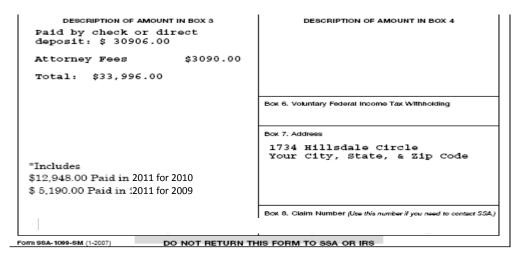
ST11-03 Lump Sum Social Security Payments

General Information

- From SSA-1099A, Box 3
- Not as difficult as it appears in TaxWise
- Must have copies of prior years returns
- If Taxpayer's total SS or RR Benefit is not taxable, STOP HERE

1099-SSA with Lump Sum

- Total from Box 5 = \$33,996 Enter in Wkt1 "Social Security Received this year" and note refund/owed amount in Refund Monitor
- Amount for 2010 = \$12,948
- Amount for 2009 = \$5,190
- Therefore, the amount for 2011 would be \$15,858



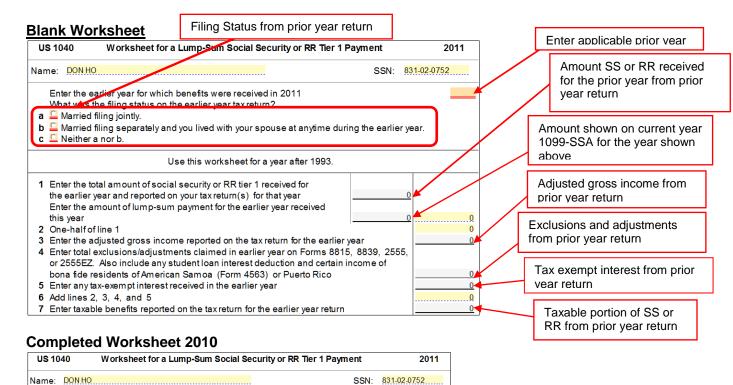
Start With 1040 Wkt1

- In TaxWise, at the bottom of 1040 Wkt1 you'll see "Lump Sum Payme..."
- Enter \$15,858 gross amount received attributable to 2011
- Click here and link (F9) to worksheet

Lump Sum Payment of Social Security and Railroad Tier	Benefits		
Fill in the total lump sum received above.	Taxpayer	Spouse	Total
Gross amount received attributable to 2011 Using the above modified AGI, this is the taxable amount of t Amounts taxable from previous years Taxable benefits using the lump-sum election method		o worksheet	15858 13479 0 13479

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2010

15948

7974

60000

3000

12948

Completed Worksheet for 2009

5 Enter any tax-exempt interest received in the earlier year

Enter the earlier year for which benefits were received in 2011 What was the filing status on the earlier year tax return?

1 Enter the total amount of social security or RR tier 1 received for

the earlier year and reported on your tax return(s) for that year Enter the amount of lump-sum payment for the earlier year received

Enter the adjusted gross income reported on the tax return for the earlier year
 Enter total exclusions/adjustments claimed in earlier year on Forms 8815, 8839, 2555, or 2555EZ. Also include any student loan interest deduction and certain income of

bona fide residents of American Samoa (Form 4563) or Puerto Rico

7 Enter taxable benefits reported on the tax return for the earlier year return

Married filing separately and you lived with your spouse at anytime during the earlier year.

Use this worksheet for a year after 1993.

a Married filing jointly.

Married filing separa

Neither a nor b.

this year

2 One-half of line 1

6 Add lines 2, 3, 4, and 5

US 1040 Worksheet for a Lump-Sum Social Security or RR Tier 1 Payment			2011
Name: DON	HO.	SSN: 831	-02-0752
What was a ⊆ Marrie	earlier year for which benefits were received in 2011 s the filing status on the earlier year tax return? d filing jointly. d filing separately and you lived with your spouse at anytime duer a nor b.	uring the earlier yea	2009 ar.
	Use this worksheet for a year after 1993.		
the earlie Enter the this year 2 One-half		7000	1219 609 3500
4 Enter tota or 2555E	adjusted gross income reported on the tax return for the earlie all exclusions/adjustments claimed in earlier year on Forms 88: Z. Also include any student loan interest deduction and certain residents of American Samoa (Form 4563) or Puerto Rico	15, 8839, 2555,	3500
5 Enter any	tax-exempt interest received in the earlier year 2, 3, 4, and 5		4109
	able benefits reported on the tax return for the earlier year return	n	599

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ST11-03 Lump Sum Social Security Payments

Note the taxable portion of SS or RR after the worksheets are completed.

Comparison \$28,897 vs \$23,925

If all the lump sum income was entered as 2011 income, the taxable portion of the social security benefit would be \$28,897.

Using the worksheet, the taxable portion of the social security benefit would be \$23,925.

Legal Fees

Legal fees are deductible on Schedule A, line 23 (subject to the 2% AGI limitation), if the taxpayer itemizes deductions. Legal fees associated with obtaining the benefits can be deducted to the extent that the benefits are taxable.

In the example above: Attorney Fees: \$3,090 Gross SS Income: \$33,996 Taxable amount of SS: \$23,925

Deductible attorney fees (Schedule A, line 23): \$2,175 [= \$3,090 x \$23,925 / \$33,996]

NOTE: Since previous returns were not amended, the entire \$23,925 was allocated to the current year.

Disability Insurance Repayment

Social Security Lump Sums are often associated with repayment of private disability insurance. The "repayment" can be handled according to IRC 1341 as a "Claim of Right", in a manner similar to the SS Lump Sum Election. This is "out of scope" and should be referred to a professional preparer.

Tips

- Taxpayer must have copies of previous year return(s)
- Be sure to enter any SS income received in previous year
- Be sure to check previous return for any tax-exempt interest (Line 8b)
- Attorney fees may be deductible
- Refer SS lump sums that include private disability insurance repayment to a Professional Preparer

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