

# How Much Can a Retired Person Earn Without Paying Taxes?

Sarah Sharkey

Fri, March 11, 2022, 12:56 PM

[Many retirees](#) plan to earn extra income to supplement their retirement spending. But how much can a retired person earn without paying taxes? The answer to this question varies based on your situation. Understanding the tax rules surrounding retiree income can help avoid an expensive surprise when tax time rolls around.

## When Does a Retiree's Income Trigger Taxes?

Retirees who are still working likely have at least two streams of income: [Social Security benefits](#) and a paycheck from a job. The Social Security benefits you receive can be taxable if 50% of your benefits, plus all of your other income, is greater than the specific limits for your filing status. These amounts are as follows:

- [Single filers](#), qualifying widowers and heads of households bringing in more than \$25,000, based on the math above, may have to pay taxes on their Social Security benefits.
- Married couples filing separately that have lived apart for an entire year who bring in more than \$25,000, based on the math above, may have to pay taxes on their Social Security benefits.
- A married couple filing jointly bringing in more than \$32,000, based on the math above, may have to pay taxes on their Social Security benefits.

With that, the benefits you receive may or may not be [taxable based on your other income](#). For example, let's say that you are a single filer that received \$20,000 in Social Security benefits. Additionally, you earned \$20,000 at a part-time job. When you run the numbers, 50% of your benefits plus your other income would be \$30,000. With that, Uncle Sam would require you to pay federal taxes on a portion of your Social Security benefits.

As another example, let's say a [married couple filing jointly](#) receives Social Security benefits of \$20,000. You also bring in \$20,000 through other sources. With that, 50% of your benefits plus your other income would be \$30,000. That's less than the base amount for married couples filing jointly. So, you wouldn't have to pay federal income tax on any of your Social Security benefits.

Take the time to run the numbers on your unique situation to find out how much you can earn before you are taxed on that income.

## **How Will Your Social Security Be Taxed?**

### How Much Can a Retired Person Earn Without Paying Taxes?

If a portion of your Social Security benefit is taxable, there's no avoiding the federal income tax. But you won't pay taxes based on your entire Social Security benefit. Instead, you will pay taxes on 50% or 85% of your total Social Security amount.

If you're a single filer with an income between \$25,001 and \$34,000, you'll pay taxes on 50% of your Social Security benefits. But as a single filer who has a total income of more than \$34,000, you'll pay taxes on 85% of your Social Security benefits.

Married couples filing jointly with an income between \$32,001 and \$44,000, you'll pay taxes on 50% of your Social Security benefits. But as a married couple filing jointly that has a total income of more than \$44,000, you'll pay taxes on 85% of your Social Security benefits.

## **Exceptions to This Rule**

Every rule has an exception. In this case, filers in certain states need to be aware of their state's tax requirements.

There are 12 states that [tax Social Security benefits](#). These include Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, Rhode Island, Utah, Vermont and West Virginia. However, almost every one of these states allows for some kind of deduction, credit or income limit to minimize the tax burden at a state level.

New Mexico doesn't provide a way to minimize the burden. Instead, you'll pay state taxes on all of the Social Security income taxed at a federal level.

### **Can Retirees Ever Stop Filing Taxes?**

Filing your taxes is often an unwelcome chore. In some cases, there may be a point in your golden years when you can stop filing and paying taxes altogether. So how much can a retired person earn without paying taxes or even filing their taxes? For retirees 65 and older, here's when you can stop filing taxes:

- Single retirees who earn less than \$14,250
- Married retirees filing jointly, who earn less than \$26,450 if one spouse is 65 or older or who earn less than \$27,800 if both spouses are age 65 or older
- Married retirees filing separately who earn less than \$5
- Retired heads of household age who earned less than \$20,500
- Retired qualifying widowers who earned less than \$26,450

For those with an income below the listed thresholds, you may not have to pay taxes. But even if you don't have to file your taxes, it's usually your best interest to file anyways. That's because you might qualify for a tax return, which could represent a [big boost for your budget](#).

If you aren't sure whether or not you can stop filing taxes, the [IRS has a helpful tool](#) to help you find out. But talk to a financial advisor before deciding to skip filing your taxes. It could mean missing potential benefits.

### **Bottom Line**

Retirement can be expensive. But depending on your income, you may be able to save on tax costs. It is possible to earn money during retirement and not have to pay taxes on the earnings. Just be aware of what the limits are, given your own situation. Also, check in with the tax code changes regularly because there are frequent changes to the rules.

### **Retirement Tax Planning Tips**

- Consider working with a financial advisor as you coordinate your earnings with your tax planning. Finding a qualified financial advisor doesn't have to be hard. Understand your marginal and effective tax rates and your annual tax liability.