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Social Security (SS) Benefits - The Basics

PART B - MEDICARE, EARNINGS, & TAXATION

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INTRODUCTION: As baby boomers age, they put a strain on the Social Security (SS) system. As people around us approach age 67 (or as early as 62), there is a need to understand the basics on how the SS system works. In this article, we will discuss the retirement benefits for you and your family as well as family benefits if you get disabled or when you die. Because of the complexity of the SS law, we will limit our discussion to the basics issues to give you a starting point when you visit the SS Administration (SSA). Let's start with the new Medicare Prescription plan.

MEDICARE PRESCRIPTION DRUG IMPROVEMENT & MODERNIZATION ACT:

1. It is a new prescription drug benefit plan.
2. Premium is about \$35 per month.
3. Deductible of \$250 per year.
4. Medicare pays 75% of drug costs between % \$250 and \$2,250.
5. Participant pays 100% of drug costs from \$2,250 to \$3,600
6. Medicare pays 95% of drug costs after \$3,600.
7. Premiums and deductibles will be reduced or removed for low-income individuals.

DISABILITY BENEFITS:

1. SS provides a package of benefits including monthly disability benefits to you, your spouse or children, and Medicare health insurance after two years of disability benefits.
2. You must meet a substantial lifetime work test and recent work experience.
3. Disability must virtually prevent all work and can be expected to last for at least a year or be terminal
4. About 80% of all claims are denied because disability should be total and permanent
5. About 3,000,000 currently receive SS disability checks
6. Applications for disability are given to State government Disability Evaluators (Cheaters on wheelchairs could find themselves rocking away to the beat of Salsa on candid camera). ☺

MEDICARE BENEFITS:

1. Medicare provides basic health insurance to those who have attained age 65, get disabled prior to age 65, or suffer from chronic kidney disease.
2. Medicare Part A, provided at no cost, provides for in-patient hospital care, skilled nursing facility, home health service benefits, hospice care or psychiatric hospital costs.
3. Medicare Part B, provided at a monthly premium that covers insurance premium costs for physicians and outpatient services. Medicare pays for 80% of allowable charges (coverage for dentists, chiropractors, and podiatrists are limited).
4. Medicare Part C (Advantage) offers beneficiaries other health plans that may offer benefits not covered by original Medicare.
5. Medicare Supplement Insurance (Medigap) fills the "gaps" for health-care bills not covered by Medicare. Premium costs run from \$50 to \$500 per month depending on participant's plan and plan options.

MINIMUM AND MAXIMUM EARNINGS LIMITATIONS:

1. You **earn credits** for the year if you earned at least **\$4,480 in 2011 (\$4,520 in 2012)**.
2. Your **benefits will be reduced** if you are under 65 & earned over **\$14,160 for 2011 (\$14,640 for 2012)**.
3. The age bracket between 65 and 69 has been repealed.
4. There are no more excess earnings limitations for workers aged 65 (used to be 70) and over.
5. Return excess payments (rarely done). SSA merely reduces next payments.

TAXATION OF SS BENEFITS:

1. Recent law established a two-tier method of taxing SS benefits.
2. The rates are 50% and 85%.
3. The threshold is **\$32,000** for joint, **zero** for married filing separately, & **\$25,000** for all others.
4. Earnings below these thresholds mean that your SS benefits are exempt from income tax.
5. You may elect to have federal income tax withheld at 7%, 10%, 15%, or 25% by filing Form W-4V.

SUPPLEMENTAL SECURITY INCOME (SSI):

1. Congress messed things up by naming this program similar to that of social security benefits. SSI is not funded through the SS system. It is a public assistance program. It is a welfare program.
2. SSI was designed to help the aged, blind, and disabled with minimal level of income.
3. It is funded by general taxation, not social security funds, though the SSA supervises it.
4. To receive benefits, you must be a citizen or legal permanent resident, be at least 65, and have minimal income and minimal assets (not more than \$2,000 /\$3,000) for an individual/couple.

INTERNET:

1. www.ssa.gov – for online application.
2. www.medicare.com – for Medicare information.
3. www.seniors.gov – for a one-step access to government services.

Good day.

DEVELOPMENT 1: The **IRS can levy SS benefits** for unpaid taxes.

DEVELOPMENT 2: The Medicare Prescription drug bill included a little noticed provision that added a surcharge in addition Part B premium. Premium for Medicare Part B can increase substantially for high-income individuals.