State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
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Property Administration
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TO: ASSESSORS, TAX COLLECTORS, COUNTY TAX BOARD COMMISSIONERS AND COUNTY TAX ADMINISTRATORS

FROM: Thomas J. Reilly, Assistant Director
Local Property Tax/Policy Section

RE: **REVISED 2013 INCOME GUIDELINES FOR REAL PROPERTY TAX DEDUCTION FOR SENIOR CITIZENS, DISABLED PERSONS AND SURVIVING SPOUSES**
N.J.S.A.54:4-8.40 et seq.; Chapter 129, P.L. 1976, as Amended
N.J.A.C.18:14-1.1 et seq.

To assist all concerned with the administration of Chapter 129, Laws of 1976, as amended, and to aid in determining income which may be deducted or excluded from gross income of citizens and residents of this State, 65 years of age or more, or less than 65 years but permanently and totally disabled, or their surviving spouses, age 55 or more, in certain cases, who are applying for the Real Property Tax Deduction under N.J.S.A.54:4-8.40 et seq. the following guidelines are provided.

This information supersedes that in the Guidelines of July 2012 and pertains to Property Tax Deduction Claims (Form PTD) for tax year 2013 and Annual Post-Tax Year Statements (Form PD5) filed by March 1, 2014 to confirm 2013 income. Initial application Form PTD must be filed with the assessor between October 1 and December 31 of pretax year 2012 or with the tax collector at any time during tax year January 1, 2013 - December 31, 2013. Social Security income data is based on an individual retiring at full retirement age in 2013 who has contributed to Social Security at maximum wage levels through 2012 and can be used to determine whether a PTD applicant meets the $10,000 income limit for 2013. PTD applicants should provide the assessor or collector with the amount of annual benefit and the name and address of the agency granting the benefit.

INCOME DEFINED

N.J.S.A.54:4-8.40(a) defines **"income"** as all income from whatever source derived including, but not limited to, realized capital gains except for a capital gain resulting from the sale or exchange of real property owned and used by the taxpayer as his principal residence...and, in their entirety, pension, annuity and retirement benefits.

N.J.A.C.18:14-1.1 enumerates **"income"** as salaries, wages, bonuses, commissions, tips and other compensations before payroll deductions, all dividends, interest, realized capital gains, royalties, income from rents, business income and, in their entirety, pension, annuity and retirement benefits. Realized capital gains, except for capital gain resulting from the sale or exchange of real property owned and used by the taxpayer as his principal residence...and dividends, interest, pensions, annuities and retirement benefits must be included in full without deductions even though they may be wholly or partially exempt for Federal Income Tax purposes.

N.J.A.C.18:14-1.1 further defines **"business income"** as gross income derived from a business, trade, profession or the rental of property after deductions of the ordinary and necessary expenses of the business, trade, profession or rental of property allowed under the Federal Internal Revenue Code and regulations.

Ordinary and necessary expenses incurred in a trade or business are included as deductions for adjusted gross income. Such deductions are subtracted from gross income to arrive at adjusted gross income to the extent allowed under the IRS Code and Regulations. However, certain categories of expenses may only be used against similar categories of income and not applied broadly against all income. To ascertain the treatment of such expenses, it is necessary to review how the income was categorized, reported and treated for Federal Income Tax purposes. Deductions for AGI are reported on page 1 of the Federal 1040 and originate on supporting schedules; Federal Schedule C for business expenses and Federal Schedule E for rent, royalty, partnership and fiduciary deductions.

"Married persons income" income received by the applicant and spouse is combined in establishing eligibility for the property tax deduction unless they are living separately. N.J.S.A.54:4-8.41 provides, in part, income of a married person includes an amount equal to the income of the spouse during the applicable income year, except for that portion of the year as the two were living apart in a state of separation, whether under judicial decree or otherwise.

N.J.A.C. 18:14-1.1 also provides income of applicant's family members, other than a spouse, is not to be combined with income of the applicant.

