

Your Social Security

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News and Information for SSDI and SSI Recipients

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Cut Your Tax Bill: Strategies for Disabled Americans

It seems that taxes confused even one of the brainiest guys in history—Albert Einstein—who famously said: “The hardest thing in the world to understand is taxes.” The American income tax system is complex and confusing, but here are some basic guidelines to help you understand how your disability payments are taxed and some ideas on how to reduce your tax liability.

H&R Block, the national tax preparation company, points out that “all Social Security benefits are taxed in the

same way. This is true whether they’re retirement, survivors, or disability benefits.” But for the majority of people, Social Security benefits are not taxable. According to Social Security, “some people who get Social Security have to pay taxes on their benefits. About one-third of...current beneficiaries pay taxes on their benefits.”

Typically disability recipients who pay taxes on benefits are those receiving Social Security Disability Insurance (SSDI) payments. Supplemental Security Income recipients seldom pay income taxes, because if they have sufficient income to have to pay taxes, they don’t qualify for SSI.

So when do you have to pay taxes on SSDI benefits? In general, if you or your spouse have another source of substantial income you will owe money to the tax man.

According to H&R Block, none of your SSDI is taxable if one-half of your SSDI plus all your other income is less than:

- \$25,000 if you filed as single, head of household, or married filing separately and you and your spouse lived apart all year.
- \$32,000 if you’re married filing jointly.



For the majority of people, Social Security benefits are not taxable.

Up to 50% of your SSDI is taxable if your income is more than those amounts. Also, up to 85% of your SSDI is taxable if one-half of your SSDI plus all your other income is more than:

- \$34,000 if you filed as single, head of household, or married filing separately and you and your spouse lived apart all year.
- \$44,000 if you’re married filing jointly.

If you are married and file a separate return and you and your spouse lived together at any time during the year you will probably owe taxes on your benefits.

State income tax levied on Social Security income varies from state to state. Kiplinger Magazine reports that “Nebraska taxes Social Security income to the extent it’s taxed on the taxpayer’s federal return. Iowa implemented a gradual phase-out of its tax on Social Security income, so as of this year all Social Security benefits are free of state taxes.

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Cut Your Tax Bill: Strategies for Disabled Americans

Taxes

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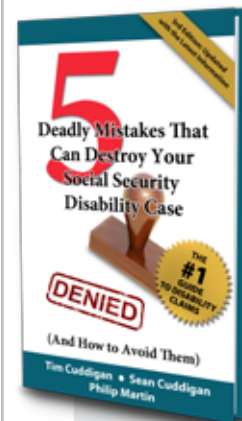
(Cut Your Tax Bill...continued from page 1.)

If you received a lump sum payment of disability benefits in 2016 you can lower the amount of taxes owed by spreading them out. The IRS allows you to spread the taxes on lump sum benefits over the previous tax years to which the benefits apply. You can do this on your current year return and do not have to file amended returns.

Social Security disability attorney fees are tax deductible in some cases. The National Organization of Social Security Claimants Representatives (NOSSCR) says, "If a taxpayer discovers that some of the Social Security lump sum—when added to regular benefits received in the same year—turns out to be taxable, the attorney fee may be deducted from income, but only to the same extent that Social Security is taxed." But to take this deduction, you must file an itemized return and this limited deduction is subject to the 2% of adjusted gross income ceiling on miscellaneous itemized deductions.

Please note that this article gives general income tax guidance, but should not be used as tax advice in individual cases.

You should always seek guidance from a competent tax professional.



"5 Deadly Mistakes That Can Destroy Your Social Security Disability Case" is the #1 guide to improving the odds of winning a disability case.

For a FREE copy for you or someone you care about call Cuddigan Law at 402.933.5318 or email us at lawteam@cuddiganlaw.com

Question of the Month

I have applied for disability. Is it okay to "fudge" my income to get a refund on my taxes?

