

**NEVADA STATE DIVISION OF WELFARE
AND
SUPPORTIVE SERVICES**

**MEDICAL ASSISTANCE
PROGRAM MANUAL**

APPENDIX H

**DETERMINING COUNTABLE RSDI
PAYMENTS FOR MAGI BUDGETING**

SOCIAL SECURITY AND EQUIVALENT RAILROAD BENEFITS
(See IRS Publication 915)
Effective 1/1/2017

Are any RSDI / RR Benefits taxable and countable for MAGI budgeting?

To find out whether any benefits may be taxable, compare the base amount for the individual's filing status, with the total of:

- One-half of the annualized RSDI / RRB (SSEB portion of tier 1) benefits, plus
- All other income received by the individual, including tax-exempt interest.

Exceptions:

When determining the total income, do not reduce the total income by:

- Interest from qualified U.S. savings bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned by bona fide residents of American Samoa or Puerto Rico.

Children's benefits:

These rules also apply to benefits received by children.

Figuring total income:

Worksheet A is used to calculate the total of one-half of RSDI / RRB benefits plus any other income. If the resulting total is more than the base amount for the individual, part of that individual's RSDI / RRB benefits may be countable for MAGI.

Married couples filing a joint tax return must combine their income and RSDI / RRB benefits together in determining if any benefits are taxable. Even if the spouse did not receive any RSDI / RRB benefits, the spouse's other income must be added to the total income to determine if any benefits are taxable.

Base amount:

The base amount is:

- \$25,000 if single, head of household, or qualifying widow(er); or;
- \$25,000 if married filing separately and lived apart from spouse for tax year;
or
- \$32,000 if married filing jointly; or
- \$-0- if married filing separately and lived with spouse at any time during tax year.

Worksheet A:

Worksheet A is attached below to help compare income with the base amount.

WORKSHEET A (see IRS Publication 915)

Worksheet A. A Quick Way To Check if Your Benefits May Be Taxable

Note. If you plan to file a joint income tax return, include your spouse's amounts, if any, on lines A, C, and D.

A. Enter the amount from **box 5** of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 2016, for 2016 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.) A. _____

Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Enter one-half of line A B. _____

C. Enter your total income that is taxable (excluding line A), such as pensions, wages, interest, ordinary dividends, and capital gain distributions. Do not reduce your income by any deductions, exclusions (listed earlier), or exemptions C. _____

D. Enter any tax-exempt interest income such as interest on municipal bonds D. _____

E. Add lines B, C, and D E. _____

Note. Compare the amount on line E to your **base amount** for your filing status. If the amount on line E equals or is less than the **base amount** for your filing status, none of your benefits are taxable this year. If the amount on line E is more than your **base amount**, some of your benefits may be taxable. You need to complete [Worksheet 1](#), shown later. If none of your benefits are taxable, but you otherwise must file a tax return, see [Benefits not taxable](#), later, under *How To Report Your Benefits*.

Example. You and your spouse (both over 65) are filing a joint return for 2016 and you both received social security benefits during the year. In January 2017, you received a Form SSA-1099 showing net benefits of \$7,500 in box 5. Your spouse received a Form SSA-1099 showing net benefits of \$3,500 in box 5. You also received a taxable pension of \$22,800 and interest income of \$500. You did not have any tax-exempt interest income. Your benefits are not taxable for 2016 because your income, as figured in Worksheet A below, is not more than your base amount (\$32,000) for married filing jointly.

Even though none of your benefits are taxable, you must file a return for 2016 because your taxable gross income (\$23,300) exceeds the minimum filing requirement amount for your filing status.

Filled-in Worksheet A. A Quick Way To Check if Your Benefits May Be Taxable

Note. If you plan to file a joint income tax return, include your spouse's amounts, if any, on lines A, C, and D.

A. Enter the amount from **box 5** of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 2016, for 2016 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.) A. \$11,000

Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Enter one-half of line A B. 5,500

C. Enter your total income that is taxable (excluding line A), such as pensions, wages, interest, ordinary dividends, and capital gain distributions. Do not reduce your income by any deductions, exclusions (listed earlier), or exemptions C. 23,300

D. Enter any tax-exempt interest income such as interest on municipal bonds D. -0-

E. Add lines B, C, and D E. \$28,800

Note. Compare the amount on line E to your **base amount** for your filing status. If the amount on line E equals or is less than the **base amount** for your filing status, none of your benefits are taxable this year. If the amount on line E is more than your **base amount**, some of your benefits may be taxable. You need to complete [Worksheet 1](#), shown later. If none of your benefits are taxable, but you otherwise must file a tax return, see [Benefits not taxable](#), later, under *How To Report Your Benefits*.