EXCLUDABLE INCOME

A PTD applicant is entitled to exclude benefits under only **ONE** of the following three categories:

1. The Federal Social Security Act and all its amendments and supplements; ***** SEE NOTE**
2. Any other Federal government program or Federal law which provides benefits in whole or in part in lieu of Social Security benefits or for persons excluded from coverage under Social Security, including but not limited to the Federal Railroad Retirement Act (Tier I and II) and Federal pension, disability and retirement programs; ***** SEE NOTE**
3. Pension, disability or retirement programs of any state or its political subdivisions, or agencies for persons not covered under Social Security. ***** SEE NOTE**

***** NOTE**: Where the PTD applicant and/or spouse receives only Social Security benefits and no benefits under 2. & 3., the amount of Social Security received may be deducted from income in full. Where the PTD applicant and/or spouse receives both Social Security benefits and benefits under 2. or 3., the larger of any one of the income categories can be deducted. The amount of Federal, State, County, Municipal pension, disability or retirement benefit etc. excluded should be based on actual benefits received **provided that the total excluded under 2. or 3. above is not in excess of the maximum benefit amount excludable in similar circumstances under 1. Social Security**. (N.J.S.A.54:4-8.40(a)(1)(2)(3))

"Disability benefits" the New Jersey Constitution, statutes and regulations are silent on the subject of disability income other than those disability benefits received under a Federal, State, or Political Subdivision program which are excludable only to the extent of the maximum benefit received under the Federal Social Security Act. Therefore, any other disability income received should be evaluated for inclusion or exclusion based on its proper treatment for Federal Income Tax purposes. (See ***Handbook for New Jersey Assessors***, Chapter 4; Income Defined, as updated in 2013 and the ***Local Property Branch Newsletter***, September/October 1977, page 1.)

A WORD ABOUT SOCIAL SECURITY DISABILITY DETERMINATIONS

The amount of Social Security benefits awarded surviving spouses is variable and is best established by Social Security Certificate, Forms SSA-30 OR SSA-2458, or Third Party Query (TPQY) Response when determining the income deduction allowed. Where award certificate has an issue date that is not current, assessors/collectors may need to request proof of current eligibility such as current check stub.

Disability under Social Security is based on a person's inability to work. Someone will be considered disabled if that person cannot do work he/she did before and the Social Security Administration decides that person cannot adjust to other work because of his/her medical condition(s). The disability also must last or be expected to last for at least a year or to result in death. Social Security does not pay for partial disability or for short-term disability. Under Social Security law, all disability cases must be reviewed from time to time. This is to make sure that people receiving benefits continue to be disabled and meet all other requirements. Benefits generally will continue unless there is strong proof of medical improvement and an ability to return to work. How often a case is reviewed depends on the likelihood of improvement. The frequency can range from six months to seven years.

- If medical improvement is "expected," a case normally will be reviewed within six to eighteen months.
- If medical improvement is "possible," a case normally will be reviewed no sooner than three years.
- If medical improvement is "not expected," a case normally will be reviewed no sooner than seven years.

GENERAL RULE OF THUMB WITH REGARD TO INCOME

If income treatment is not addressed in New Jersey Statutes, N.J.S.A.54:4-8.40 et seq., or the New Jersey Administrative Code, N.J.A.C.18:14-1.1 et seq. defer to income status for Federal Income Tax purposes. **Local Property Newsletter,** May/June 1982, page 1.

"Business Income Expenses" Ordinary and necessary expenses incurred in a trade or business are treated as deductions for adjusted gross income. Such deductions are subtracted from gross income to arrive at adjusted gross income to the extent allowed under the IRS Code and Regulations. However, certain categories of expenses may only be used against similar categories of income and not applied broadly against all income. To ascertain the treatment of such expenses, it is necessary to review how the income was categorized, reported and treated for Federal Income Tax purposes. Deductions for AGI are reported on page 1 of the Federal 1040 and originate on supporting schedules; Federal Schedule C for business expenses and Federal Schedule E for rent, royalty, partnership and fiduciary deductions.

