

# Social Security Benefits Defined and Affect on Filing Status and Dependency

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## Background

The term “social security benefits” or “social security” in IRS publications includes retirement, survivor’s, and disability benefits paid through the Social Security Administration. All of these benefits are based on earnings and social security taxes paid during the years worked. These amounts are reported on Form 1099-SSA. The client may or may not have brought this form with them.

- **Social Security Retirement.** Based on earnings during the years worked and paid into Social Security. This is the social security most people think of. It is reported on Form 1099-SSA.
- **Survivor’s Benefits** for the surviving spouse or child of a deceased individual. Amounts are reported on Form 1099-SSA.
- **Social Security Disability Insurance (SSDI).** Like Social Security Retirement, the amount of SSDI is based on the earnings during the years worked and paid into Social Security. And like Social Security Retirement, benefits are reported to the client on Form 1099-SSA.

*SSDI Benefits are available for:*

- Disabled workers under full retirement age. (Benefit based on the worker’s earnings.)
- Individuals disabled since childhood, whose parents are either deceased or receiving retirement or disability benefits. (Benefit is based on parent’s earnings.)
- Disabled widow(er)s, age 50-60, if the deceased spouse was insured under Social Security. (Benefit based on the spouse’s earnings.)

**NOTE:** The term “social security benefits” or “social security” in IRS publications does **not** include SSI.

## What is Supplemental Security Income (SSI)?

- In addition to the above “Social Security Benefits”, the Social Security Administration also administers SSI payments for financially needy adults who are aged, blind, or disabled and financial needy children who are blind or disabled.
- This income is not taxable because it is based on financial need.
- The client will not receive a tax form reporting this income. Some clients will bring a statement sent to them by SSA showing their monthly payment amount.
- Because these amounts are paid by SSA, the client may tell you that they received Social Security, and that it is because they are disabled. You may have

to ask additional questions to determine if they are receiving SSI or one of the Social Security benefits mentioned above. Sometimes the client may receive SSI in addition to SSDI or Social Security Retirement. One way to determine this is to ask whether they receive two separate direct deposits from Social Security each month.

### **Who is disabled?**

The IRS considers a person to be “totally and permanently disabled” if he or she ***cannot work because of a physical or mental condition***. A qualified physician must certify that:

- The condition has lasted or can be expected to last continuously for at least 12 months;  
OR
- That the condition can be expected to result in death.

### **If SSA determines a person to be disabled, are they considered disabled by the IRS?**

Yes. If the Social Security Administration determined someone to be disabled, assume they meet the IRS test for disability. However, not having SSI, SSDI, or Medicare does not mean that the person is not disabled. It can take months or years after the onset of disability for payments to begin.

## **IMPLICATIONS OF SOCIAL SECURITY PAYMENTS AND DISABILITY PAYMENTS**

*Note: This is not a complete list! Use the IRS materials for more information.*

|  | <b>TAXPAYER (or spouse)<br/>with disability</b>  | <b>DEPENDENT with disability (or<br/>social security income)</b>   |
|--|--|--|
| <p><b>FILING STATUS</b><br/>(HEAD OF HOUSEHOLD AND QUALIFYING WIDOW(ER))</p> | <p>For head of household and qualifying widow(er), <b>the cost of keeping up the home INCLUDES SSI payments and other public assistance payments</b> such as TANF and SNAP (food stamps). These amounts <b>MUST</b> be included in the <u>total cost of keeping up the home</u> to figure if the taxpayer paid more than half the cost.</p> <p>SSI and public assistance are considered to be paid by a third party, not by the taxpayer or qualifying person.</p> <p>Social Security Retirement, Disability and Survivor benefits received by the taxpayer are considered to be paid by the taxpayer. [Payments for the qualifying person received in the taxpayer's name are considered provided by the qualifying person, not by the taxpayer.]</p> | <p>For head of household and qualifying widow(er), <b>the cost of keeping up the home INCLUDES SSI payments and other public assistance payments</b> such as TANF and SNAP (food stamps). These amounts <b>MUST</b> be included in the <u>total cost of keeping up the home</u> to figure if the taxpayer paid more than half the cost. These amounts are not considered paid by the taxpayer.</p> <p>SSI and public assistance are considered to be paid by a third party, not by the taxpayer or qualifying person.</p> <p>Social security retirement, disability and survivor benefits and other amounts received by the qualifying person are not considered to be paid by the taxpayer.</p> |

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|                   | <b>TAXPAYER (or spouse)<br/>with disability</b>   | <b>DEPENDENT with disability (or<br/>social security income)</b>  |
|-------------------|---|---|
| <b>DEPENDENCY</b> | <p>In the <b>Support Test</b> to determine whether a person is a qualifying child or qualifying relative:</p> <ul style="list-style-type: none"> <li>▪ <u>Total support</u> includes all Social Security benefits (Retirement, Disability, and Survivors) and SSI.</li> <li>▪ Support provided by the taxpayer includes all Social Security benefits (Retirement, Disability, and Survivors) <i>received by the taxpayer</i>.</li> </ul> <p>Social Security benefits (Retirement, Disability, and Survivors) <i>received by the potential dependent</i> (even if it is received in care of someone else) are considered provided by the potential dependent.</p> <p>SSI benefits are considered to be provided by the state, not by the taxpayer, or the potential dependent.</p> | <p><b>Note:</b> A totally and permanently disabled individual may be a qualifying child <b>regardless of age</b>.</p> <p>In the <b>Gross Income Test</b> to determine whether a person is a qualifying relative (test not applicable to Qualifying Child):</p> <ul style="list-style-type: none"> <li>▪ Social Security Retirement, Survivors and Disability benefits are only considered part of gross income <b>to the extent they are taxable</b>.</li> <li>▪ SSI is <u>not</u> considered part of Gross Income.</li> <li>▪ Income from a sheltered workshop is excluded if the availability of medical care is the main reason for the individual's presence there.</li> </ul> <p>In the <b>Support Test</b> to determine whether a person is a qualifying child or qualifying relative:</p> <p><u>Total support</u> includes all social security benefits, SSI, and sheltered workshop.</p> <p><u>Support provided by the dependent</u> includes Social Security Retirement, Survivors or Disability benefits received by the potential dependent (even if the benefits are received in care of someone else), and sheltered workshop.</p> <p>Does not include SSI benefits which are considered to be provided by the state, not by the taxpayer.</p> |