

## **CLIENT REPORT:**

### **Social Security Earnings Limit**

Dear Client:

The economic downturn has forced many retired individuals back into the workforce. In addition to earning a salary, these individuals may also be receiving Social Security benefits. Depending on the individual's age, benefits may be reduced and included in the recipient's gross income.

Taxpayers at and above full retirement age can continue to earn unlimited amounts without any reduction in Social Security benefits. Full-retirement age was 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959.

Individuals under full retirement age have their Social Security benefits reduced if they earn over an exemption amount. For those reaching full retirement age in 2009, \$1 will be withheld for every \$3 in earnings above \$37,680.

A portion of Social Security benefits is included in the gross income of a recipient whose total income exceeds applicable base and adjusted base amounts. The base amounts and adjusted base amounts vary with the filing status of the recipient. For example, single individuals have a base amount of \$25,000 and an adjusted base amount of \$34,000. Married couples filing jointly have a single combined base amount of \$32,000 and a single combined adjusted base amount of \$44,000.

Since income tax is not withheld on Social Security, you may need to pay estimated tax. Our office can help you determine if you should pay estimated tax. Additionally, even though Social Security benefit payments are not automatically subject to withholding, a taxpayer may request to have federal income tax withheld from them.

If you would like more information on how Social Security payments may affect your tax positions, either now or in the future, please do not hesitate to call.

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