"Gifts" are not treated as income for Federal Income Tax purposes and, therefore, are not income when determining the annual $10,000 limit for the Real Property Tax Deduction. But any income generated from the gifts, including profits derived from their sale, is income. ***Section 849 U.S. Master Tax Guide***.

"Inheritances, bequests, devises" are not income for Federal Income Tax purposes and are not included as income for establishing the $10,000 ceiling for property tax deduction. However, any income generated from the property such as investment income, rental income, or profits from their sale is income. ***Section 847 U.S. Master Tax Guide***.

"IRA income", when it is distributed, must be counted toward the $10,000 limit.

"Life insurance" all payments due to death of the insured are not considered income for Federal Income Taxes, nor for property tax deduction entitlement. ***Section 803 U.S. Master Tax Guide***.

"N.J. Worker's Compensation" payments made under state law for occupational injury or illness arising out of employment are not considered income subject to Federal taxation, nor are they income when calculating income levels for the $250 property tax deduction. ***Section 851 U.S. Master Tax Guide***.

"Alimony and Child Support" Alimony and separate maintenance payments are deductible by the payor and <u>are includible</u> in the gross income of the party receiving the payments. Child support payments <u>are not includible</u> as income received. ***Sections 771 and 776 U.S. Master Tax Guide.***

"Unemployment Compensation" The entire annual amount of unemployment compensation benefits received must be included as income to recipient. Payments to laid-off employees from company-financed supplemental unemployment benefit plans are taxable income in the year received. **Section 722 U.S. Master Tax Guide.**

"Armed Forces Benefits" Benefits under any law administered by the Veterans Administration are not includible income for Federal Income Tax purposes. This includes amounts paid to veterans or their families in the form of educational, training, or subsistence allowances, disability compensation and pension payments for disabilities, grants for homes designed for wheelchair living, and so forth. Such payments are prefaced as payments "for personal injuries or sickness which resulted from combat-related service in the armed forces…" ***Section 891 U.S. Master Tax Guide.***

"State Lottery Winnings" are considered income for purposes of establishing the $10,000 income cutoff for $250 Real Property Tax Deduction. ***Local Property Newsletter,*** May/June 1977, page 2.

"Reverse Mortgage" Because a reverse mortgage is the assumption of a debt, it is not considered income for purposes of this deduction.

"Homestead Rebate" is not considered income when computing the yearly $10,000 income limitation for $250 Real Property Tax Deduction. ***Local Property Branch Newsletter***, January/February 1978, page 2.

Although the Homestead Rebate was re-designated the **Homestead Property Tax Credit** in 2007, it remained a rebate until 2011. As of 2011 it became an actual credit on the property tax bill (2nd quarter) and is not considered income. Prior rebates such as the original **Homestead Rebate (1976)**, revised **Homestead Property Tax Rebate (1990)**, **"NJ SAVER" Rebate (School Assessment Valuation Exemption Relief)(1999),** and "**FAIR" Rebate (2005)** were not income for property tax deduction purposes.

"REAP" Payment (Regional Efficiency Aid Program) is not income but like the various Homestead Rebates is deemed a refund of property taxes.

"Property Tax Reimbursement" The Property Tax Reimbursement (PTR), also known as the Senior/Disabled Tax Freeze, is not considered income when computing the annual $10,000 income limitation for the $250 Real Property Tax Deduction. As with the rebates, the PTR is a refund of property taxes paid.

Death of a Property Tax Deduction Claimant/Recipient

The Director of the Division of Taxation has promulgated the following guidelines:

(1) Where a qualified claimant applies for property tax deduction during October 1-December 31 of the pretax year and dies prior to January 1 of the ensuing tax year, the deduction for such tax year should be disallowed.

