

ST20-03 Lump Sum Social Security Payments

General Information

- Use this process if the taxpayer received lump sum social security benefits or RR Benefits Tier 1 for previous years. Do not do an amended return.
- The amounts are shown on Form SSA-1099A, Box 3 (Bottom).
- **Complete this process after all income is entered.**
- **You must have copies of prior year's returns.**
- If the taxpayer's total SS or RR Benefit is not taxable in the current year, STOP HERE.

What you need to know from previous year's returns

- Filing Status from prior year
- The amount of SS or RR received for the prior year (taxpayer+ spouse)
- The taxable portion of the SS or RR from the prior year (taxpayer + spouse)
- Modified Adjusted Gross Income from prior year
 - Modified AGI is defined as AGI plus tax-exempt interest and any adjustments from Schedule 1.
- The amount of any tax-exempt interest from the prior year

DESCRIPTION OF AMOUNT IN BOX 3	DESCRIPTION OF AMOUNT IN BOX 4
Paid by check or direct deposit: \$ 30906.00	
Attorney Fees \$3090.00	
Total: \$33,996.00	
	Box 6. Voluntary Federal Income Tax Withholding
	Box 7. Address 1734 Hillsdale Circle Your City, State, & Zip Code
	Box 8. Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2007) DO NOT RETURN THIS FORM TO SSA OR IRS

Amounts from previous years are shown in Box 3 of the SSA-1099

*Includes
\$12,948.00 Paid in 2020 for 2019
\$ 5,190.00 Paid in 2020 for 2018

References

- IRS Publication 4012 – Page D-45
- IRS Publication 915

Start with Social Security Input Screen

Step 1

- Enter the information from the SSA-1099 for both taxpayer and spouse into the TSO Social Security 1099 SSA screen as normal. Make a note of the refund/owed amount in the TSO refund monitor for both the Federal and NJ.

Step 2

- Select “Begin Worksheet” at the bottom of the Social Security Input Screen.

Step 3

- Create a worksheet for each year a lump sum was paid. See 4012 page D-45 for instructions on how to complete the worksheet.

ST20-03 Lump Sum Social Security Payments

Step 4

- After completing the Lump Sum Social Security Worksheets, check the refund/owed amount in the TSO refund monitors. Compare the total of the Federal and the NJ refunds with the total noted in Step 1.
- Leave the lump sum worksheets in the return even if there is no benefit in case there is a future amendment to the return.

Legal Fees

Legal fees are not deductible in 2020.

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.