

**2.A OASDI: Effect of Current Earnings & Taxation of Benefits**

Table 2.A29.—Earnings (retirement) test

| Year enacted  | Beneficiaries exempt | Earnings subject to test | Amount permitted without reduction in benefits (exempt amount) |                            | Reduction in monthly benefits <sup>1</sup>  | Effective year |
|---|----------------------|--------------------------|--|----------------------------|---|----------------|
|   |                      |                          | Annual earnings  | Monthly wages <sup>2</sup> |   |                |
| For all beneficiaries   |                      |                          |  |                            |   |                |
| 1935 .....  | ...                  | Covered                  | ...  | ...                        | Full monthly benefit  | ...            |
| 1939 .....  | ...                  | ...                      | ...  | \$14.99                    | ...   | 1940           |
| 1950 .....  | Aged 75 or older     | ...                      | <sup>3</sup> \$600   | 50.00                      | ...   | 1951           |
| 1952 .....  | ...                  | ...                      | <sup>3</sup> 900   | 75.00                      | ...   | 1953           |
| 1954 .....  | Aged 72 or older     | All <sup>4</sup>         | 1,200  | 80.00                      | One month's full benefit for each \$80.00 or fraction thereof                                   | 1955           |
| 1956 .....  | Disabled             | ...                      | ...  | ...                        | ...   | 1958           |
| 1958 .....  | ...                  | ...                      | ...  | 100.00                     | ...   | 1959           |
| 1960 .....  | ...                  | ...                      | ...  | ...                        | \$1 for each \$2 of earnings from \$1,201–\$1,500<br>\$1 for each \$1 of earnings above \$1,500 | 1961           |
| 1961 .....  | ...                  | ...                      | ...  | ...                        | \$1 for each \$2 of earnings from \$1,201–\$1,700<br>\$1 for each \$1 of earnings above \$1,700 | 1962           |
| 1965 .....  | ...                  | ...                      | 1,500  | 125.00                     | \$1 for each \$2 of earnings from \$1,501–\$2,700<br>\$1 for each \$1 of earnings above \$2,700 | 1966           |
| 1967 .....  | ...                  | ...                      | 1,680  | 140.00                     | \$1 for each \$2 of earnings from \$1,681–\$2,880<br>\$1 for each \$1 of earnings above \$2,880 | 1968           |
| 1972 .....  | ...                  | Up to age 72             | 2,100  | 175.00                     | \$1 for each \$2 of earnings above \$2,100  | 1973           |
| 1973 .....  | ...                  | ...                      | 2,400  | 200.00                     | \$1 for each \$2 of earnings above \$2,400  | 1974           |
|   |                      |                          | <sup>5</sup> 2,520   | <sup>5</sup> 210.00        | \$1 for each \$2 of earnings above \$2,520  | 1975           |
|   |                      |                          | <sup>5</sup> 2,760   | <sup>5</sup> 230.00        | \$1 for each \$2 of earnings above \$2,760  | 1976           |
|   |                      |                          | <sup>5</sup> 3,000   | <sup>5</sup> 250.00        | \$1 for each \$2 of earnings above \$3,000  | 1977           |
| For beneficiaries who have not reached full retirement age <sup>6</sup> |                      |                          |  |                            |   |                |