(2) Where a qualified claimant applies for a deduction between October 1-December 31 of the pretax year and dies on January 1 of the tax year or thereafter, the deduction for such tax year should be allowed. There is no need for proration nor filing of Post-Tax Year Income Statement, except as noted below.

(3) Where a qualified claimant applies for deduction during the tax year, is granted deduction, and dies during that tax year, there is no need for proration nor filing of Post-Tax Year Income Statement, except as noted below.

(4) Where an established qualified claimant who has been receiving deductions dies after December 31 of the pretax year (i.e. during tax year or thereafter) and prior to filing a Post-Tax Year Income Statement, the deduction should be allowed for the tax year if all prerequisites have been met as of October 1 of the pretax year. There is no need for proration and no Post-Tax Year Income Statement need be filed, except as noted below.

(5) Where a qualified claimant dies alter filing a Post-Tax Year Income Statement, there is no need for proration and no Post-Tax Year Income Statement need be filed during the year following such tax year, except as noted below.

EXCEPTION: If the surviving spouse, heirs-at-law, successors, or assigns of the deceased deduction recipient sell or transfer title to the dwelling house during the tax year of recipient's death, the deduction ceases as of the sale or transfer date and the tax collector should prorate the deduction based on the number of days remaining in the tax year following the date of sale or transfer. The prorated amount constitutes a lien against the dwelling.

FULL RETIREMENT AGE

Age To Receive Full Social Security Benefits

Year of Birth	Full Retirement Age
1937 or earlier	65

1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Because of longer life expectancies, the Social Security law was changed in 1983 [P.L. 98-21 (H.R. 1900) signed on April 20, 1983] to increase the full retirement age in gradual steps until it reaches age 67. Beginning in the year 2003, this change affects people born in 1938 and later. Benefits will still be available at age 62, but with greater reduction.

SOCIAL SECURITY BENEFIT MAXIMUM

The following are the annual maximum benefit estimates for a male or female worker retiring at full retirement age in 2013 who contributed to Social Security at maximum wage levels through 2012, as compiled from information received from the Department of Health & Human Services, Social Security Administration:

- Retired worker (full retirement age) $30,396

- Retired worker and spouse receiving Social Security benefits through the retired worker:

Retired worker (full retirement age) $30,396
Spouse nonworking (full retirement age) $15,192
Retired worker and spouse (both full retirement age) $45,588

- Disabled worker (less than full retirement age) receives benefits based on average yearly earnings under Social Security in the same amount he would get if retiring at full retirement age. $30,396

- Disabled worker and spouse – where spouse receives Social Security benefits through the disabled worker:

Disabled worker (less than full retirement age) $30,396
Spouse (full retirement age) $15,192
Spouse (with minor or disabled children) $15,192
Disabled worker and either spouse as above $45,588

- Spouse (less than 62 with no minor

or disabled children)	No benefits

- Surviving spouse (age 60 or more) receives Social Security benefits through the deceased worker unless:
Surviving spouse (age 50-60 years) is totally disabled
Surviving spouse (with minor or disabled children of the deceased)

Any questions in regard to this information can be directed to the New Jersey Division of Taxation, Property Administration, PO Box 251, Trenton, NJ 08695-0251.

Adherence to these Guidelines should result in a more uniform implementation of the Act.

INCOME DETERMINED-EXAMPLES

All examples assume all other prerequisites for eligibility for Property Tax Deduction have been met. Examples 1-5 reflect applicant/spouse with excludable Social Security benefits only. Examples 6-16 reflect applicants with income in more than one of the three excludable categories. Income may be excluded from only **ONE** of the three categories when determining the $10,000 income limitation.

