

Are Social Security Benefits Taxable?

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April 12, 2023



Did you know that the Social Security benefits designed to support you in retirement could also be a potential tax burden? Like many Americans, you've probably been anticipating the day you can finally claim your hard-earned benefits. However, as you start planning for retirement, are you planning for the potentially heavy tax implication that your Social Security income may bring?

Whose Social Security Benefits Are Taxed?

Social Security benefits can be subject to taxation depending on how much income you have and where it's coming from. The Internal Revenue Service (IRS) determines whether your benefits are taxable based on your combined income.

Combined income is calculated by adding your adjusted gross income (excluding Social Security), tax-exempt interest income, and half of your Social Security benefits. If your combined income exceeds a certain threshold, a portion of your benefits will be subject to taxes.

In the 2023 tax year, individuals with a combined income between \$25,000 and \$34,000 and couples between \$32,000 and \$44,000 can expect 50% of their benefits to be taxed. Those who exceed these thresholds will have 85% of their benefits taxed.

How Are Social Security Benefits Taxed?

If your Social Security benefits are taxable, then federal income tax brackets are applied. Which rate you're subject to depends on your filing status and annual taxable income.

2023 FEDERAL ORDINARY INCOME TAX RATES

Tax Rate	Single	Married, Filing Jointly	Head of Household
10%	\$0 to \$11,000	\$0 to \$22,000	\$0 to \$15,700
12%	\$11,000 to \$44,725	\$22,000 to \$89,450	\$15,700 to \$59,850
22%	\$44,725 to \$95,375	\$89,450 to \$190,750	\$59,850 to \$95,350
24%	\$95,375 to \$182,100	\$190,750 to \$364,200	\$95,350 to \$182,100
32%	\$182,100 to \$231,250	\$364,200 to \$462,500	\$182,100 to \$231,250
35%	\$231,250 to \$578,125	\$462,500 to \$693,750	\$231,250 to \$578,100
37%	\$578,125 or more	\$693,750 or more	\$578,100 or more

Let's imagine a scenario to illustrate how taxes on Social Security benefits can play out. A retired married couple with \$100,000 of income (assuming \$50,000 comes from Social Security and the other \$50,000 comes from retirement account withdrawals) should follow the steps below to calculate their tax liability:

Calculate how their benefits will be taxed: The \$50,000 of taxable income to supplement their Social Security will result in 85% of their benefits being taxed.

Since their total benefit is \$50,000 you need to multiply \$50,000 by 85% to find the taxable amount of \$42,500. That amount will be added to the couple's taxable income for that year.

Calculate the tax liability of the taxable benefit: Since the taxable benefit amount is \$42,500 and they have \$50,000 of taxable withdrawals, they have \$92,500 of taxable income. Next, you need to consider deductions. Assuming the standard deduction of

\$27,700, the couple will have \$64,800 of taxable income. This puts the couple in the 12% tax bracket.

The next step is to multiply the taxable benefit of \$42,500 by 12% to find the tax liability of \$5,100. Therefore, the couple in the example must pay \$5,100 in taxes on their Social Security benefits.

It's also important to acknowledge that benefits can be taxable at the state level. While most states do not tax Social Security benefits, [each state has its own unique rules and regulations](#). Although federal and sometimes state taxes can take a significant portion away from your monthly Social Security payment — it will not be the only deduction. Medicare premiums are deducted directly from your monthly benefit as well.

The Bottom Line

Many Americans find that they need more than just their Social Security benefits to maintain their lifestyle in retirement, often relying on other assets and sources of income to make ends meet. In almost all cases, supplementing Social Security with other taxable withdrawals will result in your benefit being taxed.

While saving can help you manage your expenses in retirement, understanding how benefits and withdrawals are taxed will help you make informed critical planning decisions before you retire.