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# Social Security and Equivalent Railroad Retirement Benefits

For use in preparing  
**1995** Returns




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## Contents

Important Reminders.....	1
Introduction.....	1
Other Tax Information.....	2
Part of Your Benefits May Be Taxable.....	2
Are Any of Your Benefits Taxable?.....	3
How Much Is Taxable?.....	4
How To Figure and Report.....	4
Lump-Sum Benefits.....	9
Repayments More Than Gross Benefits.....	12
Appendix.....	20
Form SSA-1099.....	20
Form SSA-1042S.....	22
Form RRB-1099.....	23
Form RRB-1042S.....	25
Index.....	26

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## Important Reminders

**85% of your benefits may be taxable.** If you received social security or tier 1 equivalent railroad retirement benefits, you may have to include a greater percentage of these benefits in taxable income. Some persons may have to include up to 50% of their benefits in taxable income and others may have to include up to 85% of their benefits in taxable income. See *Are Any of Your Benefits Taxable* for more information.

**Reporting on Form 1040A.** You may choose to report taxable benefits on Form 1040A if you do not have to file Form 1040 for any other reason. This publication will include references to lines on Form 1040A and Form 1040 where appropriate.

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## Introduction

The publication explains the federal income tax rules for social security benefits and the social security equivalent benefit portion of tier 1 railroad retirement

benefits. It is prepared through the joint efforts of the Internal Revenue Service, the Social Security Administration (SSA), and the U.S. Railroad Retirement Board (RRB).

**What is discussed.** This publication includes information on how to determine whether your benefits are taxable and how to report taxable benefits on Form 1040 and Form 1040A. It also explains the treatment of lump-sum benefit payments and repayments that are more than the benefits you received during the year. This publication also contains an appendix of items that explains each box of your Form SSA-1099, SSA-1042S, RRB-1099, or RRB-1042S.

**Note.** If the only income you received during 1995 was your social security or equivalent tier 1 railroad retirement benefits, your benefits are generally not taxable and you probably do not have to file a return.

**What is not discussed.** This publication does not discuss the tax rules that apply to railroad retirement benefits that exceed the social security equivalent benefit portion of tier 1 benefits (including special guaranty benefits). The tax rules that apply to the non-social security equivalent benefit portion of tier 1 benefits, tier 2 benefits, vested dual benefits, and supplemental annuity benefits are discussed in Publication 575, *Pension and Annuity Income (Including Simplified General Rule)*.

The tax rules that apply to foreign social security benefits also are not discussed in this publication. These benefits are taxable as a pension or annuity unless they are exempt from U.S. tax under a treaty.

## Useful Items

You may want to see:

### Publication

- 505** Tax Withholding and Estimated Tax
- 575** Pension and Annuity Income (Including Simplified General Rule)
- 590** Individual Retirement Arrangements (IRAs)

### Form (and Instructions)

- SSA-1099** Social Security Benefit Statement
- RRB-1099** Payments by the Railroad Retirement Board

**Ordering publications and forms.** To order free publications and forms, call 1-800-TAX-FORM (1-800-829-3676). If you have access to TDD equipment, you can call 1-800-829-4059. See your tax package for the hours of operation. You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address.

If you have access to a personal computer and a modem, you can also get many forms and publications electronically. See *How To Get Forms and Publications* in your Form 1040 or 1040A tax package for details.

**Asking tax questions.** You can call the IRS with your tax question Monday through Friday during regular business hours. Check your telephone book or your tax package for the local number or call 1-800-829-1040 (1-800-829-4059 for TDD users).

## Other Tax Information

The following tax information may apply to you in 1995.

**U.S. savings bond interest exclusion.** Under the Education Savings Bond Program, you may be able to exclude from income all or part of the interest you receive from the redemption of Series EE U.S. savings bonds if you pay qualified higher educational expenses during the year you redeem the bonds. The bonds must have been issued to you after 1989 and you must have been age 24 or older when the bonds were issued. Qualified higher educational expenses are tuition and required fees at an eligible college or vocational school for you, your spouse, or your dependent. If you claim the exclusion, IRS will check it by using bond redemption information from the Department of the Treasury records. For more information, get Publication 550, *Investment Income and Expenses*.

**Credit for the elderly or the disabled.** You can take this credit if you are 65 or older, or retired on disability and were permanently and totally disabled when you retired. However, you may not be able to take this credit if your income is high enough to require you to include social security or equivalent tier 1 railroad retirement benefits in income. To see whether you can take this credit, get Publication 524, *Credit for the Elderly or the Disabled*.

**Estimated tax.** Tax is not withheld on social security benefits. This means that you may have to pay estimated tax during the year if these benefits are taxable and you do not have enough taxes withheld from other income. For details, get Publication 505 or the instructions for Form 1040-ES.

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## Part of Your Benefits May Be Taxable

Social security and equivalent tier 1 railroad retirement benefits you received may be taxable in some cases. Social security benefits include monthly survivor and disability benefits paid to you.

When the term “benefits” is used, it applies to social security benefits and to equivalent tier 1 railroad retirement benefits. These equivalent tier 1 railroad retirement benefits are equal to the social security benefits that a railroad employee or beneficiary would have been entitled to receive if the employee’s service had been covered under the social security system rather than the railroad retirement system.

If you received these benefits during 1995, you should have received a Form SSA-1099 or a Form RRB-1099 showing the amount. For explanations of the information found on these forms, see the *Appendix* at the end of this publication.

**SSI payments.** If you received any supplemental security income (SSI) payments during the year, do not include these payments in your total social security benefits received. SSI payments are made under title XVI of the Social Security Act. They are not taxable for federal income tax purposes.

**Who is taxed.** The person who has the legal right to receive the benefits must determine if the benefits are taxable. For example, if you and your child receive benefits, but the check for your child is made out in your name, you must use only your portion of the benefits in figuring if any part is taxable to you. The portion of the benefits that belongs to your child must be added to your child’s other income to see if any of those benefits are taxable.

**Nonresident aliens.** If you are a nonresident alien, the rules discussed in this publication do not apply to you. Instead, 85% of your social security or equivalent tier 1 railroad retirement benefits is taxed at a 30% rate, unless you submitted a statement to SSA or RRB beforehand claiming a tax treaty exemption.

Under the treaties with Canada, Egypt, Germany, Israel, Italy, Japan, Malta, Romania, and the United Kingdom, U.S. social security or equivalent tier 1 railroad retirement benefits received by residents of these countries are exempt from U.S. tax. Under the treaty with India, U.S. social security or equivalent tier 1 railroad retirement benefits paid to individuals who are both residents and nationals of India are exempt from tax if the benefits are for services performed for the United States, its subdivisions, or local authorities. Residents of all other countries are subject to tax at the full rate of 30% or 85% of their benefits. You will receive a Form SSA-1042S or Form RRB-1042S showing the amount of benefits. The form will also show the tax rate and the amount withheld from your benefits. For more information, get Publication 519, *U.S. Tax Guide for Aliens*.

## Are Any of Your Benefits Taxable?

If the only income you received during 1995 was your social security or equivalent tier 1 railroad retirement benefits, your benefits generally are not taxable and you probably do not have to file a return. However, if you have

income in addition to your benefits, you may have to include part of your benefits in your taxable income.

## How to Determine

If the total of your income plus half of your benefits are more than your **base amount** (shown next), some of your benefits are taxable. Include in your total income any tax-exempt interest income, excludable interest from U.S. savings bonds and excludable income earned in a foreign country, U.S. possession, or Puerto Rico.

**Base amount.** Your base amount is as follows depending on your filing status:

- \$25,000 if you are single, head of household, or qualifying widow(er),
- \$25,000 if you are married filing separately and **lived apart** from your spouse for **all** of 1995,
- \$32,000 if you are married filing jointly, or
- \$-0- if you are married filing separately and **lived with** your spouse at any time during 1995.

**Worksheet.** You can use the following worksheet to figure whether your income plus half your benefits is more than your base amount.

A. Write in the amount from **box 5** of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 1995, for 1995 and earlier years, if you choose to report the full amount for the 1995 tax year. (If you received more than one form, combine the amounts from box 5 and write in the total.) ..... **A.** \_\_\_\_\_

**Note.** If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Enter one-half of the amount on line A ..... **B.** \_\_\_\_\_

C. Add your taxable pensions, wages, interest, dividends, and other taxable income and write in the total ..... **C.** \_\_\_\_\_

D. Write in any tax-exempt interest (such as interest on municipal bonds) plus exclusions from income (such as U.S. savings bond interest exclusion) ..... **D.** \_\_\_\_\_

E. Add lines B, C, and D and write in the total .... **E.** \_\_\_\_\_

**Note.** Compare the amount on line E to your **base amount** for your filing status. If the amount on line E is less than the **base amount** for your filing status, none of your benefits are taxable this year. If the amount on line E is more than your base amount, some of your benefits are taxable.

**Joint return.** If you are married and file a joint return for 1995, you and your spouse must combine your incomes and your benefits when figuring if any of your combined

benefits are taxable. Even if your spouse did not receive any benefits, you must add your spouse's income to yours when figuring if any of your benefits are taxable.

**Example.** You and your spouse are filing a joint return for 1995 and you both received social security benefits during the year. In January 1996, you received a Form SSA-1099 showing net benefits of \$6,600 in box 5. Your spouse received a Form SSA-1099 showing net benefits of \$2,400 in box 5. You also received a taxable pension of \$10,000 and interest income of \$500 during 1995. You did not have any tax-exempt interest income in 1995. Your benefits are not taxable for 1995 because your income, as figured in the following worksheet, is not more than your base amount (\$32,000).

A. Write in the amount from **box 5** of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 1995, for 1995 and earlier years, if you choose to report the full amount for the 1995 tax year. (If you received more than one form, combine the amounts from box 5 and write in the total.) ..... A. \$ 9,000

**Note.** If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Enter one-half of the amount on line A ..... B. 4,500

C. Add your taxable pensions, wages, interest, dividends, and other taxable income and write in the total ..... C. 10,500

D. Write in any tax-exempt interest income (such as interest on municipal bonds) plus exclusions from income (such as U.S. savings bond interest exclusion) ..... D. -0-

E. Add lines B, C, and D and write in the total .... E. \$15,000

**Note.** Compare the amount on line E to your **base amount** for your filing status. If the amount on line E is less than the **base amount** for your filing status, none of your benefits are taxable this year. If the amount on line E is more than your base amount, some of your benefits are taxable.

