

## Advice Knowledge Express: Navigating Social Security – Taxation for Social Security Video Transcript

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Rayyan Anees: Hello and welcome to the Navigating Social Security video series. I'm your host, Ryan Anees of Advice and Planning. The topic for today's video is taxation of Social Security benefits. And I'm joined with my friend and colleague Bob McKinney, CFP®.

Thank you for joining us, Bob.

Bob McKinney: Thank you. I'm glad to be here, Rayyan.

Rayyan Anees: So, no matter what financial topic we're talking about, there's always going to be some tax ramifications. Can you talk us through how Social Security is taxed?

Bob McKinney: Sure. Be glad to do that.

First of all, about 40% of the people who receive Social Security benefits are going to end up paying taxes on those benefits. There's a maximum of 85% of those benefits that can be included for taxes, which provides a preferential tax treatment.

Rayyan Anees: So, that means Social Security is taxed in a more favorable way than most other income.

Bob McKinney: That is correct. Absolutely. If Social Security is your only income, then those benefits are not subject to federal taxes. However, there are some states that do tax Social Security benefits according to their own rules.

Rayyan Anees: So, there could be a situation where you might not be paying any federal taxes on your Social Security income. But depending on your state, you may owe some state taxes.

Bob McKinney: That's correct.

Rayyan Anees: So, Bob, talk us through the process of determining the taxable amount of Social Security.

Bob McKinney: Well, to start off, there are two steps in the process.

The first step is to determine your combined income, which is also known as provisional income. It starts with your adjusted gross income from your 1040 form without any Social Security benefits included.

Then you add back nontaxable interest income plus one half of your Social Security benefits to arrive at your combined income.

*Source: [www.irs.gov/faqs/social-security-income](http://www.irs.gov/faqs/social-security-income)*

Rayyan Anees: Okay. So, once you've determined your combined income, what is the next step.

Bob McKinney: So, step two is to apply the combined income to the Social Security thresholds to determine what portion of your benefits will be included as taxable income. The dollar amount of each threshold differs depending on your filing status and can be found at the Social Security website. If your combined income is under the first threshold, none of your benefits are going to be taxable.

If your combined income is in between the two thresholds, then up to 50% of your benefits could be subject to taxes.

If your combined income is over the second threshold, up to 85% of your benefits could be taxable.

*Source: [www.ssa.gov/pubs/EN-05-10035.pdf](http://www.ssa.gov/pubs/EN-05-10035.pdf). Current as of January 2024*

Rayyan Anees: So, Bob, are there any ways to manage the taxable amount of Social Security?

Bob McKinney: Yes, Ryan, there are some items that are not included in combined income. For example, qualified distributions from a Roth or HSA account, a health savings account, and the non-taxable portion of pensions and annuities are not included. If you can distribute income from these sources. You could reduce your adjusted gross income.

One final item is that you can set up withholding from your Social Security benefits to avoid paying estimated taxes or a larger tax payment when you file your return.

*Sources:*

*IRS Publication 525 - Taxable and Nontaxable Income, 2023 Publication 525 (irs.gov). Current as of December 2023*  
<https://www.irs.gov/pub/irs-pdf/p525.pdf>

<https://www-origin.ssa.gov/benefits/retirement/planner/taxes.html> Current as of October 2024

Rayyan Anees: Thank you, Bob, for covering a technical subject with such ease.

Bob McKinney: Thank you. Glad to help.

Rayyan Anees: Many of us will be part of the 40% that owe taxes on a portion of our Social Security benefits. And so, it's really important for us to understand how taxes impact our overall Social Security benefit. Thank you for tuning in to another video as part of our Navigating Social Security video series.

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Unless shown, the source of the data shown is the Social Security Administration ([ssa.gov](https://ssa.gov)) as of September 2024.

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