What are the general rules for loss of benefits because of excess earnings?

When the beneficiary is older than the full retirement age, no benefits are lost because of his earnings. If he is under the full retirement age, the following rules apply:[[1]](#footnote-1)

* If no more than $41,880 is earned in 2015 by a beneficiary who reaches the full retirement age in 2015, no benefits will be lost for that year.
* If more than $41,880 is earned in 2015 before the month the beneficiary reaches full retirement age, one dollar of benefits will ordinarily be lost for each three dollars of earnings over $41,880.
* If not more than $15,720 is earned in 2015 by a beneficiary who is under the full retirement age for the entire year, no benefits will be lost for that year.
* If more than $15,720 is earned in 2015 by a beneficiary who is under the full retirement age for the entire year, one dollar of benefits will ordinarily be lost for each two dollars of earnings over $15,720.
* No matter how much is earned during 2015, no *retirement* benefits in the *initial year of retirement* will be lost for any month in which the beneficiary neither: (1) earns over $1,310 as an employee if retiring in a year prior to the year he reaches full retirement age, nor (2) renders any substantial services in self-employment.

The initial year of retirement is the first year in which he is both entitled to benefits and has a month in which he does not earn over the monthly exempt wage amount (as listed previously) and does not render substantial services in self-employment.

When the monthly earnings test applies, regardless of the amount of annual earnings, the beneficiary gets full benefits for any month in which earnings do not exceed the monthly exempt amount, and the beneficiary does not perform substantial services in self-employment.

The attainment of full retirement age in a year determines which test applies. The full retirement age test applies if the beneficiary attains full retirement age on or before the last day of the taxable year involved. The “under full retirement age” test applies if the beneficiary does not attain full retirement age on or before the last day of the taxable year.

*Example*. Dr. James, who reports his earnings on a calendar year basis, reaches full retirement age (sixty-six years old) on June 18, 2015. The under full retirement age test ($15,480 for 2014) applies for calendar year 2014, and the full retirement age test ($41,880) applies for calendar year 2015. However, none of Dr. James earnings earned in June through December, 2015, count towards the $41,880 limit.

*Example*. Miss Norton, who reports her earnings on the basis of a fiscal year ending June 30, attains full retirement age (sixty-six years old) on September 15, 2015. The under full retirement age test ($15,720) applies for her fiscal year July 1, 2014 through June 30, 2015. The full retirement age test ($41,880) applies for her next fiscal year; however, only earnings earned in July and August, 2015 count towards the $41,880 limit.

1. 42 U.S.C. 403(f). [↑](#footnote-ref-1)