



Department of the Treasury  
Internal Revenue Service

**Publication 915**

Cat. No. 15320P

# Social Security and Equivalent Railroad Retirement Benefits

For use in preparing  
**2001** Returns



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## Important Reminder

**Photographs of missing children.** The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling **1-800-THE-LOST (1-800-843-5678)** if you recognize a child.

## Introduction

This publication explains the federal income tax rules for social security benefits and equivalent 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).

Social security benefits include monthly survivor and disability benefits. They do not include supplemental security income (SSI) payments, which are not taxable.

Equivalent tier 1 railroad retirement benefits are the part of tier 1 benefits that a railroad employee or beneficiary would have been entitled to receive under the social security system. They are commonly called the social security equivalent benefit (SSEB) portion of tier 1 benefits.

If you received these benefits during 2001, you should have received a Form SSA-1099, *Social Security Benefit Statement*, or Form RRB-1099, *Payments by the Railroad Retirement Board*, (Form SSA-1042S, *Social Security Benefit Statement*, or Form RRB-1042S, *Payments by the Railroad Retirement Board*, if you are a nonresident alien) showing the amount.

**Note.** When the term “benefits” is used in this publication, it applies to both social security benefits and equivalent tier 1 railroad retirement benefits.



Legislation in 2000 removed the “earnings test” for social security recipients who work and are ages 65 through 70. This change has no effect on the federal income tax rules for social security benefits.

**What is covered in this publication.** This publication covers the following topics:

- Whether any of your benefits are taxable,
- How much is taxable,
- How to report taxable benefits,
- How to treat lump-sum benefit payments, and
- Deductions related to your benefits, including a deduction you can claim if your repayments are more than your gross benefits.

The *Appendix* at the end of this publication explains items shown on your Forms SSA-1099, SSA-1042S, RRB-1099, or RRB-1042S.

**What is not covered in this publication.** This publication does not cover the tax rules for the following railroad retirement benefits:

- Non-social security equivalent benefit (NSSEB) portion of tier 1 benefits,
- Tier 2 benefits,
- Vested dual benefits, and
- Supplemental annuity benefits.

For information on these taxable pension benefits, see Publication 575, *Pension and Annuity Income*.

This publication also does not cover the tax rules for foreign social security or railroad retirement benefits. These benefits are taxable as annuities, unless they are exempt from U.S. tax under a treaty.

**Comments and suggestions.** We welcome your comments about this publication and your suggestions for future editions.

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## Useful Items

You may want to see:

### Publication

- 505** Tax Withholding and Estimated Tax

- 575** Pension and Annuity Income
- 590** Individual Retirement Arrangements (IRAs)

### Forms (and Instructions)

- 1040-ES** Estimated Tax for Individuals
- SSA-1099** Social Security Benefit Statement
- SSA-1042S** Social Security Benefit Statement
- RRB-1099** Payments by the Railroad Retirement Board
- RRB-1042S** Payments by the Railroad Retirement Board
- W-4V** Voluntary Withholding Request

See *How To Get Tax Help* near the end of this publication for information about getting these publications and forms.

## Are Any of Your Benefits Taxable?

To find out whether any of your benefits are taxable, compare the **base amount** (explained later) for your filing status with the total of:

- 1) One-half of your benefits, plus
- 2) All your other income, including tax-exempt interest.

When making this comparison, do not reduce your other income by any **exclusions** for:

- Interest from qualified U.S. savings bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned in American Samoa or Puerto Rico by bona fide residents.



The RRB issues Form RRB-1099 and Form RRB-1042S. The SSA issues Form SSA-1099 and Form SSA-1042S. These forms (tax statements) report the amounts paid and repaid, and taxes withheld for a tax year. You may receive more than one of these forms for the same tax year. You should add the amounts shown on all forms you receive from the SSA and/or RRB for the same tax year to determine the “total” amounts paid and repaid, and taxes withheld for that tax year. See *Appendix*, at the end of this publication for more information.

Each original Form RRB-1099 is valid unless it has been corrected. The RRB will issue a corrected Form RRB-1099 if there is an error in the original. A corrected Form RRB-1099 is indicated as “CORRECTED” and replaces the corresponding original Form RRB-1099. You must use the latest corrected Form RRB-1099 you received and any original Form RRB-1099 that the RRB has

not corrected when you determine what amounts to report on your tax return.

**Figuring total income.** To figure the total of one-half of your benefits plus your other income, use the worksheet later in this discussion. If the total is more than your base amount, part of your benefits may be taxable.

If you are married and file a joint return for 2001, you and your spouse must combine your incomes and your benefits to figure whether 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 to figure whether any of your benefits are taxable.



*If the only income you received during 2001 was your social security or the SSEB portion of tier 1 railroad retirement benefits, your benefits generally are not taxable and you probably do not have to file a return. If you have income in addition to your benefits, you may have to file a return even if none of your benefits are taxable.*

**Base amount.** Your base amount is:

- \$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 2001,
- \$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 2001.



**Worksheet.** You can use the following worksheet to figure the amount of income to compare with your base amount. This is a quick way to check whether some of your benefits may be taxable.

- 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 2001, for 2001 and earlier years. (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 income (such as interest on municipal bonds) plus any exclusions from income (listed earlier). . . . . 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 equals or 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 may be taxable. You then need to complete Worksheet 1, shown later.

**Example.** You and your spouse (both over 65) are filing a joint return for 2001 and you both received social security benefits during the year. In January 2002, 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 \$17,000 and interest income of \$500. You did not have any tax-exempt interest income. Your benefits are **not** taxable for 2001 because your income, as figured in the following worksheet, is not more than your base amount (\$32,000) for married filing jointly.

Even though none of your benefits are taxable, you must file a return for 2001 because your taxable gross income (\$17,500) exceeds the minimum filing requirement amount for your filing status.

- 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 2001, for 2001 and earlier years. (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. 17,500

- D. Write in any tax-exempt interest income (such as interest on municipal bonds) plus any exclusions from income (listed earlier). . . . . D. -0-

- E. Add lines B, C, and D and write in the total . . . . . E. \$22,000

**Note.** Compare the amount on line E to your **base amount** for filing status. If the amount on line E equals or 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 may be taxable. You then need to complete Worksheet 1, shown later.

**Who is taxed.** The person who has the legal right to receive the benefits must determine whether 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 part of the benefits to see whether any benefits are taxable to you. One-half of the part that belongs to your child must be added to your child's other income to see whether any of those benefits are taxable to your child.

**Repayment of benefits.** Any repayment of benefits you made during 2001 must be subtracted from the gross benefits you received in 2001. It does not matter whether the repayment was for a benefit you received in 2001 or in an earlier year. If you repaid more than the gross benefits you received in 2001, see *Repayments More Than Gross Benefits*, later.

Your gross benefits are shown in box 3 of Form SSA-1099 or Form RRB-1099. Your repayments are shown in box 4. The amount in box 5 shows your net benefits for 2001 (box 3 minus box 4). Use the amount in box 5 to figure whether any of your benefits are taxable.

**Example.** In 2000, you received \$3,000 in social security benefits, and in 2001 you received \$2,700. In March 2001, SSA notified you that you should have received only \$2,500 in benefits in 2000. During 2001, you repaid \$500 to SSA. The Form SSA-1099 you received for 2001 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 minus \$500).

**Tax withholding and estimated tax.** You can choose to have federal income tax withheld from your social security benefits and/or the SSEB portion of your tier 1 railroad retirement benefits. If you choose to do this, you must complete a Form W-4V. You can choose withholding at 7%, 10%, 15%, or 27% of your total benefit payment.

If you do not choose to have income tax withheld, you may have to request additional withholding from other income or pay estimated tax during the year. For details, get Publication 505 or the instructions for Form 1040-ES.

**U.S. citizens residing abroad.** U.S. citizens who reside in the following countries are exempt from U.S. tax on their benefits.

- Canada.
- Egypt.
- Germany.
- Ireland.
- Israel.
- Italy. (You must also be a citizen of Italy for the exemption to apply.)
- Romania.

The SSA will not withhold U.S. tax from your benefits if you are a U.S. citizen.

The RRB will withhold U.S. tax from your benefits unless you claim an exemption from withholding. For information on how to claim an exemption from withholding, see *Exemption from withholding* under *Nonresident aliens*, next.

**Nonresident aliens.** A nonresident alien is an individual who is not a citizen or resident of the United States. If you are a nonresident alien, the rules discussed in this publication do not apply to you. Instead, 85% of your benefits are taxed at a 30% rate, unless exempt (or subject to a lower rate) by treaty. You will receive a Form SSA-1042S or Form RRB-1042S showing the amount of your benefits. These forms will also show the tax rate and the amount of tax withheld from your benefits.