| 1977 .....  | ...                  | ...                      | <sup>5</sup> \$3,240   | <sup>5</sup> \$270.00      | \$1 for each \$2 of earnings above \$3,240  | 1978           |
|   |                      |                          | <sup>5</sup> 3,480   | <sup>5</sup> 290.00        | \$1 for each \$2 of earnings above \$3,480  | 1979           |
|   |                      |                          | <sup>5</sup> 3,720   | <sup>5</sup> 310.00        | \$1 for each \$2 of earnings above \$3,720  | 1980           |
|   |                      |                          | <sup>5</sup> 4,080   | <sup>5</sup> 340.00        | \$1 for each \$2 of earnings above \$4,080  | 1981           |
|   |                      |                          | <sup>5</sup> 4,440   | <sup>5</sup> 370.00        | \$1 for each \$2 of earnings above \$4,440  | 1982           |
|   |                      |                          | <sup>5</sup> 4,920   | <sup>5</sup> 410.00        | \$1 for each \$2 of earnings above \$4,920  | 1983           |
|   |                      |                          | <sup>5</sup> 5,160   | <sup>5</sup> 430.00        | \$1 for each \$2 of earnings above \$5,160  | 1984           |
|   |                      |                          | <sup>5</sup> 5,400   | <sup>5</sup> 450.00        | \$1 for each \$2 of earnings above \$5,400  | 1985           |
|   |                      |                          | <sup>5</sup> 5,760   | <sup>5</sup> 480.00        | \$1 for each \$2 of earnings above \$5,760  | 1986           |
|   |                      |                          | <sup>5</sup> 6,000   | <sup>5</sup> 500.00        | \$1 for each \$2 of earnings above \$6,000  | 1987           |
|   |                      |                          | <sup>5</sup> 6,120   | <sup>5</sup> 510.00        | \$1 for each \$2 of earnings above \$6,120  | 1988           |
|   |                      |                          | <sup>5</sup> 6,480   | <sup>5</sup> 540.00        | \$1 for each \$2 of earnings above \$6,480  | 1989           |
|   |                      |                          | <sup>5</sup> 6,840   | <sup>5</sup> 570.00        | \$1 for each \$2 of earnings above \$6,840  | 1990           |
|   |                      |                          | <sup>5</sup> 7,080   | <sup>5</sup> 590.00        | \$1 for each \$2 of earnings above \$7,080  | 1991           |
|   |                      |                          | <sup>5</sup> 7,440   | <sup>5</sup> 620.00        | \$1 for each \$2 of earnings above \$7,440  | 1992           |
|   |                      |                          | <sup>5</sup> 7,680   | <sup>5</sup> 640.00        | \$1 for each \$2 of earnings above \$7,680  | 1993           |
|   |                      |                          | <sup>5</sup> 8,040   | <sup>5</sup> 670.00        | \$1 for each \$2 of earnings above \$8,040  | 1994           |
|   |                      |                          | <sup>5</sup> 8,160   | <sup>5</sup> 680.00        | \$1 for each \$2 of earnings above \$8,160  | 1995           |
|   |                      |                          | <sup>5</sup> 8,280   | <sup>5</sup> 690.00        | \$1 for each \$2 of earnings above \$8,280  | 1996           |
|   |                      |                          | <sup>5</sup> 8,640   | <sup>5</sup> 720.00        | \$1 for each \$2 of earnings above \$8,640  | 1997           |
|   |                      |                          | <sup>5</sup> 9,120   | <sup>5</sup> 760.00        | \$1 for each \$2 of earnings above \$9,120  | 1998           |
|   |                      |                          | <sup>5</sup> 9,600   | <sup>5</sup> 800.00        | \$1 for each \$2 of earnings above \$9,600  | 1999           |

