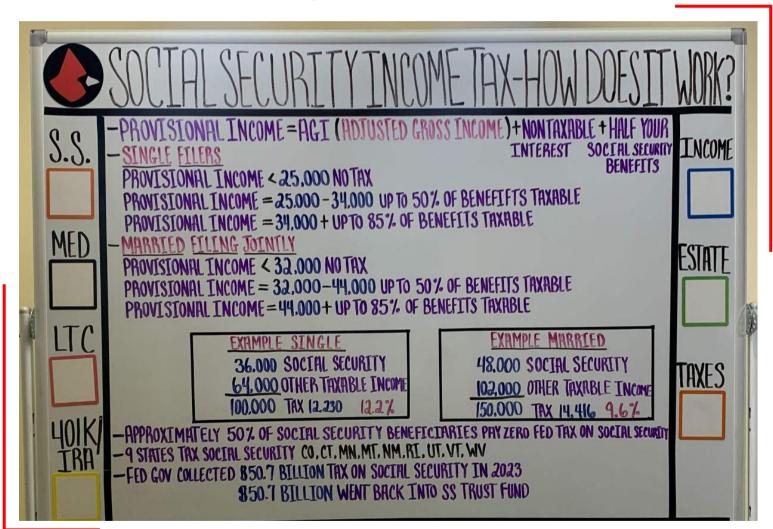


# Social Security Income Tax-How Does It Work?

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



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Dec. 2024

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.

<sup>E</sup> 1040	Department of the Treasury—Internal Revenue Servi		2024						
<u>₽</u> 1040	U.S. Individual Income Tax I	Forecast	2024	OMB No. 154	5-0074 IR	S Use Only—I	Do not write or s	staple in this space.	
For the year Jan. 1-Dec	31, 2024, or other tax year beginning	, 2024, ending			_	See separate instructions.			
Your first name and i	niddle initial	Last name				Your social security number			
		Last Hallie				001-01-0001			
If joint return, spouse	's first name and middle initial	Last name			Sp	Spouse's social security number			
					·				
Home address (numb	er and street). If you have a P.O. box, see instru	ctions.		Apt. no.		President	ial Electio	n Campaign	
,	, ,			·	Ch	eck here	if you, or yo	our	
City, town, or post of	fice. If you have a foreign address, also complete spaces b	elow.	State ZIP Code				ng jointly, w		
							fund. Che ill not chan		
Foreign country name		Foreign province/stat	e/county	Foreign postal		ur tax or n		ye	
				,-		You	Spouse		
Filing Status	X Single			Head of H	Household (HOF	<del>1</del> )			
Check only	Married filing jointly								
one box	Married filing separately (MFS)			Qualifying	g Surviving Spo	use (QSS)	l		
	If you checked the MFS box, enter the nan	ne of spouse.	If you checked the	HOH or QSS b	oox, enter the	child's na	ime if the q	ualifying	
	person is a child but not your dependent.								
Digital	At any time during 2024, did you (a) receive (as exchange, gift, or otherwise dispose of a digital					[	Yes	No	
Assets				: (Occ matractic	ліз.)		•		
Standard	Someone can claim: You as a deper		ouse as a dependent						
Deduction	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	n before Janua	ry 2, 1960		Is blind	
Dependents	(see instructions):	(2) Social security	(3) Relati	onship	(4) Check th	ne box if qu	alified for (s	ee instructions):	
If more	(1) First name Last name	number	to ye		Child tax of	Child tax credit Credit for other dependents			
than four									
dependents, see instructions									
and check									
here	4 - 7 - 4 - 5 - () W0 - 4					14-			
Income	1 a Total amount from Form(s) W-2, box 1					. <u>1a</u> . 1b			
Attach Form(s) W-	<ul><li>b Household employee wages not reported</li><li>c Tip income not reported on line 1a (see</li></ul>					. 1c		////	
2 here. Also	d Medicaid waiver payments not reported		ructions)			. 1d		<del>///</del>	
attach Forms W-2G and	e Taxable dependent care benefits from					. 1e			
1099-R if tax	f Employer provided adoption benefits from the first from the f					. 1f			
was withheld.	g Wages from Form 8919, line 6					. 1g			
If you did not	h Other earned income (see instructions)					. 1h			
get a Form W-2,	i Nontaxable combat pay election (see in	nstructions)		<u>1i</u>		0			
see instructions.	z Add lines 1a through 1h					. 1z		0'///	
Attach Sch. B	2 a Tax-exempt interest 2a		<b>b</b> Taxable in			. 2b		<u>• • ////</u>	
if required. Standard	3 a Qualified dividends 3a		b Ordinary of			. 3b		64,000	
Deduction for	4 a IRA distributions 4a 5 a Pensions and annuities 5a			mount mount		-		04,000	
Single or married	6 a Social security benefits 6a					. 6b		30,600	
filing separately	c If you elect to use the lump-sum election		<del></del>		🔲				
\$14,600	7 Capital gain or (loss). Attach Schedule	•				. 7			
Married filing	8 Other income from Schedule 1, line 10					. 8		0 ///	
jointly or Qualifying	<b>9</b> Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and	•	ome			. 9		94,600	
surviving spouse	Adjustments to income from Schedule					. 10		0	
\$29,200	11 Subtract line 10 from line 9. This is you 12 Standard deduction or itemized deduction	•				. 11		94,600	
<ul> <li>Head of house</li> </ul>	12 Standard deduction or itemized deduc	(Horri Schedule A)				. 12		16,550	