Under tax treaties with the following countries, residents of these countries are exempt from U.S. tax on their benefits.

- Canada.
- Egypt.
- Germany.
- Ireland.
- Israel.

- Italy.
- Japan.
- Romania.
- The United Kingdom.

Under a treaty with **India**, benefits paid to individuals who are both residents and nationals of India are exempt from U.S. tax if the benefits are for services performed for the United States, its subdivisions, or local government authorities.

If you are a resident of **Switzerland**, 85% of your benefits are taxed at a 15% rate.

For more information, get Publication 519, *U.S. Tax Guide for Aliens*.

**Exemption from withholding.** If your social security benefits are exempt from tax because you are a resident of one of the treaty countries listed, the SSA will not withhold U.S. tax from your benefits.

If your railroad retirement benefits are exempt from tax because you are a resident of one of the treaty countries listed, you can claim an exemption from withholding by filing Form RRB-1001, *Nonresident Questionnaire*, with the RRB. Contact the RRB to get this form.

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## How To Report Your Benefits

If part of your benefits are taxable, you must use Form 1040 or Form 1040A. You cannot use Form 1040EZ.

**Reporting on Form 1040.** Report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on line 20a and the taxable part on line 20b. If you are married filing separately and you lived apart from your spouse for all of 2001, also enter "D" to the left of line 20a.

**Reporting on Form 1040A.** Report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on line 14a and the taxable part on line 14b. If you are married filing separately and you lived apart from your spouse for all of 2001, also enter "D" to the right of the word "benefits" on line 14a.

**Benefits not taxable.** If none of your benefits are taxable, do not report any of them on your tax return. But if you are married filing separately and you lived apart from your spouse for all of 2001, make the following entries. On Form 1040, enter "D" to the left of line 20a and "-0-" on line 20b. On Form 1040A, enter "D" to the right of the word "benefits" on line 14a and "-0-" on line 14b.

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## How Much Is Taxable?

If part of your benefits are taxable, how much is taxable depends on the total amount of your benefits and other income. Generally, the higher that total amount, the greater the taxable part of your benefits.

**Maximum taxable part.** Generally, up to 50% of your benefits will be taxable. However, up to 85% of your benefits can be taxable if either of the following situations applies to you.

- 1) The total of one-half of your benefits and all your other income is more than \$34,000 (\$44,000 if you are married filing jointly).
- 2) You are married filing separately and ***lived with your spouse*** at any time during 2001.

**Which worksheet to use.** A worksheet to figure your taxable benefits is in the instructions for your Form 1040 or 1040A. You can use either that worksheet or *Worksheet 1* in this publication, unless any of the following situations applies to you.

- 1) You contributed to a traditional individual retirement arrangement (IRA) and your IRA deduction is limited because you or your spouse is covered by a retirement plan at work. In this situation you ***must*** use the special worksheets in *Appendix B* of Publication 590

to figure both your IRA deduction and your taxable benefits.

- 2) Situation (1) does not apply and you take an exclusion for interest from qualified U.S. savings bonds (Form 8815), for adoption benefits (Form 8839), for foreign earned income or housing (Form 2555 or Form 2555-EZ), or for income earned in American Samoa (Form 4563) or Puerto Rico by bona fide residents. In this situation, you ***must*** use *Worksheet 1* in this publication to figure your taxable benefits.
- 3) You received a lump-sum payment for an earlier year. In this situation, also complete *Worksheet 2* or *3* and *Worksheet 4* in this publication. See *Lump-Sum Election*, later.

## Examples

The following pages contain 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 2001. In addition to receiving social security payments, he received a fully taxable pension of \$18,600, wages from a part-time job of \$9,400, and taxable interest income of \$990, for a total of \$28,990. He received a Form SSA-1099 in January 2002 that shows his net social security benefits of \$5,980 in box 5. To figure his taxable benefits, George completed *Worksheet 1*, shown below. On line 20a of his Form 1040, George enters his net benefits of \$5,980. On line 20b, he enters his taxable benefits of \$2,990.

Filled-in Worksheet 1. **Figuring Your Taxable Benefits**

**Before you start:** Is your filing status *Married filing separately*?

**No.** Go to line 1 below.

**Yes.** Did you live apart from your spouse all year?

**No.** Go to line 1 below.

**Yes.** Do the following if you file:

**Form 1040:** Enter "D" to the left of line 20a, then go to line 1 below.

**Form 1040A:** Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 . . . . .	1.	5,980
<b>Note:</b> If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.		
2. Enter one-half of line 1 . . . . .	2.	2,990
3. Enter the total of the amounts from: <b>Form 1040:</b> Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21. <b>Form 1040A:</b> Lines 7, 8a, 8b, 9, 10, 11b, 12b and 13 . . . . .	3.	28,990
4. <b>Form 1040A filers:</b> Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26) <b>Form 1040 filers:</b> Enter the total of any exclusions/adjustments for: <ul style="list-style-type: none"> <li>• Qualified U.S. savings bond interest (Form 8815, line 14)</li> <li>• Adoption benefits (Form 8839, line 26)</li> <li>• Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and</li> <li>• Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico</li> </ul>	4.	-0-
5. Add lines 2, 3, and 4. . . . .	5.	31,980
6. <b>Form 1040A filers:</b> Enter the amount from Form 1040A, line 16. <b>Form 1040 filers:</b> Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 . . . . .	6.	-0-
7. Subtract line 6 from line 5 . . . . .	7.	31,980
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . .	8.	25,000
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	9.	6,980
<b>Note:</b> If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2001, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on 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 during 2001) . . . . .	10.	9,000
11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11.	-0-
12. Enter the <b>smaller</b> of line 9 or line 10 . . . . .	12.	6,980
13. Enter one-half of line 12 . . . . .	13.	3,490
14. Enter the <b>smaller</b> of line 2 or line 13 . . . . .	14.	2,990
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	15.	-0-
16. Add lines 14 and 15 . . . . .	16.	2,990
17. Multiply line 1 by 85% (.85) . . . . .	17.	5,083
18. <b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .	18.	2,990

- Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.
  - Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.
- Note:** If you received a lump-sum payment in this year that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see whether you can report a lower taxable benefit.

**Example 2.**

Ray and Alice Hopkins file a joint return on Form 1040A for 2001. Ray is retired and received a fully taxable pension of \$15,500. He also received social security benefits, and his Form SSA-1099 for 2001 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 with a total of \$250 in interest income. They complete *Worksheet 1* (below) and find that none of Ray's benefits are taxable. They leave lines 14a and 14b of their Form 1040A blank.

Filled-in Worksheet 1. **Figuring Your Taxable Benefits**

**Before you start:** Is your filing status *Married filing separately*?

**No.** Go to line 1 below.

**Yes.** Did you live apart from your spouse all year?

**No.** Go to line 1 below.

**Yes.** Do the following if you file:

**Form 1040:** Enter "D" to the left of line 20a, then go to line 1 below.

**Form 1040A:** Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 . . . . .	1.	<u>5,600</u>
<b>Note:</b> If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.		
2. Enter one-half of line 1 . . . . .	2.	<u>2,800</u>
3. Enter the total of the amounts from: <b>Form 1040:</b> Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21. <b>Form 1040A:</b> Lines 7, 8a, 8b, 9, 10, 11b, 12b, and 13 . . . . .	3.	<u>29,750</u>
4. <b>Form 1040A filers:</b> Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26) <b>Form 1040 filers:</b> Enter the total of any exclusions/adjustments for: <ul style="list-style-type: none"> <li>• Qualified U.S. savings bond interest (Form 8815, line 14)</li> <li>• Adoption benefits (Form 8839, line 26)</li> <li>• Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and</li> <li>• Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico</li> </ul>	4.	<u>-0-</u>
5. Add lines 2, 3, and 4. . . . .	5.	<u>32,550</u>
6. <b>Form 1040A filers:</b> Enter the amount from Form 1040A, line 16. <b>Form 1040 filers:</b> Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 . . . . .	6.	<u>1,000</u>
7. Subtract line 6 from line 5 . . . . .	7.	<u>31,550</u>
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . .	8.	<u>32,000</u>
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	9.	<u>-0-</u>
<b>Note:</b> If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2001, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on 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 during 2001) . . . . .	10.	<u>          </u>
11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11.	<u>          </u>
12. Enter the <b>smaller</b> of line 9 or line 10 . . . . .	12.	<u>          </u>
13. Enter one-half of line 12 . . . . .	13.	<u>          </u>
14. Enter the <b>smaller</b> of line 2 or line 13 . . . . .	14.	<u>          </u>
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	15.	<u>          </u>
16. Add lines 14 and 15 . . . . .	16.	<u>          </u>
17. Multiply line 1 by 85% (.85) . . . . .	17.	<u>          </u>
18. <b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .	18.	<u>          </u>

- Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.
- Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.