**Repayments.** Any repayment of benefits you made during 1995 is automatically subtracted from the gross benefits you received in 1995. It does not matter if the repayment you made in 1995 was for a benefit you received before 1995. Your gross benefits are shown in box 3 of Form SSA-1099 or RRB-1099 and your repayments are shown in box 4. The amount in box 5 shows your net benefits for 1995 (box 3 minus box 4). This is the amount you will use to figure if any of your benefits are taxable.

**Example.** In 1994, you received \$3,000 in social security benefits, and in 1995 you received \$2,700. In March 1995, the Social Security Administration notified you that you should have received only \$2,500 in benefits in 1994. During 1995, you repaid \$500 to the Social

Security Administration. The Form SSA-1099 you received for 1995 shows \$2,700 in box 3 (gross amount) and \$500 in box 4 (repayment). The amount in box 5 shows your net benefits of \$2,200 (\$2,700 - \$500).

## How Much Is Taxable?

The amount of your benefits you must include in your taxable income depends on the total of your income plus half of your benefits. The higher the total, the more of your benefits you must include in your taxable income. You may have to include up to 50% or up to 85% of your benefits in your income. Read the discussions under *50% taxable* and *85% taxable* to see which applies to you. To figure the actual amount that is taxable, use the worksheets provided later. See *Which worksheet to use*, later.

**50% taxable.** If your income plus half of your benefits is more than the following **base amount** for your filing status, up to 50% of your benefits will have to be included in your taxable income.

- \$25,000 if you are single, head of household, or qualifying widow(er).
- \$25,000 if you are married filing separately and **lived apart** from your spouse for **all** of 1995.
- \$32,000 if you are married filing jointly.

**85% taxable.** If your income plus half your benefits is more than the following **adjusted base amount** for your filing status, up to 85% of your benefits will have to be included in your taxable income.

- \$34,000 if you are single, head of household, or qualifying widow(er).
- \$34,000 if you are married filing separately and **lived apart** from your spouse for all of 1995.
- \$44,000 if you are married filing jointly.
- \$-0- if you are married filing separately and **lived with** your spouse at any time during 1995.

**Married filing separately and living with spouse.** If you are married filing separately and you **lived with** your spouse at any time during 1995, up to 85% of your benefits will have to be included in your taxable income.

## How To Figure and Report

In figuring if any of your benefits are taxable, use the amount shown in box 5 of the Form SSA-1099 or Form RRB-1099 you received. If you received more than one form, add together the amount in box 5 of each form.

After you figure your taxable benefits on one of the worksheets discussed under *Which worksheet to use*, later, report your taxable benefits on Form 1040 or Form 1040A. You **cannot** use Form 1040EZ. Report your net benefits (the amount in box 5 of your Form SSA-1099 or

Form RRB-1099) on line 20a, Form 1040, or on line 13a, Form 1040A. Report the taxable part (from the last line of the worksheet) on line 20b, Form 1040, or on line 13b, Form 1040A.

If none of your benefits is taxable, do not enter any amounts on lines 13a or 13b (Form 1040A) or lines 20a or 20b (Form 1040).

**Special worksheets for IRA deduction and taxable benefits.** If you made contributions to an individual retirement arrangement (IRA) for 1995 and if your IRA deduction is limited because you or your spouse is covered by a retirement plan at work, you must use the special worksheets in Appendix B of Publication 590 to figure your IRA deduction and taxable benefits to be reported on your return.

**Which worksheet to use.** If you are not required to use the Publication 590 worksheets (see *Special worksheets for IRA deduction and taxable benefits, earlier*) to figure your taxable benefits, you can use Worksheet 1 or 1A, provided later. You also may be able to use the worksheet in the Form 1040 or Form 1040A instruction package. However, if you are not required to use the Publication 590 worksheets and you take the U.S. savings bond interest exclusion, the foreign earned income exclusion, the foreign housing exclusion or deduction, the exclusion of income from U.S. possessions, or the exclusion of income from Puerto Rico by bona fide residents of Puerto Rico, you **must** use the worksheets in this publication.

**Note.** The worksheets mentioned in the preceding discussions and those in this publication do not include a line to enter the adjusted base amount of \$34,000 or \$44,000. Instead, they include a special line to enter \$9,000 or \$12,000, which is the difference between the adjusted base amount and the base amount (\$25,000 or \$32,000 entered on a previous line). This special line reflects the adjusted base amount in figuring your taxable benefits and helps reduce the number of steps in the worksheet computation.

**Examples**

Following are a few examples you can use as a guide to figure the taxable part of your benefits.

**Example 1.** George White is single and files Form 1040 for 1995. He received the following income in 1995:

Fully taxable pension .....	\$18,600
Wages from part-time job .....	9,400
Interest income .....	990
Total .....	<u>\$28,990</u>

George also received social security benefits during 1995. The Form SSA-1099 he received in January 1996

shows \$7,200 in box 3; \$1,220 in box 4; and \$5,980 in box 5. To figure his taxable benefits, George completes the worksheet shown next for Form 1040 filers.

**Worksheet 1—Form 1040 Filers —  
Social Security and Equivalent  
Tier 1 Railroad Retirement Benefits  
(Keep for your records)**

**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1995
- D.** Married filing separately and **lived apart** from your spouse for all of 1995

1. Enter the total amount from **box 5** of **ALL** your **Forms SSA-1099 and RRB-1099** (if applicable) ..... 5,980

**Note.** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.

2. Enter one-half of line 1 ..... 2,990

3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include any amounts from box 5 of Form SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) ..... 28,990

4. Enter the amount of any exclusions from: U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed ..... -0-

5. Add lines 2, 3, and 4 ..... 31,980

6. Enter the total adjustments plus any write-in amounts from Form 1040, line 30 (other than foreign housing deduction) ..... -0-

7. Subtract line 6 from line 5 ..... 31,980

8. Enter:  
     \$25,000 if you checked box **A** or **D**, or  
     \$32,000 if you checked box **B**, or  
     -0- if you checked box **C** ..... 25,000

9. Subtract line 8 from line 7. If zero or less, enter -0- ..... 6,980

**Is line 9 more than zero?**

**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 20a or 20b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 20b. Be sure you entered "D" to the left of line 20a.

**Yes.** Go to line 10.

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) .....	9,000
11. Subtract line 10 from line 9. If zero or less, enter -0- .....	-0-
12. Enter the <b>smaller</b> of line 9 or line 10 .....	6,980
13. Enter one-half of line 12 .....	3,490
14. Enter the <b>smaller</b> of line 2 or line 13 .....	2,990
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- .....	-0-
16. Add lines 14 and 15 .....	2,990
17. Multiply line 1 by 85% (.85) .....	5,083
18. <b>Taxable benefits.</b> Enter the smaller of line 16 or line 17 .....	2,990
•Enter on Form 1040, line 20a, the amount from line 1.	
•Enter on Form 1040, line 20b, the amount from line 18.	

The amount on line 18 of George's worksheet shows that \$2,990 of his social security benefits is taxable. On line 20a of his Form 1040, George enters his net benefits of \$5,980. On line 20b, he enters his taxable part of \$2,990.

**Example 2.** Ray and Alice Hopkins file a joint return on Form 1040A for 1995. Ray is retired and receives a fully taxable pension of \$15,500. Ray also receives social security benefits and his Form SSA-1099 for 1995 shows net benefits of \$5,600 in box 5. Alice worked during the year and had wages of \$14,000. She made a deductible payment to her IRA account of \$1,000. Ray and Alice have two savings accounts. The Forms 1099-INT they received showed they had a total of \$250 in interest income for 1995. They complete the worksheet next for Form 1040A filers and find that none of Ray's social security benefits are taxable.

**Worksheet 1A-Form 1040A Filers—  
Social Security and Equivalent  
Tier 1 Railroad Retirement  
Benefits (Keep for your records)**

**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1995
- D.** Married filing separately and **lived apart** from your spouse for all of 1995

1. Enter the total amount from <b>box 5</b> of <b>ALL</b> your <b>Forms SSA-1099 and RRB-1099</b> (if applicable) .....	5,600
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**Note.** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.

2. Enter one-half of line 1 .....	2,800
3. Add the amounts on Form 1040A, lines 7, 8a, 8b, 9, 10b, 11b, and 12. Do not include any amounts from box 5 of Form SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) .....	29,750
4. Enter the amount of any U.S. savings bond interest exclusion from Schedule 1, line 3 that you claimed .....	-0-
5. Add lines 2, 3, and 4 .....	32,550
6. Enter the amount from Form 1040A, line 15c .....	1,000
7. Subtract line 6 from line 5 .....	31,550
8. Enter:	
\$25,000 if you checked box <b>A</b> or <b>D</b> , or	
\$32,000 if you checked box <b>B</b> , or	
-0- if you checked box <b>C</b> .....	32,000
9. Subtract line 8 from line 7. If zero or less, enter -0- .....	-0-

**Is line 9 more than zero?**

**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 13a or 13b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 13b. Be sure you entered "D" to the left of line 13a.

**Yes.** Go to line 10.

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) .....	_____
11. Subtract line 10 from line 9. If zero or less, enter -0- .....	_____
12. Enter the <b>smaller</b> of line 9 or line 10 .....	_____
13. Enter one-half of line 12 .....	_____
14. Enter the <b>smaller</b> of line 2 or line 13 .....	_____
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- .....	_____
16. Add lines 14 and 15 .....	_____
17. Multiply line 1 by 85% (.85) .....	_____
18. <b>Taxable benefits.</b> Enter the smaller of line 16 or line 17 .....	=====
•Enter on Form 1040A, line 13a, the amount from line 1.	
•Enter on Form 1040A, line 13b, the amount from line 18.	

**Example 3.** Joe and Betty Johnson file a joint return on Form 1040 for 1995. Joe is a retired railroad worker and in 1995 received the social security equivalent portion of tier 1 benefits. Joe's Form RRB-1099 shows \$10,000 in box 5. Betty is a retired government worker and receives a fully taxable pension of \$38,000. The only other income Joe and Betty had in 1995 was \$2,300 in interest income. They also received interest of \$200 on a Series EE U.S. savings bond that they redeemed in 1995. Joe and Betty paid qualified higher educational expenses for their dependent daughter and the interest qualified for the U.S. savings bond interest exclusion.

They figure their taxable benefits by completing the worksheet shown next.