See footnotes at end of table.

## 2.A OASDI: Effect of Current Earnings & Taxation of Benefits

Table 2.A29.—Earnings (retirement) test—*Continued*

| Year enacted  | Beneficiaries exempt | Earnings subject to test | Amount permitted without reduction in benefits (exempt amount) |                            | Reduction in monthly benefits <sup>1</sup>       | Effective year |
|---|----------------------|--------------------------|--|----------------------------|--|----------------|
|   |                      |                          | Annual earnings  | Monthly wages <sup>2</sup> |  |                |
| For beneficiaries who have reached full retirement age <sup>6</sup>               |                      |                          |  |                            |  |                |
| 1977 .....  | ...                  | ...                      | <sup>7</sup> \$4,000   | <sup>7</sup> \$333.33      | \$1 for each \$2 of earnings above \$4,000       | 1978           |
|   |                      |                          | <sup>7</sup> 4,500   | <sup>7</sup> 375.00        | \$1 for each \$2 of earnings above \$4,500       | 1979           |
|   |                      |                          | <sup>7</sup> 5,000   | <sup>7</sup> 416.66        | \$1 for each \$2 of earnings above \$5,000       | 1980           |
|   |                      |                          | <sup>7</sup> 5,500   | <sup>7</sup> 458.33        | \$1 for each \$2 of earnings above \$5,500       | 1981           |
|   |                      |                          | <sup>7</sup> 6,000   | <sup>7</sup> 500.00        | \$1 for each \$2 of earnings above \$6,000       | 1982           |
| 1981 .....  | Aged 70 or older     | Up to age 70             | ...  | ...                        | ...  | 1983           |
|   |                      |                          | <sup>5</sup> 6,600   | <sup>5</sup> 550.00        | \$1 for each \$2 of earnings above \$6,600       | 1983           |
|   |                      |                          | <sup>5</sup> 6,960   | <sup>5</sup> 580.00        | \$1 for each \$2 of earnings above \$6,960       | 1984           |
|   |                      |                          | <sup>5</sup> 7,320   | <sup>5</sup> 610.00        | \$1 for each \$2 of earnings above \$7,320       | 1985           |
|   |                      |                          | <sup>5</sup> 7,800   | <sup>5</sup> 650.00        | \$1 for each \$2 of earnings above \$7,800       | 1986           |
|   |                      |                          | <sup>5</sup> 8,160   | <sup>5</sup> 680.00        | \$1 for each \$2 of earnings above \$8,160       | 1987           |
|   |                      |                          | <sup>5</sup> 8,400   | <sup>5</sup> 700.00        | \$1 for each \$2 of earnings above \$8,400       | 1988           |
|   |                      |                          | <sup>5</sup> 8,880   | <sup>5</sup> 740.00        | \$1 for each \$2 of earnings above \$8,880       | 1989           |
| 1983 .....  | ...                  | ...                      | ...  | ...                        | \$1 for each \$3 of earnings above exempt amount | 1990           |
|   |                      |                          | <sup>5</sup> 9,360   | <sup>5</sup> 780.00        | \$1 for each \$3 of earnings above \$9,360       | 1990           |
|   |                      |                          | <sup>5</sup> 9,720   | <sup>5</sup> 810.00        | \$1 for each \$3 of earnings above \$9,720       | 1991           |
|   |                      |                          | <sup>5</sup> 10,200  | <sup>5</sup> 850.00        | \$1 for each \$3 of earnings above \$10,200      | 1992           |
|   |                      |                          | <sup>5</sup> 10,560  | <sup>5</sup> 880.00        | \$1 for each \$3 of earnings above \$10,560      | 1993           |
|   |                      |                          | <sup>5</sup> 11,160  | <sup>5</sup> 930.00        | \$1 for each \$3 of earnings above \$11,160      | 1994           |
|   |                      |                          | <sup>5</sup> 11,280  | <sup>5</sup> 940.00        | \$1 for each \$3 of earnings above \$11,280      | 1995           |
| 1996 .....  | ...                  | ...                      | 12,500   | <sup>8</sup> 1,041.67      | \$1 for each \$3 of earnings above \$12,500      | 1996           |
|   |                      |                          | 13,500   | 1,125.00                   | \$1 for each \$3 of earnings above \$13,500      | 1997           |
|   |                      |                          | 14,500   | <sup>9</sup> 1,208.33      | \$1 for each \$3 of earnings above \$14,500      | 1998           |
|   |                      |                          | 15,500   | <sup>10</sup> 1,291.67     | \$1 for each \$3 of earnings above \$15,500      | 1999           |
| 2000 .....  | ...                  | ...                      | Earnings test eliminated <sup>11</sup>                         |                            |  | 2000           |
| For beneficiaries who will not reach full retirement age during year <sup>6</sup> |                      |                          |  |                            |  |                |
| 2000 .....  | ...                  | ...                      | <sup>5</sup> \$10,080  | <sup>5</sup> \$840         | \$1 for each \$2 of earnings above \$10,080      | 2000           |
|   |                      |                          | <sup>5</sup> 10,680  | <sup>5</sup> 890           | \$1 for each \$2 of earnings above \$10,680      | 2001           |
| For beneficiaries who will reach full retirement age during year <sup>6</sup>     |                      |                          |  |                            |  |                |
| 2000 .....  | ...                  | ...                      | \$17,000   | <sup>12</sup> \$1,416.67   | \$1 for each \$3 of earnings above \$17,000      | 2000           |
|   |                      |                          | 25,000   | <sup>13</sup> 2,083.33     | \$1 for each \$3 of earnings above \$25,000      | 2001           |
|   |                      |                          | 30,000   | 2,500.00                   | \$1 for each \$3 of earnings above \$30,000      | 2002           |

