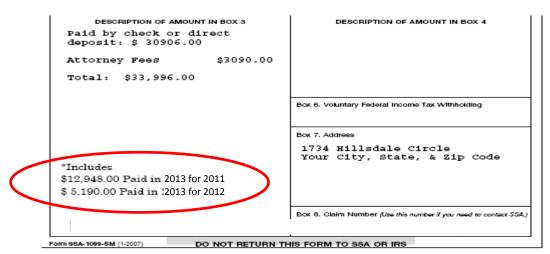
ST13-03 Lump Sum Social Security Payments

General Information

- Use this process if the taxpayer received lump sum social security benefits for previous years
- From SSA-1099A, Box 3
- Not as difficult as it appears in TaxWise
- Must have copies of prior year's returns
- If Taxpayer's total SS or RR Benefit is not taxable, STOP HERE

1099-SSA with Lump Sum

- Total from Box 5 = \$33,996 Enter in Wkt1 "Social Security Received this year" and note refund/owed amount in Refund Monitor
- Amount for 2011 paid in 2013 = \$12,948 from the 1099-SSA box 3
- Amount for 2012 paid in 2013 = \$5,190 from the 1099-SSA box 3
- Therefore, the amount for 2013 would be \$15,858 (determined by subtracting the 2011 and 2012 amounts from the amount in box 5.)

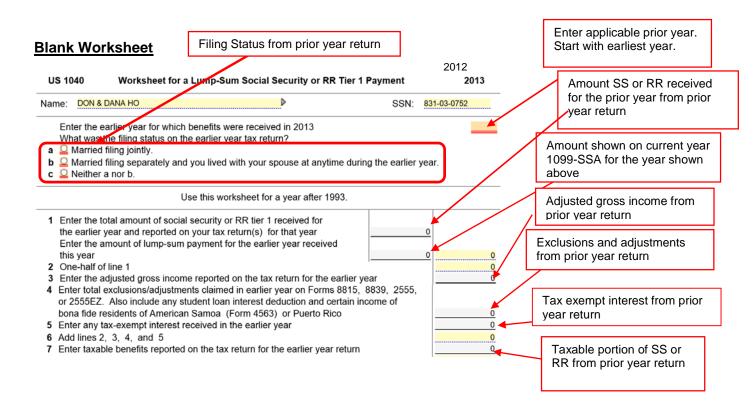


Start With 1040 Wkt1

- In TaxWise, at the bottom of 1040 Wkt1 you'll see "Lump Sum Payment of Social Security and ..."
- Enter \$15,858 gross amount received attributable to 2013
- If return is a joint return, include "Gross amount received attributed to 2013" for spouse
- Click here and link (F9) to worksheet .

Lump Sum Payment of Social Security and Railroa	d Tier 1	Benefi	ts			
Fill in the total lump sum received above.		Тахр	ayer	Spouse		Total
Gross amount received attributable to 2013 Using the above modified AGI, this is the taxable amo	ount of th	e 2013	15858 benefits		0	15858 13479
Amounts taxable from previous years Taxable benefits using the lump-sum election met				o worksheel	l	0 13479

ST13-03 Lump Sum Social Security Payments



Completed Worksheet 2011

US 1040 Worksheet for a Lump-Sum Social Security or RR Tier 1 Payment					
Name: DON & DANA HO	4	SSN:	831-03-0752		
What was the filing status of a OMarried filing jointly.	hich benefits were received in 2013 on the earlier year tax return? and you lived with your spouse at anytime dur	ing the earlier	2011 year.		
	Use this worksheet for a year after 1993.				
 the earlier year and reported Enter the amount of lump-set this year 2 One-half of line 1 3 Enter the adjusted gross in 4 Enter total exclusions/adjust or 2555EZ. Also include an bona fide residents of Ame 5 Enter any tax-exempt intered 6 Add lines 2, 3, 4, and 5 	cocial security or RR tier 1 received for ed on your tax return(s) for that year sum payment for the earlier year received come reported on the tax return for the earlier stments claimed in earlier year on Forms 8815, ny student loan interest deduction and certain i rican Samoa (Form 4563) or Puerto Rico est received in the earlier year	year , 8839, 2555, ncome of	000 048 15948 7974 60000 0 67974 (2550		

ST13-03 Lump Sum Social Security Payments

Completed Worksheet for 2012

US 1040 Worksheet for a Lump-Sum Social Security or RR Tier 1 Payment					
Name: DON 8	DANA HO	SSN:	831-03-0752		
What was a 	earlier year for which benefits were received in 2013 the filing status on the earlier year tax return? I filing jointly. I filing separately and you lived with your spouse at anytime dur a nor b.	ng the earlier	vear.		
	Use this worksheet for a year after 1993.				
 the earlier Enter the this year One-half of Enter the Enter tota or 2555E2 bona fide Enter any Add lines 	total amount of social security or RR tier 1 received for year and reported on your tax return(s) for that year amount of lump-sum payment for the earlier year received of line 1 adjusted gross income reported on the tax return for the earlier exclusions/adjustments claimed in earlier year on Forms 8815, 2. Also include any student loan interest deduction and certain is residents of American Samoa (Form 4563) or Puerto Rico tax-exempt interest received in the earlier year 2, 3, 4, and 5 able benefits reported on the tax return for the earlier year return	/ear 8839, 2555, ncome of	90 90 12190 6095 35000 0 41095 5995		

Note the taxable portion of SS or RR after the worksheets are completed.

In this example the taxpayer's refund went from \$641 to \$1226 using this process.

Legal Fees

Legal fees are deductible on Schedule A, line 23 (subject to the 2% AGI limitation), if the taxpayer itemizes deductions. Legal fees associated with obtaining the benefits can be deducted to the extent that the benefits are taxable.

In the example above: Attorney Fees: \$3,090 Gross SS Income: \$33,996 Taxable amount of SS: \$23,925 Deductible attorney fees (Schedule A, line 23): \$2,175 = [\$3,090 x \$23,925 / \$33,996]

NOTE: Since previous returns were not amended, the entire \$23,925 was allocated to the current year.

Disability Insurance Repayment

Social Security Lump Sums are often associated with repayment of private disability insurance. The "repayment" can be handled according to IRC 1341 as a "Claim of Right", in a manner similar to the SS Lump Sum Election. This is "out of scope" and should be referred to a professional preparer.

<u>Tips</u>

- Taxpayer must have copies of previous year return(s)
- Be sure to enter any SS income received in previous year
- Be sure to check previous return for any tax-exempt interest (Line 8b)
- Attorney fees may be deductible
- Refer SS lump sums that include private disability insurance repayment to a Professional Preparer