**Worksheet 1—Form 1040 Filers  
Social Security and Equivalent  
Tier 1 Railroad Retirement  
Benefits (Keep for your records)**

**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1995
- D.** Married filing separately and **lived apart** from your spouse for all of 1995

1. Enter the total amount from **box 5 of ALL** your **Forms SSA-1099 and RRB-1099** (if applicable) ..... 10,000

**Note.** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.

2. Enter one-half of line 1 ..... 5,000

3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include any amounts from box 5 of Forms SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) ..... 40,300

4. Enter the amount of any exclusions from: U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed ..... 200

5. Add lines 2, 3, and 4 ..... 45,500

6. Enter the total adjustments plus any write-in amounts from Form 1040, line 30 (other than foreign housing deduction) ..... -0-

7. Subtract line 6 from line 5 ..... 45,500

8. Enter:  
     \$25,000 if you checked box **A** or **D**, or  
     \$32,000 if you checked box **B**, or  
     -0- if you checked box **C** ..... 32,000

9. Subtract line 8 from line 7. If zero or less, enter -0- ..... 13,500

**Is line 9 more than zero?**

**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 20a or 20b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 20b. Be sure you entered "D" to the left of line 20a.

**Yes.** Go to line 10.

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... 12,000

11. Subtract line 10 from line 9. If zero or less, enter -0- ..... 1,500

12. Enter the **smaller** of line 9 or line 10 ..... 12,000

13. Enter one-half of line 12 ..... 6,000

14. Enter the **smaller** of line 2 or line 13 ..... 5,000

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- ..... 1,275

16. Add lines 14 and 15 ..... 6,275

17. Multiply line 1 by 85% (.85) ..... 8,500

18. **Taxable benefits.** Enter the smaller of line 16 or line 17 ..... 6,275

•Enter on Form 1040, line 20a, the amount from line 1.

•Enter on Form 1040, line 20b, the amount from line 18.

Because the income on line 7 (\$45,500) of the worksheet is more than \$44,000 (the Johnsons's adjusted base amount, see *85% taxable* under *How Much is Taxable*, earlier), the Johnsons include more than 50% (\$6,275 ÷ \$10,000 = 62¾%) of their benefits in taxable income. They enter \$10,000 on line 20a, Form 1040, and \$6,275 on line 20b, Form 1040.

**Example 4.** Bill and Eileen Jones are married and live together, but file separate Form 1040 returns for 1995. Bill earned \$8,000 during 1995. The only other income Bill had for the year was \$4,000 in net social security benefits (box 5 of his Form SSA-1099). Bill figures his taxable benefits as shown next.

**Worksheet 1—Form 1040 Filers  
Social Security and Equivalent  
Tier 1 Railroad Retirement  
Benefits (Keep for your records)**

**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1995
- D.** Married filing separately and **lived apart** from your spouse for all of 1995

1. Enter the total amount from **box 5 of ALL** your **Forms SSA-1099 and RRB-1099** (if applicable) ..... 4,000

**Note.** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.

2. Enter one-half of line 1 ..... 2,000

3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include any amounts from box 5 of Forms SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) ..... 8,000

4. Enter the amount of any exclusions from: U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed .....	-0-
5. Add lines 2, 3, and 4 .....	10,000
6. Enter the total adjustments plus any write-in amounts from Form 1040, line 30 (other than foreign housing deduction) .....	-0-
7. Subtract line 6 from line 5 .....	10,000
8. Enter:	
\$25,000 if you checked box <b>A</b> or <b>D</b> , or	
\$32,000 if you checked box <b>B</b> , or	
-0- if you checked box <b>C</b> .....	-0-
9. Subtract line 8 from line 7. If zero or less, enter -0- .....	10,000

**Is line 9 more than zero?**

**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 20a or 20b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 20b. Be sure you entered "D" to the left of line 20a.

**Yes.** Go to line 10.

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) .....	-0-
11. Subtract line 10 from line 9. If zero or less, enter -0- .....	10,000
12. Enter the <b>smaller</b> of line 9 or line 10 .....	-0-
13. Enter one-half of line 12 .....	-0-
14. Enter the <b>smaller</b> of line 2 or line 13 .....	-0-
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- .....	8,500
16. Add lines 14 and 15 .....	8,500
17. Multiply line 1 by 85% (.85) .....	3,400
18. <b>Taxable benefits.</b> Enter the smaller of line 16 or line 17 .....	3,400

•Enter on Form 1040, line 20a, the amount from line 1.

•Enter on Form 1040, line 20b, the amount from line 18.

Bill must include in his taxable income the lesser of \$3,400 (85% of his social security benefits) or \$8,500 (85% of his income on line 7) because he is married filing separately and lived with his spouse during 1995. See *Married filing separately and living with spouse* earlier under *How Much is Taxable*. Bill then enters \$4,000 on line 20a, Form 1040, and \$3,400 on line 20b, Form 1040.

**Example 5.** Keep the same facts as in Example 4, except Bill received \$10,000 in net social security benefits and \$4,000 in other income. Bill then would include \$7,650 in taxable income. The \$7,650 is 85% of his income (\$9,000) on line 7, which is smaller than \$8,500

(85% of his \$10,000 in benefits). Bill figures his taxable benefits as shown next.

**Worksheet 1—Form 1040 Filers  
Social Security and Equivalent  
Tier 1 Railroad Retirement  
Benefits (Keep for your records)**

**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1995
- D.** Married filing separately and **lived apart** from your spouse for all of 1995

1. Enter the total amount from <b>box 5</b> of <b>ALL</b> your <b>Forms SSA-1099 and RRB-1099</b> (if applicable) .....	10,000
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**Note.** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.

2. Enter one-half of line 1 .....	5,000
3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include any amounts from box 5 of Forms SSA-1099 or RRB-1099 (line 8b is tax-exempt interest) .....	4,000
4. Enter the amount of any exclusions from: U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed .....	-0-
5. Add lines 2, 3, and 4 .....	9,000
6. Enter the total adjustments plus any write-in amounts from Form 1040, line 30 (other than foreign housing deduction) .....	-0-
7. Subtract line 6 from line 5 .....	9,000
8. Enter:	
\$25,000 if you checked box <b>A</b> or <b>D</b> , or	
\$32,000 if you checked box <b>B</b> , or	
-0- if you checked box <b>C</b> .....	-0-

9. Subtract line 8 from line 7. If zero or less, enter -0- .....	9,000
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**Is line 9 more than zero?**

**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 20a or 20b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 20b. Be sure you entered "D" to the left of line 20a.

**Yes.** Go to line 10.

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) .....	-0-
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11. Subtract line 10 from line 9. If zero or less, enter -0- .....	9,000
12. Enter the <b>smaller</b> of line 9 or line 10 .....	-0-
13. Enter one-half of line 12 .....	-0-
14. Enter the <b>smaller</b> of line 2 or line 13 .....	-0-
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- .....	7,650
16. Add lines 14 and 15 .....	7,650
17. Multiply line 1 by 85% (.85) .....	8,500
18. <b>Taxable benefits.</b> Enter the smaller of line 16 or line 17 .....	7,650

• Enter on Form 1040, line 20a, the amount from line 1.  
• Enter on Form 1040, line 20b, the amount from line 18.

## Lump-Sum Benefits

Generally, a lump-sum (or retroactive) payment of benefits is included in your total benefits for the year in which you receive it.

**Benefits for earlier year.** However, if you receive a lump-sum payment of benefits in 1995 that includes benefits for one or more earlier years, you can figure whether any part of these earlier year benefits are taxable based on the earlier year's income. If that method gives you a lower taxable benefit (see *Example*, for Jane Jackson later), you can make the election discussed next.

**Election to treat benefits as received in earlier year.** If it will lower your taxable benefits, you can choose to treat the earlier benefits as received in the earlier year. In that case, any part of the earlier year benefits that is taxable is then added to your taxable benefits for the current year and the total is included in your current year's income.

Since these earlier year taxable benefits are included in the current year's income, no adjustment is made to the earlier year's return. You **do not** have to file an amended return for the earlier year.

If you received a lump-sum payment in 1995 that includes benefits for one or more earlier years, it will be included in box 3 of either Form SSA-1099 or RRB-1099. The form will also show the year the payment is for. However, Form RRB-1099 will not show a breakdown by year of any lump-sum payment for years before 1993—you must write to the U.S. Railroad Retirement Board for a breakdown by year for any amount shown in box 9 of the form. Box 9 of Form RRB-1099 shows the social security equivalent benefit portion of tier 1 paid for years prior to 1993. That part of any lump-sum payment for years before 1984 is not taxed and will not be shown on the form. See *Box 9—Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1993* under

the instructions for Form RRB-1099 in the *Appendix* for the address.

Once you make the election to treat a lump-sum payment as received in an earlier year, you can revoke your election only with the consent of the Internal Revenue Service.

**Note.** This type of lump-sum benefit payment should not be confused with the lump-sum **death** benefit that both the SSA and RRB pay to many of their beneficiaries. No part of the lump-sum death benefit is subject to tax.

**Making the election.** If you received a lump-sum benefit payment in 1995 that includes benefits for one or more earlier years, take the following steps to determine whether the election will lower your taxable benefits:

- 1) Include all of the lump-sum benefit payment in total benefits received in 1995.
- 2) Complete Worksheet 1 or 1A provided later. Use the example in this discussion as a guide.
- 3) If part of your benefits is taxable, use Worksheet 2A if part of the lump-sum payment was for 1994 and/or Worksheet 2B if part of the lump-sum payment was for 1993 or earlier years. Then use Worksheet 3 (if you file Form 1040) or Worksheet 3A (if you file Form 1040A). Doing this will show if the election allows you to report a lower taxable benefit for 1995.
- 4) If the election gives you a lower taxable benefit, write the letters "LSE" (to indicate lump-sum election) to the left of line 20a, Form 1040, or line 13a, Form 1040A.

**Legal expenses.** You can usually deduct legal expenses that you incur in attempting to produce or collect taxable income or that you pay in connection with the determination, collection, or refund of any tax.

Expenses allocated to resolving tax issues relating to profit or loss from business (Schedule C or Schedule C-EZ), rentals or royalties (Schedule E), or farm income and expenses (Schedule F), are deductible on the appropriate schedule. The expenses allocated to resolving nonbusiness tax issues (for example, the **taxable** portion of social security) may be deductible as a miscellaneous deduction on line 22, Schedule A (Form 1040). See Publication 525 for more information.

**Guideline.** Use the following example as a guideline for filling in the worksheets in this publication.

**Example.** In 1994, Jane Jackson applied for social security disability benefits but was told she was ineligible to receive them. She appealed the decision and won her appeal. In 1995, she received a lump-sum payment of \$6,000, \$2,000 of which was for 1994. Jane has two choices. She can take the full \$6,000 payment into account in 1995 when figuring her taxable social security benefits, or she can treat the \$2,000 in benefits for 1994 as having been received in 1994 and include in her 1995

gross income only the sum of the taxable benefits for each year figured under the lump-sum election.

