

Appendix B. Worksheets for Social Security Recipients Who Contribute to a Traditional IRA

If you receive social security benefits, have taxable compensation, contribute to your traditional IRA, and you or your spouse is covered by an employer retirement plan, complete the following worksheets. (See *Are You Covered by an Employer Plan?* in chapter 1.)

Use Worksheet 1 to figure your modified adjusted gross income. This amount is needed in the computation of your IRA deduction, if any, which is figured using Worksheet 2.

The IRA deduction figured using Worksheet 2 is entered on your tax return.

Worksheet 1

Computation of Modified AGI

(For use only by taxpayers who receive social security benefits)

Filing Status — Check only one box:

- A.** Married filing jointly
- B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and **lived apart** from your spouse during the **entire year**
- C.** Married filing separately and **lived with** your spouse at **any time** during the year

1. Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for contributions to a traditional IRA, any student loan interest deduction, any tuition and fees deduction, any domestic production activities deduction, or any exclusion of interest from savings bonds to be reported on Form 8815)	1.	_____
2. Enter the amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	2.	_____
3. Enter one-half of line 2	3.	_____
4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	4.	_____
5. Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	5.	_____
6. Add lines 1, 3, 4, and 5	6.	_____
7. Enter the amount listed below for your filing status.		
• \$32,000 if you checked box A above.		
• \$25,000 if you checked box B above.		
• \$0 if you checked box C above.	7.	_____
8. Subtract line 7 from line 6. If zero or less, enter 0 on this line	8.	_____
9. If line 8 is zero, stop here . None of your social security benefits are taxable. If line 8 is more than 0, enter the amount listed below for your filing status.		
• \$12,000 if you checked box A above.		
• \$9,000 if you checked box B above.		
• \$0 if you checked box C above	9.	_____
10. Subtract line 9 from line 8. If zero or less, enter 0	10.	_____
11. Enter the smaller of line 8 or line 9	11.	_____
12. Enter one-half of line 11	12.	_____
13. Enter the smaller of line 3 or line 12	13.	_____
14. Multiply line 10 by .85. If line 10 is zero, enter 0	14.	_____
15. Add lines 13 and 14	15.	_____
16. Multiply line 2 by .85	16.	_____
17. Taxable benefits to be included in modified AGI for traditional IRA deduction purposes. Enter the smaller of line 15 or line 16	17.	_____
18. Enter the amount of any employer-provided adoption benefits exclusion and any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	18.	_____
19. Modified AGI for determining your reduced traditional IRA deduction — add lines 1, 17, and 18. Enter here and on line 2 of Worksheet 2, next	19.	_____

Appendix B. (Continued)

Worksheet 2 Computation of Traditional IRA Deduction For 2007 (For use only by taxpayers who receive social security benefits)		
IF your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
married filing jointly or qualifying widow(er)	\$83,000*	\$103,000
married filing jointly (you are not covered by an employer plan but your spouse is)	\$156,000*	\$166,000
single, or head of household	\$52,000*	\$62,000
married filing separately**	\$0*	\$10,000

*If your modified AGI is **not** over this amount, you can take an IRA deduction for your contributions of up to the lesser of \$4,000 (\$5,000 if you are age 50 or older or \$7,000 for certain employer bankruptcies) or your taxable compensation. Skip this worksheet, proceed to Worksheet 3, and enter your IRA deduction on line 2 of Worksheet 3.

If you did **not live with your spouse **at any time** during the year, consider your filing status as single. **Note.** If you were married and you or your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

Certain employer bankruptcies. See *Catch-up contributions in certain employer bankruptcies* in chapter 1 for instructions to complete lines 4 and 6 of this worksheet.

1. Enter the applicable amount from above **1.** _____
2. Enter your **modified AGI** from Worksheet 1, line 19 **2.** _____

Note. If line 2 is equal to or more than the amount on line 1, **stop here;** your traditional IRA contributions are not deductible. Proceed to Worksheet 3.

3. Subtract line 2 from line 1 **3.** _____
4. Multiply line 3 by the percentage below that applies to you. If the result is not a multiple of \$10, round it to the next highest multiple of \$10. (For example, \$611.40 is rounded to \$620.) However, if the result is less than \$200, enter \$200.
 - Married filing jointly or qualifying widow(er) **and** you are covered by an employer plan, multiply line 3 by 20% (.20) (by 25% (.25) if you are age 50 or older).
 - All others, multiply line 3 by 40% (.40) (by 50% (.50) if you are age 50 or older).

