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SOCIAL SECURITY (SS) BENEFITS: ARE YOU COVERED?

By Victor Sy, CPA, MBA

You have worked for about 10 years and have paid to the Social Security (SS) administration through FICA deductions from your paycheck. **Do you ever wonder if you are indeed covered after all these years?** If not, how much more do you need to contribute before being fully covered? Here are **20 tips** for your reading:

1. You need credits of **10 years (40 quarters)** to be covered for social security benefits.
2. For earnings before 1978, you receive credit for each quarter in which you earned \$50 or more in wages (or \$100 in self-employment). For earnings from 1978, the rules changed from quarterly to yearly so that the total earnings in a calendar year determines the number of covered quarters.
3. You are covered for the whole year if you earned at least **\$4,520 in 2012**.
4. Your **benefits will be reduced** if you are under 67 and earned **\$14,640 in 2012** from wages, commission, and other earned income. (There is no more limit if you are 65 or over). If you expect to earn more than these limits, go to the SSA or your own tax preparer and compute how much you will forfeit because if you were to return most of your extra earnings, why bother to work more? (If you are not convinced, try deducting applicable federal and state taxes from whatever is left).
5. You get **full retirement** benefits at age **67**. You could increase your benefits by continuing to work after that age. If you registered for Medicare, you automatically receive benefits by age 70 even if you do not apply with the SSA.
6. You may also retire **early at age 62** but be very careful because your benefits will be permanently cut for the rest of your life.
7. If you decide to continue and are under age 70, report you earnings to the SSA by April 15 of the following year. Use Form SSA 7770-BK.
8. Your **family members** might also be eligible for benefits. Your spouse who is 62 years or older may be eligible. Your children under 18 (under 19 but a full-time student, or over 18 but under a disability which began before age 22) can also qualify. Family members normally get 50% of your benefit.
9. Your beloved **ex-spouse** can also qualify for benefits if you were married for at least 10 years and divorced for at least two years and at be least 62 years old, and not eligible for a higher benefit on someone else's SS records.
10. **Survivors of a deceased participants** are also eligible. If you die after accumulating enough credits, your spouse and minor children can collect between 75 to 100% of your benefits.
11. Your surviving spouse can collect 71.5% of your full benefits at age 60, 80% at age 65.
12. Your **parents** who are dependent on you for support also qualify.
TIP: Consider taking your parents as dependents if you provide more than 50% support. This may affect their eligibility for social security benefits if you die ahead of either parent.

13. Your surviving spouse can collect at any age if he/she cares for a [minor or disabled child](#). A disabled widow/widower can collect at age 50. Even you ex-spouse can draw on your account without affecting benefits received by your other survivors.
14. If the SSA asks you to [repay](#) SS benefits for earning too much, you may deduct such amount in the year of repayment under the claim of right doctrine. You do not have to amend last year's original return.
15. Wages paid to the [spouse of a sole proprietor](#) are now subject to SS tax.
16. Wages paid to your [child under 16 years](#) of age are not subject to FICA if you operate your business as a sole proprietor.
17. The cost of the [group-term life insurance](#) provided by your employer is subject to FICA.
18. The pay of [uniformed reservists](#) for inactive duty training is now subject to FICA.
19. [Ministers](#) are subject SS coverage unless their church applies for exemption.
20. If you want to [start claiming benefits](#), call (800) 772-1213 from 7AM to 7PM. The best times to call are 7AM to 9AM and 5PM to 7PM. You can also request an appointment at a local office. Bring the following documents: a certified copy of your birth certificate, marriage certificate if filing as spouse, divorce decree if filing as an ex-spouse, death certificate if filing as a widow(er).
TIP: Photocopy all documents submitted to SSA, record all conversations, and file all correspondence, claims, notes, and other documents in a three-ring binder.

By the way, [50% to 85% of your SS benefits may be taxable](#), depending on the amount of your other income. If you are interested in determining your present coverage, call (626) 744-0200 and leave your name, address and telephone number and we will mail to your form SSA 7004. Fill it out and mail it to the SSA. Wait for about four to six weeks for the reply.

[DEVELOPMENT:](#)

The Social Security Administration launched a massive consumer outreach effort to advise about 125 million American workers whether they qualify for SS benefits and how much they would be likely to get. You will be receiving a statement about 3 months before your birthday each year. This will enable you to check the accuracy of SSA records. You need to check your reported wages because the SSA has amassed a \$250-billion suspense file for earnings that could not be matched. The most affected groups are women who changed their surnames when they got married and minorities with non-Anglo names. Any mismatch causes your credits to be placed in a suspense file. In other words, you do not get credit for the FICA and Medicare taxes that you pay. Call 800-772-1213 if you see errors.

[INTERNET:](#)

You may apply for SS benefits and for obtain additional information from the following websites:

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.

[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.