**Note:** If you received a lump-sum payment in this year that was for an earlier year, also complete *Worksheet 2* or *3* and *Worksheet 4* to see whether you can report a lower taxable benefit.

**Example 3.**

Joe and Betty Johnson file a joint return on Form 1040 for 2001. Joe is a retired railroad worker and in 2001 received the social security equivalent benefit (SSEB) portion of tier 1 railroad retirement benefits. Joe's Form RRB-1099 shows \$10,000 in box 5. Betty is a retired government worker and received a fully taxable pension of \$38,000. They had \$2,300 in interest income plus interest of \$200 on a qualified U.S. savings bond. The savings bond interest qualified for the exclusion. Thus, they have a total income of \$40,300 (\$38,000 + \$2,300). They figure their taxable benefits by completing *Worksheet 1* below. More than 50% of Joe's net benefits are taxable because the income on line 7 of the worksheet (\$45,500) is more than \$44,000. (See **Maximum taxable part** under **How Much Is Taxable** earlier.) Joe and Betty enter \$10,000 on line 20a, Form 1040, and \$6,275 on line 20b, Form 1040.

Filled-in Worksheet 1. **Figuring Your Taxable Benefits**

**Before you start:** Is your filing status *Married filing separately*?

**No.** Go to line 1 below.

**Yes.** Did you live apart from your spouse all year?

**No.** Go to line 1 below.

**Yes.** Do the following if you file:

**Form 1040:** Enter "D" to the left of line 20a, then go to line 1 below.

**Form 1040A:** Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1.	Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 . . . . .	1.	<u>10,000</u>
	<b>Note:</b> If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.		
2.	Enter one-half of line 1 . . . . .	2.	<u>5,000</u>
3.	Enter the total of the amounts from: <b>Form 1040:</b> Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21. <b>Form 1040A:</b> Lines 7, 8a, 8b, 9, 10, 11b, 12b, and 13 . . . . .	3.	<u>40,300</u>
4.	<b>Form 1040A filers:</b> Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26) <b>Form 1040 filers:</b> Enter the total of any exclusions/adjustments for: • Qualified U.S. savings bond interest (Form 8815, line 14) • Adoption benefits (Form 8839, line 26) • Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and • Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico	4.	<u>200</u>
5.	Add lines 2, 3, and 4 . . . . .	5.	<u>45,500</u>
6.	<b>Form 1040A filers:</b> Enter the amount from Form 1040A, line 16. <b>Form 1040 filers:</b> Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 . . . . .	6.	<u>-0-</u>
7.	Subtract line 6 from line 5 . . . . .	7.	<u>45,500</u>
8.	Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . .	8.	<u>32,000</u>
9.	Subtract line 8 from line 7. If zero or less, enter -0- . . . . . <b>Note:</b> If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2001, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on to line 10.	9.	<u>13,500</u>
10.	Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . .	10.	<u>12,000</u>
11.	Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11.	<u>1,500</u>
12.	Enter the <b>smaller</b> of line 9 or line 10 . . . . .	12.	<u>12,000</u>
13.	Enter one-half of line 12 . . . . .	13.	<u>6,000</u>
14.	Enter the <b>smaller</b> of line 2 or line 13 . . . . .	14.	<u>5,000</u>
15.	Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	15.	<u>1,275</u>
16.	Add lines 14 and 15 . . . . .	16.	<u>6,275</u>
17.	Multiply line 1 by 85% (.85) . . . . .	17.	<u>8,500</u>
18.	<b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .	18.	<u>6,275</u>

- Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.
  - Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.
- Note:** If you received a lump-sum payment in this year that was for an earlier year, also complete *Worksheet 2* or *3* and *Worksheet 4* to see whether you can report a lower taxable benefit.



**Example 4.**

Bill and Eileen Jones are married and live together, but file separate Form 1040 returns for 2001. Bill earned \$8,000 during 2001. The only other income he had for the year was \$4,000 net social security benefits (box 5 of his Form SSA-1099). Bill figures his taxable benefits by completing *Worksheet 1* below. He must include 85% of his social security benefits in his taxable income because he is married filing separately and lived with his spouse during 2001. See **How Much Is Taxable** earlier.

Filled-in Worksheet 1. **Figuring Your Taxable Benefits**

**Before you start:** Is your filing status *Married filing separately*?

**No.** Go to line 1 below.

**Yes.** Did you live apart from your spouse all year?

**No.** Go to line 1 below.

**Yes.** Do the following if you file:

**Form 1040:** Enter "D" to the left of line 20a, then go to line 1 below.

**Form 1040A:** Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1.	Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 . . . . .	1.	<u>4,000</u>
	<b>Note:</b> If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.		
2.	Enter one-half of line 1 . . . . .	2.	<u>2,000</u>
3.	Enter the total of the amounts from: <b>Form 1040:</b> Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21. <b>Form 1040A:</b> Lines 7, 8a, 8b, 9, 10, 11b, 12b, and 13 . . . . .	3.	<u>8,000</u>
4.	<b>Form 1040A filers:</b> Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26) <b>Form 1040 filers:</b> Enter the total of any exclusions/adjustments for: <ul style="list-style-type: none"> <li>• Qualified U.S. savings bond interest (Form 8815, line 14)</li> <li>• Adoption benefits (Form 8839, line 26)</li> <li>• Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and</li> <li>• Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico</li> </ul>	4.	<u>-0-</u>
5.	Add lines 2, 3, and 4. . . . .	5.	<u>10,000</u>
6.	<b>Form 1040A filers:</b> Enter the amount from Form 1040A, line 16. <b>Form 1040 filers:</b> Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 . . . . .	6.	<u>-0-</u>
7.	Subtract line 6 from line 5 . . . . .	7.	<u>10,000</u>
8.	Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001). . . . .	8.	<u>-0-</u>
9.	Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	9.	<u>10,000</u>
	<b>Note:</b> If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2001, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on 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 during 2001). . . . .	10.	<u>-0-</u>
11.	Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11.	<u>10,000</u>
12.	Enter the <b>smaller</b> of line 9 or line 10 . . . . .	12.	<u>-0-</u>
13.	Enter one-half of line 12 . . . . .	13.	<u>-0-</u>
14.	Enter the <b>smaller</b> of line 2 or line 13 . . . . .	14.	<u>-0-</u>
15.	Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	15.	<u>8,500</u>
16.	Add lines 14 and 15 . . . . .	16.	<u>8,500</u>
17.	Multiply line 1 by 85% (.85) . . . . .	17.	<u>3,400</u>
18.	<b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .	18.	<u>3,400</u>

• Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.

• Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.

**Note:** If you received a lump-sum payment in this year that was for an earlier year, also complete *Worksheet 2* or *Worksheet 3* and *Worksheet 4* to see whether you can report a lower taxable benefit.

## Lump-Sum Election

You must include the taxable part of a lump-sum (retroactive) payment of benefits received in 2001 in your 2001 income, even if the payment includes benefits for an earlier year.



*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.*

Generally, you use your 2001 income to figure the taxable part of the total benefits received in 2001. However, you may be able to figure the taxable part of a lump-sum payment for an earlier year separately, using your income for the earlier year. You can elect this method if it lowers your taxable benefits.

Under the lump-sum election method, you refigure the taxable part of all your benefits for the earlier year (including the lump-sum payment) using that year's income. Then, you subtract any taxable benefits for that year that you previously reported. The remainder is the taxable part of the lump-sum payment. Add it to the taxable part of your benefits for 2001 (figured without the lump-sum payment for the earlier year).



*Since the earlier year's taxable benefits are included in your 2001 income, no adjustment is made to the earlier year's return. Do not file an amended return for the earlier year.*

**Will the lump-sum election method lower your taxable benefits?** To find out, take the following steps.

- 1) Complete *Worksheet 1* in this publication.
- 2) Complete *Worksheet 2* and *Worksheet 3* as appropriate. Use *Worksheet 2* if your lump-sum payment was for a year after 1993. Use *Worksheet 3* if it was for 1993 or an earlier year. Complete a separate *Worksheet 2* or *Worksheet 3* for each earlier year for which you received the lump-sum payment.
- 3) Complete *Worksheet 4*.
- 4) Compare the taxable benefits on line 18 of *Worksheet 1* with the taxable benefits on line 20 of *Worksheet 4*.