13

14

15

Cat. No. 11320B

0

16,550

78,050

Form **1040** 

\$21,900

If you checked any

Standard Deduction

box, see instructions.

13

14

15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Qualified business income deduction from Form 8995 or Form 8995-A

Add lines 12 and 13
Subtract line 14 from line 11.

If zero or less, enter -0-.

This is your **taxable income** 

Form 1040 (2024)								Page 2		
	16	Tax (see instructions). Check if any from Form(s):	<b>1</b> 8814 <b>2</b>	497	2 3		16	12,230		
Tax and	17	Amount from Schedule 2, line 3						0		
Credits	18	Add lines 16 and 17					18	12,230		
	19	Child tax credit or credit for other dependents	s from Schedule 8812	?			19	0		
	20	Amount from Schedule 3, line 8 .					20	0		
	21	Add lines 19 and 20						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		
D	25	Federal income tax withheld from:			i			l <i>'///</i>		
Payments	а	Form(s) W-2			<u> </u>	25a	0	l ////		
	b	Form(s) 1099				25b	0	l ////		
	С	Other forms (see instructions)			[	25c	0			
	d	Add lines 25a through 25c					25d	0 ///		
If you have a	26	2024 estimated tax payments and amount applied	from 2023 return				26			
qualifying child, attach Sch EIC.	27	Earned income credit (EIC)				27	0	l ////		
attach och Lio.	28	Additional child tax credit from Schedule 8812				28	0	l ////		
	29	American opportunity credit from Form 8863, line 8				29		l ////		
	30	Reserved for future use				30		l ////		
	31	Amount from Schedule 3, line 15			· · · L	31	0	- ///		
	32	Add lines 27, 28, 29, and 31. These are your total	• •	fundable cr	edits		32	0 ///		
	33	Add lines 25d, 26, and 32. These are your total p	•	<u> </u>	<u></u>		33	0 ///		
Refund	34	If line 33 is more than line 24, subtract line 24 from		•	erpaid		34	0		
	35 a	Amount of line 34 you want <b>refunded to you</b> . If Fo			1		35a	• • • • • • • • • • • • • • • • • • • •		
Direct deposit? See instructions	b	Routing number	С	Type:	Checking	Sa	vings	l ////		
See instructions		Account number		ا ما				l <i>'///</i>		
Amount	36 37	Amount of line 34 you want applied to your		36		0		<del>                                     </del>		
You Owe	31	Subtract line 33 from line 24. This is the <b>amount</b> y		•			37	12,230		
You Owe		For details on how to pay, go to www.irs.gov/Payr	nents of see instructions				37	12,230		
	38	Estimated tax penalty (see instructions)		. 38		0				
Third Party	•	want to allow another person to discuss this	eturn with the IRS?							
Designee	See ins	tructions			Yes.	Complete below.		X No		
	Designee's	3	Phone			Personal identification	on			
	name		no.			number (PIN)				
Sign		alties of perjury, I declare that I have examined this return and are true, correct, and complete. Declaration of preparer (other					,			
Here	Your signa		Date			or ride drift knowledge		sent you an identity Protection		
Joint return?	Tour Signa	ture -	Date	Date Your occupation			PIN, enter			
See instructions.							(see inst.)			
Keep a copy	Spouse's s	ignature. If a joint return, <b>both</b> must sign.	Date	Date Spouse's occupation			If the IRS	f the IRS sent you an identity Protection		
for your records.		· 5· · · · · - <b>) -</b> · · · · · · · · · · · · · · · · · ·	Duic	Оройос о осо	лараноп		PIN, enter			
•							(see inst.)			
	Phone no.		Email address				<u> </u>	<del></del>		
<b>.</b>	Preparer's	name Preparer's signatur			Date	l <sub>P</sub>	TIN	Check if:		
Paid	, 0							Self-employed		
Preparers	Firm's na	rm's name				Phone no.				
Use Only						Firm's EIN				
Go to www.irs.gov/Form	n1040 for	instructions and the latest information.						Form <b>1040</b> (2024)		