Jane was single in both 1994 and 1995. She chooses to file Form 1040. To figure whether the lump-sum election results in lower 1995 taxable benefits for her, Jane uses Worksheets 1, 2A, and 3. In 1995, in addition to the lump-sum payment of \$6,000, she received \$5,000 in monthly social security payments and the following other income:

Fully taxable pension .....	\$18,000
Salary from part-time job .....	3,500
Interest income .....	2,500
Dividend income .....	<u>1,500</u>
Total income .....	<u>\$25,500</u>

Jane received the following income in 1994:

Salary (before retiring on disability) .....	\$20,000
Interest income .....	2,000
Dividend income .....	<u>1,000</u>
Gross income .....	<u>\$23,000</u>

To determine whether she should make the election, Jane uses Worksheet 1 (because she files Form 1040) to figure her total taxable benefits for 1995 by including the full lump-sum payment in total benefits received in 1995. Jane figures that her taxable benefits would be \$3,000 if she included the full lump-sum payment in her total 1995 benefits.

Next, Jane uses Worksheet 2A (because she had a 1994 lump-sum payment received in 1995) to figure what her taxable benefits would have been for 1994 if she had added the \$2,000 (the lump-sum part for 1994) to her total benefits received during 1994. Because she received no other social security benefits in 1994 and because her modified adjusted gross income (the amount from line 6 of Worksheet 2A ) for 1994 was less than the base amount for a single person (\$25,000), Jane has no taxable benefits for 1994. Therefore, none of the \$2,000 in lump-sum benefits for 1994 has to be reported on Jane's 1995 return.

Jane then uses Worksheet 3 (because she will file Form 1040) to figure what her taxable benefits for 1995 would be if she included in her total benefits received in 1995 only the part of the lump-sum payment that is for 1995. Jane adds that part (\$4,000) to total monthly benefits (\$5,000) received during the year and determines that her total taxable benefits for 1995 would be \$2,500.

Jane adds her 1994 taxable benefits, zero, (from Worksheet 2A), to her 1995 taxable benefits, \$2,500 (on Worksheet 3). Thus, her total taxable benefits for 1995 would be \$2,500 if she chooses to treat the part of the lump-sum payment that is for 1994 (\$2,000) as if it were received in 1994. Jane compares the 1995 taxable benefits on Worksheet 3 (\$2,500) with the amount on Worksheet 1, \$3,000 (full lump-sum payment included in 1995

benefits). Her 1995 total taxable benefits would be \$500 less if she chooses to treat \$2,000 of the lump-sum payment as received in 1994. To make this choice, Jane enters the 1995 total benefits of \$11,000 (\$5,000 plus \$6,000) on line 20a of her Form 1040 and writes the letters "LSE" to the left of line 20a. Then, she enters the 1995 total taxable benefits of \$2,500 (from Worksheet 3) on line 20b.

The worksheets that follow show how Jane determined whether to make the election. If Jane's situation applies to you as well, use the three worksheets following the discussion on repayments to see whether you should make the election.

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**Worksheet 1—Form 1040 Filers  
Social Security and Equivalent  
Tier 1 Railroad Retirement  
Benefits (Keep for your records)**

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**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
  - B.** Married filing jointly
  - C.** Married filing separately and **lived with** your spouse at any time during 1995
  - D.** Married filing separately and **lived apart** from your spouse for all of 1995
- 

**1.** Enter the total amount from **box 5** of **ALL** your **Forms SSA-1099 and RRB-1099** (if applicable)  
..... 11,000

**Note.** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.

**2.** Enter one-half of line 1 ..... 5,500

**3.** Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) ..... 25,500

**4.** Enter the amount of any exclusions from: U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed ..... -0-

**5.** Add lines 2, 3, and 4 ..... 31,000

**6.** Enter the total adjustments plus any write-in amounts from Form 1040, line 30 (other than foreign housing deduction) ..... -0-

**7.** Subtract line 6 from line 5 ..... 31,000

8. Enter:
- \$25,000 if you checked box **A** or **D**, or
  - \$32,000 if you checked box **B**, or
  - 0– if you checked box **C** ..... 25,000
9. Subtract line 8 from line 7. If zero or less, enter –0– ..... 6,000
- Is line 9 more than zero?**  
**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 20a or 20b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter –0– on line 20b. Be sure you entered “D” to the left of line 20a.  
**Yes.** Go to line 10.
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... 9,000
11. Subtract line 10 from line 9. If zero or less, enter –0– ..... –0–
12. Enter the **smaller** of line 9 or line 10 ..... 6,000
13. Enter one-half of line 12 ..... 3,000
14. Enter the **smaller** of line 2 or line 13 ..... 3,000
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter –0– ..... –0–
16. Add lines 14 and 15 ..... 3,000
17. Multiply line 1 by 85% (.85) ..... 9,350
18. **Taxable benefits.** Enter the smaller of line 16 or line 17 ..... 3,000
- Enter on Form 1040, line 20a, the amount from line 1.
  - Enter on Form 1040, line 20b, the amount from line 18.

**Worksheet 2A—For Form 1040 or 1040A Filers  
Social Security and Equivalent  
Tier 1 Railroad Retirement Benefits  
(Lump-sum payment for 1994 received in 1995)  
(Keep for your records)**

**Check only one box for status in earlier year**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1994
- D.** Married filing separately and **lived apart** from your spouse for all of 1994

1. Enter the total amount from **box 5** of **ALL** your **Forms SSA–1099** and **RRB–1099** (if applicable) for 1994. Also, include the lump-sum payment received in 1995 that is for 1994 ..... 2,000

**Note.** If line 1 is zero or less, enter –0– on line 21 and do not complete this worksheet. Otherwise, go to line 2.

2. Divide line 1 by 2 ..... 1,000
3. Enter adjusted gross income reported on your return for 1994 ..... 23,000
4. Enter the amount of any U.S. savings bond interest exclusion, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed in 1994 ..... –0–
5. Enter any tax-exempt interest received in 1994 ..... –0–
6. Add lines 2, 3, 4, and 5 ..... 24,000
7. Enter taxable benefits reported on your 1994 return ..... –0–
8. Subtract line 7 from line 6 ..... 24,000
9. Enter:
- \$25,000 if you checked box **A** or **D**, or
  - \$32,000 if you checked box **B**, or
  - 0– if you checked box **C** ..... 25,000
10. Subtract line 9 from line 8. If zero or less, enter –0– on line 21 ..... –0–
11. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1994) ..... \_\_\_\_\_
12. Subtract line 11 from line 10. If zero or less, enter –0– ..... \_\_\_\_\_
13. Enter the **smaller** of line 10 or line 11 ..... \_\_\_\_\_
14. Enter one-half of line 13 ..... \_\_\_\_\_
15. Enter the **smaller** of line 2 or line 14 ..... \_\_\_\_\_
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter –0– ..... \_\_\_\_\_
17. Add lines 15 and 16 ..... \_\_\_\_\_
18. Multiply line 1 by 85% (.85) ..... \_\_\_\_\_
19. **Refigured taxable benefits.** Enter the amount from line 17 or line 18, whichever is **smaller** ..... \_\_\_\_\_
20. Enter taxable benefits reported on your 1994 income tax return or as refigured due to a previous lump-sum payment for 1994. .... \_\_\_\_\_
21. **Taxable benefits.** Subtract line 20 from line 19. This amount is due to lump-sum payment received in 1995 that is for 1994. Enter this amount on line 19 of Worksheet 3 or 3A ..... –0–

**Worksheet 3—For Form 1040 Filers (Lump-sum Payment for 1995)**  
**Social Security and Equivalent**  
**Tier 1 Railroad Retirement Benefits**  
**(Keep for your records)**

**Check only one box**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and **lived with** your spouse at any time during 1995
- D.** Married filing separately and **lived apart** from your spouse for all of 1995

1. Enter the total amount from **box 5** of **ALL** your **Forms SSA-1099 and RRB-1099** (if applicable) for 1995. However, include only that part of any lump-sum payment received that is for 1995. .... 9,000

**Note.** If line 1 is zero or less, enter -0- on line 11. Otherwise, go to line 2.

2. Enter one-half of line 1 ..... 4,500

3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) ..... 25,500

4. Enter the amount of any exclusions from: U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed ..... -0-

5. Add lines 2, 3, and 4 ..... 30,000

6. Enter the total adjustments plus any write-in amounts from Form 1040, line 30 (other than foreign housing deduction) ..... -0-

7. Subtract line 6 from line 5 ..... 30,000

8. Enter:  
     \$25,000 if you checked box **A** or **D**, or  
     \$32,000 if you checked box **B**, or  
     -0- if you checked box **C** ..... 25,000

9. Subtract line 8 from line 7. If zero or less, enter -0- on line 18 ..... 5,000

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... 9,000

11. Subtract line 10 from line 9. If zero or less, enter -0- ..... -0-

12. Enter the **smaller** of line 9 or line 10 ..... 5,000

13. Enter one-half of line 12 ..... 2,500

14. Enter the **smaller** of line 2 or line 13 ..... 2,500

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- ..... -0-

16. Add lines 14 and 15 ..... 2,500

17. Multiply line 1 by 85% (.85) ..... 7,650

18. **Taxable benefits before any from Worksheet 2A or 2B.** Enter the smaller of line 16 or 17. .... 2,500

19. Enter the amount from line 21 of Worksheet 2A (or line 14 of Worksheet 2B) for each earlier year the lump-sum payment was for ..... -0-

20. **Taxable benefits.** Add lines 18 and 19. These are your taxable benefits under the *Lump-sum Election* method. Enter on Form 1040, line 20a, the amount from line 1 of Worksheet 1. Enter on Form 1040, line 20b, the smaller of the amount from line 20 of this Worksheet 3 or line 18 of Worksheet 1. If you use the amount from line 20 of this Worksheet 3, write "LSE" to the left of line 20a of Form 1040 ..... 2,500

**More than one earlier year.** You may have received a lump-sum benefit in 1995 that is for 1995 and more than one earlier year going back to 1984 (the first year social security and railroad retirement benefits were subject to tax). Use a separate Worksheet 2A or 2B for each earlier year to which the lump-sum payment applies. Worksheet 2A is for 1994 lump-sum benefits received in 1995. Worksheet 2B is for 1993 and earlier year benefits received in 1995. You can still use the Jane Jackson example as a guideline—just make a computation for each year the payment is for.

