

Social Security Fairness Act

By Doug Aller New Concept Benefit Group

What is the Social Security Fairness Act?

Today President Biden signed the historic Social Security Fairness Act (SSFA) H.R. 82. H.R. 82 is the most significant change to Social Security in decades.

The bill rescinds two provisions — the Windfall Elimination Provision (WEP) passed in 1983 and the Government Pension Offset (GPO) passed in 1977— that limit Social Security benefits for recipients if they get retirement payments from other sources, including public retirement programs from a state or local government. WEP applies to individuals eligible for their own Social Security benefits while GPO applies to spousal survivors eligible for Social Security benefits.

The SSFA will make increased payments effective back to January 2024. Given the magnitude of the SSFA changes, as well as the fact that there will be a new Trump Social Security Administration this year, the SSA will need some time to work through the law to determine the most efficient way to implement the new policies.

The Congressional Research Service estimated that in December 2023, there were 745,679 people, - about 1% of all Social Security beneficiaries, who had their benefits reduced by the Government Pension Offset. About 2.1 million people, or about 3% of all beneficiaries, were affected by the Windfall Elimination Provision.

The Congressional Budget Office estimated in September that eliminating the Windfall Elimination Provision would boost monthly payments to the affected beneficiaries by an average of \$360 by December 2025. Ending the Government Pension Offset would increase monthly benefits in December 2025 by an average of \$700 for 380,000 recipients getting benefits based on living spouses, according to the CBO. The increase would be an average of \$1,190 for 390,000 surviving spouses getting a widow or widower benefit.

Are Social Security Benefits Taxable?

During his campaign, President-Elect Trump had indicated he might consider making Social Security benefits tax-free from **federal** income tax. Currently, Social Security is taxed for some retirees (See below) at the federal level.

In addition, some states tax retirees' pensions, Social Security, investment earnings, etc. However, if you are retired and a resident of Illinois you currently pay no state income tax.

Is your benefit taxable?

The short answer for most first responders with pensions is “Yes”, under the current federal tax system 85% of your social security benefit will be taxable at your federal tax rate. The good news is that 15% of your Social Security retirement benefit is not taxed by the IRS or the state of Illinois if you are an Illinois resident. (Example below)

Determining whether your Social Security retirement benefit is taxable

Your benefit is taxable if one-half of your Social Security benefit plus your Modified Adjusted Gross Income (MAGI) exceeds the base amount for your filing status.

MAGI includes **taxable pensions**, wages, interest, dividends, Required Minimum Distributions and other types of taxable income. It also includes tax-exempt interest income plus normally excludable income such as interest from Series EE savings bonds.

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Your filing status

When you fill out your federal income tax return, you choose your filing status based on your marital status. You can file in one of five ways: single, married filing jointly, married filing separately, unmarried head of household, or qualifying widow or widower (with a dependent child).

For Social Security purposes, your filing status is important because the amount of income you can have before your benefit is taxable depends partly on your filing status.

The base amount for your filing status

How much income you can have before your Social Security benefit becomes taxable is known as the base amount. The base amount is determined by law and is **not adjusted annually for inflation**. The base amount used to determine the taxability of your Social Security benefit depends on your filing status.

When up to 50 percent of your retirement benefit will be taxable

Up to 50 percent of your Social Security retirement benefit will be taxable if the total of one-half of your Social Security benefits and your MAGI is more than the following base amount for your filing status:

- \$25,000 if you are filing as single, head of household, or qualifying widow(er)
- \$25,000 if you are filing as married filing separately and you lived apart from your spouse for the whole tax year
- \$32,000 if you are filing as married filing jointly

When up to 85 percent of your benefit will be taxable

Up to 85 percent of your Social Security retirement benefit will be taxable if one-half of your Social Security benefit plus your MAGI exceeds the following base amount for your filing status:

- \$34,000 if you are filing as single, head of household, or qualifying widow(er)
- \$34,000 if you are filing as married filing separately and you lived apart from your spouse for the whole tax year
- \$44,000 if you are filing as married filing jointly

Base Amount Example Married Filing Jointly 85% of Social Security Taxable

	MAGI	Base Income
Taxable Pension	\$75,000 year	\$75,000
Social Security	\$10,000 year (50%)	\$ 5,000
RMD	\$ 1,000 year	\$ 1,000
	\$ 86,000	\$81,000

Social Security	\$ 10,000
SS Taxable %	85%
	\$ 8,500
Fed. Tax Rate	12%
Fed Tax on SS	\$ 1,020

What if I change my mind about when to begin Social Security benefits?

You can complete Form SSA-521, Request for Withdrawal of Application, and reapply at a later date. But if you are already receiving benefits, you can only withdraw your claim if it has been less than 12 months since you first became entitled to *...Continues on next page*

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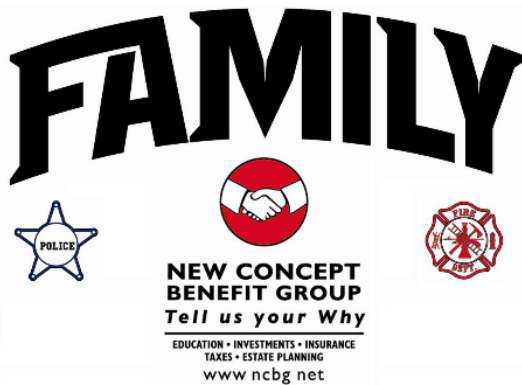
benefits, and you are limited to one withdrawal per lifetime. In addition, you must repay all benefits already paid to you or your family members based on your application, as well as any money withheld from your checks, including Medicare premiums, or tax withholding.

Are there ways to increase my Social Security benefit?

Depends-more on that topic in the next Chevrons or reach out to our office.

Can I work and collect Social Security benefits?

Yes, but you might have a limit on how much you can earn without reducing your benefits. More on that in the next Chevrons.



New Concept Benefit Group is an independent tax accounting, legal, financial advisory, and financial education firm located in LaGrange IL. We specialize in serving the unique financial, tax accounting, and legal needs of first responders. New Concept Benefit Group can be contacted at www.ncbg.net or via phone at 708-415-0497. For more information on New Concept Benefit Group scan the QR code.



In Memoriam

The following Sergeants have passed away and will be missed. We extend our condolences to their families and friends. Please contact our office if you hear of any of our brothers or sisters passing on, as we are not always notified in a timely manner of their passing.

Name (Age)	Status	Passed Away
Sgt. Edward R Schwarz	Retired (FL)	13 Jun 2024
Sgt. John J Ciszewski (79)	Retired (FL)	15 Jul 2024
Sgt. James Mullins	Retired	20 Jul 2024
Sgt. Tracy Tunstall (67)	Retired (Woodale)	26 Sep 2024
Sgt. Michael R McComb (80)	Retired	05 Oct 2024
Sgt. Thomas P. McDonough (80)	Retired	05 Oct 2024
Sgt. Thomas J. "Buzzy" Eichler (84)	Retired	07 Oct 2024
Sgt. Lawrence C. Augustine (77)	Retired (Park Ridge)	18 Oct 2024
Sgt. Michael Drawhorn Jr. (76)	Retired (NV)	31 Oct 2024
Sgt. Ermilo Garza (86)	Retired	12 Dec 2024
Sgt. Jesse R. Acosta (85)	Retired	12 Dec 2024
Sgt. Leroy Levy (92)	Retired	17 Dec 2024

Correction: Sgt. Edward C. Schwarz of Chicago is alive. Sorry about this but I do my best to keep everything up to date.