

Navigating Taxes and Retirement: A Guide for Seniors

Tax season can feel overwhelming for anyone, but seniors face unique considerations when it comes to filing returns and managing retirement income. Understanding these special provisions can help ensure you're taking advantage of available benefits while meeting your tax obligations.

Form 1040-SR and Filing Requirements:

Seniors have the option to use Form 1040-SR, which is specifically designed for taxpayers age 65 and older. This form features larger print and a standard deduction chart, making it easier to navigate. Filing requirements and standard deduction amounts differ based on age, with seniors generally receiving higher standard deductions than younger taxpayers.

Required Minimum Distributions:

Once you reach age 73, you must generally begin withdrawing money from your IRA or retirement account. The required minimum distribution (RMD) is calculated by dividing your account balance as of December 31 of the preceding year by the applicable distribution period for your age. While you can withdraw more than the minimum, failing to take your RMD can result in penalties.

Understanding Retirement Plan Distributions:

Many retirement plans allow for after-tax contributions, which means a portion of your distributions may represent a recovery of your cost basis and won't be taxable. The method used to calculate the tax-free portion depends on when your annuity started and the type of plan involved. For qualified plans, the simplified method is typically used, while nonqualified plans and commercial annuities require the general rule method.

Social Security and Medicare Taxes:

If you worked for multiple employers during the year, you may have had excess Social Security taxes withheld. Each employer withholds taxes up to the maximum creditable amount, so the total deducted may exceed what you actually owe. You can claim this excess as a credit against your income tax when filing your return.

Taxable Social Security Benefits:

A portion of your Social Security retirement benefits may be taxable when your income exceeds certain base amounts. Up to 85% of benefits can be taxable if your total income exceeds \$34,000 for single filers or \$44,000 for married couples filing jointly. You can

choose to have federal income tax withheld from your Social Security benefits by completing Form W-4V.

This information is provided to you by Arrowhead Tax Service. We make every effort to provide honest and accurate tax information. Please use your discretion before making any decisions based on the information provided, every tax situation is different. If you have any questions, please visit our office or call us at 937-543-5770.