Legal Eye

Tax Time

April 1, 2006 By Catherine Hanssens

I was on disability all last year and have some unpaid medical bills. Do I have to pay taxes on my benefits, and can I deduct those bills?

—OVERTAXED

Dear Taxed,
Well, that depends on your benefits. Supplemental Security Income (SSI) is never taxed. From 50% to 85% of Supplemental Security Disability Insurance (SSDI) can be taxed if you also had income from another taxable source and if half your social security benefits plus all your other income is more than $25,000 for singles and $32,000 for married folks. The percent and tax rate depend on income. Fill out the worksheet the IRS sends with the 1040 form or in IRS publication 915 to figure out how much you owe. Because unemployment benefits are taxed, state disability benefits can be taxed if you switch from unemployment to disability without asking the unemployment office to remove you from their list of beneficiaries.

Private disability is taxed as earned income when your employer pays the premiums, but not if you do. As for medical bills, anyone can deduct costs over 7.5% of their gross income (include transportation costs for medical care and health insurance payments).

State benefits vary, and the tax code is full of complexities, so check if your local AIDS organization or local bar association has a free program offering tax advice. Search the American Bar Association’s AIDS directory, www.abanet.org. Many happy returns.

***Catherine Hanssens, JD**, founded The Center for HIV Law and Policy. Her column offers general guidance and should not substitute for a lawyer’s counsel.

Send all legal queries to law@poz.com.

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http://beta.docker.poz.com/article/Legal-Eye-April-2006-2802-8754