	0
	b	Form(s) 1099	25b	0
	c	Other forms (see instructions)	25c	0
	d	Add lines 25a through 25c	25d	0
	26	2024 estimated tax payments and amount applied from 2023 return	26	
	27	Earned income credit (EIC)	27	0
	28	Additional child tax credit from Schedule 8812	28	0
	29	American opportunity credit from Form 8863, line 8	29	
	30	Reserved for future use	30	
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33	Add lines 25d, 26, and 32. These are your total payments	33	0	

Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	0
	35 a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	0
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	38	Estimated tax penalty (see instructions)	38	0

Third Party Designee

Do you want to allow another person to discuss this return with the IRS?
See instructions **Yes**. Complete below. **No**

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation	If the IRS sent you an identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Phone no. <input type="text"/>	Email address <input type="text"/>		

Paid Preparers Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address		Phone no.	Firm's EIN