

People with Disabilities May Miss Out On Significant Tax Savings This Season

Allsup outlines five tax savings opportunities; knowing tax treatment for Social Security disability benefits, and tax credits and deductions is essential to financial health

Belleville, IL (Vocus) March 18, 2009 -- People relying on Social Security Disability Insurance (SSDI) benefits may have among the lowest incomes, yet they can pay more than they should in taxes, according to [Allsup](#), a leading provider of Social Security disability, financial and healthcare-related services to people with disabilities.

"Just like healthcare and other costs, taxes can be a concern for people with disabilities when they aren't managed well," said Paul Gada, a tax attorney and personal financial planning director for the [Allsup Disability Life Planning Center](#). "More than 9.2 million people rely on SSDI benefits, but some may not understand the tax implications. They could be missing opportunities to reduce the real cost of their expenses."

Below, Allsup offers five guidelines to help people with disabilities minimize the impact of taxes. More help is in Allsup's [tax resources](#) section on Allsup.com as well as in a [podcast](#) also issued today.

1. Be sure you know how your [SSDI benefits](#) are taxed.

Both monthly and lump-sum retroactive payments of SSDI benefits are subject to federal income tax.

Monthly SSDI benefits. Up to 50 percent of your SSDI benefits may be taxed. This is determined by adding up one-half of your SSDI benefits plus all of your other income sources. Taxes are owed on any amount above a base level (2008: \$32,000/couples filing jointly; \$25,000/individuals).

"The average 2008 monthly SSDI benefit was under \$1,100," Gada said. "As a result, most people will not owe any or will owe very little taxes."

- Lump-sum SSDI benefits. It can take two to four years to receive disability benefits. As a result, someone could receive a lump-sum payment of \$40,000 or more for back benefits owed. Mistakenly paying taxes on this as additional income in one year could be devastating to a person whose financial future depends on this amount.

Fortunately, there is a [special election](#) that allows lump-sum payments to be spread over previous tax years that represent the retroactive pay period. This can be done using the current year tax return, with no need to file an amended return. However, the calculations are complex and Gada recommends seeking tax assistance.

2. File an income tax return - even if you do not owe taxes.

If you do not file a tax return, you can miss out on credits and deductions that could make a difference of several hundred dollars in your budget.

- [Earned income tax credit](#) (up to \$4,824). This is a refundable credit, meaning that any amount higher than a person's tax bill can be received as a tax refund. To be eligible, a taxpayer or spouse had to be employed for a part of 2008, earned below \$12,880 to \$41,646 - depending upon filing status and the number of children claimed - and had investment income of no more than \$2,950.
 - Recovery rebate credit (\$300 or higher). In addition to the recently announced [\\$250 bonus payment](#), Social Security recipients who did not take the full tax-rebate credit based on their 2007 income may still be able to do so based on their 2008 income. Individuals with at least \$3,000 in qualifying income (from a job, SSDI, etc.) can take this credit. It is \$300 for single filers and \$600 for married couples receiving just Social Security or veterans-disability benefits, and higher for others. Anyone claiming a rebate may be eligible for an extra \$300 for each of their children under 17.
3. Take the [credit for the disabled](#) if you are eligible.

You are eligible for this credit if you receive taxable disability income from a former employer's accident, health or pension plan--and have 2008 adjusted gross income under \$17,500 for single filers; \$20,000 for joint filers with only one spouse eligible for the credit; and \$25,000 for joint filers with both spouses eligible. Find more details on Allsup's Web site under [Tax Credits for Lower Income Taxpayers](#).

4. Keep track of your medical and dependent care expenses.

Because people with disabilities often have low incomes combined with high healthcare costs, they may benefit from the medical deduction and dependent care credit so long as they document their expenses.

- Medical deductions. Taxpayers who itemize on their tax returns can deduct medical costs equaling more than 7.5 percent of their adjusted gross income. Deductible expenses include medical and dental costs, travel expenses for treatment, long-term care insurance premium payments and costs for certain equipment for the visually and hearing impaired and physically disabled.

Individuals who are blind may be entitled to an additional standard deduction on their tax return.

- Dependent care credit. If you pay someone to care for a physically or mentally impaired dependent or spouse, you may be able to take a credit of up to 35 percent of the cost of the care provided while you are working or looking for work.

5. Deduct the costs of seeking your SSDI benefits.

If you hired a representative, like Allsup, to help you get your SSDI benefits, you can deduct the fee that you paid your representative. You will need to itemize your return; the expenses for collecting the taxable part of your SSDI benefits are deductible as miscellaneous itemized deductions on line 23 of Schedule A (Form 1040).

About Allsup

Allsup, Belleville, Ill., is a leading nationwide provider of financial and healthcare related services to people with disabilities. Celebrating its 25th anniversary in 2009, Allsup has helped more than 110,000 people receive their entitled Social Security Disability Insurance and Medicare benefits. Allsup employs more than 550 professionals who deliver services directly to consumers and their families, or through their employers and



long-term disability insurance carriers.

For more information, visit www.Allsup.com.

The information provided is not intended as a substitute for legal or other professional services. Legal or other expert assistance should be sought before making any decision that may affect your situation.

Editor's Note: Find an Allsup podcast with tax information at <http://www.allsup.com/portals/4/allsup-tax-savings-ideas-podcast.mp3>.

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