It is tragic, but all too often those who apply for disability find themselves in tough financial situations. Sometimes they are desperate and are tempted to report "phantom income" on their income tax filings in order to get a refund check, often in the form of an Earned Income Tax credit. (EITC is a tax benefit for low to moderate income working people. To qualify for EITC you must have earned income from working for someone, or from running or owning a business or farm, and meet basic rules.)

Our strong advice is: DON'T EVER FILE A FALSE TAX RETURN. Only report earnings if you have worked and meet the IRS threshold for reporting earnings and it is a good idea to consult with a tax preparation expert before you file your taxes.

For Your Information

Cuddigan Law maintains an extensive [free library](#) of articles, videos and blogs about Social Security disability.

Visit our web site at cuddiganlaw.com.



Comfort Food

From the kitchen of Janet Cuddigan

One of the best ways I have found to beat the winter blahs is with some easy-to-make and easier-to-eat comfort food.

I think you'll love this delicious and fun treat that you can make with your kids.

Amazing Surprise Pie

2 cups milk
 ¾ cup sugar
 ½ cup Bisquick® baking mix
 4 eggs
 ¼ cup margarine
 1 ½ teaspoons vanilla
 Dash cinnamon
 1 cup coconut flakes

Place all ingredients except coconut in a blender. Blend on low for 3 minutes. Pour into a greased 9 inch pie pan. Let stand for 5 minutes. Sprinkle with coconut. Bake a 350 degrees for 40 minutes.

White House Hiring Freeze Hurts Vets

During the contentious 2016 presidential campaign, President Trump pledged he would do everything he could to support America's veterans and he sharply criticized the Obama administration for failures within the Department of Veterans Affairs. As reported in the *New Republic* he told the Retired American Warriors PAC last October: "You're amazing people, great people. Our veterans, in many cases, are being treated worse than illegal immigrants, people that come into our country illegally." "Honor their valor," his foundation's website still insists. But now, it is apparent that Trump's policies – whether by intention or by accident – are damaging Americans who served in uniform.



In a flurry of executive orders, the newly-elected President has shaken things up in Washington as he promised he would do when on the campaign trail. One of his orders has imposed a 90 day hiring freeze on all federal agencies. But any federal hiring freeze—even a temporary one—has a disproportionate impact on veterans, because several legislative initiatives over the past few years have given former service men and women preferential consideration for filling government jobs. The programs have been successful. The *Military Times* reported last November that veterans now comprise roughly one third of the federal workforce—holding more than 600,000 positions. "The freeze...make[s] the preferences for veterans in applying for jobs in federal hiring meaningless," The *Military Times* said in January. "There's no preference if there's no job," said Lawrence Korb, an assistant secretary of defense for personnel in the administration of President Ronald Reagan.



The hiring freeze impacts other veterans in additional ways. The hiring freeze also applies to the VA, "which had been seeking to bring on 2,000 new employees to help clear up appointment backlogs and improve care," says the *Military Times*. The Administration justified the VA hiring freeze by saying "that it would be fiscally irresponsible at this time to add workers to a dysfunctional system at the VA. Right now, the system's broken," White House Press Secretary Sean Spicer said. "When you have a system that's not working, and then going out and hiring additional people doesn't seem to be the most efficient way of solving the problem."

But some veterans advocacy groups say the hiring freeze will only increase wait times and accessing care more difficult at VA medical facilities. "This is going to really impact veterans in a negative way," Peter Kauffmann, a former U.S. Navy officer and current senior adviser to VoteVets.org, told the *New Republic*. "Keeping in mind the devastating impact of PTSD on a generation of veterans...[i]f we can't staff suicide hotlines this may cost the lives of veterans," he said. "That's not hyperbolic. That's actually true."

We're in your corner.

We value the confidence and trust you have placed with us in the past.

If you or a family member or a friend could use our help now or in the future, please pass along our name.

Cuddigan Law.

Disability law is all we do.



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