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How Much Would Seniors Save If the U.S. Eliminates Taxes on Social Security Income

BY EDWARD CATES, CHAIRMAN, TSCL

President Trump laid out a major new policy proposal in December on his social media platform, Truth Social. “SENIORS SHOULD NOT PAY TAX ON SOCIAL SECURITY!” he wrote, suggesting that he would like to eliminate the rules that require seniors to pay taxes on up to 85 percent of their benefits, depending on their income.

So, how much would a typical senior save under this proposal? By our estimate, about $3,082 per year, but before we dive into that analysis, the best answer is probably “it depends.”

The Breakdown:

Under current law, the amount of Social Security benefits eligible for income taxes depends on a person’s income and tax filing status. In this case, income is measured

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using “combined income,” which includes all non-Social Security income plus one-half of Social Security benefits. The thresholds are as follows:

- **Combined income under $25,000 (single) or $32,000 (couple):** Benefits are not taxed.
- **Combined income of $25,000 to $34,000 (single) or $32,000 to $44,000 (couple):** 50 percent of benefits are taxed.
- **Combined income above $34,000 (single) or $44,000 (couple):** 85 percent of benefits are taxed.

Many seniors are already exempt from paying taxes on their benefits, but over half of seniors earn enough that these thresholds—introduced in the 1980s and never adjusted for inflation—come into the equation. Based on recent Census data, inflation figures, and Social Security payments data, we expect the median senior household will bring in about $57,872[1] in 2025, with about $23,106[2] of that coming from Social Security benefits and the remaining $34,766 coming from earnings. As shown in line E of Table 1 below, we have a combined income[3] of $46,319.

This exceeds the $34,000 combined income threshold for single filers and the $44,000 combined income threshold for joint filers. Our hypothetical senior would pay taxes on 85 percent of their benefits, or $19,640 of their Social Security payments, whether filing single or jointly.

In Table 2, on the next page, you can see the potential impact of eliminating taxes on all Social Security benefits. You’ll see that $54,406

Table 1: Calculating Combined Income

Note: If you plan to file a joint income tax return, include your spouse’s amounts on lines A, C, and D.		
A	Enter your total amount of Social Security benefits from last year.	$23,106
B	Multiply line A by 50% (0.5).	$11,553
C	Enter your taxable total income (excluding Social Security benefits), such as pensions, wages, interest, ordinary dividends, and capital gains distributions.	$34,766
D	Enter any tax-exempt interest income, such as interest on municipal bonds.	$0
E	Add lines B, C, and D.	$46,319

1 - TSCL calculated the median U.S. senior household income by taking the Census Bureau’s estimate for this figure from 2023 and then applying the 2024 and 2025 Social Security COLA percentages to it.

2 - The income eligible for taxation figure assumes that the average senior household earns $23,106 in Social Security retirement benefits, using the December 2024 Social Security Statistical Snapshot.

3 - Combined income is all non-Social Security income plus one-half of Social Security benefits.

of our hypothetical senior's income would be taxable under current law, which includes taxes on 85 percent of their benefits. If we eliminated that tax requirement, as President Trump proposes, only the $34,766 they earned before collecting their benefits would be taxable.

From here, it's easy to figure out how much eliminating taxes on benefits would save. As shown in Table 3, we apply federal tax brackets to the amount of income eligible for taxation to determine how much our hypothetical senior would owe the government. It comes to $7,022 under current law, compared to $3,940 under the proposal to remove taxes from Social Security benefits. That's a savings of $3,082 per year.

Conclusion

I'm sure you could imagine how you'd spend an extra $3,000 per year, so it's easy to see how the proposal to eliminate taxes on Social Security benefits would have a massive impact on senior citizens if implemented. As we look ahead, the bigger questions supporting this proposal come down to details: How would eliminating taxes on benefits affect Social Security's finances? Where could we introduce new taxes elsewhere to fund this valuable policy for seniors? What compromises would we be willing to make to get this proposal signed into law?

That's why we're here at TSCL. Our job is to give you a voice, to understand how American policy impacts senior citizens, and to make sure someone is standing up for your rights.

Table 2: Calculating Taxable Income

Note: If you plan to file a joint income tax return, include your spouse's amounts on lines A, C, and D.

		Social Security Benefits Taxed	Social Security Benefits NOT Taxed
A	Enter your Social Security Income eligible for taxation (85% of $23,106).	$19,640	$0
B	Enter your total non-Social Security income.	$34,766	$34,766
C	Add lines A and B.	$54,406	$34,766

We've long fought to fix the thresholds determining how much of your benefits get taxed, but now, we'll work toward eliminating those taxes altogether. Please let us know your thoughts. Take our 2025 Senior Survey here.

