

Taxes on Social Security benefits were not eliminated despite what you've heard

Story by Susan Tompor, Detroit Free Press 10 min read 8-5-2025

All the misleading buzz about Social Security and tax cuts for seniors in "One Big Beautiful Bill" foreshadows one ugly scene after another at tax preparation offices next year.

It's not going to be pretty when many ill-informed retirees file 2025 tax returns. "What do you mean I'm paying taxes on my Social Security benefits?" some will no doubt ask.

Already in July, I've spotted social media posts by tax professionals who dread the day when they will have to say "welcome to reality" to clients.

"Yes, your Social Security is still 85% taxable. Yes, I know that's what Trump's still saying. But pay attention to what he signed, not what he says," he yelled for the 792,682,314th time into the void," posted Adam Markowitz, an enrolled agent in Florida, on X.

What's sparking confusion for retirees about taxes

The White House proclaimed, once again, "NO tax on Social Security" on July 4 when President Donald Trump signed what he calls "The One Big Beautiful Bill" into law. It's not an accurate statement. He also sent a mass email July 12 making the same point.

The Social Security Administration sent a gushy, questionable email July 4 to millions of people collecting Social Security benefits and others. Soon afterward, I heard from some retirees who couldn't believe how a federal agency was doing a hard sell about the supposed benefits and creating even more confusion.

"The bill ensures that nearly 90% of Social Security beneficiaries will no longer pay federal income taxes on their benefits, providing meaningful and immediate relief to seniors who have spent a lifetime contributing to our nation's economy," Social Security stated in its email and online.

Ninety percent, really? More on that one later.

At one point, the email seemed to suggest that retirees were getting two tax breaks.

"The new law includes a provision that eliminates federal income taxes on Social Security benefits for most beneficiaries, providing relief to individuals and couples. Additionally, it provides an enhanced deduction for taxpayers aged 65 and older, ensuring that retirees can keep more of what they have earned," according to a copy of the email forwarded to me.

Additionally? There is no "additionally."

The tax cut is an enhanced deduction for taxpayers aged 65 and older. That's it. The law doesn't eliminate the risk that some will pay taxes on their Social Security benefits.

The Social Security blog online now refers to a correction without saying what was wrong.

"Correction Notice: This blog was updated on July 7, 2025. The second sentence of the fourth paragraph originally read, 'Additionally, it provides an enhanced deduction for taxpayers aged 65 and older, ensuring that retirees can keep more of what they have earned.'"

The word "additionally" is no longer in the copy.

Instead, the paragraph in the [online blog at SSA.gov](#) now reads: "The new law includes a provision that eliminates federal income taxes on Social Security benefits for most beneficiaries, providing relief to individuals and couples. It does so by providing an enhanced deduction for taxpayers aged 65 and older, ensuring that retirees can keep more of what they earned."

Clear as mud, as one of my relatives might say.

How does the 'senior bonus' work?

A new, temporary "senior bonus" deduction of up to \$6,000 will apply to taxpayers ages 65 and older in 2025, 2026, 2027 and 2028. It ends after that without congressional action.

Tax professionals call this a "special personal exemption" that aims to reduce the tax bill for many seniors. In general, seniors with high incomes would not qualify; lower income seniors who do not pay taxes would not benefit, either.

"As a deduction and not a refundable credit, it will not help seniors who already owe no income taxes," said Mark Luscombe, principal analyst for Wolters Kluwer Tax & Accounting in Riverwoods, Illinois.

Luscombe explained that higher income seniors receive a smaller tax break or no tax break because the deduction starts phasing out for those with a modified adjusted gross income of \$75,000 for singles and \$150,000 for joint filers.

And, yes, there are plenty of other rules but, oddly enough, you do not have to be receiving Social Security benefits each month to qualify.

It will not pay to be young – no matter what your income.

Taxpayers who are 62, 63 and 64 at the end of a tax year do not qualify for the "senior bonus" deduction. They could still pay income taxes on Social Security benefits, if they're collecting benefits and hit certain income thresholds, without any offsetting bonus deduction.

Here's a breakdown of some more rules that you'll need to know when filing a 2025 return:

- **Some married couples can get a better deal:** If both spouses are 65 or older, each could receive up to \$6,000 or up to \$12,000 total for the senior bonus deduction in a given tax year.

- **Married couples face another rule:** Married couples must file jointly to claim the senior deduction. If you opt for "married filing separately," you will not qualify for the senior bonus deduction, said Tom O'Saben, enrolled agent and director of tax content and government relations for the National Association of Tax Professionals.
- **Social Security number required:** To claim the deduction, the senior must have a valid Social Security number.
- **Those with higher incomes face limits:** The tax break would phase out entirely for single taxpayers 65 and older with a modified adjusted gross income at \$175,000. It would phase out entirely for married taxpayers 65 and older with a modified adjusted gross income at \$250,000.
- **6% is the phase-out number.** When your income climbs above the threshold, the deduction phases out at a rate of 6%.

The National Association of Tax Professionals, which has 23,000 members, offered an example for a 70-year-old retiree who is single and has a modified adjusted gross income (MAGI) of \$90,000.

In this example, \$15,000 of MAGI exceeds the \$75,000 threshold for a single tax filer.

Take out your calculator and multiple \$15,000 by 6% to hit \$900.

The maximum \$6,000 senior bonus deduction is then reduced by \$900 in this example to reach a senior deduction of \$5,100.

Example

Taxes on Social Security were never eliminated

Believe me, you're not doing your friends any favors now by insisting that there are no taxes on Social Security benefits. Some people still need to withhold taxes on their Social Security benefits, if they have other significant sources of income.

