



Bonuses, Vacation Pay, Commissions, Sick Pay, Insurance Commissions, Carryover Crops and Other Special Payments

What are “special payments”?

After you retire, you may receive payments for work you did before you started getting Social Security benefits. Usually, those payments will not affect your Social Security benefit if they are for work done before you retired. This fact sheet describes some of the more common types of special payments, helps you to decide if you received any and tells you what steps to take if you did.

What qualifies as a special payment?

If you worked for wages, income received after retirement counts as a special payment if the last thing you did to earn the payment was completed before you stopped working. Some special payments to employees include bonuses, accumulated vacation or sick pay, severance pay, back pay, standby pay, sales commissions and retirement payments or deferred compensation reported on a W-2 form for one year, but earned in a previous year. These amounts **may** be shown on your W-2 in the box labeled “Nonqualified Plan.”

If you were self-employed, any net income you receive **after the first year you retire** counts as a special payment if you performed the services to earn the payment before you were entitled to receive Social Security benefits. “Services” are any regular work or other significant activity you do for your business.

Some special payments to self-employed people include farm agricultural program payments, income from carryover crops or income derived by an owner of a business who does not perform significant services in that business.

How do earnings limits affect benefits?

Generally, there are limits to how much a Social Security beneficiary can earn while still working and younger than the full retirement age. Full retirement age was 65 for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born in 1960 or later. For example, the full retirement age for people born in 1943 through 1954 is 66. Benefits are reduced if earnings exceed certain limits.

- If you are younger than your full retirement age, \$1 in benefits will be deducted for each \$2 you earn above the earnings limit. In 2008, the limit is \$13,560.
- In the year you reach your full retirement age, your benefits will be reduced \$1 for every \$3 you earn above the earnings limit. In 2008, the limit is \$36,120.
- Starting with the month that you reach full retirement age, you can get your full benefits no matter how much you earn.

If you think you received a special payment

If you get Social Security and your total yearly earnings exceed the limit and these earnings include a special payment, you should contact Social Security. Tell us you think you received a special payment. If we agree, we will not count the amount of the special payment as part of your total earnings for the year.

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Example of a special payment

This example shows how a special payment is treated under Social Security rules.

Mr. DeSilva retired at age 62 in November 2007 and began to receive Social Security benefits. In January 2008, Mr. DeSilva receives a check from his employer for \$17,000 for his leftover vacation time. Because this is for vacation pay he accumulated before he retired, Social Security will consider it a special payment and will not count it toward the earnings limit for 2008.

Insurance salespeople and farmers

Two specific occupational groups that commonly receive earnings which qualify as special payments are insurance salespeople who receive renewal or repeat commissions and farmers who receive income from carryover crops.

Insurance salespeople

Many insurance salespeople continue to receive commissions after the year they retire for policies they sold prior to retirement. This income will not affect their Social Security benefits, as long as the income was the result of work done before they retired.

Farmers

Many farmers harvest and store crops in one year to be sold in another year. If a crop is fully harvested and stored before or in the month a farmer is entitled to Social Security benefits and then is carried over and sold in the next year, this income will not affect benefits for the year the income is received.

Contacting Social Security

For more information and to find copies of our publications, visit our website at www.socialsecurity.gov or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We treat all calls confidentially. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.