

## Step 5 (continued)

### D) Estimate of Taxation of Social Security Benefits

Year 1      Year 5

1. Add your AGI and tax-exempt income.

60,000      40,000

2. Enter half your annual Social Security benefits (if married filing jointly, enter half of your combined benefits).

11,100      17,730

3. Enter total of lines 1 & 2

71,000      57,730

*If the total of line 3 is less than \$25,000 and you are unmarried\*\*, or less than \$32,000 and you are married filing jointly, none of your Social Security benefits are taxable. If you are married, filing separately and live with your spouse, go to line 8.*

4. If the total of line 3 is greater than the figures above, subtract \$25,000. If you are unmarried\*\* and \$32,000 if you are married filing jointly and enter amount.

39,100      25,730

5. Divide line 4 by one-half and enter amount.

19,550      12,865

6. Enter the smaller of line 2 or line 5.

11,100      12,865

*If the figure on line 3 is less than \$34,000 and you are unmarried\*\* or less than \$44,000 and you are married filing jointly, the figure on line 6 is the Social Security benefits subject to taxation and stop here. Otherwise, go on to line 7.*

$\times .25$        $\times .25$   
 $= \$2,775/\text{yr}$        $= \$3,216/\text{yr}$   
 or  $\$231/\text{mo.}$       or  $\$268/\text{mo.}$

7. Compare the figure on line 6 with \$4,500 if you are unmarried\*\* or \$6,000 if you are married filing jointly and enter the smaller amount.

6,000      6,000

8. Take the figure on line 3 and subtract \$34,000 if you are unmarried\*\*, \$44,000 if married filing jointly and nothing if you are married, filing separately and live with your spouse. Enter this amount.

27,100      13,730

9. Multiply line 8 by 0.85 and enter amount

23,035      11,671

10. Enter the sum of figures on lines 7 and 9.

29,035      17,671

11. Multiply your annual Social Security Benefits (combined benefits if married filing jointly) by 0.85 and enter amount.

18,870      33,497

*The smaller of the figures on lines 10 and 11 is the amount of your Social Security benefits subject to taxation.*

$\times .25$        $\times .25$   
 $= \$4,717/\text{yr}$        $= \$8,374/\text{yr}$   
 or  $\$393/\text{mo.}$       or  $\$698/\text{mo.}$

\*The worksheet is for estimate purposes only. Consult a tax advisor for actual determination of Social Security benefits taxation.

\*\* Also includes head of household filing separately and living apart from spouse.