EXAMPLE 1
PTD Applicant and spouse both full retirement age. Each a retired worker in his/her own right.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Social Security	$30,396	$30,396
Spouse-Social Security	10,500	10,500
Other Income	3,500	0
Total	$44,396	$40,896

Social Security benefits of applicant and spouse can be deducted in full leaving a balance of $3,500 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 2
PTD Applicant full retirement age and spouse age 62, the earliest possible retirement age, or more. Each a retired worker in his/her own right.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Social Security	$30,396	$30,396
Spouse-Social Security	10,000	10,000
Other Income	5,000	0
Total	$45,396	$40,396

Social Security benefits of applicant and spouse can be deducted in full leaving a balance of $5,000 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 3

PTD Applicant and spouse both age 70* years. Each a retired worker in his/her own right.

	INCOME	DEDUCTION ALLOWED
Applicant-Social Security	$30,500**	$30,500
Spouse-Social Security	11,500	11,500
Other Income	2,000	0
Total	$44,000	$42,000

Social Security benefits of applicant and spouse can be deducted in full leaving a balance of $2,000 which is under the $10,000 income limit. **Social Security benefits may be **more** than maximum if retirement is deferred beyond full retirement age.

Conclusion: Eligible

EXAMPLE 4

PTD Applicant disabled, less than full retirement age; spouse retired worker, age 62 or more. Disabled individual is considered as a retired worker of full retirement age.

	INCOME	DEDUCTION ALLOWED
Applicant-Social Security	$30,396	$30,396
Spouse-Social Security	9,000	9,000
Other Income	6,500	0
Total	$45,896	$39,396

Social Security benefits of applicant and spouse can be deducted in full leaving a balance of $6,500 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 5

PTD Applicant disabled, less than full retirement age; spouse retired worker, full retirement age or more. Disabled individual is considered as a retired worker of full retirement age.

	INCOME	DEDUCTION ALLOWED
Applicant-Social Security	$30,396	$30,396
Spouse-Social Security	30,396	30,396

Other Income	1,000	0
Total	$61,792	$60,792

Social Security benefits of applicant and spouse can be deducted in full leaving a balance of $1,000 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 6

PTD Applicant and spouse both full retirement age. Each a retired worker in his/her own right. Or PTD Applicant disabled, less than 65 years, spouse full retirement age.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Railroad pension	$30,800	$30,396(SS maximum)
Applicant-Social Security	6,500	0
Spouse-State pension	30,700	30,396(SS maximum)
Spouse-Social Security	5,500	0
Total	$73,500	$60,792

Applicant can deduct income from only **ONE** of the three categories of excludable income, i.e., either Railroad pension or Social Security-not both. Since the Railroad pension is larger than the Social Security benefit, it is the most advantageous choice. However, the amount of Railroad pension deducted cannot exceed the maximum amount allowed under Social Security. The same is true of the spouse's State pension. A total of $60,792 can be deducted from income leaving a balance of $12,708 which is over the $10,000 income limit.

Conclusion: **Not** Eligible

EXAMPLE 7

PTD Applicant disabled, less than full retirement age; spouse retired, age 62 or more. Disabled individual is considered as a retired worker of full retirement age. Or PTD Applicant and spouse both full retirement age.

	INCOME	**DEDUCTION ALLOWED**
Applicant-County pension	$10,000	$10,000
Applicant-Social Security	4,500	0
Spouse-Public School pension	8,000	8,000
Spouse-Social Security	3,000	0
Other Income	$ 2,350	0
Total	$27,850	$18,000

Applicant can deduct income from only **ONE** of the three categories of excludable income, i.e., either County pension or Social Security. The County pension is larger than the applicant's Social Security benefit, but does not exceed the Social Security maximum of $30,396 and can be deducted in full. The same is true of the spouse's Public School pension. A total of $18,000 can be deducted from income leaving a balance of $9,850 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 8
PTD Applicant and spouse both full retirement age. Each a retired worker in his/her own right. Or PTD Applicant disabled less than full retirement age; spouse age 62 or more.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Municipal pension	$ 8,000	$ 0
Applicant-Social Security	9,500	9,500
Spouse-State pension	3,600	3,600
Spouse-Social Security	1,700	0
Total	$22,800	$13,100

