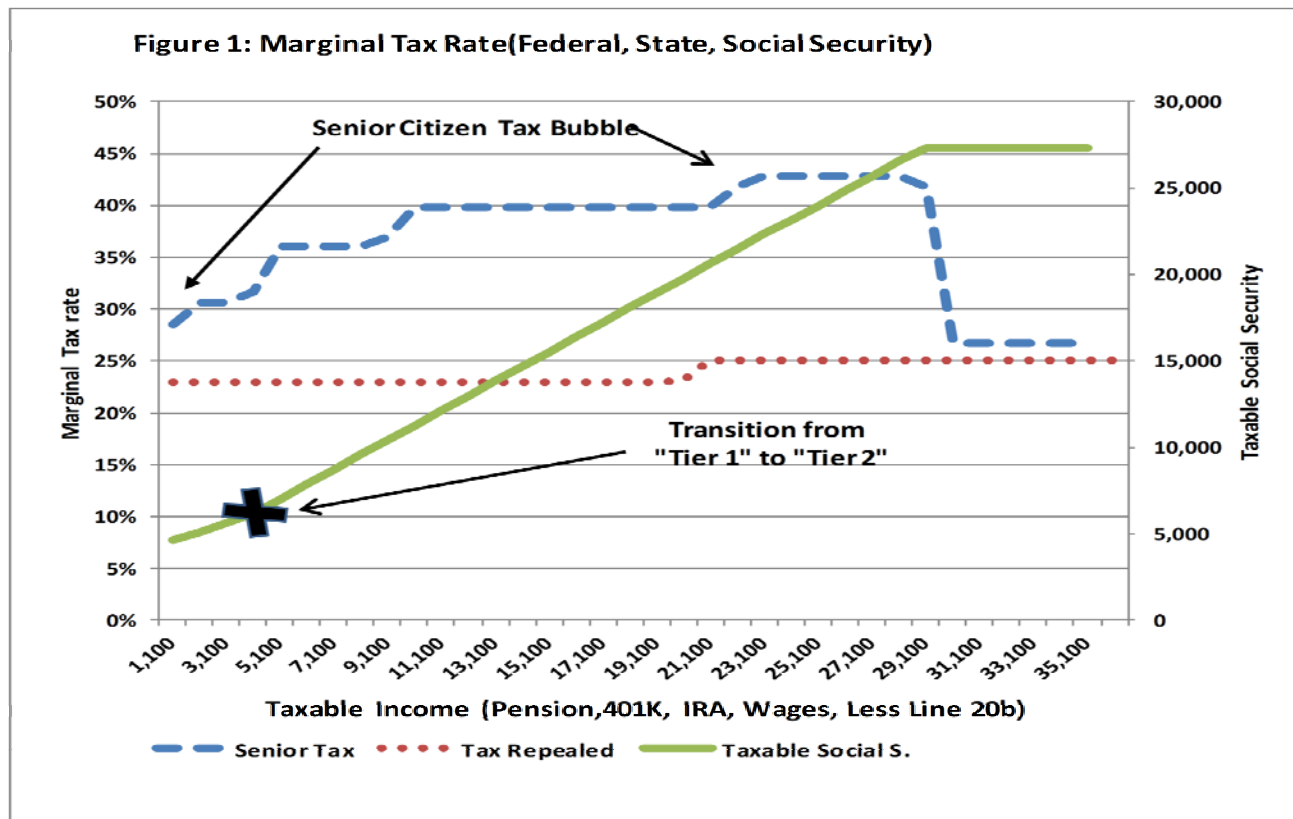


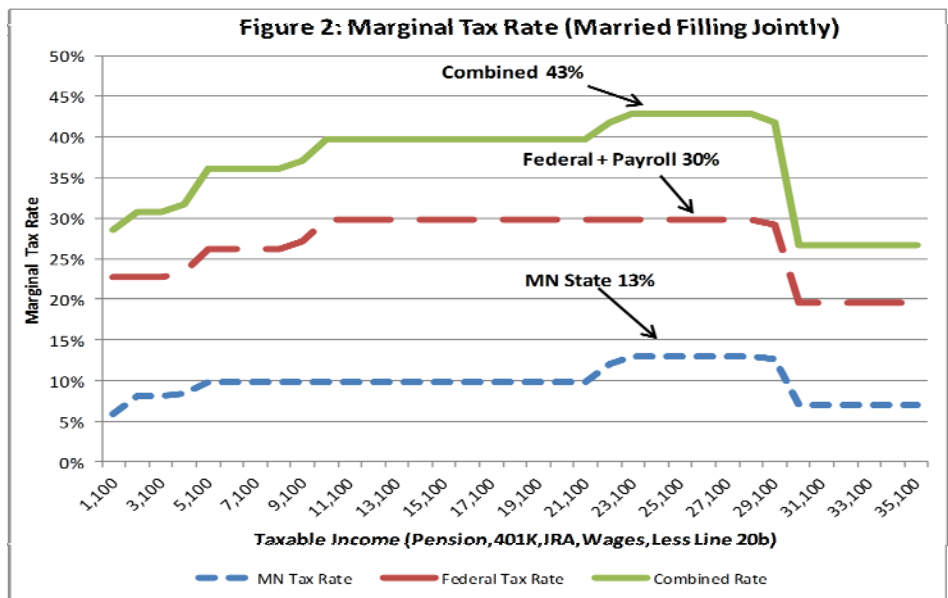
**Senior Citizens Tax Causes a Tax Bubble:** You can see in [Figure 1](#) what effect the “Senior Citizens Tax” has on retirees. The graph compares a retired employee receiving Social Security Benefits and paying the “Senior Citizen Tax” to the same retired employee with the “Senior Citizen Tax” repealed. In the example; marginal rates are calculated by increasing part time employment income by \$1,000 increments and comparing increased taxes to increased income. For example a \$1,000 increase in wages can cause a \$1,850 increase in taxable income because the amount of Taxable Social Security Benefits is added to the taxable income on the 1040 IRS Tax Form. See attached IRS 1040 Form line 20a & 20b.

**Compounding Creates the Tax Bubble:** Retirees receiving Social Security Benefits have their taxable income compounded when income increases. For example: When a married couple receives \$21,000 Taxable Pension payments plus \$32,184 Social Security Benefits (based on \$1,341, the average monthly Social Security Benefit) they needed more income so they both continued working part-time. In the sample calculation used in [Figure 1](#) a series of calculations were made based on \$1,000 increments of part-time income (part time jobs for husband & wife), then increased income is compared to increased taxes. When their part-time income reached \$32,100, their taxable Social Security compounded taxable income by \$27,356, which is 85% of the \$32,184 total Social Security Benefits, see [Figure 1](#) “Taxable Social Security”. The Gross Income compounded by \$27,356 from \$56,100 to \$83,456 (Line 5 of Table 1). The compounding causes total marginal tax rates to 43%. You can check to see if you are paying this tax, by checking **Line 20b of your IRS 1040 Form. If you have a value over “0”, you are in a “Senior Citizen Tax Bubble” caused by compounding of the amount of Taxable Income.**