<sup>1</sup> Earnings of retired-worker beneficiary affect total monthly family benefit. Earnings of dependent or survivor beneficiary affect only his or her benefit. However, effective January 1985, earnings of retired-worker beneficiary do not affect benefit to divorced spouse who has been divorced at least 2 years. Effective for benefits after December 1990, the 2-year requirement is waived, if the worker was entitled to benefits before the divorce.

<sup>2</sup> Monthly test for self-employment income is defined in terms of substantial services. For taxable years beginning after Dec. 31, 1977, monthly test eliminated for both wage and self-employment income except that each individual may use monthly test for 1 grace year, usually the year of retirement.

<sup>3</sup> Applied to self-employment income only.

<sup>4</sup> Special provisions for earnings in noncovered employment outside the United States.

<sup>5</sup> Became effective due to automatic adjustment provisions mandated by 1972 and 1973 legislation.

<sup>6</sup> Age 65 for beneficiaries who attain age 62 (age 60 for widows and widowers) before 2000, gradually increasing to age 67 for beneficiaries who attain age 62 in 2022 or later.

<sup>7</sup> Discretionary increase included in 1977 legislation.

<sup>8</sup> Actual amount is \$1,041.66 2/3.

<sup>9</sup> Actual amount is \$1,208.33 1/3.

<sup>10</sup> Actual amount is \$1,291.66 2/3.

<sup>11</sup> Public Law 106-182, enacted Apr. 7, 2000, eliminated the earnings test beginning with the month a beneficiary reaches full retirement age (FRA). The annual earnings test that applies in the year of attainment of FRA is based on the annual limits established under P.L. 104-121 (including the \$1 for \$3 withholding rate). In determining annual earnings for purposes of the annual earnings test under this legislation, only earnings before the month of attainment of FRA will be considered. Public Law 106-182 did not change the annual exempt amount for beneficiaries who are under FRA throughout the year, which continues to be pegged to increases in the average wage.

<sup>12</sup> Actual amount is \$1,416.66 2/3.

<sup>13</sup> Actual amount is \$2,083.33 1/3.

CONTACT: Joseph Bondar/Curt Pauzenga (410) 965-0162/7210 for further information

## 2.A OASDI: Effect of Current Earnings & Taxation of Benefits

Table 2.A30.—Earnings guidelines<sup>1</sup> regarding substantial gainful activity (SGA), 1961–2001