If the taxable benefits on *Worksheet 4* are lower than the taxable benefits on *Worksheet 1*, you can elect to report the lower amount on your return.

**Making the election.** If you elect to report your taxable benefits under the lump-sum election method, follow the instructions at the bottom of *Worksheet 4*. Do not attach

the completed worksheets to your return. Keep them with your records.



*Once you elect this method of figuring the taxable part of a lump-sum payment, you can revoke your election only with the consent of the IRS.*

**Lump-sum payment reported on Form SSA-1099 or RRB-1099.** If you received a lump-sum payment in 2001 that includes benefits for one or more earlier years after 1983, it will be included in box 3 of either Form SSA-1099 or Form RRB-1099. That part of any lump-sum payment for years before 1984 is not taxed and will not be shown on the form. The form will also show the year (or years) the payment is for. However, Form RRB-1099 will not show a breakdown by year (or years) of any lump-sum payment for years before 1999. You must contact the RRB for a breakdown by year for any amount shown in box 9.

### Example

Jane Jackson is single. In 2000 she applied for social security disability benefits but was told she was ineligible. She appealed the decision and won. In 2001, she received a lump-sum payment of \$6,000, of which \$2,000 was for 2000 and \$4,000 was for 2001. Jane also received \$5,000 in social security benefits in 2001, so her total benefits in 2001 were \$11,000. Jane's other income for 2000 and 2001 is as follows.

	2000	2001
Wages	\$20,000	\$ 3,500
Interest income	2,000	2,500
Dividend income	1,000	1,500
Fully taxable pension		18,000
Total income	\$23,000	\$25,500

To see if the lump-sum election method results in lower taxable benefits, she completes *Worksheets 1, 2, and 4* from this publication. She does not need to complete *Worksheet 3* since her lump-sum payment was for years after 1993.

Jane completes *Worksheet 1* to find the amount of her taxable benefits for 2001 under the regular method. She completes *Worksheet 2* to find the taxable part of the lump-sum payment for 2000 under the lump-sum election method. She completes *Worksheet 4* to decide if the lump-sum election method will lower her taxable benefits.

After completing the worksheets, Jane compares the amounts from line 20 of *Worksheet 4* and line 18 of *Worksheet 1*. Because the amount on *Worksheet 4* is smaller, she chooses to use the lump-sum election method. To do this, she prints "LSE" to the left of line 20a on Form 1040. She then enters \$11,000 on line 20a of Form 1040 and her taxable benefits of \$2,500 on line 20b.

Jane's filled-in worksheets (1, 2, and 4) follow.

**Example. Jane Jackson**

Filled-in Worksheet 1. **Figuring Your Taxable Benefits**

**Before you start:** Is your filing status *Married filing separately*?

**No.** Go to line 1 below.

**Yes.** Did you live apart from your spouse all year?

**No.** Go to line 1 below.

**Yes.** Do the following if you file:

**Form 1040:** Enter "D" to the left of line 20a, then go to line 1 below.

**Form 1040A:** Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1.	Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 . . . . .	1.	<u>11,000</u>
	<b>Note:</b> If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.		
2.	Enter one-half of line 1 . . . . .	2.	<u>5,500</u>
3.	Enter the total of the amounts from: <b>Form 1040:</b> Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21. <b>Form 1040A:</b> Lines 7, 8a, 8b, 9, 10, 11b, 12b, and 13 . . . . .	3.	<u>25,500</u>
4.	<b>Form 1040A filers:</b> Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26) <b>Form 1040 filers:</b> Enter the total of any exclusions/adjustments for: <ul style="list-style-type: none"> <li>• Qualified U.S. savings bond interest (Form 8815, line 14)</li> <li>• Adoption benefits (Form 8839, line 26)</li> <li>• Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and</li> <li>• Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico</li> </ul>	4.	<u>-0-</u>
5.	Add lines 2, 3, and 4 . . . . .	5.	<u>31,000</u>
6.	<b>Form 1040A filers:</b> Enter the amount from Form 1040A, line 16. <b>Form 1040 filers:</b> Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 . . . . .	6.	<u>-0-</u>
7.	Subtract line 6 from line 5 . . . . .	7.	<u>31,000</u>
8.	Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . .	8.	<u>25,000</u>
9.	Subtract line 8 from line 7. If zero or less, enter -0- . . . . . <b>Note:</b> If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2001, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on to line 10.	9.	<u>6,000</u>
10.	Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . .	10.	<u>9,000</u>
11.	Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11.	<u>-0-</u>
12.	Enter the <b>smaller</b> of line 9 or line 10 . . . . .	12.	<u>6,000</u>
13.	Enter one-half of line 12. . . . .	13.	<u>3,000</u>
14.	Enter the <b>smaller</b> of line 2 or line 13 . . . . .	14.	<u>3,000</u>
15.	Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	15.	<u>-0-</u>
16.	Add lines 14 and 15 . . . . .	16.	<u>3,000</u>
17.	Multiply line 1 by 85% (.85) . . . . .	17.	<u>9,350</u>
18.	<b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .	18.	<u>3,000</u>

• Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.

• Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.

**Note:** If you received a lump-sum payment in this year that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see whether you can report a lower taxable benefit.

**Example. Jane Jackson**

Filled-in Worksheet 2. **Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year After 1993)**

Enter earlier year 2000

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year . . . . .	1.	<u>2,000</u>
<b>Note:</b> If line 1 is zero or less, skip lines 2 through 20 and enter -0- on line 21. Otherwise, go on to line 2.		
2. Enter one-half of line 1 . . . . .	2.	<u>1,000</u>
3. Enter the adjusted gross income reported on your return for the earlier year . . . . .	3.	<u>23,000</u>
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for adoption benefits (Form 8839), qualified U.S. savings bond interest (Form 8815), student loan interest (Form 1040, line 24, or Form 1040A, line 16 (line 17 in 2000)), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico . . . . .	4.	<u>-0-</u>
5. Enter any tax-exempt interest received in the earlier year . . . . .	5.	<u>-0-</u>
6. Add lines 2, 3, 4, and 5 . . . . .	6.	<u>24,000</u>
7. Enter taxable benefits reported on your return for the earlier year . . . . .	7.	<u>-0-</u>
8. Subtract line 7 from line 6 . . . . .	8.	<u>24,000</u>
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) . . . . .	9.	<u>25,000</u>
10. Subtract line 9 from line 8, if zero or less, enter -0- . . . . .	10.	<u>-0-</u>
<b>Note:</b> If line 10 is zero or less, skip lines 11 through 20 and enter -0- on line 21. Otherwise, go on to line 11.		
11. Enter \$9,000 (\$12,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) . . . . .	11.	<u>          </u>
12. Subtract line 11 from line 10. If zero or less, enter -0- . . . . .	12.	<u>          </u>
13. Enter the <b>smaller</b> of line 10 or line 11 . . . . .	13.	<u>          </u>
14. Enter one-half of line 13 . . . . .	14.	<u>          </u>
15. Enter the <b>smaller</b> of line 2 or line 14 . . . . .	15.	<u>          </u>
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- . . . . .	16.	<u>          </u>
17. Add lines 15 and 16 . . . . .	17.	<u>          </u>
18. Multiply line 1 by 85% (.85) . . . . .	18.	<u>          </u>
19. <b>Refigured taxable benefits.</b> Enter the <b>smaller</b> of line 17 or line 18 . . . . .	19.	<u>          </u>
20. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) . . . . .	20.	<u>          </u>
21. <b>Additional taxable benefits.</b> Subtract line 20 from line 19. Also enter this amount on line 19 of Worksheet 4 . . . . .	21.	<u>-0-</u>
<b>Note:</b> Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2001.		