..... **4.** _____

5. Enter your compensation minus any deductions on Form 1040, line 27 (one-half of self-employment tax) and line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are the lower-income spouse, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year **5.** _____
6. Enter contributions you made, or plan to make, to your traditional IRA for 2007, but do not enter more than \$4,000 (\$5,000 if you are age 50 or older) **6.** _____
7. **Deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here (or a smaller amount if you choose). Enter this amount on the Form 1040 or 1040A line for your IRA. (If the amount on line 6 is more than the amount on line 7, complete line 8.) . . . **7.** _____
8. **Nondeductible contributions.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606, *Nondeductible IRAs*. **8.** _____

Appendix B. (Continued)

Worksheet 3

Computation of Taxable Social Security Benefits

(For use by taxpayers who receive social security benefits and take a traditional IRA deduction)

Filing Status — Check only one box:

- A.** Married filing jointly
- B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***
- C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1. Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any IRA deduction, any student loan interest deduction, any tuition and fees deduction, any domestic production activities deduction, any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815)	1.	_____
2. Deduction(s) from line 7 of Worksheet(s) 2	2.	_____
3. Subtract line 2 from line 1	3.	_____
4. Enter amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	4.	_____
5. Enter one-half of line 4	5.	_____
6. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	6.	_____
7. Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	7.	_____
8. Add lines 3, 5, 6, and 7	8.	_____
9. Enter the amount listed below for your filing status.		
• \$32,000 if you checked box A above.		
• \$25,000 if you checked box B above.		
• \$0 if you checked box C above.	9.	_____
10. Subtract line 9 from line 8. If zero or less, enter 0 on this line.	10.	_____
11. If line 10 is zero, stop here . None of your social security benefits are taxable. If line 10 is more than 0, enter the amount listed below for your filing status.		
• \$12,000 if you checked box A above.		
• \$9,000 if you checked box B above.		
• \$0 if you checked box C above.	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 5 or line 14	15.	_____
16. Multiply line 12 by .85. If line 12 is zero, enter 0	16.	_____
17. Add lines 15 and 16	17.	_____
18. Multiply line 4 by .85	18.	_____
19. Taxable social security benefits. Enter the smaller of line 17 or line 18	19.	_____

Appendix B. (Continued)

Comprehensive Example Determining Your Traditional IRA Deduction and the Taxable Portion of Your Social Security Benefits

John Black is married and files a joint return. He is 65 years old and had 2007 wages of \$78,500. His wife did not work in 2007. He also received social security benefits of \$10,000 and made a \$5,000 contribution to his traditional IRA for the year. He had no foreign income, no tax-exempt interest, and no adjustments to income on lines 23 through 36 on his Form 1040. He participated in a section 401(k) retirement plan at work.

John completes worksheets 1 and 2. Worksheet 2 shows that his 2007 IRA deduction is \$4,000. He must either withdraw the contributions that are more than the deduction (the \$1,000 shown on line 8 of Worksheet 2), or treat the excess amounts as nondeductible contributions (in which case he must complete Form 8606 and attach it to his Form 1040).

The completed worksheets that follow show how John figured his modified AGI to determine the IRA deduction and the taxable social security benefits to report on his Form 1040.

Worksheet 1

Computation of Modified AGI

(For use only by taxpayers who receive social security benefits)

Filing Status — Check only one box:

- A.** Married filing jointly
 B. Single, Head of Household, Qualifying Widow(er), or Married filing separately and *lived apart* from your spouse during the *entire year*
 C. Married filing separately and *lived with* your spouse at *any time* during the year

1. Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for contributions to a traditional IRA, any student loan interest deduction, any tuition and fees deduction, any domestic production activities deduction, or any exclusion of interest from savings bonds to be reported on Form 8815)	1.	78,500
2. Enter the amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	2.	10,000
3. Enter one-half of line 2	3.	5,000
4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	4.	0
5. Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	5.	0
6. Add lines 1, 3, 4, and 5	6.	83,500
7. Enter the amount listed below for your filing status.		
• \$32,000 if you checked box A above.		
• \$25,000 if you checked box B above.		
• \$0 if you checked box C above.	7.	32,000
8. Subtract line 7 from line 6. If zero or less, enter 0 on this line	8.	51,500
9. If line 8 is zero, stop here . None of your social security benefits are taxable. If line 8 is more than 0, enter the amount listed below for your filing status.		
• \$12,000 if you checked box A above.		
• \$9,000 if you checked box B above.		
• \$0 if you checked box C above	9.	12,000
10. Subtract line 9 from line 8. If zero or less, enter 0	10.	39,500
11. Enter the smaller of line 8 or line 9	11.	12,000
12. Enter one-half of line 11	12.	6,000
13. Enter the smaller of line 3 or line 12	13.	5,000
14. Multiply line 10 by .85. If line 10 is zero, enter 0	14.	33,575
15. Add lines 13 and 14	15.	38,575
16. Multiply line 2 by .85	16.	8,500
17. Taxable benefits to be included in modified AGI for traditional IRA deduction purposes. Enter the smaller of line 15 or line 16	17.	8,500
18. Enter the amount of any employer-provided adoption benefits exclusion and any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	18.	0
19. Modified AGI for determining your reduced traditional IRA deduction — add lines 1, 17, and 18. Enter here and on line 2 of Worksheet 2, next	19.	87,000