## Repayments More Than Gross Benefits

In some situations, your Form SSA-1099 or Form RRB-1099 will show that the total benefits you repaid (box 4) is more than the gross benefits (box 3) you received. If this occurred, your net benefits in box 5 will be a negative figure and none of your benefits will be taxable. (For Form RRB-1099, a figure in parentheses in box 5 indicates a negative figure.) If you receive more than one form, a negative figure in box 5 of one form is used to offset a positive figure in box 5 of another form. If you have any questions about this negative figure, contact your local Social Security Administration office or your local U.S. Railroad Retirement Board field office.

**Joint return.** If you and your spouse file a joint return, and your Forms SSA-1099 or RRB-1099 show that your repayments are more than your gross benefits, but your spouse's are not, subtract the amount in box 5 of your form from the amount in box 5 of your spouse's form. You do this to get your net benefits when figuring if your combined benefits are taxable.

**Example.** John and Mary file a joint return for 1995. John received Form SSA-1099 showing \$3,000 in box 5. Mary also received Form SSA-1099 and the amount in box 5 was (\$500). John and Mary will use \$2,500 (\$3,000

minus \$500) as the amount of their net benefits when figuring if any of their combined benefits are taxable.

**Repayment of benefits received in an earlier year.** If the sum of the amount shown in box 5 of all of your Forms SSA-1099 and RRB-1099 is a negative figure and all or part of this negative figure is for benefits you included in gross income in an earlier year, you can take an itemized deduction on Schedule A, Form 1040, for the amount of the negative figure that represents those benefits.

This deduction, **if \$3,000 or less**, is subject to the 2%-of-adjusted-gross-income limit that applies to certain miscellaneous itemized deductions and is claimed on line 22, Schedule A (Form 1040).

**If this deduction is more than \$3,000**, you should figure your tax two ways:

- 1) Figure your tax for 1995 with the itemized deduction. This more-than-\$3,000 deduction is **not** subject to the 2%-of-adjusted-gross-income limit that applies to certain miscellaneous itemized deductions.

- 2) Figure your tax for 1995 without the deduction. If a portion of the negative figure represents a repayment of 1984 benefits, you must first recompute your 1984 tax, reducing your 1984 social security benefits by that portion. Recompute your 1985, 1986, etc., tax in the same manner, using any portion of the negative figure that represents a repayment of benefits for those years. Reduce your 1995 tax, figured without the deduction, by the total decrease in your 1984, 1985, 1986, etc., tax as recomputed.

Compare the tax figured in methods (1) and (2). Your tax for 1995 is the smaller of the two amounts. If method (1) results in less tax, take the itemized deduction on line 27, Schedule A (Form 1040). If method (2) results in less tax, claim a credit for the applicable amount on line 60 of Form 1040 and write "I.R.C. 1341" in the margin to the left of line 60. If both methods produce the same tax, deduct the repayment on line 27, Schedule A (Form 1040).

Worksheet 1—For Form 1040 Filers. **Social Security and Equivalent Tier 1 Railroad Retirement Benefits**  
(Keep for your records)

**Check only one box:**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and lived with your spouse at any time during 1995
- D.** Married filing separately and lived apart from your spouse for all of 1995

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 (if applicable) ..... **1.** \_\_\_\_\_  
**Note:** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.
2. Enter one half of line 1 ..... **2.** \_\_\_\_\_
3. Add the amounts on your 1995 Form 1040, lines 7, 8a, 8b, 9 through 14, and line 15b, 16b, 17 through 19, and 21. Do not include any amounts from box 5 of Forms SSA-1099 or RRB-1099 here (Line 8b is tax-exempt interest income.) ..... **3.** \_\_\_\_\_
4. Enter the amount of any exclusion from U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico by bona fide residents of Puerto Rico that you claimed ..... **4.** \_\_\_\_\_
5. Add lines 2, 3, and 4 ..... **5.** \_\_\_\_\_
6. Enter the total adjustments, plus any write-in amounts from Form 1040, line 30 (other than the foreign housing deduction) ..... **6.** \_\_\_\_\_
7. Subtract line 6 from line 5 ..... **7.** \_\_\_\_\_
8. Enter:  
    **\$25,000** if you checked Box **A** or **D**, or  
    **\$32,000** if you checked Box **B**, or  
    **-0-** if you checked Box **C** ..... **8.** \_\_\_\_\_
9. Subtract line 8 from line 7. If zero or less, enter -0- ..... **9.** \_\_\_\_\_  
**Is line 9 more than zero?**  
**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 20a or 20b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 20b. Be sure you entered 'D' to the left of line 20a.  
**Yes.** Go to line 10.
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... **10.** \_\_\_\_\_
11. Subtract line 10 from line 9. If zero or less, enter -0- ..... **11.** \_\_\_\_\_
12. Enter the **smaller** of line 9 or line 10 ..... **12.** \_\_\_\_\_
13. Enter one half of line 12 ..... **13.** \_\_\_\_\_
14. Enter the **smaller** of line 2 or line 13 ..... **14.** \_\_\_\_\_
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- ..... **15.** \_\_\_\_\_
16. Add lines 14 and 15 ..... **16.** \_\_\_\_\_
17. Multiply line 1 by 85% (.85) ..... **17.** \_\_\_\_\_
18. **Taxable benefits.** Enter the smaller of line 16 or line 17 ..... **18.** \_\_\_\_\_  
    • Enter on Form 1040, line 20a, the amount from line 1.  
    • Enter on Form 1040, line 20b, the amount from line 18.

**Note:** Use this worksheet whether or not you received a lump-sum payment. If you received a lump-sum payment in this year that was for an earlier year, see Lump-Sum Benefits, earlier. As that discussion suggests (under Making the election), if this worksheet shows that part of your benefits is taxable, complete Worksheets 2A or 2B and 3 to see whether you can report a lower taxable benefit. Worksheet 2A is for lump-sum benefits received in 1995 that was for 1994. Worksheet 2B is for lump-sum benefits received in 1995 for 1993 and earlier years.

**Check only one box:**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and lived with your spouse at any time during 1995
- D.** Married filing separately and lived apart from your spouse for all of 1995

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 (if applicable) ..... **1.** \_\_\_\_\_  
**Note:** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.
2. Enter one half of line 1 ..... **2.** \_\_\_\_\_
3. Add the amounts on Form 1040A, lines 7, 8a, 8b, 9, 10b, 11b, and 12. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 (line 8b is tax-exempt interest income) ..... **3.** \_\_\_\_\_
4. Enter the amount of any U.S. savings bond interest exclusion from Schedule 1, line 3, that you claimed ..... **4.** \_\_\_\_\_
5. Add lines 2, 3, and 4 ..... **5.** \_\_\_\_\_
6. Enter the amount from Form 1040A, line 15c..... **6.** \_\_\_\_\_
7. Subtract line 6 from line 5 ..... **7.** \_\_\_\_\_
8. Enter:  
     **\$25,000** if you checked Box **A** or **D**, or  
     **\$32,000** if you checked Box **B**, or  
     **-0-** if you checked Box **C** ..... **8.** \_\_\_\_\_
9. Subtract line 8 from line 7. If zero or less, enter -0- ..... **9.** \_\_\_\_\_  
**Is line 9 more than zero?**  
**No.** Stop here. None of your benefits are taxable. Do not enter any amounts on lines 13a or 13b. But if you are married filing separately and you lived apart from your spouse for all of 1995, enter -0- on line 13b. Be sure you entered 'D' to the left of line 13a.  
**Yes.** Go to line 10.
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... **10.** \_\_\_\_\_
11. Subtract line 10 from line 9. If zero or less, enter -0- ..... **11.** \_\_\_\_\_
12. Enter the **smaller** of line 9 or line 10 ..... **12.** \_\_\_\_\_
13. Enter one half of line 12 ..... **13.** \_\_\_\_\_
14. Enter the **smaller** of line 2 or line 13 ..... **14.** \_\_\_\_\_
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- ..... **15.** \_\_\_\_\_
16. Add lines 14 and 15 ..... **16.** \_\_\_\_\_
17. Multiply line 1 by 85% (.85) ..... **17.** \_\_\_\_\_
18. **Taxable benefits.** Enter the smaller of line 16 or line 17 ..... **18.** \_\_\_\_\_  
  - Enter on Form 1040A, line 13a, the amount from line 1.
  - Enter on Form 1040A, line 13b, the amount from line 18.

**Note:** Use this worksheet whether or not you received a lump-sum payment. If you received a lump-sum payment in this year that was for an earlier year, see Lump-Sum Benefits, earlier. As that discussion suggests (under Making the election), if this worksheet shows that part of your benefits is taxable, complete Worksheets 2A or 2B and 3A to see whether you can report a lower taxable benefit. Worksheet 2A is for lump-sum benefits received in 1995 that was for 1994. Worksheet 2B is for lump-sum benefits received in 1995 for 1993 and earlier years.

**Check only one box for status in earlier year:**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and lived with your spouse at any time during 1994
- D.** Married filing separately and lived apart from your spouse for all of 1994

<p>1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 (if applicable) for 1994. Also, include the lump-sum payment received in 1995 that is for 1994 .....</p> <p><b>Note:</b> If line 1 is zero or less, enter -0- on line 21 and do not complete this worksheet. Otherwise, go on to line 2.</p>	<p>1. _____</p>
<p>2. Divide line 1 by 2 .....</p>	<p>2. _____</p>
<p>3. Enter adjusted gross income reported on your return for 1994 .....</p>	<p>3. _____</p>
<p>4. Enter any deduction for U.S. savings bond interest exclusion, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed in 1994 .....</p>	<p>4. _____</p>
<p>5. Enter any tax-exempt interest received in 1994 .....</p>	<p>5. _____</p>
<p>6. Add lines 2, 3, 4, and 5. ....</p>	<p>6. _____</p>
<p>7. Enter taxable benefits reported on your 1994 return .....</p>	<p>7. _____</p>
<p>8. Subtract line 7 from line 6 .....</p>	<p>8. _____</p>
<p>9. Enter:              <b>\$25,000</b> if you checked Box <b>A</b> or <b>D</b>,              <b>\$32,000</b> if you checked Box <b>B</b>, or              <b>-0-</b> if you checked Box <b>C</b> .....</p>	<p>9. _____</p>
<p>10. Subtract line 9 from line 8. If zero or less, enter -0- on line 14 .....</p>	<p>10. _____</p>
<p>11. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1994) .....</p>	<p>11. _____</p>
<p>12. Subtract line 11 from line 10. If zero or less, enter -0- .....</p>	<p>12. _____</p>
<p>13. Enter the <b>smaller</b> of line 10 or line 11 .....</p>	<p>13. _____</p>
<p>14. Enter one-half of line 13 .....</p>	<p>14. _____</p>
<p>15. Enter the <b>smaller</b> of line 2 or line 14 .....</p>	<p>15. _____</p>
<p>16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- .....</p>	<p>16. _____</p>
<p>17. Add lines 15 and 16 .....</p>	<p>17. _____</p>
<p>18. Multiply line 1 by 85% (.85) .....</p>	<p>18. _____</p>
<p>19. <b>Refigured taxable benefits.</b> Enter the amount from line 17 or line 18, whichever is <b>smaller</b> .....</p>	<p>19. _____</p>
<p>20. Enter taxable benefits reported on your 1994 income tax return or as refigured due to a previous lump-sum payment for 1994 .....</p>	<p>20. _____</p>
<p>21. <b>Taxable benefits.</b> Subtract line 20 from line 19. This amount is due to lump-sum payment received in 1995 that is for 1994. Enter this amount on line 19 of Worksheet 3 or 3A .....</p>	<p>21. _____</p>

**Note:** Do not file an amended return for this earlier year. Complete Worksheet 2B for each other earlier year the lump-sum payment is for.



