

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

Table 2.A29—Earnings (retirement) test

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

See footnotes at end of table.

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

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

Year enacted	Beneficiaries exempt	Earnings subject to test	Amount permitted without reduction in benefits (exempt amount)		Reduction in monthly benefits <sup>1</sup>	Effective year			
			Annual earnings	Monthly wages <sup>2</sup>					
For beneficiaries who have reached full retirement age <sup>6</sup>									
1977 (Cont.)	...	...	<sup>7</sup> \$4,000	<sup>7</sup> \$333.33	\$1 for each \$2 of earnings above \$4,000	1978			
			<sup>7</sup> 4,500	<sup>7</sup> 375.00	\$1 for each \$2 of earnings above \$4,500	1979			
			<sup>7</sup> 5,000	<sup>7</sup> 416.66	\$1 for each \$2 of earnings above \$5,000	1980			
			<sup>7</sup> 5,500	<sup>7</sup> 458.33	\$1 for each \$2 of earnings above \$5,500	1981			
			<sup>7</sup> 6,000	<sup>7</sup> 500.00	\$1 for each \$2 of earnings above \$6,000	1982			
1981 .....	Aged 70 or older	Up to age 70	...	...	...	1983			
			<sup>5</sup> 6,600	<sup>5</sup> 550.00	\$1 for each \$2 of earnings above \$6,600	1983			
			<sup>5</sup> 6,960	<sup>5</sup> 580.00	\$1 for each \$2 of earnings above \$6,960	1984			
			<sup>5</sup> 7,320	<sup>5</sup> 610.00	\$1 for each \$2 of earnings above \$7,320	1985			
			<sup>5</sup> 7,800	<sup>5</sup> 650.00	\$1 for each \$2 of earnings above \$7,800	1986			
			<sup>5</sup> 8,160	<sup>5</sup> 680.00	\$1 for each \$2 of earnings above \$8,160	1987			
			<sup>5</sup> 8,400	<sup>5</sup> 700.00	\$1 for each \$2 of earnings above \$8,400	1988			
			<sup>5</sup> 8,880	<sup>5</sup> 740.00	\$1 for each \$2 of earnings above \$8,880	1989			
			1983 .....	...	...	...	...	\$1 for each \$3 of earnings above exempt amount	1990
						<sup>5</sup> 9,360	<sup>5</sup> 780.00	\$1 for each \$3 of earnings above \$9,360	1990
<sup>5</sup> 9,720	<sup>5</sup> 810.00	\$1 for each \$3 of earnings above \$9,720				1991			
<sup>5</sup> 10,200	<sup>5</sup> 850.00	\$1 for each \$3 of earnings above \$10,200				1992			
<sup>5</sup> 10,560	<sup>5</sup> 880.00	\$1 for each \$3 of earnings above \$10,560				1993			
<sup>5</sup> 11,160	<sup>5</sup> 930.00	\$1 for each \$3 of earnings above \$11,160				1994			
1996 .....	...	...	<sup>5</sup> 11,280	<sup>5</sup> 940.00	\$1 for each \$3 of earnings above \$11,280	1995			
			12,500	<sup>8</sup> 1,041.67	\$1 for each \$3 of earnings above \$12,500	1996			
			13,500	1,125.00	\$1 for each \$3 of earnings above \$13,500	1997			
			14,500	<sup>9</sup> 1,208.33	\$1 for each \$3 of earnings above \$14,500	1998			
2000 .....	...	...	15,500	<sup>10</sup> 1,291.67	\$1 for each \$3 of earnings above \$15,500	1999			
			Earnings test eliminated <sup>11</sup>				2000		
For beneficiaries who will not reach full retirement age during year <sup>6</sup>									
2000 .....	...	...	<sup>5</sup> \$10,080	<sup>5</sup> \$900	\$1 for each \$2 of earnings above \$10,800	2000			
For beneficiaries who will reach full retirement age during year <sup>6</sup>									
2000 .....	...	...	\$17,000	<sup>12</sup> \$1,416.67	\$1 for each \$3 of earnings above \$17,000	2000			
			25,000	<sup>13</sup> 2,083.33	\$1 for each \$3 of earnings above \$25,000	2001			
			30,000	2,500.00	\$1 for each \$3 of earnings above \$30,000	2002			

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 2.A30.—Earnings guidelines <sup>1</sup> regarding substantial gainful activity (SGA), 1961–2000

Year	Average monthly amounts of earnings for—		
	Nonblind beneficiaries <sup>2</sup>		Blind beneficiaries <sup>3</sup>
	Maximum	Minimum	
1961–65.....	\$100	\$50	(4)
1966–June 1968.....	125	75	(4)
July 1966–73.....	140	90	(4)
1974–75.....	200	130	(4)
1976.....	230	150	(4)
1977.....	240	160	(4)
1978.....	260	170	\$334
1979.....	280	180	375
1980.....	300	190	417
1981.....	300	190	459
1982.....	300	190	500
1983–89.....	300	190	(5)
1990.....	500	300	780
1991.....	500	300	810
1992.....	500	300	850
1993.....	500	300	880
1994.....	500	300	930
1995.....	500	300	940
1996.....	500	300	960
1997.....	500	300	1,000
1998.....	500	300	1,050
Jan.–June 1999.....	500	300	1,110
July 1999.....	700	300	1,110
2000.....	700	300	1,170

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

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

<sup>3</sup> The 1977 amendments provided that, effective 1978, earnings of blind beneficiaries would not be considered to demonstrate ability to engage in SGA unless they average more than the amount shown below.

<sup>4</sup> Guidelines are the same as those applicable to nonblind beneficiaries.

<sup>5</sup> Annual amounts were determined by automatic adjustments linked to increases in average wage level. The amounts equal the monthly exempt amounts under the earnings test applicable to beneficiaries who have reached the normal retirement age (see table 2.A29—fourth column, third bank—for the 1983–95 amounts).

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Table 2.A31.—Taxation of Social Security benefits

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

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

<sup>2</sup> Includes workers' compensation benefits to the extent they cause a reduction in Social Security or Tier 1 Railroad Retirement disability benefits.

<sup>3</sup> Includes only married taxpayers filing separately who lived with their spouse at any time during the tax year; married individuals filing separately who did not live with their spouse are treated the same as unmarried individuals.

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

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

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

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

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

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

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