Appendix B. (Continued)

Worksheet 2 Computation of Traditional IRA Deduction For 2007 (For use only by taxpayers who receive social security benefits)		
IF your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
married filing jointly or qualifying widow(er)	\$83,000*	\$103,000
married filing jointly (you are not covered by an employer plan but your spouse is)	\$156,000*	\$166,000
single, or head of household	\$52,000*	\$62,000
married filing separately**	\$0*	\$10,000

*If your modified AGI is **not** over this amount, you can take an IRA deduction for your contributions of up to the lesser of \$4,000 (\$5,000 if you are age 50 or older or \$7,000 for certain employer bankruptcies) or your taxable compensation. Skip this worksheet, proceed to Worksheet 3, and enter your IRA deduction on line 2 of Worksheet 3.

If you did **not live with your spouse **at any time** during the year, consider your filing status as single.

Note. If you were married and you or your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

Certain employer bankruptcies. See *Catch-up contributions in certain employer bankruptcies* in chapter 1 for instructions to complete lines 4 and 6 of this worksheet.

1.	Enter the applicable amount from above	1.	<u>103,000</u>
2.	Enter your modified AGI from Worksheet 1, line 19	2.	<u>87,000</u>
Note. If line 2 is equal to or more than the amount on line 1, stop here ; your traditional IRA contributions are not deductible. Proceed to Worksheet 3.			
3.	Subtract line 2 from line 1	3.	<u>16,000</u>
4.	Multiply line 3 by the percentage below that applies to you. If the result is not a multiple of \$10, round it to the next highest multiple of \$10. (For example, \$611.40 is rounded to \$620.) However, if the result is less than \$200, enter \$200.		
	<ul style="list-style-type: none"> • Married filing jointly or qualifying widow(er) and you are covered by an employer plan, multiply line 3 by 20% (.20) (by 25% (.25) if you are age 50 or older). • All others, multiply line 3 by 40% (.40) (by 50% (.50) if you are age 50 or older). 	4.	<u>4,000</u>
5.	Enter your compensation minus any deductions on Form 1040, line 27 (one-half of self-employment tax) and line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are the lower-income spouse, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year	5.	<u>78,500</u>
6.	Enter contributions you made, or plan to make, to your traditional IRA for 2007, but do not enter more than \$4,000 (\$5,000 if you are age 50 or older)	6.	<u>5,000</u>
7.	Deduction. Compare lines 4, 5, and 6. Enter the smallest amount here (or a smaller amount if you choose). Enter this amount on the Form 1040 or 1040A line for your IRA. (If the amount on line 6 is more than the amount on line 7, complete line 8.) . . .	7.	<u>4,000</u>
8.	Nondeductible contributions. Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606, <i>Nondeductible IRAs</i>	8.	<u>1,000</u>

Appendix B. (Continued)

Worksheet 3		
Computation of Taxable Social Security Benefits		
(For use by taxpayers who receive social security benefits and take a traditional IRA deduction)		
Filing Status — Check only one box:		
<input checked="" type="checkbox"/>	A. Married filing jointly	
<input type="checkbox"/>	B. Single, Head of Household, Qualifying Widow(er), or Married filing separately and lived apart from your spouse during the entire year	
<input type="checkbox"/>	C. Married filing separately and lived with your spouse at any time during the year	
1.	Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any IRA deduction, any student loan interest deduction, any tuition and fees deduction, any domestic production activities deduction, any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815)	78,500
2.	Deduction(s) from line 7 of Worksheet(s) 2	4,000
3.	Subtract line 2 from line 1	74,500
4.	Enter amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	10,000
5.	Enter one-half of line 4	5,000
6.	Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	0
7.	Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	0
8.	Add lines 3, 5, 6, and 7	79,500
9.	Enter the amount listed below for your filing status. <ul style="list-style-type: none"> • \$32,000 if you checked box A above. • \$25,000 if you checked box B above. • \$0 if you checked box C above. 	32,000
10.	Subtract line 9 from line 8. If zero or less, enter 0 on this line.	47,500
11.	If line 10 is zero, stop here . None of your social security benefits are taxable. If line 10 is more than 0, enter the amount listed below for your filing status. <ul style="list-style-type: none"> • \$12,000 if you checked box A above. • \$9,000 if you checked box B above. • \$0 if you checked box C above. 	12,000
12.	Subtract line 11 from line 10. If zero or less, enter 0	35,500
13.	Enter the smaller of line 10 or line 11	12,000
14.	Enter one-half of line 13	6,000
15.	Enter the smaller of line 5 or line 14	5,000
16.	Multiply line 12 by .85. If line 12 is zero, enter 0	30,175
17.	Add lines 15 and 16	35,175
18.	Multiply line 4 by .85	8,500
19.	Taxable social security benefits. Enter the smaller of line 17 or line 18	8,500