

# Social Security Tax Payment Calculator

Did you know that a lot of clients are paying taxes on their social security benefits? By using a tax-deferred savings vehicle, such as an annuity, tax liabilities on social security benefits could be reduced significantly. Here's how!

**Step 1: Calculate your client's Adjusted Gross Income (AGI):**

All income, including tax-exempt interest and interest income	\$		(1)
½ of Social Security Benefit	\$		(2)
Total	\$		(3)

**Step 2: Compare the total from Step 1 with the following table:**

	50% Taxable	85% Taxable	
Married	\$32,000	\$44,000	
Single	\$25,000	\$34,000	
			Total from Step 1: \$ _____ (3)
			*Amount from table: \$ _____ (4)
			(Subtract Line 4 from Line 3) Excess (if applicable): \$ _____ (5)

*\*Use the number from the table closest to the total from Step 1. For example, if a married couples' AGI is \$46,000, than would put \$44,000 on this line. If a married couples' AGI is \$30,000 than \$32,000 would be used.*

**If the total from Step 1 exceeds the numbers from the table, than a tax liability on social security benefits exists. Go to step 3.** Otherwise, STOP; tax liability not applicable on social security benefits.

**Step 3: Calculate tax liability.** If there is no excess income from Step 2, than tax liabilities do not exist on social security benefits.

Excess amount from Step 2:	\$		(5)
½ of Excess amount:	\$		
			<b>This is the taxable amount</b>

Example:

Assumption: Married couple with the following income: \$15,000 in pension payments, \$6,000 in interest income, \$10,000 from other sources of income, \$200 from a U.S. Savings Bond, and \$10,000 from social security.

Step 1: Calculate AGI

All Income (\$15,000 + \$6,000+\$10,000+\$200)	\$31,200
½ of Social Security Benefit (1/2 of \$10,000)	\$5,000
<b>Total</b>	<b>\$36,200</b>

Step 2: Table comparison

Total from Step 1:	\$36,200
Amount from table:	\$32,000
Excess income:	\$4,200

Step 3: Calculate tax liability

Excess amount of income from Step 2:	\$4,200
½ of Excess amount:	<b>\$2,100 *This is the taxable amount</b>

*If the clients had a tax-deferred investment vehicle earning them the \$6,000 in interest income, their AGI would only be:  
 \$15,000+\$10,000+200+(1/2 of \$10,000) = \$30,200.... **NO EXCESS income!!!***

*\*\*Please consult with a CPA or tax attorney. Brokerage Professionals, Inc. and NFC Affinity Marketing, Inc. are not tax consulting firms. This worksheet should be used for information- gathering purposes only.\*\**