Are Social Security Benefits taxable income?

Social Security retirement benefits, survivor benefits, and disability benefits MAY be taxable income only if you or your spouse have additional income such as wages, self-employment, retirement income, interest, dividends, among others. Supplemental Security Income (SSI) payments are not taxable.

If the ONLY income you and/or your spouse received was social security benefits, your or your spouse's benefits generally are not taxable And you may not have to file a tax return.

Are any of my Social Security Benefits taxable?

The IRS uses a formula to determine if any of your or your spouse/child Social Security Benefits are taxable. However, the IRS tax codes and guidelines can be very confusing. There is no easy way to determine if you or your spouse's social security income is taxable, or how much of your benefits are taxable.

You should consult with a professional tax preparer to determine if any of the social security benefits are taxable. Please keep in mind that if you have income in addition to your benefits, there is a chance that you may have to file a return even if none of your benefits are taxable.

Additional information may be found at:

LawHelp.org/SC

South Carolina's guide to free legal resources

South Carolina Legal Services Low Income Taxpayer Clinic assists taxpayers who are being audited by the IRS. To apply for our services, please call our Legal Aid Telephone Intake Service at 1-888-346-5592. You can also apply online on www.sclegal.org. Our services are free to qualifying applicants!

What other types of legal representation are available from South Carolina Legal Services?

Federal Tax

Collection Issues

Consumer Issues

Bankruptcy

Family

Housing

Employment

Social Security disallowance

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You Tube

South Carolina Legal Services

Balancing the Scales of Justice

Early Retirement Distributions, Social Security Benefits and Federal Income Taxes

Our Mission

South Carolina Legal Services is a statewide law firm that provides civil legal services to protect the rights and represent the interests of low-income South Carolinians.

For Free Services

1 (888) 346-5592
contactus@sclegal.org
www.sclegal.org / www.lawhelp.org/sc
www.probono.net/sc

Early withdrawals from retirement savings accounts

An early withdrawal or an early distribution is when you withdraw money from your IRA, 401(k) or any other qualified retirement savings plan, before reaching age 59 1/2. You should report the early distribution as income on your income tax return. The retirement plan administrator should send you Form 1099-R, Distributions from Pensions, etc. the year following receiving the early distribution during tax filing season.

Qualified retirement plans are:

- Traditional IRA or a Roth IRA
- Employee plan such as a 401(k)
- Employee annuity plan such as a 403(a)
- A 403(b) or similar plan for employees of public schools and tax-exempt organizations

Early distributions 10% Penalty and income tax withholdings

In order to discourage people from using their retirement savings the IRS charges an additional tax penalty on early withdrawals from retirement plans. With certain exceptions the IRS charges a 10% penalty on early withdrawals from qualified retirement plans. This penalty is in addition to federal income tax.

Early distributions of qualified retirement plans are subject to federal income tax. If your tax withholdings and/or estimated tax payments are not enough to cover your taxes and the 10% penalty, you will owe money to the IRS when you file your return.

Exceptions to the 10% additional tax penalty on early distributions.

Distributions from a qualified retirement plan will **NOT** be subject to the 10% additional tax penalty in the following circumstances:

- They were permissive withdrawals from a plan with automatic enrollment features. **(Does not apply to MOST IRA plans).**
- They were corrective distributions and/or earnings associated with excess contributions.
- Distributions that are made upon the death or total permanent disability of the plan participant.
- The distributions were required by a divorce decree or separation agreement under the terms of a "qualified domestic relations court order."
- You received the distribution as part of "substantially equal payments" over your lifetime.
- You received distributions of dividends from an Employee Stock Ownership Plan.
- They were levied by the IRS from a qualified retirement plan.
- If you used the withdrawal to pay for medical expenses exceeding 10 percent of your adjusted gross income.
- They were a qualified military reservist distribution(s).
- You were age 55 or over and you retired or left your job **(Does not apply to IRA plans).**
- You were age 50 or over and you retired or left your job as a public safety employee of a state government **(Does not apply to IRA plans).**

The following exceptions **ONLY** apply to retirement plans that are Traditional or Roth IRAs:

- The distribution was made to pay the medical insurance premiums while you were unemployed (or up to 60 days after re-employment).
- The withdrawal was made to cover qualified education expenses.
- The distribution (up to $10,000 only) was made to purchase your first home. You cannot have owned a home in the previous two years to qualify for this exception.