**Example. Jane Jackson**

Filled-in Worksheet 4. **Figure Your Taxable Benefits Under the Lump-Sum Election Method (Use With Worksheet 2 or 3)**

<i>Complete Worksheet 1 and Worksheets 2 and 3 as appropriate before completing this worksheet.</i>	
1. Enter the total amount from box 5 of ALL your Forms SSA-1099 for 2001, minus the lump-sum payment for years before 2001. . . . .	1. <u>9,000</u>
<b>Note:</b> If line 1 is zero or less, enter zero on lines 2 and 11 and skip lines 3 through 10. Otherwise, go on to line 2.	
2. Enter one-half of line 1 . . . . .	2. <u>4,500</u>
3. Enter the amount from line 3 of Worksheet 1 . . . . .	3. <u>25,500</u>
4. Enter the amount from line 4 of Worksheet 1 . . . . .	4. <u>-0-</u>
5. Add lines 2, 3, and 4 . . . . .	5. <u>30,000</u>
6. Enter the amount from line 6 of Worksheet 1 . . . . .	6. <u>-0-</u>
7. Subtract line 6 from line 5 . . . . .	7. <u>30,000</u>
8. Enter the amount from line 8 of Worksheet 1 . . . . .	8. <u>25,000</u>
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	9. <u>5,000</u>
<b>Note:</b> If line 9 is zero or less, skip lines 10 through 17 and enter -0- on line 18. Otherwise, go on to line 10.	
10. Enter the amount from line 10 of Worksheet 1 . . . . .	10. <u>9,000</u>
11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11. <u>-0-</u>
12. Enter the <b>smaller</b> of line 9 or line 10 . . . . .	12. <u>5,000</u>
13. Enter one-half of line 12 . . . . .	13. <u>2,500</u>
14. Enter the <b>smaller</b> of line 2 or line 13 . . . . .	14. <u>2,500</u>
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	15. <u>-0-</u>
16. Add lines 14 and 15 . . . . .	16. <u>2,500</u>
17. Multiply line 1 by 85% (.85). . . . .	17. <u>7,650</u>
18. Enter the <b>smaller</b> of line 16 or line 17 . . . . .	18. <u>2,500</u>
19. Enter the total of the amounts from line 21 of Worksheet 2 and line 14 of Worksheet 3 for all earlier years for which the lump-sum payment was received . . . . .	19. <u>-0-</u>
20. <b>Taxable benefits under lump-sum election method.</b> Add lines 18 and 19. . . . .	20. <u>2,500</u>
<b>Note:</b> If line 20 above is not smaller than line 18 of Worksheet 1, you cannot use this method to figure your taxable benefits. Instead, follow the instructions on Worksheet 1 to report your benefits.	
You can elect to report your taxable benefits under this method if line 20 above is smaller than line 18 of Worksheet 1. To elect this method:	
<ul style="list-style-type: none"> <li>● Make the following entries on your return: On Form 1040, enter "LSE" to the left of line 20a. On Form 1040A, enter "LSE" to the left of line 14a.</li> <li>● Enter the amount from line 1 of Worksheet 1 on Form 1040, line 20a, or on Form 1040A, line 14a. If you are married filing separately and you lived apart from your spouse for all of 2001, also make the entries described at the top of Worksheet 1.</li> <li>● If line 20 above is zero, follow the instructions below line 9 on Worksheet 1. Otherwise, enter the amount from line 20 above on Form 1040, line 20b, or on 1040A, line 14b.</li> </ul>	

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## Deductions Related to Your Benefits

You may be entitled to deduct certain amounts related to the benefits you receive.

**Disability payments.** You may have received disability payments from your employer or an insurance company that you included as income on your tax return in an earlier year. If you received a lump-sum payment from SSA or RRB, and you had to repay the employer or insurance company for the disability payments, you can take an itemized deduction for the part of the payments you included in gross income in the earlier year. If the amount you repay is more than \$3,000, you may be able to claim a tax credit instead. Claim the deduction or credit in the same way explained under *Repayment of benefits received in an earlier year* in the section *Repayments More Than Gross Benefits*, later.

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

Legal expenses for collecting the **taxable** part of your benefits are deductible as a miscellaneous itemized deduction on line 22, Schedule A (Form 1040).

## 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) are more than the gross benefits (box 3) you received. If this occurred, your net benefits in box 5 will be a negative figure (a figure in parentheses) and none of your benefits will be taxable. 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 for that same year.

If you have any questions about this negative figure, contact your local SSA office or your local RRB field office.

**Joint return.** If you and your spouse file a joint return, and your Form SSA-1099 or RRB-1099 has a negative figure in box 5, but your spouse's does 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 2001. 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 total amount shown in box 5 of all of your Forms SSA-1099 and RRB-1099 is a negative figure, you can take an itemized deduction for the part of this negative figure that represents benefits you included in gross income in an earlier year.

**If this deduction is \$3,000 or less,** it is subject to the 2%-of-adjusted-gross-income limit that applies to certain miscellaneous itemized deductions. Claim it 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 2001 with the itemized deduction included on line 27 of Schedule A.
- 2) Figure your tax for 2001 in the following steps:
  - a) Figure the tax without the itemized deduction included on line 27 of Schedule A.
  - b) For each year after 1983 for which part of the negative figure represents a repayment of benefits, refigure your taxable benefits as if your total benefits for the year were reduced by that part of the negative figure. Then refigure the tax for that year.
  - c) Subtract the total of the refigured tax amounts in (b) from the total of your actual tax amounts.
  - d) Subtract the result in (c) from the result in (a).

Compare the tax figured in methods (1) and (2). Your tax for 2001 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 65 of Form 1040 and write "I.R.C. 1341" in the margin to the left of line 65. If both methods produce the same tax, deduct the repayment on line 27, Schedule A (Form 1040).



Worksheet 1. Figuring Your Taxable Benefits

Before you start: Is your filing status Married filing separately?

No. Go to line 1 below.

Yes. Did you live apart from your spouse all year?

No. Go to line 1 below.

Yes. Do the following if you file:

Form 1040: Enter "D" to the left of line 20a, then go to line 1 below.

Form 1040A: Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

- 1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 . . . . . 1. \_\_\_\_\_
Note: If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.
2. Enter one-half of line 1 . . . . . 2. \_\_\_\_\_
3. Enter the total of the amounts from:
Form 1040: Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21.
Form 1040A: Lines 7, 8a, 8b, 9, 10, 11b, 12b, and 13 . . . . . 3. \_\_\_\_\_
4. Form 1040A filers: Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26)
Form 1040 filers: Enter the total of any exclusions/adjustments for:
• Qualified U.S. savings bond interest (Form 8815, line 14)
• Adoption benefits (Form 8839, line 26)
• Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and
• Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico
4. \_\_\_\_\_
5. Add lines 2, 3, and 4. . . . . 5. \_\_\_\_\_
6. Form 1040A filers: Enter the amount from Form 1040A, line 16. Form 1040 filers: Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 . . . . . 6. \_\_\_\_\_
7. Subtract line 6 from line 5 . . . . . 7. \_\_\_\_\_
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2001) . . . . . 8. \_\_\_\_\_
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . . 9. \_\_\_\_\_
Note: If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2001, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on 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 during 2001) . . . . . 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 the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.
• Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.
Note: If you received a lump-sum payment in this year that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see whether you can report a lower taxable benefit.

Worksheet 2. **Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year After 1993)**



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

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year . . . . . **1.** \_\_\_\_\_  
**Note:** If line 1 is zero or less, skip lines 2 through 20 and enter -0- on line 21. Otherwise, go on to line 2.
2. Enter one-half of line 1 . . . . . **2.** \_\_\_\_\_
3. Enter the adjusted gross income reported on your return for the earlier year . . . . . **3.** \_\_\_\_\_
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for adoption benefits (Form 8839), qualified U.S. savings bond interest (Form 8815), student loan interest (Form 1040, line 24, or Form 1040A, line 16 (line 17 in 2000)), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico . . . . . **4.** \_\_\_\_\_
5. Enter any tax-exempt interest received in the earlier year . . . . . **5.** \_\_\_\_\_
6. Add lines 2, 3, 4, and 5 . . . . . **6.** \_\_\_\_\_
7. Enter taxable benefits reported on your return for the earlier year . . . . . **7.** \_\_\_\_\_
8. Subtract line 7 from line 6 . . . . . **8.** \_\_\_\_\_
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) . . . . . **9.** \_\_\_\_\_
10. Subtract line 9 from line 8, if zero or less, enter -0- . . . . . **10.** \_\_\_\_\_  
**Note:** If line 10 is zero or less, skip lines 11 through 20 and enter -0- on line 21. Otherwise, go on to line 11.
11. Enter \$9,000 (\$12,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) . . . . . **11.** \_\_\_\_\_
12. Subtract line 11 from line 10. If zero or less, enter -0- . . . . . **12.** \_\_\_\_\_
13. Enter the **smaller** of line 10 or line 11 . . . . . **13.** \_\_\_\_\_
14. Enter one-half of line 13 . . . . . **14.** \_\_\_\_\_
15. Enter the **smaller** of line 2 or line 14 . . . . . **15.** \_\_\_\_\_
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- . . . . . **16.** \_\_\_\_\_
17. Add lines 15 and 16 . . . . . **17.** \_\_\_\_\_
18. Multiply line 1 by 85% (.85) . . . . . **18.** \_\_\_\_\_
19. **Refigured taxable benefits.** Enter the **smaller** of line 17 or line 18 . . . . . **19.** \_\_\_\_\_
20. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) . . . . . **20.** \_\_\_\_\_
21. **Additional taxable benefits.** Subtract line 20 from line 19. Also enter this amount on line 19 of Worksheet 4 . . . . . **21.** \_\_\_\_\_