WORKSHEET 1 – INSTRUCTIONS

(see IRS Publication 915)

How Much RSDI / RRB Is Taxable and countable in MAGI budgeting?

If part of the RSDI / RRB benefits are potentially taxable after completing worksheet A, how much is countable depends on the total amount of benefits and other income.

Maximum taxable part:

A maximum of 50% of the total RSDI / RRB benefits could be taxable. Individuals meeting the specific situations below may have up to 85% RSDI / RRB as taxable:

- The total of one-half of the RSDI / RRB benefits and all other income is more than \$34,000 (\$44,000 if married filing jointly); or
- Married filing separately and lived with spouse at any time during tax year.

Worksheet 1 may not apply to all individuals:

Worksheet 1 can be used to figure the actual taxable RSDI / RRB benefits. In addition, there are other forms available to applicants in determining taxable RSDI / RRB. These include:

- IRS Form 1040 or 1040A instructions:
The instruction booklets for either form have a worksheet included that can calculate the taxability of RSDI / RRB benefits.
- Appendix B of IRS Publication 590-A:
This form maybe used to figure IRA deductions and taxable RSDI benefits.
- Worksheets 2, 3 and 4 of IRS Publication 915:
These forms are used when a lump-sum payment of RSDI / RRB is received for an earlier tax year and included in the annualized total. Example: RSDI approved retroactively to October 2016 but payment was issued as a lump-sum in February 2017.

WORKSHEET 1 - Example (see IRS Publication 915)

Example 1:

George White is single and files Form 1040 for 2016. In addition to receiving social security payments, he received a fully taxable pension of \$18,600, wages from a part-time job of \$9,400, and taxable interest income of \$990, for a total of \$28,990. He received a Form SSA-1099 in January 2017 that shows his net social security benefits of \$5,980 in box 5. To figure his taxable benefits, George completes Worksheet 1, shown below. On line 20a of his Form 1040, George enters his net benefits of \$5,980. On line 20b, he enters his taxable benefits of \$2,990.

Filled-in Worksheet 1. Figuring Your Taxable Benefits

Keep for Your Records 

Before you begin:	
- If you are married filing separately and you lived apart from your spouse for all of 2016, enter "D" to the right of the word "benefits" on Form 1040, line 20a; or Form 1040A, line 14a. - Do not use this worksheet if you repaid benefits in 2016 and your total repayments (box 4 of Forms SSA-1099 and RRB-1099) were more than your gross benefits for 2016 (box 3 of Forms SSA-1099 and RRB-1099). None of your benefits are taxable for 2016. For more information, see Repayments More Than Gross Benefits. - If you are filing Form 8815, Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989, do not include the amount from line 8a of Form 1040 or Form 1040A on line 3 of this worksheet. Instead, include the amount from Schedule B (Form 1040A or 1040), line 2.	
1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099. Also enter this amount on Form 1040, line 20a; or Form 1040A, line 14a	1. <u>\$5,980</u>
2. Enter one-half of line 1	2. <u>2,990</u>
3. Combine the amounts from: Form 1040: Lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21 Form 1040A: Lines 7, 8a, 9a, 10, 11b, 12b, and 13	
4. Enter the amount, if any, from Form 1040 or 1040A, line 8b	3. <u>28,990</u> 4. <u>-0-</u>
5. Enter the total of any exclusions/adjustments for: - Adoption benefits (Form 8839, line 28), - Foreign earned income or housing (Form 2555, lines 45 and 50; or Form 2555-EZ, line 18), and - Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico	
6. Combine lines 2, 3, 4, and 5	5. <u>-0-</u> 6. <u>31,980</u>
7. Form 1040 filers: Enter the amounts from Form 1040, lines 23 through 32, and any write-in adjustments you entered on the dotted line next to line 36. Form 1040A filers: Enter the amounts from Form 1040A, lines 16 and 17	
8. Is the amount on line 7 less than the amount on line 6? No.  None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b; or Form 1040A, line 14b. Yes. Subtract line 7 from line 6	7. <u>-0-</u> 8. <u>31,980</u>
9. If you are: - Married filing jointly, enter \$32,000 - Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2016, enter \$25,000 Note. If you are married filing separately and you lived with your spouse at any time in 2016, skip lines 9 through 16; multiply line 8 by 85% (0.85) and enter the result on line 17. Then go to line 18.	
10. Is the amount on line 9 less than the amount on line 8? No.  None of your benefits are taxable. Enter -0- on Form 1040, line 20b; or on Form 1040A, line 14b. If you are married filing separately and you lived apart from your spouse for all of 2016, be sure you entered "D" to the right of the word "benefits" on Form 1040, line 20a; or on Form 1040A, line 14a. Yes. Subtract line 9 from line 8	
11. Enter \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2016	9. <u>25,000</u> 10. <u>6,980</u> 11. <u>9,000</u>
12. Subtract line 11 from line 10. If zero or less, enter -0-	12. <u>-0-</u>
13. Enter the smaller of line 10 or line 11	13. <u>6,980</u>
14. Enter one-half of line 13	14. <u>3,490</u>
15. Enter the smaller of line 2 or line 14	15. <u>2,990</u>
16. Multiply line 12 by 85% (0.85). If line 12 is zero, enter -0-	16. <u>-0-</u>
17. Add lines 15 and 16	17. <u>2,990</u>
18. Multiply line 1 by 85% (0.85)	18. <u>5,083</u>
19. Taxable benefits. Enter the smaller of line 17 or line 18. Also enter this amount on Form 1040, line 20b; or Form 1040A, line 14b	19. <u>\$2,990</u>
 TIP If you received a lump-sum payment in 2016 that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see if you can report a lower taxable benefit.	

