

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.

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



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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 is implementing a gradual phase-out of its tax on Social Security income. All benefits are tax-free for people with income under \$25,000 on a single return or \$32,000 on a joint return. Income is generally calculated as one-half of Social Security benefits, plus all other taxable income. For higher-income residents, only 11% of Social Security benefits will be taxed in 2013. And in 2014 and beyond, Social Security

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Cut Your Tax Bill: Strategies for Disabled Americans

Taxes

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benefits will be tax-free."

If you received a lump sum payment of disability benefits in 2013 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. For example, if a taxpayer paid 50% of SSA benefits received, the taxpayer may deduct half of the attorney fee paid or incurred in the same year." 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 402.933.5400 or email us at lawteam@cuddiganlaw.com



Comfort Food

From the kitchen of Janet Cuddigan

There's nothing like homemade treats to put smiles on your children's faces. I think they'll like this "magic" treat.

Magic Cookie Bars

1/2 cup butter, or margarine
1 1/2 cups graham cracker crumbs
14 ounces sweetened condensed milk, Eagle Brand by Borden
6 ounces semisweet chocolate chips
1 1/3 cups coconut flakes
1 cup chopped nuts

Preheat oven to 350 degrees (325 degrees for glass or pyrex dish). In a 9" x 13" baking pan, melt butter or margarine in the oven. Sprinkle crumbs over margarine; pour sweetened condensed milk evenly over the crumbs.

Top with remaining ingredients; press down. Bake 25-30 minutes or until lightly browned. Cool. Chill if desired. Cut into bars. Store loosely covered at room temperature.

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.



Here are some current pieces you may find informative and useful:

Why expanding Social Security is a good idea.

www.cuddiganlaw.com/blog/why-expanding-social-security-is-a-good-idea.cfm

How to work with a reluctant doctor on your Social Security disability claim.

www.cuddiganlaw.com/library/bellevue-ssdi-lawyer-if-your-treating-physician-is-reluctant-to-help.cfm

Should you appeal if your Social Security disability claim is denied?

www.cuddiganlaw.com/video/should-you-appeal-if-your-social-security-claim-has-been-denied-.cfm

Meet Erin Chytil

A spotlight on the professional team members who work for you at Cuddigan Law.

The word family resonates deeply with Erin Chytil. Her favorite free time activities are built around her husband and children. They enjoy everything from playing board games or ball in the yard to going to the movies. So it is not surprising that Erin carries that same family orientation over to her work. "I care about my clients and enjoy building a relationship with them", Erin says. "I want them to know that I am here to answer any questions or to just listen. I have a family and put myself in their shoes to sympathize with what they are going through not only medically but financially. I want to provide my clients with all up-to-date information on assistance to help them through this journey with us."



As a Legal Assistant, Erin plays a key role in assisting the attorneys at Cuddigan Law. For the firm's clients she helps organize a stack of legal documents including briefs, appeals, affidavits and other documents. She has been at Cuddigan Law since 2010.

An Omaha native, Erin lived in South Carolina and Washington for a few years while her husband was in the Navy, but she's glad to be back home and close to both sides of her family. She also volunteers part of her free time as a board member and the treasurer for a local not-for-profit organization that helps-you guessed it--families in need.



Congratulations to our "Grocery Giveaway" contest winners:

Carrie S. of Omaha, Taunisha J. of Omaha, Rick M. of Seward, Christina L. of Omaha, Dernecia H. of Omaha, Joseph G. of Omaha, Amy S. of Omaha, Linda M. of La Vista, Cliff M. of Bennington, Stan S. of Eagle, Chris B. of Omaha, Pamela D. of Omaha, Laura S. of Omaha, William S. of Omaha, Sherry S. of Omaha, David W. of Fremont, James F. of Lincoln, Stanley B. of Omaha and 7 others who wish to remain anonymous.

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.



Tim & Sean Cuddigan

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