**Note:** Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2001.



Worksheet 3. **Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year Before 1994)**



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

<p><b>1.</b> Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year . . . . .</p> <p><b>Note:</b> If line 1 is zero or less, skip lines 2 through 13 and enter -0- on line 14. Otherwise, go on to line 2.</p> <p><b>2.</b> Enter one-half of line 1 . . . . .</p> <p><b>3.</b> Enter the adjusted gross income reported on your return for the earlier year . . . . .</p> <p><b>4.</b> Enter the total of any exclusions/adjustments you claimed in the earlier year for qualified U.S. savings bond interest (Form 8815), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico . . . . .</p> <p><b>5.</b> Enter any tax-exempt interest received in the earlier year . . . . .</p> <p><b>6.</b> Add lines 2, 3, 4, and 5 . . . . .</p> <p><b>7.</b> Enter the taxable benefits reported on your return for the earlier year . . . . .</p> <p><b>8.</b> Subtract line 7 from line 6 . . . . .</p> <p><b>9.</b> Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) . . . . .</p> <p><b>10.</b> Subtract line 9 from line 8, if zero or less, enter -0- . . . . .</p> <p><b>Note:</b> If line 10 is zero or less, skip lines 11 through 13 and enter -0- on line 14. Otherwise, go on to line 11.</p> <p><b>11.</b> Enter one-half of line 10 . . . . .</p> <p><b>12. Refigured taxable benefits.</b> Enter the <b>smaller</b> of line 2 or line 11 . . . . .</p> <p><b>13.</b> Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) . . . . .</p> <p><b>14. Additional taxable benefits.</b> Subtract line 13 from line 12. Also enter this amount on line 19 of Worksheet 4 . . . . .</p>	<p><b>1.</b> _____</p> <p><b>2.</b> _____</p> <p><b>3.</b> _____</p> <p><b>4.</b> _____</p> <p><b>5.</b> _____</p> <p><b>6.</b> _____</p> <p><b>7.</b> _____</p> <p><b>8.</b> _____</p> <p><b>9.</b> _____</p> <p><b>10.</b> _____</p> <p><b>11.</b> _____</p> <p><b>12.</b> _____</p> <p><b>13.</b> _____</p> <p><b>14.</b> _____</p>
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**Note:** Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2001.

Worksheet 4. **Figure Your Taxable Benefits Under the Lump-Sum Election Method**  
**(Use With Worksheet 2 or 3)**



Complete Worksheet 1 and Worksheets 2 and 3 as appropriate before completing this worksheet.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 for 2001, minus the lump-sum payment for years before 2001. . . . . **1.** \_\_\_\_\_  
**Note:** If line 1 is zero or less, enter zero on lines 2 and 11 and skip lines 3 through 10. Otherwise, go on to line 2.
2. Enter one-half of line 1 . . . . . **2.** \_\_\_\_\_
3. Enter the amount from line 3 of Worksheet 1 . . . . . **3.** \_\_\_\_\_
4. Enter the amount from line 4 of Worksheet 1 . . . . . **4.** \_\_\_\_\_
5. Add lines 2, 3, and 4 . . . . . **5.** \_\_\_\_\_
6. Enter the amount from line 6 of Worksheet 1 . . . . . **6.** \_\_\_\_\_
7. Subtract line 6 from line 5 . . . . . **7.** \_\_\_\_\_
8. Enter the amount from line 8 of Worksheet 1 . . . . . **8.** \_\_\_\_\_
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . . **9.** \_\_\_\_\_  
**Note:** If line 9 is zero or less, skip lines 10 through 17 and enter -0- on line 18. Otherwise, go on to line 10.
10. Enter the amount from line 10 of Worksheet 1 . . . . . **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. Enter the **smaller** of line 16 or line 17 . . . . . **18.** \_\_\_\_\_
19. Enter the total of the amounts from line 21 of Worksheet 2 and line 14 of Worksheet 3 for all earlier years for which the lump-sum payment was received . . . . . **19.** \_\_\_\_\_
20. **Taxable benefits under lump-sum election method.** Add lines 18 and 19. . . . . **20.** \_\_\_\_\_  
**Note:** If line 20 above is not smaller than line 18 of Worksheet 1, you cannot use this method to figure your taxable benefits. Instead, follow the instructions on Worksheet 1 to report your benefits.

You can elect to report your taxable benefits under this method if line 20 above is smaller than line 18 of Worksheet 1. To elect this method:

- Make the following entries on your return:  
 On Form 1040, enter "LSE" to the left of line 20a.  
 On Form 1040A, enter "LSE" to the left of line 14a.
- Enter the amount from line 1 of Worksheet 1 on Form 1040, line 20a, or on Form 1040A, line 14a. If you are married filing separately and you lived apart from your spouse for all of 2001, also make the entries described at the top of Worksheet 1.
- If line 20 above is zero, follow the instructions below line 9 on Worksheet 1. Otherwise, enter the amount from line 20 above on Form 1040, line 20b, or on 1040A, line 14b.

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

<b>2001</b> • 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 2001	Box 4. Benefits Repaid to SSA in 2001	Box 5. Net Benefits for 2001 (Box 3 minus Box 4)								
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width: 40%; padding: 5px; vertical-align: top;"><b>DESCRIPTION OF AMOUNT IN BOX 3</b></td> <td style="width: 60%; padding: 5px; vertical-align: top;"><b>DESCRIPTION OF AMOUNT IN BOX 4</b></td> </tr> <tr> <td colspan="2" style="padding: 5px;">Box 6. Voluntary Federal Income Tax Withholding</td> </tr> <tr> <td colspan="2" style="padding: 5px;">Box 7. Address</td> </tr> <tr> <td colspan="2" style="padding: 5px;">Box 8. Claim Number (Use this number if you need to contact SSA.)</td> </tr> </table>			<b>DESCRIPTION OF AMOUNT IN BOX 3</b>	<b>DESCRIPTION OF AMOUNT IN BOX 4</b>	Box 6. Voluntary Federal Income Tax Withholding		Box 7. Address		Box 8. Claim Number (Use this number if you need to contact SSA.)	
<b>DESCRIPTION OF AMOUNT IN BOX 3</b>	<b>DESCRIPTION OF AMOUNT IN BOX 4</b>									
Box 6. Voluntary Federal Income Tax Withholding										
Box 7. Address										
Box 8. Claim Number (Use this number if you need to contact SSA.)										

Form SSA-1099-SM (1-2002)

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

## Appendix

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



*The illustrated versions of Forms SSA-1099, SSA-1042S, RRB-1099, and RRB-1042S in this appendix are proof copies of the forms as they appeared when this publication went to print. The information on the illustrated forms should be essentially the same as the information on the form you received from either the SSA or the RRB. You should, however, compare the form you received 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. If you receive benefits on more than one social security record, you may get more than one Form SSA-1099. IRS Notice 703 will be enclosed with this form. It 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.

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

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



*In all your correspondence with the SSA, be sure to use the claim number shown in box 8.*

### Box 3—Benefits Paid in 2001

The figure shown in this box is the total benefits paid in 2001 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 2001 for one or more earlier years.

## Description of Amount in Box 3

This part 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.

**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 2001.

**Additions.** The following adjustment items may have been deducted from your benefits in 2001. If amounts appear on your Form SSA-1099 next to these items, they will be added to the amount shown in "Paid by check or direct deposit."



*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 deducted from your benefit.** If you have Medicare premiums deducted from your benefits, this is the amount withheld during 2001. The basic monthly premium in 2001 was \$50, 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.

**Paid to another family member.** This entry shows total payments withheld from your benefits if you are required to pay child support or alimony.

**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.

**Attorney fees and/or SSI offset.** 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.

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. This amount is considered part of your social security benefits. An entry here

means that an amount was deducted from your social security benefits to recover part of your SSI payments.

**Voluntary federal income tax withheld.** This shows the total amount of federal income tax withheld from your benefits. Include this amount on your income tax return as tax withheld.