WORKSHEET 1 - Blank
(see IRS Publication 915)

Worksheet 1. Figuring Your Taxable Benefits

Keep for Your Records



Before you begin:

- If you are married filing separately and you lived apart from your spouse for all of 2016, enter "D" to the right of the word "benefits" on Form 1040, line 20a; or Form 1040A, line 14a.
- Do not use this worksheet if you repaid benefits in 2016 and your total repayments (box 4 of Forms SSA-1099 and RRB-1099) were more than your gross benefits for 2016 (box 3 of Forms SSA-1099 and RRB-1099). None of your benefits are taxable for 2016. For more information, see [Repayments More Than Gross Benefits](#).
- If you are filing Form 8815, Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989, do not include the amount from line 8a of Form 1040 or Form 1040A on line 3 of this worksheet. Instead, include the amount from Schedule B (Form 1040A or 1040), line 2.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099. Also enter this amount on Form 1040, line 20a; or Form 1040A, line 14a	1. _____
2. Enter one-half of line 1	2. _____
3. Combine the amounts from: Form 1040: Lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21 Form 1040A: Lines 7, 8a, 9a, 10, 11b, 12b, and 13	3. _____
4. Enter the amount, if any, from Form 1040 or 1040A, line 8b	4. _____
5. Enter the total of any exclusions/adjustments for: • Adoption benefits (Form 8839, line 28), • Foreign earned income or housing (Form 2555, lines 45 and 50; or Form 2555-EZ, line 18), and • Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico	5. _____
6. Combine lines 2, 3, 4, and 5	6. _____
7. Form 1040 filers: Enter the amounts from Form 1040, lines 23 through 32, and any write-in adjustments you entered on the dotted line next to line 36. Form 1040A filers: Enter the amounts from Form 1040A, lines 16 and 17	7. _____
8. Is the amount on line 7 less than the amount on line 6? No. None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b; or Form 1040A, line 14b. Yes. Subtract line 7 from line 6	8. _____
9. If you are: • Married filing jointly, enter \$32,000 • Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2016, enter \$25,000 Note. If you are married filing separately and you lived with your spouse at any time in 2016, skip lines 9 through 16; multiply line 8 by 85% (0.85) and enter the result on line 17. Then go to line 18.	9. _____
10. Is the amount on line 9 less than the amount on line 8? No. None of your benefits are taxable. Enter -0- on Form 1040, line 20b; or on Form 1040A, line 14b. If you are married filing separately and you lived apart from your spouse for all of 2016, be sure you entered "D" to the right of the word "benefits" on Form 1040, line 20a; or on Form 1040A, line 14a. Yes. Subtract line 9 from line 8	10. _____
11. Enter \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2016	11. _____
12. Subtract line 11 from line 10. If zero or less, enter -0-	12. _____
13. Enter the smaller of line 10 or line 11	13. _____
14. Enter one-half of line 13	14. _____
15. Enter the smaller of line 2 or line 14	15. _____
16. Multiply line 12 by 85% (0.85). If line 12 is zero, enter -0-	16. _____
17. Add lines 15 and 16	17. _____
18. Multiply line 1 by 85% (0.85)	18. _____
19. Taxable benefits. Enter the smaller of line 17 or line 18. Also enter this amount on Form 1040, line 20b; or Form 1040A, line 14b	19. _____



If you received a lump-sum payment in 2016 that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see if you can report a lower taxable benefit.