| Year                   | Average monthly amounts of earnings for— |         |                                  |
|------------------------|--|---------|----------------------------------|
|                        | Nonblind beneficiaries <sup>2</sup>      |         | Blind beneficiaries <sup>3</sup> |
|                        | Maximum                                  | Minimum |                                  |
| 1961–1965.....         | \$100                                    | \$50    | (4)                              |
| 1966–June 1968.....    | 125                                      | 75      | (4)                              |
| July 1968–1973.....    | 140                                      | 90      | (4)                              |
| 1974–1975.....         | 200                                      | 130     | (4)                              |
| 1976.....              | 230                                      | 150     | (4)                              |
| 1977.....              | 240                                      | 160     | (4)                              |
| 1978.....              | 260                                      | 170     | \$334                            |
| 1979.....              | 280                                      | 180     | 375                              |
| 1980.....              | 300                                      | 190     | 417                              |
| 1981.....              | 300                                      | 190     | 459                              |
| 1982.....              | 300                                      | 190     | 500                              |
| 1983–1989.....         | 300                                      | 190     | (5)                              |
| 1990.....              | 500                                      | 300     | 780                              |
| 1991.....              | 500                                      | 300     | 810                              |
| 1992.....              | 500                                      | 300     | 850                              |
| 1993.....              | 500                                      | 300     | 880                              |
| 1994.....              | 500                                      | 300     | 930                              |
| 1995.....              | 500                                      | 300     | 940                              |
| 1996.....              | 500                                      | 300     | 960                              |
| 1997.....              | 500                                      | 300     | 1,000                            |
| 1998.....              | 500                                      | 300     | 1,050                            |
| January–June 1999..... | 500                                      | 300     | 1,110                            |
| July 1999.....         | 700                                      | 300     | 1,110                            |
| January 2000.....      | 700                                      | 300     | 1,170                            |
| January 2001.....      | <sup>6</sup> 740                         | 300     | <sup>7</sup> 1,240               |

<sup>1</sup> Earnings are net of any wage subsidies and impairment-related expenses. SGA guidelines for self-employed individuals differ from the guidelines for wage earners. Self-employment activity is generally examined in terms of time spent and degree of effort, as compared to that of nondisabled self-employed individuals.

<sup>2</sup> Earnings above the maximum amount ordinarily demonstrate SGA; earnings below the minimum amount show that SGA has not occurred. When earnings are between the minimum and maximum, other factors are considered.

<sup>3</sup> The 1977 amendments provided that, effective 1978, earnings of blind beneficiaries would be evaluated under different SGA guidelines than nonblind beneficiaries.

<sup>4</sup> Pre-1978 guidelines are the same as those applicable to nonblind beneficiaries.

<sup>5</sup> Annual amounts were determined by automatic adjustments linked to increases in average wage level. The amounts equal the monthly exempt amounts under the earnings test applicable to beneficiaries who have reached full retirement age (see table 2.A29—fourth column, third bank—for the 1983–1995 amounts).

<sup>6</sup> Computed as follows: Nonblind SGA amount for 2000, multiplied by the ratio of the 1999 national average wage index to the 1998 index. Rounding is to the nearest multiple of \$10. (Had this computation produced a lower SGA level than the 2000 level, the 2000 level would have been used.)

<sup>7</sup> Computed as follows: Blind SGA amount for 1994, multiplied by the ratio of the 1999 national average wage index to the 1992 index. Rounding is to the nearest multiple of \$10. (Had this computation produced a lower SGA level than the 2000 level, the 2000 level would have been used.)

