

Dollars & Sense

Go Online for Your 1099

With tax season well on its way, millions of taxpayers are busy gathering all the forms and documents needed to file federal, state and local tax returns. It is important to remember that some people who receive Social Security may have to pay taxes on a portion of their benefits. For them, a **Social Security Benefit Statement (Form SSA-1099)** is an important tax document.

The **SSA-1099s** for tax year **2006** were all automatically mailed to beneficiaries by January 31, 2007. If you or someone you know who receives Social Security has not yet received a **Form SSA-1099 for 2006**, you can request a replacement online at www.socialsecurity.gov.

The **SSA-1099** shows the total amount of benefits received in the previous year and is used to find out if any benefits are subject to tax, and to complete a federal income tax return. Basically, the federal tax laws about Social Security benefits state that:

- Up to 50 percent of Social Security benefits may be subject to income tax for individuals with a combined income between \$25,000 and \$34,000, or for couples with a combined income between \$32,000 and \$44,000; and
- Up to 85 percent of SS benefits may be subject to income tax for individuals with a combined income above \$34,000, or for couples with a combined income above \$44,000. (Note: "Combined income" means adjusted gross income, plus nontaxable interest, plus one-half of SS benefits.)

Less than a third of current SS beneficiaries have incomes that exceed the thresholds, requiring them to pay taxes on a portion of their SS benefits. For more information on taxation of SS benefits, call the IRS' toll-free telephone number, **1-800-829-3676** and ask

Social Security

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for **Publication 554, Older Americans' Tax Guide**. The publication is also available from the IRS website at www.irs.gov. For more information about SS, or to request a replacement **SSA-1099**, visit www.socialsecurity.gov. Or you can also call **1-800-772-1213 (TTY 1-800-325-0778)** and ask for a replacement **SSA-1099** over the phone.

Medicare: No Penalty for Late Enrollment

There will be no late enrollment penalties in 2007 for people who qualify for extra help and enroll in the Medicare prescription drug plan. This was announced by the **Centers for Medicare and Medicaid Services (CMS)**, the agency that administers the Medicare prescription drug plan.

Initially, Medicare beneficiaries who qualified for the extra help had until December 31, 2006, to enroll in a prescription drug plan without having to pay a late enrollment penalty. But now, for all of 2007, the penalty will be waived. If you think you may be eligible for the extra help, you are encouraged to apply as soon as possible. The extra help could be worth an average of \$3,700 per year.

If your annual income is below \$15,315 for an individual (\$20,535 for a married couple living together), and your resources are limited to \$11,710 for an individual (\$23,410 for a married couple living together), you may qualify for extra help with your monthly premiums and deductibles.

If you plan to apply for the extra help, the easiest and most convenient way is to go online. Just visit www.socialsecurity.gov/prescriptionhelp/ and select the **"Apply for help"** link. You also can apply over the phone by calling us at **1-800-772-1213 (TTY 1-800-325-0778)**. If you prefer to complete the paper application, you can call the same number to request that we mail one to you, or stop by your local Social Security office to pick one up.

To learn more about the Medicare prescription drug plans and special enrollment periods, call **1-800-MEDICARE (1-800-633-4227; TTY 1-877-486-2048)** or visit www.medicare.gov. Medicare also can tell you about agencies in your area to help you with Medicare prescription drug plans.

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Social Security Frequently Asked Questions

Question: How much of my annual earnings are subject to the Social Security payroll tax?

Answer: In 2007, the maximum earnings taxable is \$97,500. That means workers must pay Social Security tax on the first \$97,500 of earnings for the year; any wages above that amount are not subject to Social Security taxes. However, there is not a limit for Medicare tax. A taxpayer's total annual wages are subject to Medicare tax. For more information about Social Security, visit our website at www.socialsecurity.gov, or call us toll-free at **1-800-772-1213 (TTY 1-800-325-0778)**.

Question: I retired early and my only income has been withdrawals from my Individual Retirement Account (IRA). I plan to apply for Social Security this year. Will my IRA income reduce my Social Security benefits?

Answer: No. In calculating your retirement benefits, we count only the wages you earn from a job or your net profit if you're self-employed. Non-work income such as pensions, annuities, investment income, interest and capital gains are not counted and will not affect your Social Security benefits. To learn more about Social Security benefits, visit Social Security's website at www.socialsecurity.gov, or call us toll-free at **1-800-772-1213 (TTY 1-800-325-0778)**.

Question: I've worked for more than 10 years now and each year I earned the maximum number of credits: four. Does this mean I'll get the maximum benefit when I retire?

Answer: No, not necessarily. The 40 credits are the minimum number you need to qualify for a retirement benefit. The amount of the benefit, however, is not based on those credits; it is based on your lifetime of

earnings. We determine your average earnings over your working years, in most cases the 35 years you earned the most, and use a formula to determine your benefit amount. Call Social Security at **1-800-772-1213 (TTY: 1-800-325-0778)** to learn more. Or visit our website to learn more about Social Security benefits at www.socialsecurity.gov.

Question: My husband recently had his leg amputated as a result of his diabetes. He applied for disability benefits based on his diabetes a few years ago and was denied because he could still work. Now that his condition has worsened, can he get disability benefits?

Answer: He should certainly apply for Social Security disability benefits if his condition prevents him from working. We will need to make a new disability determination. Your husband is eligible for disability benefits if he has a severe medical condition that is expected to prevent him from working for at least 12 months, or to end in death. To learn more, visit Social Security's website at www.socialsecurity.gov, or call us toll-free at **1-800-772-1213 (TTY 1-800-325-0778)**.

Question: I get Supplemental Security Income (SSI) benefits. Do I need to report the financial help I receive from my children?

Answer: Yes. Any money or in-kind support you receive (such as free lodgings and food) must be reported to Social Security. It may or may not affect your SSI, depending on the circumstances. For more information about SSI and Social Security, visit Social Security's website at www.socialsecurity.gov, or call us toll-free at **1-800-772-1213 (TTY 1-800-325-0778)**.