

FREE GUIDE

Your Social Security Check May Be Taxable Income

Millions of retirees are surprised to learn the IRS can tax up to 85% of their Social Security benefits. Here's how it works and what you can do about it.

About 40% of Social Security recipients pay federal income tax on their benefits. Many were never told this was possible when they signed up.

◆ WHAT YOU NEED TO KNOW

1. It depends on your "combined income."

The IRS uses a formula called combined income: your adjusted gross income, plus non-taxable interest, plus half of your Social Security benefits. If that total exceeds \$25,000 (single) or \$32,000 (married filing jointly), some of your benefits become taxable.

2. Up to 85% of your benefit can be taxed.

If your combined income exceeds \$34,000 (single) or \$44,000 (married), up to 85% of your Social Security benefit is subject to federal income tax. This surprises many retirees who assumed Social Security was tax-free.

3. Required Minimum Distributions can push you over the threshold.

Once you reach age 73, the IRS requires you to withdraw minimum amounts from your traditional IRA or 401(k) each year. These withdrawals count as income and can push your combined income above the Social Security tax threshold — even if you don't need the money.

4. Roth conversions before retirement can help.

Money in a Roth IRA is not counted in your combined income calculation. Converting traditional IRA funds to a Roth before you start collecting Social Security can reduce your taxable income in retirement — potentially keeping more of your Social Security benefit tax-free.

5. 13 states also tax Social Security benefits.

On top of federal taxes, some states tax Social Security income as well. If you live in or are considering moving to one of these states, it is worth factoring into your retirement income planning.

Your Next Step

Add up your adjusted gross income, any tax-exempt interest, and half of your annual Social Security benefit. If the total is close to \$25,000 (single) or \$32,000 (married), talk to a tax advisor about strategies to reduce your taxable income before you file.

Want the full picture? Our **Retirement Tax Traps Guide** covers the most common tax mistakes retirees make — including Social Security taxation, RMD strategies, and how to keep more of what you've earned.

Available at **SeniorLifeGuides.org** for \$5.

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