

**HASHEM and SIMMS, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Dear Client:

You may be interested about the federal tax treatment of social security benefits and the social security equivalent of tier 1 railroad retirement benefits

The adjusted base amount

The portion of Social Security benefits that you must include in gross income depends on whether your modified adjusted gross income (MAGI), as described below, increased by one-half of the Social Security benefits you received during the year (adjusted MAGI), exceeds the "base amount" or "adjusted base amount."

The "base amount" is \$32,000 in the case of a joint return. However, the base amount is zero for taxpayers who are married at the close of the taxable year, do not file a joint return for the year, and do not live apart from their spouse for the entire year. The base amount is \$25,000 in all other cases. The "adjusted base amount" is \$44,000 for a joint return and zero for taxpayers who are married at the close of the taxable year, do not file a joint return for the year, and do not live apart from their spouse for the entire year. The adjusted base amount is \$34,000 in all other cases.

If your adjusted MAGI does not exceed the base amount, up to 50% of the Social Security benefits you received during the taxable year may be included in gross income. If your adjusted MAGI exceeds the adjusted base amount, up to 85% of the social security benefits you received during the year may be included in gross income. The IRS provides worksheets that are helpful in determining the taxable portion of benefits.

MAGI is the sum of adjusted gross income plus any tax-exempt interest received during the taxable year. Adjusted gross income is figured without including any Social Security or equivalent benefits and without subtracting the interest exclusion for Series EE U.S. Savings Bonds redeemed to pay for certain educational expenses, the foreign earned income exclusion and the foreign housing exclusion or deduction, the exclusion of income from U.S. possessions, the exclusion for higher education savings bond interest, the exclusion for adoption assistance payments, or the exclusion of income from Puerto Rico by bona fide residents of Puerto Rico.

The amount of benefits repaid by an individual is deducted from the amount of social security benefits even if it relates to overpayments that were received in a previous year rather than in the current year.



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If Social Security benefits are reduced because an individual receives workmen's compensation benefits, an amount equal to the amount by which the social security benefits are reduced is included as Social Security benefits.

Lump-sum payments are Social Security benefits for the year in which received unless an election is made to include in gross income only the sum of the increases in gross income which would have resulted had the payments been made in the prior years to which they were attributable.

If you have any questions concerning the taxation of your Social Security benefits please feel free to call us.

Sincerely,

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