Table 3: Applying Tax Brackets to Taxable Income[1]

Note: If you plan to file a joint income tax return, include your spouse's amounts on lines A, C, and D.			
		Social Security Benefits Taxed	**Social Security Benefits NOT Taxed**
A	Enter your total taxable income.	$54,406	$34,766
B	Multiply your first $11,600 of earnings by 10% (0.1).	$1,160	$1,160
C	If you entered less than $11,600 in line A, set to $0. Otherwise, subtract $11,600 from line A.	$46,806	$23,166
D	Multiply your next $35,550 of earnings by 12% (0.12).	$4,266	$2,780
E	If you entered less than $35,550 in line C, set to $0. Otherwise, subtract $35,550 from line C.	$7,256	$0
F	Multiply your next $53,375 in earnings by 22% (0.22).	$1,596	$0
G	Add lines B, D, and F.	$7,022	$3,940

1 - The tables featured in this article are for illustration only. Contact a tax expert for calculating your taxes.

Medicare Starts Punishing Pharma Price Gougers

BY ALEX MOORE

Medicare just punished drug companies for increasing the price of medicine faster than inflation. The Centers for Medicare and Medicaid Services (CMS) identified 64 drugs whose prices outpaced inflation in December and lowered their Part B coinsurance from January through the end of this month. The agency estimates that seniors will save up to $10,818 per day during this period, depending on the drugs they take and their course of treatment.

This is the third time that Medicare has implemented this policy. Known as the Prescription Drug Inflation Rebate Program, it's one of several programs established by the Inflation Reduction Act of 2022 to lower prescription drug costs.

The law also includes another punishment for price gouging drug companies: If the prices for certain drugs rise faster than inflation, their producers must pay rebates to Medicare. The money from the rebates then goes into the Federal Supplementary Medical Insurance Trust Fund, which shores up Medicare's finances. Medicare will send its first invoices for this component of the program—targeting drugmakers for outpacing inflation in 2023 and 2024—in Fall 2025.

These aren't the only Inflation Reduction Act policies aimed at helping seniors, either. We've covered several of them before here at The Advisor, but they're important enough to be worth mentioning again. A few highlights include:

- Medicare now has the power to negotiate drug prices with pharmaceutical companies. New prices for the first 10 drugs to undergo negotiations will take effect in 2026, with 15 additional drugs to follow each year (Ozempic and Wegovy are up for negotiation right now).
- The Medicare Part D out-of-pocket cap on prescription drug costs will decrease from $8,000 in 2024 to $2,000 in 2025. CMS expects this to save seniors billions of dollars in out-of-pocket drug costs.
- Medicare Part D enrollees will be able to spread their out-of-pocket prescription drug costs throughout the calendar year, which will make seniors' pharmacy bills more predictable.

Altogether, while the law is likely to see intense scrutiny with a new administration in power, it includes many good policies for American seniors. Here at TSCL, we'll be working hard to stand up for you and ensure, whatever happens with the rest of the law, that its policies benefiting seniors remain in place. We also encourage you to join us in speaking up by writing your congressional representative and senators to express your support for protecting those policies. Please let us know your thoughts. Take our 2025 Senior Survey here.

Did You Know About This Resource to Help Care for Loved Ones With Dementia?

BY ALEX MOORE

Dementia affected more than 6.7 million Americans in 2023, according to the Centers for Medicare and Medicaid Services (CMS), with 14 million projected cases by 2060. The disease is brutal, not just for patients, but their families as well. It's a major reason why 53 million Americans, according to an estimate from AARP and the National Alliance for Caregiving, serve as unpaid caregivers for family member with special needs.

Luckily, the government is rapidly expanding a new program to help both dementia patients and the family members who help them navigate the disease. The program is called the GUIDE Model, which stands for Guiding an Improved Dementia Experience.

Launched across 96 healthcare organizations in July 2024 in collaboration with CMS, the model has expanded to 294 providers in 2025. These include academic medical centers, hospitals, private practices, and community-based organizations that already serve dementia patients.

The model promotes improved dementia care—and helps seniors with dementia live at home for longer—by using a standardized approach to build a care plan that's centered on each patient's individual needs and circumstances. It brings together a team of specialists, led by a government-trained Care Navigator, to identify the care coordination services like doctor's visits to non-clinical ones such as access to meals and transportation through community-based organizations.

The model includes unpaid caregivers at every step. In addition to including them in conversations about care coordination, it connects caregivers to training that helps them learn about best practices for caring for loved ones with dementia. It also provides funding and access to respite services, such as adult daycare, so that unpaid caregivers can take time off from looking after their loved ones to take care of their own mental and physical health.

The GUIDE Model only has a few requirements for participation: The patient must be enrolled in Medicare, they must have a dementia diagnosis, and they must not live in a nursing home. Most states have at least one participating organization, and if you think the program is a good fit for yourself or a loved one, it's easy to learn more. You can find a list of participating organizations available for download at this link or by visiting the CMS website and searching for the model by name.

