

# 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.)

DESCRIPTION OF AMOUNT IN BOX 3	DESCRIPTION OF AMOUNT IN BOX 4
Paid by check or direct deposit: \$ 30906.00  Attorney Fees                      \$3090.00  Total:    \$33,996.00	Box 6. Voluntary Federal Income Tax Withholding  Box 7. Address 1734 Hillsdale Circle Your City, State, & Zip Code  Box 8. Claim Number (Use this number if you need to contact SSA.)
<div style="border: 2px solid red; border-radius: 50%; padding: 5px; margin-top: 10px;">                         *Includes                          \$12,948.00 Paid in 2013 for 2011                          \$ 5,190.00 Paid in 2013 for 2012                     </div>	

Form SSA-1099-SM (1-2007)                      DO NOT RETURN THIS FORM TO SSA OR IRS

## 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

<b>Lump Sum Payment of Social Security and Railroad Tier 1 Benefits</b>			
Fill in the total lump sum received above.	Taxpayer	Spouse	Total
Gross amount received attributable to 2013	15858	0	15858
Using the above modified AGI, this is the taxable amount of the 2013 benefits			13479
Amounts taxable from previous years		F9 to worksheet	0
<b>Taxable benefits using the lump-sum election method</b>			13479

# ST13-03 Lump Sum Social Security Payments

## Blank Worksheet

2012  
2013

**US 1040 Worksheet for a Lump-Sum Social Security or RR Tier 1 Payment**

Name: DON & DANA HO SSN: 831-03-0752

Enter the earlier year for which benefits were received in 2013  
 What was the filing status on the earlier year tax return?

a  Married filing jointly.  
 b  Married filing separately and you lived with your spouse at anytime during the earlier year.  
 c  Neither a nor b.

Use this worksheet for a year after 1993.

<p>1 Enter the total amount of social security or RR tier 1 received for the earlier year and reported on your tax return(s) for that year                  Enter the amount of lump-sum payment for the earlier year received this year</p> <p>2 One-half of line 1</p> <p>3 Enter the adjusted gross income reported on the tax return for the earlier year</p> <p>4 Enter total exclusions/adjustments claimed in earlier year on Forms 8815, 8839, 2555, or 2555EZ. Also include any student loan interest deduction and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico</p> <p>5 Enter any tax-exempt interest received in the earlier year</p> <p>6 Add lines 2, 3, 4, and 5</p> <p>7 Enter taxable benefits reported on the tax return for the earlier year return</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> </table>	0	0	0	0	0	0	0
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- Enter applicable prior year. Start with earliest year.
- Amount SS or RR received for the prior year from prior year return
- Amount shown on current year 1099-SSA for the year shown above
- Adjusted gross income from prior year return
- Exclusions and adjustments from prior year return
- Tax exempt interest from prior year return
- Taxable portion of SS or RR from prior year return

## Completed Worksheet 2011

2013

**US 1040 Worksheet for a Lump-Sum Social Security or RR Tier 1 Payment**

Name: DON & DANA HO SSN: 831-03-0752

Enter the earlier year for which benefits were received in 2013  
 What was the filing status on the earlier year tax return?

a  Married filing jointly.  
 b  Married filing separately and you lived with your spouse at anytime during the earlier year.  
 c  Neither a nor b.

Use this worksheet for a year after 1993.

<p>1 Enter the total amount of social security or RR tier 1 received for the earlier year and reported on your tax return(s) for that year                  Enter the amount of lump-sum payment for the earlier year received this year</p> <p>2 One-half of line 1</p> <p>3 Enter the adjusted gross income reported on the tax return for the earlier year</p> <p>4 Enter total exclusions/adjustments claimed in earlier year on Forms 8815, 8839, 2555, or 2555EZ. Also include any student loan interest deduction and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico</p> <p>5 Enter any tax-exempt interest received in the earlier year</p> <p>6 Add lines 2, 3, 4, and 5</p> <p>7 Enter taxable benefits reported on the tax return for the earlier year return</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">3000</td></tr> <tr><td style="text-align: center;">12948</td></tr> <tr><td style="text-align: center;">15948</td></tr> <tr><td style="text-align: center;">7974</td></tr> <tr><td style="text-align: center;">60000</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">0</td></tr> <tr><td style="text-align: center;">67974</td></tr> <tr><td style="text-align: center;">2550</td></tr> </table>	3000	12948	15948	7974	60000	0	0	67974	2550
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# ST13-03 Lump Sum Social Security Payments

## Completed Worksheet for 2012

<b>US 1040</b>	<b>Worksheet for a Lump-Sum Social Security or RR Tier 1 Payment</b>	<b>2013</b>
Name: <u>DON &amp; DANA HO</u>		SSN: <u>831-03-0752</u>

Enter the earlier year for which benefits were received in 2013 2012

What was the filing status on the earlier year tax return?

a  Married filing jointly.

b  Married filing separately and you lived with your spouse at anytime during the earlier year.

c  Neither a nor b.

Use this worksheet for a year after 1993.

<p><b>1</b> Enter the total amount of social security or RR tier 1 received for the earlier year and reported on your tax return(s) for that year</p> <p>Enter the amount of lump-sum payment for the earlier year received this year</p> <p><b>2</b> One-half of line 1</p> <p><b>3</b> Enter the adjusted gross income reported on the tax return for the earlier year</p> <p><b>4</b> Enter total exclusions/adjustments claimed in earlier year on Forms 8815, 8839, 2555, or 2555EZ. Also include any student loan interest deduction 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 taxable benefits reported on the tax return for the earlier year return</p>	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">7000</td><td></td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">5190</td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">12190</td></tr> <tr><td></td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">6095</td></tr> <tr><td></td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">35000</td></tr> <tr><td></td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">0</td></tr> <tr><td></td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">0</td></tr> <tr><td></td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">41095</td></tr> <tr><td></td><td style="border-top: 1px solid black; border-bottom: 1px solid black;">5995</td></tr> </table>	7000		5190	12190		6095		35000		0		0		41095		5995
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**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 = [ $\$3,090 \times \$23,925 / \$33,996$ ]

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.

**Tips**

- 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