The Social Security Fairness Act:

Charitable Solutions to Potentially Higher Taxes

Two long-standing Social Security provisions—the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)—reduced or eliminated the Social Security benefits of over 3.2 million Americans. The WEP reduced benefits for those who received a pension from a job not covered by Social Security, while the GPO reduced the spousal or survivor benefits for those whose spouse received a government pension. Affected individuals included teachers, police officers, firefighters, federal employees covered by the Civil Service Retirement System, and people whose work was covered by a foreign social security system.

The Social Security Fairness Act (SSFA), signed into law on January 5, 2025, eliminated those two provisions, allowing people who were previously impacted to now receive their full benefits. Better yet, the SSFA is retroactive to January 2024, so the increases apply to any benefit payment made after December 2023.

Are you affected by this change? If so, it's important to know what to expect, how it may impact your taxes, and how charitable giving can play a critical role in your tax planning. Here are five simple steps that will help you make the most of this welcome change in the Social Security rules.

1. Check Your Personal Information

If you've already filed for retirement benefits, the Social Security Administration (SSA) should already have your direct deposit information and mailing address. You can check (or update) your information online via your *mySocialSecurity* account.

2. Check the Mail (and Your Bank Account)

If the SSA owes you retroactive benefits, you should have received a mailed notice explaining the retroactive payment and benefit change.

The SSA began making one-time retroactive benefit payments as of February 25, 2025, and most recipients will have received theirs by the end of March, deposited into the account the SSA has on file. Note that more complex cases that require manual processing will take a bit longer.

Increased monthly benefit payments should start in April.

3. Check Your Updated Benefit Amount

After receiving your April payment, review your new benefit amount. The SSA makes every effort to update accounts accurately using automation, but it pays to double check and reach out with any questions.

- **If you were affected by the WEP**, the increase depends on the years you had substantial income subject to Social Security taxes. Social Security statements never accounted for any WEP reductions, so these statements can help estimate your full benefit.
- **If you were impacted by the GPO**, the increase depends on the amount of public pension payments you receive. If you never applied for benefits because the GPO would have reduced your benefit to zero, you must file a claim to begin receiving any Social Security benefits you're entitled to. The SSA will not initiate payments on your behalf.

4. Examine the Financial Implications

Higher benefit payments and/or a lump-sum retroactive payment may increase your taxable income, depending on your total income and filing status. You might experience:

- **A new or increased tax on benefits.** Up to 50% of Social Security benefits can be taxable if your combined income exceeds certain thresholds ($25,000 for single filers and $32,000 for joint filers in 2025)—and that increases to 85% if your combined income exceeds $34,000 for single filers or $44,000 for joint filers.
- **A higher income tax bracket.** The income boost could push you into a higher tax bracket.
- **Medicare surcharges.** Additional income this year could affect future Medicare premiums.

5. Consider Tax Reduction Strategies

If the increased benefit amount or the one-time retroactive payment causes an issue, you have time to take steps to reduce your 2025 tax liability. You may want to consider making quarterly estimated tax payments or adjusting withholdings from monthly Social Security payments. Or you may want to meet your charitable goals with a gift that comes with important tax advantages, including:

- **A gift from your IRA.** Instead of taking a taxable required minimum distribution (RMD), IRA owners age 70½ and older can make a tax-free distribution directly to a qualified charity (up to $108,000 in 2025) that counts toward your RMD if one is due.

- **A gift that qualifies for an income tax deduction.** A charitable income tax deduction can help lower your tax bill. A gift of appreciated stock or real estate (held for over one year) has the added benefit of bypassing any capital gains tax on the appreciation.
- **A gift to a donor-advised fund (DAF).** To offset your one-time retroactive benefit payment, you may want to make a donation to a DAF. The full amount of your gift qualifies for an income tax deduction now, even though you have the option to spread out grants to charity over time.

Learn more:

- Check the SSA's official Social Security Fairness Act webpage regularly for updates.
- Monitor your *mySocialSecurity* account for benefit-related updates and messages.
- Consult with a financial or tax professional to better understand any impact on your retirement and financial situation and explore ways to mitigate any tax impact.
- Reach out. We're happy to send more information about tax-advantaged gift options or start a confidential conversation about how charitable giving can fit within your current financial, tax, and retirement situation.

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