



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

What are “special payments”?

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

What qualifies as a special payment?

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

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

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

How do earnings limits affect benefits?

If a person who gets Social Security retirement benefits is younger than his or her full retirement age, there are limits to how much he or she can earn from work. Full retirement age was 65 for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born in 1960 or later. For example, the full retirement age for people born in 1943 through 1954 is 66. We reduce benefits, if earnings exceed certain limits.

- If you are younger than your full retirement age, we deduct \$1 in benefits for each \$2 you earn above the earnings limit. In 2016, the limit is \$15,720.
- In the year you reach your full retirement age, we reduce your benefits \$1 for every \$3 you earn above the earnings limit. In 2016, the limit is \$41,880.
- Starting with the month you reach full retirement age, you can get your full benefits no matter how much money you earn.

If you think you received a special payment

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

Example of a special payment

This example shows how we apply a special payment under Social Security rules.

Mr. DeSilva retired at age 62 in November 2015 and began to receive Social Security benefits. In January 2016, Mr. DeSilva receives a check from his employer for \$17,000 for his leftover vacation time. Because this is for vacation pay he earned before he retired, Social Security will consider it a special payment and won't count it toward the earnings limit for 2016.

Insurance salespeople and farmers

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

Insurance salespeople

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

Farmers

Many farmers harvest and store crops one year for sale in another year. When farmers fully harvest and store crops before or in the month they become entitled to benefits, and then sell them in the next year, those earnings will not affect benefits for the year they receive the money.

Contacting Social Security

Visit www.socialsecurity.gov anytime to apply for benefits, open a **my Social Security** account, find publications, and get answers to frequently asked questions. Or, call us toll-free at **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer case-specific questions from 7 a.m. to 7 p.m., Monday through Friday. Generally, you'll have a shorter wait time if you call after Tuesday. We treat all calls confidentially. We also want to make sure you receive accurate and courteous service, so a second Social Security representative monitors some telephone calls. We can provide general information by automated phone service 24 hours a day. And, remember, our website, www.socialsecurity.gov, is available to you anytime and anywhere!