Legislative Update: Adjusted Social Security Benefits Face Long Delay

BY DAISY BROWN, LEGISLATIVE LIAISON, TSCL

The Social Security Fairness Act, signed into law by former President Biden in January, will raise benefits for 3.2 million Americans who receive pensions for work that Social Security doesn't cover. This means that many public workers—such as firefighters, teachers, and police officers—will no longer have their retirement benefits penalized for pursuing careers in public service. Qualified beneficiaries will also see retroactive adjustments on their 2024 benefits.

However, it looks like these public servants will have to wait a while before their updated benefits start rolling in.

The Social Security Administration (SSA), in a recent online update, said that it expects it will take more than a year to implement the Social Security Fairness Act. This is because the bill did not provide funding for implementation, which means SSA must divert resources from its day-to-day operations, such as customer service functions, to adjust affected beneficiaries' past and future payments. In its statement, the agency cites ongoing staffing shortages and a hiring freeze as additional roadblocks to implementation.

Retroactively adjusting beneficiaries' payments presents an especially difficult challenge, according to SSA. The agency says the changes require difficult, mostly manual calculations that they must conduct on an individual case-by-case basis. Making the calculations manually not only slows the work down but also increases the likelihood of errors.

In the meantime, some affected beneficiaries await life-altering changes to their benefits. SSA says that, while some people's benefits will increase very little under the new law, others will be eligible for more than $1,000 extra per month. It comes as little to no surprise, then, that many Americans have reached out to learn when their updated benefits will take effect. SSA says that more than 7,000 people reached out to speak to one of its customer service representatives about the Act, which adds another layer to the workload of implementation.

All in all, this saga highlights an important truth of legal reform: The devil is in the details. No matter how good the idea behind a law is, it's essential that our elected officials provide agencies with resources and milestones to carry out new legislation. While we at TSCL fought hard to help get the Social Security Fairness Act passed, there's still more work to do to make sure that America's public servants get the retirement benefits they deserve.

U.K. Healthcare vs. American Healthcare: How Prescriptions Differ

BY SUSAN STEWART, LICENSED INSURANCE AGENT

I lived in England for 10 years, worked, got a driver's license, joined a book club, and needed medical care.

Here are few facts and observations from my experiences there, written based on personal experience rather than deep investigative reporting.

In the U.K., prescriptions currently cost £9.90 each. That is about $12. In 2012, they were £7.65. Unless you financially qualify for assistance, that is the cost for each and every prescription you collect. The only free prescriptions are contraception and those you receive during in-patient services at the hospital. It is interesting that while you can buy Co-Codemol (Tylenol with codeine) over the counter, I shocked a pharmacist when I wanted to buy rubbing alcohol. He asked what on earth I wanted that for and said they do not carry dangerous liquids. Go figure.

Upon returning permanently to the United States, it bothered me to find almost all prescriptions were in plastic bottles. Plastic bottles go into landfills by the millions and will never break down. In the U.K., most medications are supplied in blister packs and a box. If the prescribed quantity does not fit the standard box size, the medication is placed in a plain white box with a sticky label, with the necessary quantity of blister packs inside. The blister packs are trimmed to keep the number right. The norm for writing prescriptions is 28 days, as many drugs are pre-packaged in blister packs by the drug company with 28-day supplies. Sometimes, doctors can prescribe for 90 days, but again, 28 days is the norm.

Curiously, the same packaging applies to many over-the-counter tablets and capsules. In checking the grocery store, I was most likely to shop for acetaminophen (Paracetamol in the U.K.); the cost was 55 pence for a box of 16 tablets. That is about 80 cents. There is a limit of two boxes.

In the U.K., turning sixty means no longer paying for prescription medication. However, in the U.S., anyone who has ever completed a Medicare Advantage Plan or Prescription Drug Plan review waits with bated breath to hear the cost of prescription drugs. I recently helped one of my clients complete an application for Extra Help (a federally funded program to help eligible people on Medicare with drug costs). When I saw that her application had been approved, I had to call her even though it was past time to go home. That successful application saved her $340 in deductible costs, plus three prescriptions that would have cost her $47 a month each. Now, those three drugs are limited to $12.90 each. Her delight made my day.

Drug companies are not allowed to have a stranglehold in the U.K. as in America. It is also fair to realize that all drugs, whether £9.90 or free at 60 years of age, must be paid for. Taxpayers' money is used to fund the National Health Service, which is struggling mightily. This only further highlights how beginning the process of healthcare reform in America is a monumental task that is complicated beyond description.

I want politicians to take at least one aspect of America's health care and fight for change. Ensuring all Americans have access to prescription medication is a good place to start.