Enter earlier year \_\_\_\_\_

**Check only one box for status in earlier year:**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and lived with your spouse at any time during this earlier year
- D.** Married filing separately and lived apart from your spouse for all of this earlier year

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 (if applicable) for this earlier year. Also, include the lump-sum payment received in 1995 and any earlier year that is for this earlier year ..... **1.** \_\_\_\_\_  
**Note:** If line 1 is zero or less, enter -0- on line 14 and do not complete this worksheet. Otherwise, go on to line 2.
2. Divide line 1 by 2 ..... **2.** \_\_\_\_\_
3. Enter adjusted gross income reported on your return for this earlier year..... **3.** \_\_\_\_\_
4. Enter any deduction for U.S. savings bond interest exclusion, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed in this earlier year ..... **4.** \_\_\_\_\_
5. Enter any tax-exempt interest received in this earlier year ..... **5.** \_\_\_\_\_
6. Add lines 2, 3, 4, and 5. .... **6.** \_\_\_\_\_
7. Enter taxable benefits reported on your return for this earlier year ..... **7.** \_\_\_\_\_
8. Subtract line 7 from line 6 ..... **8.** \_\_\_\_\_
9. Enter:  
     **\$25,000** if you checked Box **A** or **D**,  
     **\$32,000** if you checked Box **B**, or  
     **-0-** if you checked Box **C** ..... **9.** \_\_\_\_\_
10. Subtract line 9 from line 8. If zero or less, enter -0- on line 14 ..... **10.** \_\_\_\_\_
11. Divide line 10 by 2 ..... **11.** \_\_\_\_\_
12. **Refigured taxable benefits.** Enter the amount from line 2 or line 11, whichever is smaller ..... **12.** \_\_\_\_\_
13. Enter taxable benefits reported for this earlier year or as refigured due to a previous lump-sum payment for this earlier year ..... **13.** \_\_\_\_\_
14. **Taxable benefits.** Subtract line 13 from line 12. This amount is due to lump-sum payment received in 1995 that is for this earlier year. Enter this amount on line 19 of Worksheet 3 or Worksheet 3A ..... **14.** \_\_\_\_\_

**Note:** Do not file an amended return for this earlier year. Complete a Worksheet 2A or 2B for each earlier year the lump-sum payment is for. Worksheet 2A is for lump-sum benefits received in 1995 for 1994. Worksheet 2B is for lump-sum benefits received in 1995 for 1993 and earlier years.

**Social Security and Equivalent Tier 1 Railroad Retirement Benefits**  
(Keep for your records)

**Check only one box:**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and lived with your spouse at any time during 1995
- D.** Married filing separately and lived apart from your spouse for all of 1995

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 (if applicable) for 1995. However, include only that part of any lump-sum payment received that is for 1995. .... **1.** \_\_\_\_\_  
**Note:** If line 1 is zero or less, enter -0- on line 11. Otherwise, go on to line 2.
2. Enter one half of line 1 ..... **2.** \_\_\_\_\_
3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 14, 15b, 16b, 17 through 19, and line 21. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 ..... **3.** \_\_\_\_\_
4. Enter the amount of any exclusions from U.S. savings bond interest, foreign earned income, foreign housing, income from U.S. possessions, or income from Puerto Rico that you claimed for 1995 ..... **4.** \_\_\_\_\_
5. Add lines 2, 3, and 4 ..... **5.** \_\_\_\_\_
6. Enter the total adjustments, plus any write-in amounts from Form 1040, line 30 (other than the foreign housing deduction) ..... **6.** \_\_\_\_\_
7. Subtract line 6 from line 5 ..... **7.** \_\_\_\_\_
8. Enter:  
     **\$25,000** if you checked Box **A** or **D**, or  
     **\$32,000** if you checked Box **B**, or  
     **-0-** if you checked Box **C** ..... **8.** \_\_\_\_\_
9. Subtract line 8 from line 7. If zero or less, enter -0- on line 18 ..... **9.** \_\_\_\_\_
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... **10.** \_\_\_\_\_
11. Subtract line 10 from line 9. If zero or less, enter -0- ..... **11.** \_\_\_\_\_
12. Enter the **smaller** of line 9 or line 10 ..... **12.** \_\_\_\_\_
13. Enter one half of line 12 ..... **13.** \_\_\_\_\_
14. Enter the **smaller** of line 2 or line 13 ..... **14.** \_\_\_\_\_
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- ..... **15.** \_\_\_\_\_
16. Add lines 14 and 15 ..... **16.** \_\_\_\_\_
17. Multiply line 1 by 85% (.85) ..... **17.** \_\_\_\_\_
18. Taxable benefits before any from Worksheet 2A or 2B. Enter the smaller of line 16 or line 17 ..... **18.** \_\_\_\_\_
19. Enter amount from line 21 of Worksheet 2A and line 14 of Worksheet 2B (if applicable) for each earlier year the lump-sum payment was for ..... **19.** \_\_\_\_\_
20. **Taxable benefits.** Add lines 18 and 19. These are your taxable benefits under the Lump-sum Election method. Enter on Form 1040, line 20a, the amount from line 1 of Worksheet 1. Enter on Form 1040, line 20b, the smaller of the amount from line 20 of this Worksheet 3 or line 18 of Worksheet 1. If you use the amount from line 20 of this Worksheet 3, write "LSE" to the left of line 20a of Form 1040 ..... **20.** \_\_\_\_\_

**Social Security and Equivalent Tier 1  
Railroad Retirement Benefits**  
(Keep for your records)

**Check only one box:**

- A.** Single, Head of household, or Qualifying widow(er)
- B.** Married filing jointly
- C.** Married filing separately and lived with your spouse at any time during 1995
- D.** Married filing separately and lived apart from your spouse for all of 1995

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 (if applicable) for 1995. However, include only that part of any lump-sum payment received that is for 1995. .... **1.** \_\_\_\_\_

**Note:** If line 1 is zero or less, enter -0- on line 11. Otherwise, go on to line 2.

2. Enter one half of line 1 ..... **2.** \_\_\_\_\_

3. Add the amounts on Form 1040A, lines 7, 8a, 8b, 9, 10b, 11b, and 12. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 ..... **3.** \_\_\_\_\_

4. Enter the amount of any U.S. savings bond interest exclusion from Schedule 1, line 3, that you claimed ..... **4.** \_\_\_\_\_

5. Add lines 2, 3, and 4 ..... **5.** \_\_\_\_\_

6. Enter the amount from Form 1040A, line 15c ..... **6.** \_\_\_\_\_

7. Subtract line 6 from line 5 ..... **7.** \_\_\_\_\_

8. Enter:  
     **\$25,000** if you checked Box **A** or **D**, or  
     **\$32,000** if you checked Box **B**, or  
     **-0-** if you checked Box **C** ..... **8.** \_\_\_\_\_

9. Subtract line 8 from line 7. If zero or less, enter -0- on line 18 ..... **9.** \_\_\_\_\_

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) ..... **10.** \_\_\_\_\_

11. Subtract line 10 from line 9. If zero or less, enter -0- ..... **11.** \_\_\_\_\_

12. Enter the **smaller** of line 9 or line 10 ..... **12.** \_\_\_\_\_

13. Enter one half of line 12 ..... **13.** \_\_\_\_\_

14. Enter the **smaller** of line 2 or line 13 ..... **14.** \_\_\_\_\_

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- ..... **15.** \_\_\_\_\_

16. Add lines 14 and 15 ..... **16.** \_\_\_\_\_

17. Multiply line 1 by 85% (.85) ..... **17.** \_\_\_\_\_

18. Taxable benefits before any from Worksheet 2A or 2B. Enter the smaller of line 16 or line 17. .... **18.** \_\_\_\_\_

19. Enter amount from line 21 of Worksheet 2A and line 14 of Worksheet 2B (if applicable) for each earlier year the lump-sum payment was for ..... **19.** \_\_\_\_\_

20. **Taxable benefits.** Add lines 18 and 19. These are your taxable benefits under the Lump-sum Election method. Enter on Form 1040A, line 13a, the amount from line 1 of Worksheet 1. Enter on Form 1040A, line 13b, the smaller of the amount from line 20 of this Worksheet 3 or line 18 of Worksheet 1. If you use the amount from line 20 of this Worksheet 3, write "LSE" to the left of line 13a of Form 1040A ..... **20.** \_\_\_\_\_

**FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT**

**1995**

• PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.  
• SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name		Box 2. Beneficiary's Social Security Number	
Box 3. Benefits Paid in 1995	Box 4. Benefits Repaid to SSA in 1995	Box 5. Net Benefits for 1995 (Box 3 minus Box 4)	
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4	
		Box 6. Address	
		Box 7. Claim Number (Use this number if you need to contact SSA.)	

Form SSA-1099-SSM (1-98)

**DO NOT RETURN THIS FORM TO SSA OR IRS**

## Appendix

This appendix explains the items shown on the benefit statements—Form SSA-1099 and Form RRB-1099. Other benefit statements for nonresident aliens, Forms SSA-1042S and RRB-1042S, contain the same items plus a few additional ones. These are also explained.