**Benefit payment offset—Treasury.** Part of your Title II Social Security benefit may be withheld on behalf of the Treasury Department to recover debts you owe to other federal agencies.

**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 2001. If amounts appear on your Form SSA-1099 next to these items, they will be subtracted from the figure in *Total Additions*.

**Payments for months before December 1983.** The figure shown here is the amount of benefits you received in 2001 that was for months before December 1983. These benefits are not taxable no matter when they are paid.

**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 2001.

**Amounts refunded to you.** The amount shown here may include Medicare premiums you paid in excess of the amount actually due. It also may include amounts withheld in 2000 to pay your attorney in excess of the fee actually paid.

**Nontaxable payments.** This entry shows nontaxable payments such as lump-sum death payments.

**Amounts paid to you for other family members.** This entry shows benefit payments paid to you on behalf of a minor child or disabled adult.

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

**Benefits for 2001.** The amount shown here is the result of subtracting the figure in *Total Subtractions* from the figure in *Total Additions*. This amount is the same as that shown in box 3.

**\*Box 3 includes \$\_\_\_\_\_ paid in 2001 for 2000, 1999, and other tax years.** The figure shown here is the amount of any lump-sum benefit payment received in 2001 that is for an earlier year after 1983. See *Lump-Sum Election*, earlier, for a full discussion on how these payments are handled.

## Box 4—Benefits Repaid to SSA in 2001

The figure shown in this box is the total amount of benefits you repaid to SSA in 2001.

## Description of Amount in Box 4

This part 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 2001, no matter 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.

**Checks returned to SSA.** If any of your benefit checks were returned to SSA, the total is shown here.

**Deductions for work or other adjustments.** If any amounts were withheld from your benefits 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*.

**Other repayments.** This is the amount you repaid to SSA by direct remittance.

**Benefits Repaid to SSA in 2001.** 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 2001 (*Box 3 minus Box 4*)

The figure in this box is the net 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*, shown earlier, or on the worksheet in either the Form 1040 or 1040A instruction package.

If parentheses are 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 2001. If you have any questions about this negative figure, contact your local SSA office. For more information, see *Repayments More Than Gross Benefits*, earlier.

## Box 6—Voluntary Federal Income Tax Withheld

This shows the total amount of federal income tax withheld from your benefits. Include this amount on your income tax return as tax withheld.

## 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 2001. The tax rate for most nonresident aliens is 30%. If you are a resident of Switzerland, 85% of your benefits are taxed at a 15% rate. The figure "0" will appear in this box if you were not taxed in December or if you were exempt under a tax treaty. Benefits received by residents of Canada, Egypt, Germany, Ireland, Israel, Italy, Japan, Romania, and the United Kingdom are exempt from U.S. tax.

Under a treaty with India, benefits paid to individuals who are both residents and nationals of India are exempt from U.S. tax if the benefits are for services performed for the United States, its subdivisions, or local government authorities. 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 were exempt 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.

## Box 9—Net Tax Withheld During 2001

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. Form RRB-1099 is issued to citizens and residents of the United States. If you received, repaid, or had tax withheld from the social security equivalent benefit (SSEB) portion of tier 1 railroad retirement benefits or special guaranty benefits during 2001 you will receive Form RRB-1099,

If you received, repaid, or had tax withheld from any non-social security equivalent benefit (NSSEB) portion of tier 1, tier 2, vested dual benefits or supplemental annuity benefits during 2001, you will receive Form RRB-1099-R, *Annuities or Pensions by the Railroad Retirement Board*. For more information concerning Form RRB-1099-R, see Publication 575.

**FORM SSA-1042S – SOCIAL SECURITY BENEFIT STATEMENT**

<b>2001</b> • THIS FORM IS FOR USE IN FILING A UNITED STATES FEDERAL INCOME TAX RETURN. DO NOT RETURN IT TO SOCIAL SECURITY. READ THE INFORMATION ON THE REVERSE.		
Box 1. Name	Box 2. Beneficiary's Social Security Number	
Box 3. Benefits Paid in 2001	Box 4. Benefits Repaid to SSA in 2001	Box 5. Net Benefits for 2001 ( <i>Box 3 minus Box 4</i> )
<b>DESCRIPTION OF AMOUNT IN BOX 3</b>	<b>DESCRIPTION OF AMOUNT IN BOX 4</b>	
Box 6. Rate of Tax	Box 10. Address	
Box 7. Amount of Tax Withheld	Box 11. Claim Number ( <i>Use this number if you need to contact SSA.</i> )	
Box 8. Amount of Tax Refunded		
Box 9. Net Tax Withheld During 2001 ( <i>Box 7 minus Box 8</i> )		

Form SSA-1042S-SM (1-2002)



*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.*

**Box 1—Claim Number and Payee Code**

Your RRB claim number is a six- or nine-digit number preceded by an alphabetical prefix and is the number under which the SSEB portion of tier 1 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. In all your contacts with the RRB, be sure to use the claim number and payee code shown in this box.

**Box 2—Recipient's Identification Number**

This is the U.S. social security number (SSN), individual taxpayer identification number (ITIN), or employer identification number (EIN), if known, for the person or estate listed as the recipient.

**Box 3—Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2001**

The figure shown in this box is the gross SSEB portion of tier 1 benefits or special guaranty benefits paid to you in 2001. It is the amount **before** any deductions were made for:

- Federal income tax withholding,
- Medicare premiums,
- Legal Process Garnishment payments,
- Legal Process Assignment payments,
- Recovery of an overpayment, including recovery of Railroad Unemployment Insurance Act benefits received while awaiting payment of your railroad retirement annuity, and
- Workers' compensation offset (explained in the description of box 6, later).

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

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

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		<h1>2001</h1>	<b>PAYMENTS BY THE RAILROAD RETIREMENT BOARD</b>	
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600			3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2001	
1. Claim Number and Payee Code		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2001		<b>COPY C -</b>  FOR RECIPIENT'S RECORDS  THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.
2. Recipient's Identification Number		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2001		
Recipient's Name, Street Address, City, State, and Zip Code		6. Workers' Compensation Offset in 2001		
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2000		
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 1999		
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1999		
		10. Federal Income Tax Withheld	11. Medicare Premium Total	

FORM RRB-1099

DO NOT ATTACH TO YOUR INCOME TAX RETURN

- Legal Process Partition payments.



*Social security benefits paid through the RRB are not reported on Form RRB-1099 or RRB-1042S. They are reported on Form SSA-1099 or Form SSA-1042S.*

**Example 1.** For the period January through March 2001, you received \$300 (\$100 x 3 months) Railroad Unemployment Insurance. You were eligible for the SSEB portion of tier 1 benefits of \$509 a month beginning January 1, 2001, but you did not receive your first payment until April 2001. The payment you received in April was for the first three months of 2001. However, because you received unemployment benefits during the same period, \$300 was deducted from your initial benefit payment. Instead of receiving \$1,527 (\$509 x 3 months), you received \$1,227 (\$1,527 - \$300). 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 x 11 months) as the gross SSEB portion of tier 1 benefits paid to you in 2001, 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 2000 through May 2001. Your \$600 monthly tier 1 benefit consists of an SSEB portion of \$250 and a non-social security equivalent benefit (NSSEB) portion of \$350. Beginning in June 2001, you became entitled to Medicare, and \$50 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 \$550 (\$600 - \$50) a month. Box 3 of your Form RRB-1099 will show the gross SSEB portion of tier 1 benefits of \$3,000 (\$250 x 12 months), because it is the gross SSEB amount *before* deductions for your Medicare premiums. Box 11 of your Form RRB-1099 will show

your Medicare premiums of \$300 (\$50 x 6 months) deducted from June through November 2001. The remainder of your tier 1 payments, the NSSEB portion of \$4,200 (\$350 x 12 months), will be shown on the Form RRB-1099-R that you will receive along with your Form RRB-1099. The \$4,200 is the gross NSSEB amount *before* deductions for your Medicare premiums. (The *Medicare Premium Total* box shown on your Form RRB-1099-R will be blank since the Medicare total will be shown in box 11 of your Form RRB-1099.) For more information on Form RRB-1099-R, see Publication 575.

**Benefits paid for earlier years.** The figure in box 3 includes any lump-sum benefit payment you received in 2001 that is for an earlier year after 1983. If you received a payment for an earlier year, it will be shown in box 7, 8, or 9 (described later). See *Lump-Sum Election*, earlier, for information on how to treat the payment.

