

Taxable Social Security

- Federal Tax policy includes partial taxation of some social security benefits [between 0% and 85% of benefits received] in federal adjusted gross income for returns with incomes in excess of:
 - \$25,000 for single filers
 - \$32,000 for joint filers (\$0 if Married Filing Separate)
- This policy results in taxation of roughly 22% of social security benefits received in West Virginia as of 2016 with tax applying to roughly half of households receiving social security benefits
- The starting point for the calculation of West Virginia personal income tax is federal adjusted gross income
- West Virginia offers an \$8,000 decreasing modification per individual over age 65
- Under current tax policy, various other allowable income exclusions count against the \$8,000 deduction as follows:
 - Tax exempt interest (e.g., U.S. Savings Bonds)
 - Police and Fire Pension Benefits
 - Military Retirement Benefits
 - Teacher Retirement Benefits (\$2,000 limit)
 - Federal Civil Service Retirement Benefits (\$2,000 limit)
 - Public Employee Retirement Benefits (\$2,000 Limit)
- The Executive Budget Proposal would:
 - Completely exclude social security benefits from State taxation
 - Provide the same treatment for social security benefits as military retirement and various other exclusions in relationship to the standard \$8,000 deduction
 - In simple terms, Taxpayers choose between the social security exclusion and the \$8,000 exclusion, whichever produces the greatest tax savings
 - The cost to the State Treasury would be roughly \$50 million in FY 2020 as reflected in the Executive Budget Proposal