**Note.** The illustrated versions of Forms SSA-1099 and RRB-1099 in this appendix are proof copies of the forms as they appeared when this publication went to print. The information should be essentially the same as the information on the form you received from either the SSA or the RRB. You should, however, compare your form with the one shown in this publication to note any differences.

### Form SSA-1099

Every person who received social security benefits will receive a Form SSA-1099, even if the benefit is combined with another person's in a single check. If you receive benefits on more than one social security record, you may get more than one Form SSA-1099. Enclosed with this form will be IRS Notice 703 that contains a worksheet to help you figure if any of your benefits are

taxable. Do not mail Notice 703 to either the IRS or the SSA.

#### Box 1—Name

The name shown in this box refers to the person for whom the social security benefits shown on the statement were paid. If you received benefits for yourself, your name will be shown. If you received benefits for another person, that person's name will be shown.

#### Box 2—Beneficiary's Social Security Number

This is the social security number, if known, of the person named in box 1.

**Note.** In all your correspondence with the Social Security Administration, be sure to use the claim number shown in box 7.

#### Box 3—Benefits Paid in 1995

The figure shown in this box is the total amount of benefits paid in 1995 to you (the person named in box 1). This figure may not agree with the amounts you actually received because adjustments may have been made to your benefits before you received them. An asterisk (\*)

after the figure shown in this box means that it includes benefits received in 1995 for one or more earlier years.

### Description of Amount in Box 3

This portion of the form describes the items included in the amount shown in box 3. It lists the benefits paid and any adjustments made. Only the adjustments that apply to you will be shown. If no adjustments were made to the benefits paid, the word “none” will be shown.

**Amounts paid by check or direct deposit.** This is the amount you actually received or that was deposited directly into your account in a financial institution in 1995, or that was paid to others in 1995 in response to a court order for alimony or child support.

**Additions.** The following adjustment items may have been deducted from your benefits in 1995. If amounts appear on your Form SSA-1099 next to these items, they will be added to the amount shown in *Amounts paid by check or direct deposit*. These amounts are treated as benefits paid to you because you authorized the deduction or because it is required by law. Do not reduce the amount of net social security benefits (box 5) by any of the items listed below. Use the amount in box 5 to figure taxable social security.

**Medicare premiums paid for you.** If you have Medicare premiums deducted from your benefits, this is the amount that was withheld during 1995. The basic monthly premium in 1995 was \$46.10, but it could be higher if you enrolled after you were first eligible or if you had a break in coverage.

**Workers' compensation offset.** If you are disabled and receive workers' compensation or Part C Black Lung payments, your benefits are subject to a payment limit. An entry will be shown here if your benefits were reduced to stay within this limit. An entry will also be shown here if your benefits were reduced because the person on whose social security record you were paid is disabled and also received workers' compensation or Part C Black Lung payments.

**Fees paid to an attorney or other legal obligations.** If you had an attorney handle your social security claim, the figure shown here is the fee withheld from your benefits and paid directly to your attorney. In addition, if you are required to pay child support or alimony and these payments were withheld from your benefits, the entry here shows the total amount of such payments withheld.

**Deductions for work or other adjustments.** Amounts withheld from your benefits because of work or to recover an overpayment of any type of benefit are benefits paid to you and will be shown here. They also may be treated as benefits repaid to SSA and included in the amount in box 4.

**Amounts paid to another family member.** Often, several family members living in a single household receive benefits based on just one worker's social security record. In many cases, each person's benefit is lowered

so that the total is no more than the maximum allowed to be paid. If one person is working and earning too much to be eligible to receive benefits, SSA could raise the benefits paid to the other family members. But because the total amount paid to the household would not change, SSA continues paying the working person rather than refiguring the benefits of those eligible. The benefits paid to the working person, however, are for the use of the other family members and are treated as though they were actually paid to them. If an entry is shown here, it is the amount actually paid to the working person in your family which should have been paid to you.

**Example.** Anne and her three children receive social security benefits based on the social security record of Anne's deceased husband. As a family, they are entitled to \$600 a month, or \$150 each. However, Anne worked and earned too much to be eligible to receive social security benefits. SSA continued to pay Anne \$150 a month, rather than stopping payments to her and increasing the payments for each child by \$50 a month to \$200. On the Form SSA-1099 for each child, there will be an entry of \$600 as *Amounts paid to another family member*. On Anne's Form SSA-1099, there will be a subtraction entry of \$1,800 ( $\$600 \times 3$  children) as *Amounts for other family members paid to you*.

**Amounts withheld to recover SSI payments.** Part of a person's supplemental security income (SSI) payments is withheld if that person also receives social security benefits. When a person applies for both social security benefits and SSI payments, the SSI payments may sometimes be made before a decision on the person's social security claim is made. After the person is found eligible for social security benefits, the amount that should have been withheld from the SSI payments is deducted from the social security benefits. These amounts are considered social security benefits. An entry here means that an amount was deducted from your social security benefits to recover part of your SSI payments.

**Total Additions.** The figure shown here is the sum of the amounts paid by check or direct deposit plus all the additions described previously.

**Subtractions.** The following adjustment items may have been included in the payments you received in 1995. If amounts appear on your Form SSA-1099 next to these items, they will be subtracted from *Total Additions*.

**Payments for months before December 1983.** The figure shown here is the amount of benefits you received in 1995 that was for months before December 1983. These benefits are not taxable regardless of when they are paid.

**Amounts for other family members paid to you.** If you worked and earned too much to be eligible to receive benefits, you still may have been paid benefits that were for the use of other family members. An entry here means this situation applied to you. The benefits paid to

you that were for the other family members will be included (as an addition) on their Forms SSA-1099. See *Amounts paid to another family member* under *Additions*, earlier.

**Lump-sum death payment.** The lump-sum death payment is not subject to tax. An entry here means you received this kind of payment in 1995.

**Amounts refunded to you.** The amount shown here may include Medicare premiums you paid that were in excess of the amount actually due. It also may include amounts withheld in 1994 to pay your attorney if the amounts were larger than the fee actually paid.

**Total Subtractions.** The figure shown here is the sum of all the subtractions described previously.

**Benefits for 1995.** The amount shown here is the result of subtracting the figure in *Total Subtractions* from the figure in *Total Additions*. This is the same amount as that shown in box 3.

**\*Box 3 includes \$ \_\_\_\_\_ paid in 1995 for 1994, 1993, 1992, 1991, 1990, and in 1995 for other taxable years.** The figure shown here is the amount of any lump-sum benefit payment received in 1995 that is for 1994, 1993, 1992, 1991, 1990, 1989, 1988, 1987, 1986, 1985, or 1984. See *Lump-Sum Benefits*, earlier, for a full discussion on how these payments are handled.

#### **Box 4—Benefits Repaid to SSA in 1995**

The figure shown in this box is the total amount of benefits you repaid to SSA in 1995.

#### **Description of Amount in Box 4**

This portion of the form describes the items included in the amount shown in box 4. It lists the amount of benefit checks you returned to SSA and any adjustments for other types of repayments. The amounts listed include all amounts repaid in 1995, regardless of when the benefits were received. Only the repayments that apply to you will be shown. If you did not make any repayments, the word "none" will be shown.

**Amounts of any of your social security checks that were returned to SSA.** If any of your benefit checks were returned to SSA, the total is shown here.

**Adjustments for work and/or overpayments.** If you had any amounts withheld from your benefit checks because of work or to recover an overpayment of retirement, survivors, or disability benefits, the total will be shown here. This may also be shown as *Deductions for work or other adjustments* under *Description of Amount in Box 3*.

**Amounts paid to SSA in cash, or by personal check or money order, etc., excluding Medicare premiums.** This is the amount you repaid to SSA by direct remittance.

**Benefits Repaid to SSA in 1995.** The amount shown here is the sum of all your repayments. This total is the same as that shown in box 4.

#### **Box 5—Net Benefits for 1995 (Box 3 minus Box 4)**

The figure in this box is the net amount of benefits paid to you for the year. It is the result of subtracting the figure in box 4 from the figure in box 3. Enter this amount on line A of IRS Notice 703, or on line 1 of Worksheet 1 or 1A, both shown earlier, or the worksheet in either the Form 1040 or the Form 1040A instruction package.

If there are parentheses around the figure in box 5, it means that the figure in box 4 is larger than the figure in box 3. This is a negative figure and means you repaid more money than you received in 1995. If you have any questions about this negative figure, contact your local Social Security Administration office. If you receive more than one Form SSA-1099 (or if you are married and filing jointly and both you and your spouse each receive a Form SSA-1099), a negative figure on one Form SSA-1099 is used to offset a positive figure on another Form SSA-1099. For more information, see *Repayments More Than Gross Benefits*, earlier.

#### **Form SSA-1042S (Nonresident Aliens)**

This form is for nonresident aliens. It contains the following four additional items that do not appear on Form SSA-1099.

#### **Box 6—Rate of Tax**

This is the rate at which tax was withheld from 85% of your benefits. If tax was withheld at more than one rate during the year, the percentage shown will be the tax rate in December 1995. The tax rate for most nonresident aliens is 30%. The figure "0" will appear in this box if you were not taxed in December or if you claimed a tax treaty exemption. Benefits received by residents of Canada, Egypt, Germany, Israel, Italy, Japan, Malta, Romania, and the United Kingdom are exempt from U.S. tax. See Publication 519 for more information on nonresident aliens.

#### **Box 7—Amount of Tax Withheld**

This is the amount of tax taken out of your social security checks. Tax is withheld for any month in which you were a nonresident alien (unless you claimed exemption under a tax treaty).

#### **Box 8—Amount of Tax Refunded**

An amount in this block shows any tax SSA refunded to you. When SSA withholds tax from your checks by mistake, they try to return it to you during the same calendar year. If SSA is unable to send the refund to you before the year ends, you must file a federal income tax return to get a refund of this tax.

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE <b>UNITED STATES RAILROAD RETIREMENT BOARD</b> 844 N RUSH ST CHICAGO IL 60611-2092		<b>1995</b>	PAYMENTS BY THE RAILROAD RETIREMENT BOARD
PAYER'S FEDERAL IDENTIFYING NO. 38-3314800		3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 1995	
1. Claim No. and Payee Code		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 1995	
2. Recipient's Identification Number		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 1995	
Recipient's Name, Street Address, City, State, and Zip Code		6. Workers' Compensation Offset in 1995	
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 1994	
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 1993	
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1993	
		10. Federal Income Tax Withheld	

COPY C-  
 FOR RECIPIENT'S RECORDS  
 THIS INFORMATION IS NOT TO BE USED FOR FEDERAL EMPLOYMENT PURPOSES

FORM RRB-1099

DO NOT ATTACH TO YOUR INCOME TAX RETURN

### Box 9—Net Tax Withheld During 1995

The figure in this box is the result of subtracting the figure in box 8 from the figure in box 7. This is the net amount of tax withheld from your benefits.

