

Taxation of Social Security Benefits

Explains how Social Security benefits are taxed, including a description of the MAGI breakpoints where the percentage of benefits taxed changes.

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The amount of Social Security benefits that are taxable varies based on the taxpayer's level of Modified Adjusted Gross Income (MAGI):

- For single taxpayers with MAGI below \$25,000 (and \$32,000 for married couples filing jointly), Social Security benefits are tax free.
- Up to 50% of Social Security retirement benefits may be taxable in years that MAGI is between \$25,000 and \$34,000 for a single taxpayer, and between \$32,000 and \$44,000 for a married couple filing jointly.
- Up to 85% of benefits may be taxable in years that MAGI is in excess of \$34,000 for a single taxpayer and in excess of \$44,000 for a married couple filing jointly.

For purposes of this rule, Modified Adjusted Gross Income is defined as (1) Adjusted Gross Income as it is calculated on a tax return (including all investment income, capital gains, retirement income, etc.) after adding back any deductions for student loan interest, tuition and fees plus (2) tax-exempt interest plus (3) half the Social Security benefits themselves.

IRS Instructions to Form 1040 contains a worksheet which will help a recipient of Social Security calculate his or her tax liability. It is worth noting that the thresholds above are NOT adjusted annually for inflation.