### Box 4—Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2001

The figure shown in this box is the total SSEB portion of tier 1 benefits you repaid to the RRB in 2001. You may have repaid a benefit by returning a payment, 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 SSEB benefits you repaid in 2001 that were for 2001 *or* for one or more years before 2001. All tier 1 repayments for years before 1986 are treated entirely as SSEB benefits.

**Example 1.** You returned to work for your last railroad employer for the months of June through August 2001. The SSEB portion of your tier 1 benefit was \$450 for each of those months. Since you are not allowed to receive bene-

fits for any month you returned to railroad service, you have to make a repayment to the RRB. You returned the benefit payment for June through August 2001. Box 4 of your Form RRB-1099 will show \$1,350 (\$450 x 3 months) as the SSEB portion of tier 1 benefits you repaid to the RRB.

**Example 2.** From January through April 2001 you were overpaid \$800 in the SSEB portion of tier 1 benefits. From May through August 2001, \$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 (\$200 x 4 months) 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 2000. You also became entitled to, and received from the SSA, a social security benefit of \$300 a month beginning May 1, 2001. SSA later authorized the RRB to pay that benefit. In August 2001, 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 (\$300 x 3 months) covering the period May through July 2001 were kept by the RRB to offset your \$900 SSEB overpayment for that same 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 for the months of May through July 2001.)

### **Box 5—Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2001**

The figure shown in this box is the net amount of the SSEB portion of tier 1 benefits paid to you in 2001. It is the result of subtracting the amount in box 4 from the amount in box 3. If you received more than one Form RRB-1099 for 2001, you should add the amounts in box 5 of *all* Forms RRB-1099 to determine your net amount of SSEB payments for 2001. Use this amount to determine if any of your benefits are taxable. See *Are Any of Your Benefits Taxable*, earlier.

If parentheses are 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 2001. For more information, see *Repayments More Than Gross Benefits*, earlier.

### **Box 6—Workers' Compensation Offset in 2001**

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 amounts by which your SSEB payments were reduced for workers' compensation benefits. 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.** For 2001, 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 x 12 months) as the SSEB portion of tier 1 benefits paid to you by the RRB. 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 x 12 months). In figuring if any of your benefits are taxable, you must use \$5,400 (box 5) 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 2000 or 1999**

The figure shown in each applicable box is the amount of SSEB benefits paid to you in 2001 that was for 2000 or 1999. 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 1999**

The figure shown in this box is the amount of SSEB benefits paid to you in 2001 that was for 1998 and earlier years after 1983. This amount is included in the amount shown in box 3. Any tier 1 benefit paid for a period before 1986 is treated as SSEB.

### **Box 10—Federal Income Tax Withheld**

The figure shown in this box is the total amount of U.S. federal income tax withheld on your tier 1 SSEB payments. This total is based on the amount of SSEB tax withholding requested on IRS Form W-4V, *Voluntary Withholding Request*. Include this amount on your income tax return as tax withheld.



*In some cases, a tax withholding amount may be shown in this box even though you did not request SSEB tax withholding. This may happen if you previously had taxes withheld from your pension payments (NSSEB, tier 2, and/or vested dual benefit), but the taxability of those payments has since changed. In these cases, the tax withholding amount is applied to the SSEB since that is your only taxable component.*

### **Box 11—Medicare Premium Total**

This is for information purposes only. This is the total amount of Part B Medicare premiums deducted from your railroad retirement annuity payments shown on your Form RRB-1099 for 2001. Medicare premium refunds are not included in this total. The Medicare total is normally shown



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>2001</b>		<b>STATEMENT FOR NONRESIDENT ALIEN RECIPIENTS OF:</b>		<b>PAYMENTS BY THE RAILROAD RETIREMENT BOARD</b>	
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600		3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2001					
1. Claim Number and Payee Code		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2001					
2. Recipient's Identification Number		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2001				<b>COPY C -</b>  FOR RECIPIENT'S RECORDS  THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.	
Recipient's Name, Street Address, City, State, and Zip Code		6. Workers' Compensation Offset in 2001					
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid in 2000					
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 1999					
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1999					
		10. Country	11. Rate of Tax	12. Federal Tax Withheld		13. Medicare Premium Total	

FORM RRB-1042S

DO NOT ATTACH TO YOUR INCOME TAX RETURN

on Form RRB-1099. However, if Form RRB-1099 is not required for your 2001 taxes, then this total will be shown on Form RRB-1099-R. Medicare premiums deducted from your social security benefits, paid by a third party, or paid by direct billing will not be shown in this box.

## Form RRB-1042S (Nonresident Aliens)

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

**Note.** If your country of legal residence changed or your tax withholding rate changed during the year, you may receive more than one Form RRB-1042S. To determine your total amounts for the year, you should add the amounts shown on all Forms RRB-1042S you received for that year.

### 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 Form 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 Form RRB-1042S for each rate change during the year. The tax rate for most nonresident aliens is 30%. The figure "0%" or "15%" may appear in this box if you claimed a tax treaty exemption. Benefits received by residents of Canada, Egypt, Germany, Ireland, Israel, Italy, Japan, Romania, and the United Kingdom are exempt from U.S. tax. If you are a

resident of Switzerland, 85% of your benefits are taxed at a 15% rate.

Under a treaty with India, benefits paid to individuals who are both residents and nationals of India are exempt from U.S. tax if the benefits are for services performed for the United States, its subdivisions, or local government authorities. 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. federal income tax withheld from the SSEB portion of your tier 1 payments while you were a legal resident of the country in box 10 in 2001. If you received more than one Form-1042S for 2001, add the amounts in box 12 of **all** Forms-1042S to determine your total amount of U.S. federal income tax withheld from SSEB payments for 2001. Tax is withheld for any month in which you were a nonresident alien (unless you claimed exemption under a tax treaty).

### Box 13—Medicare Premium Total

This is for information purposes. This is the total amount of Part B Medicare premiums deducted from your railroad retirement annuity payments shown on your Form RRB-1042S for 2001. Medicare premium refunds are not included in this total. The Medicare total is normally shown on Form RRB-1042S. However, if Form RRB-1042S is not required for your 2001 taxes, then this total will be shown on Form RRB-1099-R. Medicare premiums deducted from your social security benefits, paid by a third party, or paid by direct billing will not be shown in this box.



*You should contact your nearest RRB field office (if you reside in the United States) or U.S. consulate/embassy (if you reside outside of the United States) for assistance with your RRB tax statement inquiries. If you have any questions about how to figure your taxable payments or what amounts to show on your in-*

come tax returns, contact your own tax preparer or the IRS. You may visit the RRB on the Internet at [www.rrb.gov](http://www.rrb.gov).

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## How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

**Contacting your Taxpayer Advocate.** If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate at **1-877-777-4778**.
- Call the IRS at **1-800-829-1040**.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call **1-800-829-4059** if you are a TTY/TDD user.

For more information, see Publication 1546, *The Taxpayer Advocate Service of the IRS*.

**Free tax services.** To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



**Personal computer.** With your personal computer and modem, you can access the IRS on the Internet at [www.irs.gov](http://www.irs.gov). While visiting our web site, you can:

- Find answers to questions you may have.
- Download forms and publications or search for forms and publications by topic or keyword.
- View forms that may be filled in electronically, print the completed form, and then save the form for recordkeeping.
- View Internal Revenue Bulletins published in the last few years.
- Search regulations and the Internal Revenue Code.
- Receive our electronic newsletters on hot tax issues and news.

- Get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at [ftp.irs.gov](http://ftp.irs.gov).



**TaxFax Service.** Using the phone attached to your fax machine, you can receive forms and instructions by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

For help with transmission problems, call the FedWorld Help Desk at **703-487-4608**.



**Phone.** Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

**Evaluating the quality of our telephone services.** To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



**Walk-in.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county governments, credit unions, and office supply stores have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.



**Mail.** You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**

Western Area Distribution Center  
Rancho Cordova, CA 95743-0001

- **Central part of U.S.:**

Central Area Distribution Center  
P.O. Box 8903  
Bloomington, IL 61702-8903

- **Eastern part of U.S. and foreign addresses:**

Eastern Area Distribution Center  
P.O. Box 85074  
Richmond, VA 23261-5074

- Prior-year tax forms and instructions.
- Popular tax forms that may be filled in electronically, printed out for submission, and saved for record-keeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1-877-233-6767** or on the Internet at **www.irs.gov**. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676** or visiting the IRS web site at **www.irs.gov**.



**CD-ROM.** You can order IRS Publication 1796, *Federal Tax Products on CD-ROM*, and obtain:

- Current tax forms, instructions, and publications.

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