At no point did the House bill or Senate version, which was later passed by the House and signed into law by Trump, ever include a provision to eliminate the tax on Social Security or provide a deduction for Social Security income, according to a summary of the massive reconciliation bill provided by Wolters Kluwer, an information services company.

Trump famously proposed making Social Security income tax-free during his 2024 campaign. But such a change could not be part of the budget reconciliation process. One provision of the Congressional Budget Act of 1974 prohibits Senate reconciliation bills from including any measure that changes Social Security benefits or taxes.

Note

"It's fair to frame this new deduction as an attempt to fulfill the spirit of the president's campaign proposal consistent with the limits imposed in the reconciliation process," said Garrett Watson, director of policy analysis at the nonpartisan Tax Foundation. "But selling this politically as exempting Social Security from income tax is not accurate and will confuse or upset the seniors who end up paying tax on some benefits."

The senior bonus deduction, Watson points out, applies to any source of taxable income that a taxpayer who is 65 or older has and may not necessarily eliminate all tax on Social Security benefits.

Social Security benefits began being taxed at the federal level in 1984 to shore up the Social Security trust fund, which was facing insolvency.

At best, the new tax break means many seniors will save some money on taxes over four years.

"Despite the SSA claims, most would see their income taxes on Social Security benefits reduced, not eliminated," wrote Howard Gleckman, a senior fellow at the Urban-Brookings Tax Policy Center.

In an online report July 9, Gleckman wrote that the biggest beneficiaries are seniors making \$80,000 to \$130,000. The senior bonus deduction would for that group would amount to an average tax cut of about \$1,100 or roughly 1% of their after-tax income, he said.

The tax deduction of up to \$6,000 would benefit fewer than half of older adults, according to the Tax Policy Center estimates.

How much a senior who qualifies for the "senior bonus" will save on taxes will depend on their taxable income, which determines your marginal tax rate.

[At a 12% marginal tax rate, for example, the \$6,000 deduction for a single taxpayer who is 65 or older would result in \$720 in tax savings, Watson said.] *Note*

For a single taxpayer, the 12% tax rate applied on taxable income from \$11,926 through \$48,475 in 2025. Annual inflation adjustments can be made to marginal tax brackets.

Hype, complexities and more can get your head spinning

All this brings the question: How can Trump say there will be no taxes on Social Security benefits?

Well, retirees will need to treat this one as one of those Trumpisms where, maybe, you need to study the fine print first.

"The president often seems to try to put as positive a spin as possible on an issue without being totally consistent with the facts," Luscombe said.

The 90% number used in the email sent by the Social Security Administration appears to track a 90% figure used by the White House. It is misleading.

Many people did not have to pay taxes on Social Security benefits based on their income before the megabill was signed into law July 4.

Note
About 40% of people who get Social Security pay income taxes on their benefits, according to an earlier report issued by the Social Security Administration in 2025.

Other estimates, though, suggest slightly more than 50% now pay taxes.

The Tax Foundation did not estimate the portion of seniors who would not pay tax on benefits under the new deduction. But it noted that roughly half of all Social Security beneficiaries did not pay federal income tax on their Social Security benefits before the new tax law.

Gleckman, at the Tax Policy Center, told the Detroit Free Press, part of the USA TODAY Network, that the 90% figure being used by the Social Security Administration isn't close to reality. In his online blog, Gleckman said the administration apparently came up with its 90% estimate by "assuming all tax deductions, including the new senior deduction, are used only to reduce Social Security benefit taxes."

"But, of course, older adults pay taxes on all their taxable income, including from sources other than Social Security," Gleckman wrote.

The Tax Policy Center's estimate is that about half of all recipients will pay at least some income taxes on their Social Security benefits, Gleckman wrote. "That is, they face higher tax liability than they would if benefits were not taxable.

"The Social Security system is complicated, and, in many ways, its complexity is terrifying for older adults, many of whom rely on its benefits to pay living expenses in old age. The latest SSA communication does not help and indeed may make matters worse," Gleckman wrote.

How Social Security benefits are taxed will remain a complex headache for many people ages 62 and up.

Based on Social Security data, nearly 23% of men and 24.5% of women who claimed retirement benefits in 2022 were age 62.

The earliest age you can claim Social Security retirement benefits is 62. By collecting as early as possible, though, you'd receive a reduced monthly retirement benefit that is cut by a small percentage for each month before your full retirement age.

The full retirement age is 67 now for those born in 1960 and after. For those born earlier, the full retirement age varies and is under 67 based on when you were born.

How Social Security benefits are taxed

Unfortunately, it doesn't take much extra income to get hit with some taxes because income thresholds that trigger the tax on Social Security benefits do not adjust for inflation.

For single filers, the threshold for paying taxes on up to 50% of Social Security benefits applies when your combined income is between \$25,000 and \$34,000 a year. Once the combined income is higher, up to 85% of benefits may be taxable.

Couples filing a joint return face taxes on up to 50% of their Social Security benefits if their combined income is \$32,000 to \$44,000. If the couple's combined income is higher than that, up to 85% of benefits would be taxable.

Combined income is your adjusted gross income, plus nontaxable interest, such as interest on certain bonds, plus half of your Social Security benefits received that year.

] Note

As a result, someone who is working while collecting Social Security benefits would need to take their earnings from a job into account. The same's true for someone who is retired and taking taxable withdrawals from traditional 401(k) plans.

All that tax complexity isn't going to vanish.

O'Saben, of the National Association of Tax Professionals, said he's frustrated by how the senior bonus deduction is being marketed. He heard a news story on the radio that implied that Social Security benefits were no longer taxable and he found himself yelling at the radio while driving.

"There is no provision making Social Security benefits tax-free," O'Saben said.

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