



Taxation of Social Security Benefits

The amount of Social Security benefits that are taxable varies based on the taxpayer's level of Modified Adjusted Gross Income (MAGI):

- For single taxpayers with MAGI below \$25,000 (and \$32,000 for married couples filing jointly), Social Security benefits are completely tax free.
- Up to 50% of Social Security retirement benefits may be taxable in years that MAGI is between \$25,000 and \$34,000 for a single taxpayer, and between \$32,000 and \$44,000 for a married couple filing jointly.
- Up to 85% of benefits may be taxable in years that MAGI is in excess of \$34,000 for a single taxpayer and in excess of \$44,000 for a married couple filing jointly.

For purposes of this rule, Modified Adjusted Gross Income is defined as (1) Adjusted Gross Income as it is calculated on a tax return (including all investment income, capital gains, retirement income, etc.) after adding back any deductions for student loan interest, tuition and fees plus (2) tax-exempt interest plus (3) half the Social Security benefits themselves.

IRS Instructions to Form 1040 contains a worksheet which will help a recipient of Social Security calculate his or her tax liability.

Baird does not offer tax or legal advice. Please consult your tax professional or attorney to discuss specific issues as they pertain to your individual situation.

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