<b>1040</b>	Department of the Treasury—Internal Revenue Service		2024							
<b>∄ 1040</b>	U.S. Individual Income Tax	Forecast	2024	OMB No. 154	5-0074 IRS U	Jse Only—Do not wr	rite or staple in this space.			
For the year Jan. 1-Dec.	. 31, 2024, or other tax year beginning		, 2024, ending			See separate instructions.				
						· ·				
Your first name and r	middle initial	Last name	Last name				Your social security number			
If in int notions on account	ale first warms and widdle initial	Last name			S no	001-01-0001				
ii joint return, spouse	s's first name and middle initial	Last name			<b>Зро</b>	Spouse's social security number 001-01-0002				
				T	D.:					
Home address (numb	er and street). If you have a P.O. box, see ins	tructions.		Apt. no.			ection Campaign			
			T	1		Check here if you, or your spouse if filing jointly, want \$3				
City, town, or post of	fice. If you have a foreign address, also complete space	es below.	State ZIP Code			to this fund.	•			
						below will not	•			
Foreign country name	9	Foreign province/s	state/county	Foreign postal	code your	tax or refund.				
						You Spouse				
Filing Status	Single			Head of H	lousehold (HOH)					
_	x Married filing jointly				,					
Check only one box						(aca)				
0110 00%	Married filing separately (MFS)		If you also also d the		Surviving Spous		the annualifying			
	If you checked the MFS box, enter the n person is a child but not your dependent	·	If you checked the	HOH of QSS I	oox, enter the c	niia s name ii i	ne qualifying			
Digital	At any time during 2024, did you (a) receive (		nument for property or or	arvica): or (b) ac	II					
Assets	exchange, gift, or otherwise dispose of a digit	•		, , , ,		Y	es No			
		<u> </u>	<u> </u>	•	,					
Standard	Someone can claim: You as a dep		spouse as a dependent							
Deduction	Spouse itemizes on a separate retu	irn or you were a duai-sta	atus alien							
Age / Blindness	You: X Were born before January 2, 19	60 Are bl	ind Spouse:	X Was born	before January	2, 1960	Is blind			
Dependents	(see instructions):	(2) Social security	y (3) Relati	ionship	(4) Check the	box if qualified	for (see instructions):			
If more	(1) First name Last name	number			Child tax cre	dit Cre	edit for other dependents			
than four										
dependents, see instructions										
and check										
here										
Income	<b>1 a</b> Total amount from Form(s) W-2, box					. 1a	<u></u>			
Attach Form(s) W-	<b>b</b> Household employee wages not repo					. 1b	////			
2 here. Also	c Tip income not reported on line 1a (s		on Form(s) W-2 (see instructions)			. 1c	<del>/</del> ///			
attach Forms						. 1d	——///			
W-2G and	<ul> <li>e Taxable dependent care benefits fro</li> <li>f Employer provided adoption benefits</li> </ul>					. 1e				
1099-R if tax was withheld.		1101111 01111 0039, 1111e 29					—— <i>////</i>			
If you did not	<ul><li>g Wages from Form 8919, line 6</li><li>h Other earned income (see instruction)</li></ul>	ns)				. 1g . 1h	<del>/</del> ///.			
get a Form W-2,	i Nontaxable combat pay election (se	,		1i			<del></del> ///			
see instructions.	z Add lines 1a through 1h					. 1z	0///			
Attach Sch. B	2 a Tax-exempt interest	2a	0 b Taxable in	nterest .		. 2b	0///			
if required.	3 a Qualified dividends	3a	0 b Ordinary of			. 3b	0 ///			
Standard	4 a IRA distributions	4a	<b>b</b> Taxable a			. 4b	102,000			
Deduction for	5 a Pensions and annuities	5a		mount		. 5b	0'///			
Single or married	6 a Social security benefits		b Taxable a	mount		. 6b	40,800			
filing separately	c If you elect to use the lump-sum ele		` '				——////			
\$14,600	7 Capital gain or (loss). Attach Sched	·	equired, check here			. 7	////			
Married filing     Indicate an Openit files	Other income from Schedule 1, line					. 8	142 000			
jointly or Qualifying	<ul><li>9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, 1</li><li>10 Adjustments to income from Schedu</li></ul>	•	income			10	142,800			
surviving spouse \$29,200	<ul><li>Adjustments to income from Schedu</li><li>Subtract line 10 from line 9. This is y</li></ul>		ome			. 11	142,800			
Head of house	12 Standard deduction or itemized ded					. 12	32,300			
\$21,900	13 Qualified business income deduction	'				. 13	0 ///			

Add lines 12 and 13
Subtract line 14 from line 11.