2.A OASDI: Effect of Current Earnings & Taxation of Benefits

Table 2.A31.—Taxation of Social Security benefits

| Year enacted                                 | Definition of income   | Individuals or couples with income exceeding— | Benefits included in gross income  | Effective for taxable years—  |
|--|--|---|--|-------------------------------|
| Married filing jointly                       |  |   |  |                               |
| 1983 .....                                   | Modified adjusted gross income, <sup>1</sup> plus 50 percent of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> | \$32,000                                      | Lesser of one-half of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> or one-half of income over \$32,000                             | Ending after Dec. 31, 1983    |
| 1993 .....                                   | Same as above  | \$32,000 but not \$44,000                     | Same as above  | Beginning after Dec. 31, 1993 |
|  |  | \$44,000                                      | Lesser of 85 percent of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> or the sum of \$6,000 plus 85 percent of income over \$44,000 |                               |
| Married filing separate returns <sup>3</sup> |  |   |  |                               |
| 1983 .....                                   | Same as above  | 0   | Lesser of one-half of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> or one-half of income   | Ending after Dec. 31, 1983    |
| 1993 .....                                   | Same as above  | 0   | Lesser of 85 percent of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> or 85 percent of income                                       | Beginning after Dec. 31, 1993 |
| Individuals in all other filing categories   |  |   |  |                               |
| 1983 .....                                   | Same as above  | \$25,000                                      | Lesser of one-half of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> or one-half of income over \$25,000                             | Ending after Dec. 31, 1983    |
| 1993 .....                                   | Same as above  | \$25,000 but not \$34,000                     | Same as above  | Beginning after Dec. 31, 1993 |
|  |  | \$34,000                                      | Lesser of 85 percent of Social Security and Tier 1 Railroad Retirement benefits <sup>2</sup> or 85 percent of income over \$34,000                         |                               |

<sup>1</sup> Adjusted gross income (before Social Security or Railroad Retirement benefits are considered), plus tax-exempt interest income, with further modification of adjusted gross income in some cases involving certain tax provisions of limited applicability among the beneficiary population.  
<sup>2</sup> Includes workers' compensation benefits to the extent they cause a reduction in Social Security or Tier 1 Railroad Retirement disability benefits.  
<sup>3</sup> Includes only married taxpayers filing separately who lived with their spouse at any time during the tax year; married individuals filing separately who did not live with their spouse are treated the same as unmarried individuals.