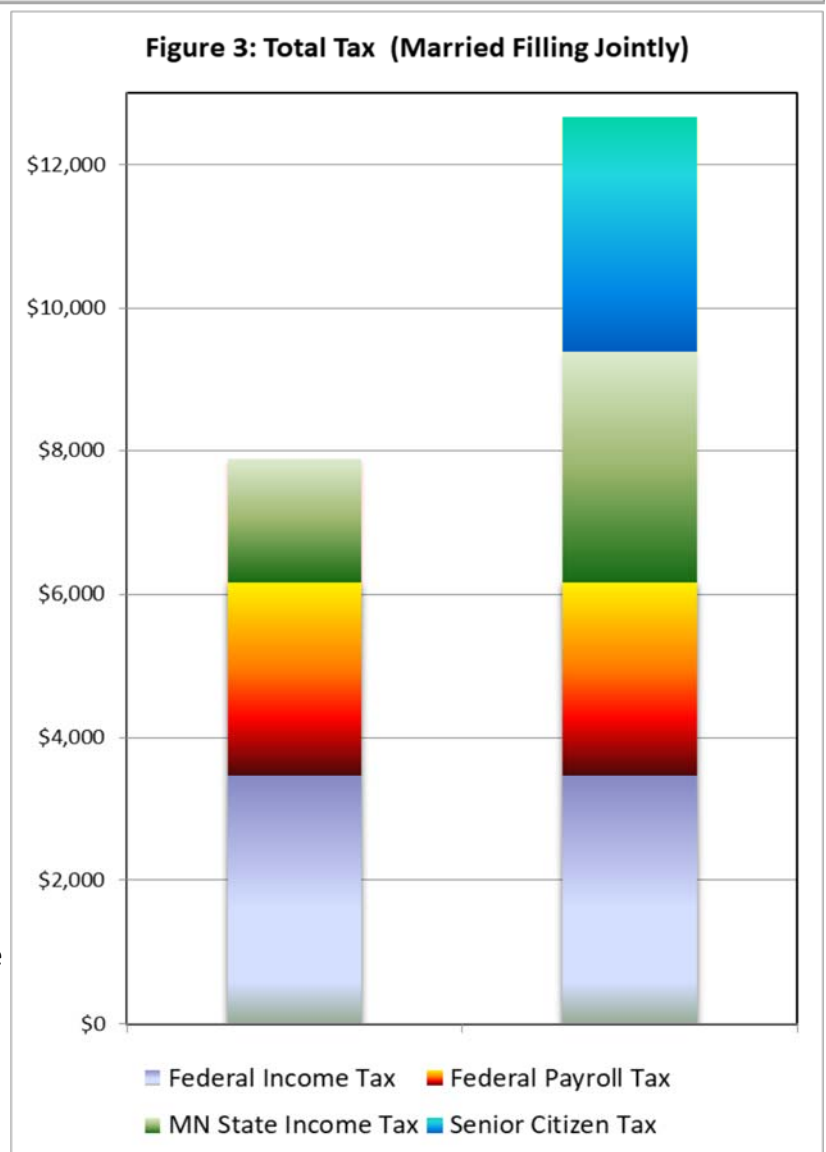
**Jurisdictional Marginal Tax Rates:**

See [Figure 2](#): it shows Marginal (MN State Tax and Federal Tax Rates) plus the combined rates. Note that maximum MN State Rate is 13%; Federal Tax Rate is 30% for a combined total of 43%. When taxable Social Security reaches 85% of total Social Security Benefits, the “Tax Bubble” stops. Even though the Marginal Tax Rate goes down to the Tax Bracket rates, the Bubble caused a total increase of \$4,796 including Federal and MN State Taxes.



**Senior Citizen Tax Causes \$4,796**

**Increase in Taxes:** Figure 3 shows a comparison between retirees receiving Social Security Benefits with the tax repealed, to the same retirees paying the “Senior Citizen Tax.” The graph represents a retired married couple receiving \$32,184 Social Security Benefits (based on \$1,341, the average monthly Social Security Benefit); \$21,000 Taxable Pension plus they continued working and earned an additional \$32,100 income and filed taxes jointly. [Bar 1](#) represents taxes paid with the “Senior Citizen Tax” repealed. [Bar 2](#) represents the total taxes paid including the “Senior Citizen Tax” under existing laws. After retirement the couple continued working part-time at a Social Security paying employer and paid Social Security Payroll Taxes. See [Table 1](#) Note the extra tax amounts (Senior Citizen Social Security Tax = \$720; Senior Citizen Medicare Tax = \$2,563) totaling \$3,231. Total Income Taxes including MN State taxes of \$3,231 amounted to \$9,985, compared to \$5,188 if the tax was repealed; the existing laws (Line 20b of the Federal IRS Form 1040) caused a 92.5% increase in income taxes. In addition the couple paid \$2,685 in (FICA Payroll taxes) based on \$32,100 part-time wages, totaling \$12,670.



