



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
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Dear :

This letter responds to your request for information dated November 7, 2005. Your question related to income tax withholding of social security disability benefits. This letter will provide you with some general information about the applicable tax laws.

Your question apparently relates to two sources of income, namely social security disability benefits and supplemental security income (SSI). Both of these programs are administered by the Social Security Administration. The disability program provides assistance to people with disabilities in the form of benefit payments. In addition to disability benefits, a person may qualify for SSI, based on financial need. For more information about these two programs, please visit www.socialsecurity.gov or your local Social Security office.

Each of the above benefits is taxed differently. Disability benefits are taxed to the same extent as other social security benefits under IRC § 86. Under the provisions of this section, if a taxpayer receives only disability benefits during the year, those benefits are generally not taxable. If the taxpayer also receives income from other sources, such as wages from employment, a part of the benefit may be included in gross income. Additionally, we have attached Publication 907, *Tax Highlights for Persons with Disabilities*, for your convenience. Please also see Publication 915, *Social Security Benefits and Equivalent Railroad Retirement Benefits*, for a discussion of income tax reporting and payment requirements for persons receiving disability benefits.

SSI provides cash to help low-income aged, blind, and disabled people meet basic needs for food, clothing, and shelter. The Internal Revenue Service has concluded that payments made by governmental units under legislatively provided social benefit programs for the promotion of the general welfare (*i.e.*, based on need) are not includible in the gross income of the recipients of the payments. For example, Rev. Rul. 78-170, 1978-1 C.B. 24, concludes that payments made by the State of Ohio to low income, elderly individuals to reduce their cost of winter energy consumption are in the nature of relief payments made for the promotion of the general welfare and, therefore, are not includible in the recipients' gross income. Thus, payments analogous to SSI

have been held to be for the promotion of the general welfare and, therefore, not includible in the recipients' gross income.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2006-1, §2.04, 2006-1 IRB 7 (Jan. 3, 2006). If you have any additional questions, please contact _____ at _____.

Sincerely,

Janine Cook
Branch Chief, Employment Tax Branch 1 (Exempt
Organizations/Employment Tax/Government
Entities)
(Tax Exempt & Government Entities)