### Form RRB-1099

This section explains the items shown on Form RRB-1099. If you received or repaid the social security equivalent portion of tier 1 railroad retirement benefits or special guaranty benefits during 1995 you will receive Form RRB-1099, *Payments by the Railroad Retirement Board*. Each beneficiary will receive his or her own Form RRB-1099. If you receive benefits on more than one railroad retirement record, you may get more than one Form RRB-1099. For those beneficiaries receiving Medicare, the Form RRB-1099, unlike the Form SSA-1099, does **not** have an item for the total Medicare premiums that were withheld from your railroad retirement benefits during 1995.

### Box 1—Claim No. and Payee Code

Your claim number is a six- or nine-digit number preceded by an alphabetical prefix and is the number under which the portion of tier 1 railroad retirement benefits that is equivalent to social security benefits was paid. Your payee code is the number following your claim number and is used by the RRB to identify you under your claim number.

### Box 2—Recipient's Identification Number

This is the social security number, if known, of the person whose name is shown on Form RRB-1099.

### Box 3—Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 1995

The figure shown in this box is the total amount of the benefits paid to you in 1995. It is the amount **before** any deductions were made for:

- Medicare premiums,
- Garnishment,
- Assignment,
- Recovery for an overpayment, including recovery for Railroad Unemployment Insurance Act benefits received while awaiting payment of your railroad annuity, and
- Workers' compensation offset.

The figure in box 3 is the amount **after** any deductions were made for:

- Work deductions,
- Actuarial adjustment, and
- Annuity waiver.

The amount in box 3 also includes any benefits paid to you in 1995 that were for one or more earlier years after 1983. If any benefits were paid for 1994, that amount is shown in box 7. If any benefits were paid for 1993, that amount is shown in box 8. If any benefits were paid for 1992 or any earlier year dating back to 1984, that

amount is shown in box 9. The amount in box 3 does not include payments you received in 1995 that were for months prior to December 1983 because they are not taxable. The amount you received in January 1995 for December 1994 is included in box 3.

**Example 1.** For the period January through March 1995, you receive Railroad Unemployment Insurance payments of \$300. You became eligible for the social security equivalent benefit (SSEB) portion of tier 1 benefits of \$509 a month beginning January 1, 1995, but you did not receive your first payment until April 1995. The payment you received in April was for the first three months of 1995. However, since you received unemployment benefits during the same period, \$300 was deducted from your initial benefit check. Instead of receiving \$1,527, you received \$1,227. For the months of April through November, you were paid your regular monthly SSEB portion of tier 1 benefits of \$509. Box 3 of your Form RRB-1099 will show \$5,599 ( $\$509 \times 11$  months) as the gross SSEB portion of tier 1 benefits paid to you in 1995, even though you did not actually receive that amount. This is because box 3 shows the gross amount of your benefits before any reductions were made for the unemployment benefits paid to you.

**Example 2.** You received tier 1 benefits of \$600 a month for the months of December 1994 through May 1995. Your monthly tier 1 benefit consists of an SSEB portion of \$250 and a non-SSEB portion of \$350. Beginning in June, you became entitled to Medicare, and \$46.10 a month was deducted from your benefit checks for Medicare premiums. Therefore, the tier 1 payments you received for the rest of the year were \$553.90 ( $\$600 - \$46.10$ ) a month. Box 3 of your Form RRB-1099 will show the gross SSEB portion of tier 1 benefits of \$3,000 ( $\$250 \times 12$  months) paid to you in 1995, because it is the gross amount **before** deductions for your Medicare premiums. The remainder of your tier 1 payments, the non-SSEB portion of \$4,200 ( $\$350 \times 12$  months), will be shown on Form RRB-1099-R that you will receive along with your Form RRB-1099. This is also the gross amount **before** deductions for your Medicare premiums. For more information on Form RRB-1099-R, see Publication 575.

#### **Box 4—Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 1995**

The figure shown in this box is the total SSEB portion of tier 1 benefits you repaid to the RRB in 1995. You may have repaid a benefit by returning a check, making a cash refund, or having an amount withheld from your payments. In addition, an amount may have been withheld from your benefits to recover the SSEB overpayment incurred by someone else who is also receiving benefits under your claim number. Also, an amount may have been withheld from another benefit, such as a social security benefit, to recover an SSEB overpayment you received.

The amount in box 4 also includes any social security equivalent benefits you repaid in 1995 that were for one or more years before 1995. All tier 1 repayments for years before 1986 are treated entirely as social security equivalent benefits.

**Example 1.** You returned to work for your last railroad employer for the months of June through August 1995. The SSEB portion of your tier 1 benefit was \$450 for each of those months. Since you are not allowed to receive benefits for any month you returned to railroad service, you have to make a repayment to the RRB. You returned the benefit payment for August 1995 and made a full cash refund to the RRB for the June and July benefits you received. Box 4 of your Form RRB-1099 will show \$1,350 as the SSEB portion of tier 1 benefits you repaid to the RRB.

**Example 2.** From January through April 1995 you were overpaid \$800 in the SSEB portion of tier 1 benefits. From May through August 1995, \$200 a month was withheld from your benefit payment to fully recover the \$800 overpayment. Box 4 of your Form RRB-1099 will show \$800 as the SSEB portion of tier 1 benefits you repaid to the RRB.

**Example 3.** As a retired railroad employee, you have been receiving a railroad retirement annuity, including an SSEB portion of tier 1 benefits, since 1994. You also became entitled to, and received, a social security benefit of \$300 a month beginning May 1, 1995. SSA later authorized the RRB to pay that benefit. In August 1995, the RRB began paying your social security benefit to you and reduced the SSEB portion of your monthly tier 1 benefit by \$300. Social security benefits of \$900 covering the period May through July 1995 were kept by the RRB to offset your \$900 SSEB overpayment for that period. Box 4 of your Form RRB-1099 will show \$900 as the SSEB portion of tier 1 benefits you repaid to the RRB. (Note: SSA will send you Form SSA-1099, which will include the \$900 in benefits paid by them.)

#### **Box 5—Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 1995**

The figure shown in this box is the net amount of the SSEB portion of tier 1 benefits paid to you for the year. It is the result of subtracting the amount in box 4 from the amount in box 3. Use this amount to determine if any of your benefits are taxable. See *Part of Your Benefits May Be Taxable* near the front of this publication. earlier, for information on how to figure your taxable amount, if any.

If there are parentheses around the figure in box 5, it means that the figure in box 4 is larger than the figure in box 3. This is a negative figure and means you repaid more money than you received in 1995. If you receive more than one Form RRB-1099 (or if you are married and file a joint return and both you and your spouse each receive a Form RRB-1099), use any negative figure on one Form RRB-1099 to offset a positive figure on another Form RRB-1099. For more information, see *Repayments More Than Gross Benefits*, earlier.



## Box 6—Workers' Compensation Offset in 1995

The figure shown in this box is the amount you received in workers' compensation benefits during the year that was used to offset the full amount of your tier 1 payments. The SSEB portions of your tier 1 benefits shown in boxes 3 and 5 include the amounts you received from workers' compensation. Your workers' compensation amount is shown in this box separately only for your information. If you did not receive workers' compensation benefits, box 6 is blank.

**Example.** Your tier 1 benefit of \$450 a month is reduced to \$400 because of a \$50-a-month workers' compensation offset. Boxes 3 and 5 of your Form RRB-1099 will show \$5,400 ( $\$450 \times 12$  months) as the SSEB portion of tier 1 benefits paid to you by the Railroad Retirement Board. The \$5,400 is the amount before any deductions were made for the workers' compensation offset. Box 4 will show zero because you did not make any repayments during the year. Box 6 of your form will show \$600 ( $\$50$  Workers' Compensation  $\times 12$  months). In figuring if any of your benefits are taxable, you must use \$5,400 as the amount of the SSEB portion of tier 1 benefits paid to you.

## Boxes 7 and 8—Social Security Equivalent Benefit Portion of Tier 1 Paid for 1994 or 1993

The figure shown in each applicable box is the amount of SSEB benefits paid to you in 1995 that was for 1994 or 1993. This amount is included in the amount shown in box 3.

## Box 9—Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1993

The figure shown in this box is the amount of SSEB benefits paid to you in 1995 that was for 1992 and earlier years. This amount is included in the amount shown in box 3. The entire tier 1 benefit paid before 1986 is treated as a social security equivalent benefit.

If you believe the amount in box 9 covers benefits for more than one year, you can request a breakdown of the amount by year. Write to:

U.S. Railroad Retirement Board  
Attn: TAX-IAS — 7th Floor  
844 N. Rush Street  
Chicago, IL 60611-2092

## Box 10—Federal Tax Withheld

The figure shown in this box is the total amount of federal income tax withheld on your tier 1 SSEB payments. Include this amount on your income tax return as tax withheld.

**Caution.** If you requested withholding in excess of your monthly NSSEB, tier 2, VDB, and supplemental annuity payments you received, the additional withholding will be shown in this box. In this situation, the amount of withholding equal to your NSSEB, tier 2, VDB, and supplemental annuity payments will be shown in box 9 on Form RRB-1099-R.

## Form RRB-1042S (Nonresident Aliens)

This form is for nonresident aliens. It contains the following three additional items that do not appear on Form RRB-1099.

## Box 10—Country

The country where you maintain your legal residence is shown in this box. If you maintained legal residence in more than one country during the year, you will receive a separate RRB-1042S for each country of legal residence during the year.

## Box 11—Rate of Tax

The figure in this box is the rate at which tax was withheld from 85% of the SSEB portion of tier 1 payments you received. If tax was withheld at more than one rate during the year, you will receive a separate RRB-1042S for each rate change during the year. The tax rate for most nonresident aliens is 30%. The figure "0" will appear in this box if you claimed a tax treaty exemption. Benefits received by residents of Canada, Egypt, Germany, Israel, Italy, Japan, Malta, Romania, and the United Kingdom are exempt from U.S. tax if a treaty exemption is claimed. See Publication 519 for more information on nonresident aliens.

## Box 12—Federal Tax Withheld

The figure in this box is the total amount of U.S. income tax withheld from the SSEB portion of tier 1 benefit payments you received in 1995. Tax is withheld for any month in which you were a nonresident alien (unless you claimed exemption under a tax treaty).