If zero or less, enter -0.

This is your **taxable income** 

• If you checked any

Standard Deduction

box, see instructions.

14 15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

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Cat. No. 11320B

32,300

110,500

Form **1040** 

Form 1040 (2024)									P	age 2
	16	Tax (see instructions). Check if any from Form(s):	1 8814 2	497	2 3		1	6	14,416	7777
Tax and	17	Amount from Schedule 2, line 3						7	0	
Credits	18	Add lines 16 and 17					1	8	14,416	
	19	Child tax credit or credit for other dependent	s from Schedule 8812	2				9	0	
	20	Amount from Schedule 3, line 8 .					2	0	0	
	21	Add lines 19 and 20					2	1	0	
	22	Subtract line 21 from line 18. If zero or less, ente	r -0				2	2	14,416	
	23	Other taxes, including self-employment tax, from	Schedule 2, line 21				2	3	0	
	24	Add lines 22 and 23. This is your total tax					2	4	14,416	
_ ,	25	Federal income tax withheld from:								900
Payments	а	Form(s) W-2				25a	0			900
	b	Form(s) 1099				25b	0			- 999
	С	Other forms (see instructions)				25c	0			<i>-999</i>
	d	Add lines 25a through 25c					2	5d	0	
If you have a	26	2024 estimated tax payments and amount applied	from 2023 return		;	. <u></u>	2	6		<i>3////</i>
qualifying child,	27	Earned income credit (EIC)				27	0			9///
attach Sch EIC.	28	Additional child tax credit from Schedule 8812				28	0			9///
	29	American opportunity credit from Form 8863, line	3			29				900
	30	Reserved for future use				30				<i>11111</i>
	31	Amount from Schedule 3, line 15				31	0			_////
	32	Add lines 27, 28, 29, and 31. These are your total	other payments and re	efundable cr	edits		· · <u> </u>	2	0	
	33	Add lines 25d, 26, and 32. These are your total p	ayments .	<u></u>				3	0	_////
<b>5</b>	34	If line 33 is more than line 24, subtract line 24 fro		•	erpaid	<u></u>	_ ` `	4	0	
Refund	35 a	Amount of line 34 you want <b>refunded to you</b> . If Fo			-	· · <u>· · · · </u>		5a	0	<i>-2///</i>
Direct deposit?	b	Routing number	С	Type:	Checking	Sa	vings			900
See instructions	d	Account number		<b>」</b>						999
	36	Amount of line 34 you want applied to you		36		0				4///
Amount	37	Subtract line 33 from line 24. This is the amount y						_		
You Owe		For details on how to pay, go to www.irs.gov/Payr	ments or see instruction:	s			3	7	14,416	<b>-</b> ////
	38	Estimated tax penalty (see instructions)		. 38		0				_////
Third Party	Do you	want to allow another person to discuss this	eturn with the IRS?						-	
Designee	See ins	tructions			Yes	. Complete below		X	No	
	Designee'		Phone			Personal identificat	ion			7
	name		no.			number (PIN)				4
Sign		alties of perjury, I declare that I have examined this return and								
Here	belief, they	are true, correct, and complete. Declaration of preparer (other	than taxpayer) is based on al	I information of	f which prepa	arer has any knowledg				
пете	Your signa	ture	Date	Your occupat	tion		If the IRS sent you an identity Protecti			ection
Joint return?							1	ter it her	е	
See instructions.							(see ins	,		
Keep a copy	Spouse's	ignature. If a joint return, <b>both</b> must sign.	Date	Spouse's occ	cupation			If the IRS sent you an identity Protection		
for your records.								IN, enter it here		_
							(see ins	t.)		Ш
	Phone no.		Email address			1				
Paid	Preparer's	name Preparer's signatu	re		Date		PTIN		Check if:	
Preparers							_		Self-employ	ed
Use Only							Phone no.			
- · ·	Firm's address					Firm's				
Go to www.irs.gov/Fori	m1040 for	instructions and the latest information.						F	orm <b>1040</b> (20	024)