**2.A OASDI: Effect of Current Earnings & Taxation of Benefits**

Table 2.A32.—Taxation of Social Security benefits: Examples

| Modified adjusted gross income <sup>1</sup>  | Amount of benefits <sup>2</sup> | One-half of benefits <sup>2</sup> | Income to be compared with base amount | Relevant base amount <sup>3</sup> | Income in excess of base amount | One-half of excess | 85 percent of excess income | Lower of one-half of benefits, or one-half of income between upper and lower base amounts | 85 percent of benefits | Taxable benefits included in gross income   |  |
|--|---------------------------------|-----------------------------------|--|-----------------------------------|---------------------------------|--------------------|-----------------------------|---|------------------------|---|--|
|  |                                 |                                   |  |                                   |                                 |                    |                             |   |                        | If income does not exceed upper base amount—lesser of one-half of benefits or one-half of income over base amount | If income exceeds upper base amount—lesser of 85 percent of benefits or one-half of income between base amounts plus 85 percent of income over upper base amount |
| A  | B                               | C                                 | D = A + C                              | E                                 | F = D - E                       | G = F / 2          | H = .85 F                   | I   | J = .85 B              | K = lesser of C or G  | L = lesser of J or I + H   |
| Married filing jointly                       |                                 |                                   |  |                                   |                                 |                    |                             |   |                        |   |  |
| \$25,000.....                                | \$10,000                        | \$5,000                           | \$30,000                               | \$32,000                          | 0                               | ...                | ...                         | ...   | ...                    | ...   | ...  |
| \$28,000.....                                | 10,000                          | 5,000                             | 33,000                                 | 32,000                            | \$1,000                         | \$500              | ...                         | ...   | ...                    | \$500   | ...  |
| \$33,000.....                                | 10,000                          | 5,000                             | 38,000                                 | 32,000                            | 6,000                           | 3,000              | ...                         | ...   | ...                    | 3,000   | ...  |
| \$38,000.....                                | 10,000                          | 5,000                             | 43,000                                 | 32,000                            | 11,000                          | 5,500              | ...                         | ...   | ...                    | 5,000   | ...  |
| \$40,000.....                                | 10,000                          | 5,000                             | 45,000                                 | 44,000                            | 1,000                           | ...                | \$850                       | \$5,000   | \$8,500                | ...   | \$5,850  |
| \$43,000.....                                | 10,000                          | 5,000                             | 48,000                                 | 44,000                            | 4,000                           | ...                | 3,400                       | 5,000   | 8,500                  | ...   | 8,400  |
| \$45,000.....                                | 10,000                          | 5,000                             | 50,000                                 | 44,000                            | 6,000                           | ...                | 5,100                       | 5,000   | 8,500                  | ...   | 8,500  |
| Married filing separate returns <sup>4</sup> |                                 |                                   |  |                                   |                                 |                    |                             |   |                        |   |  |
| 0.....                                       | \$6,000                         | \$3,000                           | \$3,000                                | 0                                 | \$3,000                         | ...                | \$2,550                     | 0   | \$5,100                | ...   | \$2,550  |
| \$2,000.....                                 | 6,000                           | 3,000                             | 5,000                                  | 0                                 | 5,000                           | ...                | 4,250                       | 0   | 5,100                  | ...   | 4,250  |
| \$4,000.....                                 | 6,000                           | 3,000                             | 7,000                                  | 0                                 | 7,000                           | ...                | 5,950                       | 0   | 5,100                  | ...   | 5,100  |
| \$10,000.....                                | 6,000                           | 3,000                             | 13,000                                 | 0                                 | 13,000                          | ...                | 11,050                      | 0   | 5,100                  | ...   | 5,100  |
| \$20,000.....                                | 6,000                           | 3,000                             | 23,000                                 | 0                                 | 23,000                          | ...                | 19,550                      | 0   | 5,100                  | ...   | 5,100  |
| Individuals in all other filing categories   |                                 |                                   |  |                                   |                                 |                    |                             |   |                        |   |  |
| \$20,000.....                                | \$8,000                         | \$4,000                           | \$24,000                               | \$25,000                          | 0                               | ...                | ...                         | ...   | ...                    | ...   | ...  |
| \$25,000.....                                | 8,000                           | 4,000                             | 29,000                                 | 25,000                            | \$4,000                         | \$2,000            | ...                         | ...   | ...                    | \$2,000   | ...  |
| \$30,000.....                                | 8,000                           | 4,000                             | 34,000                                 | 25,000                            | 9,000                           | 4,500              | ...                         | ...   | ...                    | 4,000   | ...  |
| \$32,000.....                                | 8,000                           | 4,000                             | 36,000                                 | 34,000                            | 2,000                           | ...                | \$1,700                     | \$4,000   | \$6,800                | ...   | \$5,700  |
| \$35,000.....                                | 8,000                           | 4,000                             | 39,000                                 | 34,000                            | 5,000                           | ...                | 4,250                       | 4,000   | 6,800                  | ...   | 6,800  |
| \$40,000.....                                | 8,000                           | 4,000                             | 44,000                                 | 34,000                            | 10,000                          | ...                | 8,500                       | 4,000   | 6,800                  | ...   | 6,800  |

<sup>1</sup> Adjusted gross income (before Social Security or Railroad Retirement benefits are considered), plus tax-exempt interest income, with further modification of adjusted gross income in some cases involving certain tax provisions of limited applicability among the beneficiary population.

<sup>2</sup> Social Security and Tier 1 Railroad Retirement benefits, including workers' compensation benefits to the extent they cause a reduction in either of these two types of benefits.

<sup>3</sup> For married couples filing joint returns, up to 50 percent of benefits are subject to income tax if gross income is over \$32,000 but less than \$44,000. If gross income is less than \$32,000, none of the Social Security benefits will be taxable. If gross income exceeds \$44,000, up to 85 percent of Social Security benefits will be taxable income. Similar lower and upper level thresholds or "base amounts" for single individuals are \$25,000 and \$34,000. There is no similar threshold or base amount for married individuals who live together but file separate returns (for example, up to 85 percent of Social Security benefits in those cases may be considered taxable income).

<sup>4</sup> Includes only married taxpayers filing separately who lived with their spouse at any time during the tax year; married individuals filing separately who did not live with their spouse are treated the same as unmarried individuals.