**Table 1 - Sample Tax Calculation Data**

		- 1 -	- 2 -
		Retired Senior Citizen TAX Repealed	Retired Paying Senior Citizen TAX
#	Description		
1	(7) Wages, salaries, tips, etc.	\$35,100	\$35,100
2	(16b) Taxable Pension Income	\$21,000	\$21,000
3	(20a) Total Social Security Benefits	\$32,184	\$32,184
4	(20b) Taxable Social Security		\$27,356
5	(38) Gross Income	\$56,100	\$83,456
6	40a Schedule A Deductions	\$7,300	\$7,300
7	(40b) Standard Deduction	\$24,000	\$24,000
8	40 Standard or Itemized deductions	\$24,000	\$24,000
9	(42) Exemptions (\$4,000 per person)	\$0	\$0
10	(43) Taxable Income	\$32,100	\$59,456
11	(44) Federal Income Tax (Excluding Senior citizen Tax)	\$3,471	\$3,471
12	Fed. Social Security Tax Via Senior Citizen Tax		\$720
13	Fed Medicare Tax Via Senior Citizen Tax		\$2,563
14	Sub-Total Senior Citizen Tax		\$3,283
15	(44) Federal Income Tax (including Senior Citizen Tax)	\$3,471	\$6,754
16	Minnesota State Tax	\$1,717	\$3,231
17	Total Income Taxes (including Federal & MN State)	\$5,188	\$9,985
18	Fed Social Security Tax on Wages (\$32,100)	\$2,176	\$2,176
19	Fed Medicare Tax on Wages (\$32,100)	\$509	\$509
20	Sub-Total Fed Payroll Tax on Wages	\$2,685	\$2,685
21	Total Taxes (Income Plus Payroll)	\$7,874	\$12,670

Based on 2018 Federal and Minnesota tax rates - Married Filing Jointly

**“Remember”**

***“A fine is a tax for doing wrong”***

***“And”***

***“A tax is a fine for doing well”***

***“And”***

***“A Senior Citizen Tax is nonsense”***

# “Senior Citizen Tax” Summary and Example

March 16, 2018

<b>Form 1040</b> Department of the Treasury—Internal Revenue Service (99) <b>U.S. Individual Income Tax Return</b> <b>2017</b> OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.	
For the year Jan. 1–Dec. 31, 2017, or other tax year beginning _____, 2017, ending _____, 20	
Your first name and initial _____	Last name _____
Your social security number _____	
If a joint return, spouse's first name and initial _____	Last name _____
Spouse's social security number _____	
Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____	
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).	
Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____	
Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse	
<b>Filing Status</b> Check only one box.	1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶ 4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ 5 <input type="checkbox"/> Qualifying widow(er) (see instructions)
<b>Exemptions</b>	6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a b <input type="checkbox"/> Spouse c Dependents: (t) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) <input type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>	Boxes checked on 6a and 6b _____ No. of children on 6c who: • lived with you _____ • did not live with you due to divorce or separation (see instructions) _____ Dependents on 6c not entered above _____ Add numbers on lines above ▶ <input type="text"/>
<b>Income</b>	7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 Taxable interest. Attach Schedule B if required 8a Tax-exempt interest. Do not include on line 8a 8b _____ 9a Ordinary dividends. Attach Schedule B if required 9b Qualified dividends 10 Taxable refunds, credits, or offsets of state and local income taxes 11 Alimony received 12 Business income or (loss). Attach Schedule C or C-EZ 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/> 14 Other gains or (losses). Attach Form 4797 15a IRA distributions 15a _____ b Taxable amount 15b _____ 16a Pensions and annuities 16a _____ b Taxable amount 16b _____ 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 18 Farm income or (loss). Attach Schedule F 19 Unemployment compensation 20a Social security benefits 20a _____ b Taxable amount 20b _____ 21 Other income. List type and amount _____ 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶
<b>Adjusted Gross Income</b>	23 Educator expenses 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 25 Health savings account deduction. Attach Form 8889 26 Moving expenses. Attach Form 3903 27 Deductible part of self-employment tax. Attach Schedule SE 28 Self-employed SEP, SIMPLE, and qualified plans 29 Self-employed health insurance deduction 30 Penalty on early withdrawal of savings 31a Alimony paid b Recipient's SSN ▶ _____ 31a _____ 32 IRA deduction 33 Student loan interest deduction 34 Tuition and fees. Attach Form 8917 35 Domestic production activities deduction. Attach Form 8903 36 Add lines 23 through 35 37 Subtract line 36 from line 22. This is your adjusted gross income ▶



