**8530. Who qualifies for the tax credit for the elderly and the permanently and totally disabled and how is the credit computed?**

The tax credit for the elderly and the permanently and totally disabled is a nonrefundable credit, meaning that it is available only to the extent that it does not exceed the taxpayer’s tax liability (see Q 8529). The credit is available to taxpayers age 65 or older, *or* those who are under age 65, retired on disability, and were considered permanently and totally disabled when they retired.[[1]](#footnote-1)

“An individual is permanently and totally disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to be permanently and totally disabled unless he furnishes proof of the existence thereof in such form and manner, and at such times, as the Secretary may require.”[[2]](#footnote-2)

The credit equals 15 percent of an individual’s IRC Section 22 amount for the taxable year, but may not exceed the amount of tax. This IRC Section 22 base amount is $5,000 for a single taxpayer or married taxpayers filing jointly if only one spouse qualifies for the credit; $7,500 for married taxpayers filing jointly if both qualify; and $3,750 for a married taxpayer filing separately.[[3]](#footnote-3) Married taxpayers must file a joint return to claim the credit, unless they lived apart for the entire taxable year.[[4]](#footnote-4)

For individuals under age 65, this base figure is limited to the amount of the disability income (taxable amount an individual receives under an employer plan as wages or payments in lieu of wages for the period the individual is absent from work on account of permanent and total disability) received during the taxable year.[[5]](#footnote-5) (The taxpayer may be required to provide proof of continuing permanent and total disability.)[[6]](#footnote-6) For married taxpayers who are both qualified and who file jointly, the base figure cannot exceed the total of both spouses’ disability income if both are under age 65. If only one spouse is under age 65, the base figure cannot exceed the sum of $5,000 plus the disability income of the spouse who is under 65.[[7]](#footnote-7)

The base figure (or the amount of disability income in the case of individuals under age 65, if lower) is reduced dollar-for-dollar by one-half of adjusted gross income in excess of $7,500 (single taxpayers), $10,000 (joint return), or $5,000 (married filing separately).[[8]](#footnote-8) A reduction is also made for Social Security and railroad retirement benefits that are excluded from gross income, and certain other tax-exempt income.[[9]](#footnote-9)

1. . IRC Sec. 22(b). [↑](#footnote-ref-1)
2. . IRC Sec. 22(e)(3). [↑](#footnote-ref-2)
3. . IRC Sec. 22(c). [↑](#footnote-ref-3)
4. . IRC Sec. 22(e)(1). [↑](#footnote-ref-4)
5. . IRC Sec. 22(c)(2)(B)(i). [↑](#footnote-ref-5)
6. . GCM 39269 (8-2-84). [↑](#footnote-ref-6)
7. . IRC Sec. 22(c)(2)(B)(ii). [↑](#footnote-ref-7)
8. . IRC Sec. 22(d). [↑](#footnote-ref-8)
9. . IRC Sec. 22(c)(3). [↑](#footnote-ref-9)