**General Information**

* Usethis 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

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

2019 for 2018

2019 for 2017

**References**

* IRS Publication 4012 – Page D-44
* 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 screen shot below from Pub 4012-page D-46.

**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 2018.

**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.