		38	Amount from line 37 (adjusted gross income)	38	
<b>Tax and Credits</b>	39a	Check <input type="checkbox"/> You were born before January 2, 1953, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1953, <input type="checkbox"/> Blind. } checked ▶ 39a <input type="checkbox"/>			
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b <input type="checkbox"/>			
<b>Standard Deduction for—</b> • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,350 Married filing jointly or Qualifying widow(er), \$12,700 Head of household, \$9,350	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40	
	41	Subtract line 40 from line 38		41	
	42	Exemptions. If line 38 is \$156,900 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions		42	
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	
	44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>		44	
	45	Alternative minimum tax (see instructions). Attach Form 6251		45	
	46	Excess advance premium tax credit repayment. Attach Form 8962		46	
	47	Add lines 44, 45, and 46		47	
	48	Foreign tax credit. Attach Form 1116 if required		48	
	49	Credit for child and dependent care expenses. Attach Form 2441		49	
	50	Education credits from Form 8863, line 19		50	
	51	Retirement savings contributions credit. Attach Form 8880		51	
	52	Child tax credit. Attach Schedule 8812, if required		52	
53	Residential energy credits. Attach Form 5695		53		
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>		54		
55	Add lines 48 through 54. These are your total credits		55		
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-		56		
<b>Other Taxes</b>	57	Self-employment tax. Attach Schedule SE		57	
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919		58	
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		59	
	60a	Household employment taxes from Schedule H		60a	
	b	First-time homebuyer credit repayment. Attach Form 5405 if required		60b	
	61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>		61	
<b>Payments</b>	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)		62	
	63	Add lines 56 through 62. This is your total tax		63	
	64	Federal income tax withheld from Forms W-2 and 1099		64	
	65	2017 estimated tax payments and amount applied from 2016 return		65	
	66a	Earned income credit (EIC)		66a	
	b	Nontaxable combat pay election 66b			
	67	Additional child tax credit. Attach Schedule 8812		67	
	68	American opportunity credit from Form 8863, line 8		68	
	69	Net premium tax credit. Attach Form 8962		69	
	70	Amount paid with request for extension to file		70	
71	Excess social security and tier 1 RRTA tax withheld		71		
72	Credit for federal tax on fuels. Attach Form 4136		72		
73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>		73		
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments		74		
<b>Refund</b>	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid		75	
	76a	Amount of line 75 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>		76a	
	b	Routing number <input type="text"/> ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
Direct deposit? See instructions.	d	Account number <input type="text"/>			
77	Amount of line 75 you want applied to your 2018 estimated tax ▶		77		
<b>Amount You Owe</b>	78	Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions ▶		78	
	79	Estimated tax penalty (see instructions)		79	
<b>Third Party Designee</b>	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No				
	Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶ <input type="text"/>		
<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge				
	Your signature	Date	Your occupation	Daytime phone number	
	Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Print/Type preparer's name		Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
<b>Paid Preparer Use Only</b>	Firm's name ▶		Firm's EIN ▶		
	Firm's address ▶		Phone no.		