

How To Figure Earnings for the Year of a Beneficiary's Death

The month in which a beneficiary dies becomes the last month of his taxable year. So, if he dies before December, he has a short taxable year, and the limit on his earnings is not \$1,200 but is \$100 times the number of months in his taxable year.

Example.—John Granger whose benefit rate is \$100 a month dies in May 1961, having earned \$1,100. His taxable year ended at his death in May. Since his taxable year was 5 months rather than 12 months long, the earnings limitation in his case was \$500 (5 months times \$100), rather than \$1,200. John earned \$600 more than the earnings limitation. The amount of benefits to be withheld is \$350, that is, \$1 for each

\$2 earned above the \$500 limitation until it was exceeded by \$500, and \$1 for each \$1 thereafter. If he has already been paid all his benefits for the first 4 months of the year, \$350 will have to be withheld from amounts due his survivors or will have to be recovered from his estate.

When and How Do I Report My Earnings?

Before the End of the Year.—If, at any time during the year, you are working for wages of more than \$100 a month (or are rendering substantial services in self-employment) and expect your total earnings for the year to amount to more than \$1,200, report this to the Social Security Administration giving an estimate of how much you expect to earn during the year. Your social security office will give you

some special post cards for this purpose, but you can make your report in a letter, if you prefer.

When you report, your benefits will be stopped for the number of months necessary based on your estimate. You should try to make as accurate an estimate of yearly earnings as you can. If your estimate turns out to be too low, you will have to pay back some benefits at the end of the year. If your estimate turns out to be too high, more benefits will be withheld from you during the year than need be. (You will, of course, get a check for the unpaid amount when we get a final report from you telling us how much you actually did earn during the year.)

If, later in the year, you are neither working for wages of more than \$100 a month nor rendering substantial services in self-employment—or if there is

a substantial change in your expected earnings for the year—you should notify your social security office, using the form given you for that purpose. Your benefit payments will then be started up or stopped as necessary.

After the End of the Year.—You are required to file an annual report with the Social Security Administration if your earnings amounted to more than \$1,200 for a year. This report must be filed on or before April 15 of the following year. Failure to do so may result in a loss of additional benefits.

The report must be filed in addition to any income tax return you send to the District Director of Internal Revenue.

You need *not* file an annual report on your earnings if:

- You reached 72 years of age before the beginning of the year; or