Applicant can deduct income from only **ONE** of the three categories of excludable income, i.e., either Municipal pension or Social Security. Applicant's Social Security benefit is larger than the Municipal pension and can be deducted in full. State pension is larger than spouse's Social Security benefit but not more than the SS maximum of $30,396 and can be deducted in full. Again, one category only. A total of $13,100 can be deducted from income leaving a balance of $9,700 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 9
PTD Applicant disabled, less than full retirement age; spouse retired worker, age 62 or more. Disabled individual is considered as a retired worker of full retirement age. Or PTD Applicant and spouse both full retirement age.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Federal pension	$30,800	$30,396 (SS maximum)
Spouse-Social Security	9,000	9,000
Other Income	11,000	0
Total	$50,800	$39,396

Applicant can deduct Federal pension up to the maximum amount allowed under Social Security. Spouse's Social Security benefit can be deducted in full but the balance of $11,404 is over the $10,000 income limit.

Conclusion: **Not** Eligible

EXAMPLE 10
PTD Applicant and nonworking spouse both full retirement age. Spouse receives benefits through retired worker.

	INCOME	**DEDUCTION ALLOWED**

Applicant-Railroad pension	$35,000	$30,396	(SS maximum)
Applicant-Social Security	7,500	0	
Spouse-Social Security	4,250	15,192	(1/2 applicant)
Total	$46,750	$45,588	

Applicant can deduct income from **ONE** category, i.e., the larger Railroad pension, up to the maximum amount allowed under Social Security. Spouse is receiving Social Security benefits through retired worker applicant amounting to 50% of worker's SS benefit; the spouse is allowed, by administrative decision, a deduction equal to 1/2 of the applicant's deduction (1/2 of the applicant's monthly Railroad (governmental pension) benefits rounded down to the next lower dollar). A total of $45,588 can be deducted from income leaving a balance of $1,162 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 11

PTD Applicant full retirement age and spouse less than age 62, the earliest possible retirement age.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Federal pension	$ 6,000	$ 0
Applicant-Social Security	7,500	7,500
Spouse-Private pension	5,000	0
Total	$18,500	$ 7,500

Applicant's Social Security, larger than the Federal pension, can be deducted in full. However, the spouse's private pension is not an excludable category of income, nor can Social Security benefits be received through the retired worker applicant because spouse is not of retirement age as required by Social Security. A total of $7,500 can be deducted from income leaving a balance of $11,000 which is over the $10,000 income limit.

Conclusion: **Not** Eligible

EXAMPLE 12

PTD Applicant full retirement age and spouse age 62 or more.

	INCOME	**DEDUCTION ALLOWED**
Applicant-Social Security	$ 8,500	$ 8,500
Spouse-Public School pension	9,500	9,500
Other Income	2,700	0
Total	$20,700	$18,000

Applicant's Social Security benefits and spouse's Public School pension, not in excess of the Social Security maximum of $30,396, can both be deducted from income in full leaving a balance of $2,700 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 13

PTD Applicant surviving spouse, is retired worker, age 55 years, non-disabled w/no minor or disabled children.

	INCOME	DEDUCTION ALLOWED
Applicant-School pension	$ 9,500	$ 0
Applicant-Federal pension	2,500	0
Total	$12,000	$ 0

Applicant is less than age 62 years, the earliest age a non-disabled worker can receive Social Security benefits, and is less than 60 years, the earliest age a non-disabled surviving spouse can receive SS benefits through deceased worker. Therefore, all income must be included and total of $12,000 is over $10,000 income limit.

Conclusion: **Not** Eligible

EXAMPLE 14

PTD Applicant and spouse both full retirement age. Or PTD applicant disabled, less than full retirement age, spouse age 62 or more.

	INCOME	DEDUCTION ALLOWED
Applicant-Social Security	$18,000	$18,000
Applicant-Rental Income	2,400	0
Spouse-County Pension	11,000	11,000
Spouse-Social Security	6,000	0
Other Income	1,000	0
Total	$38,400	$29,000

Applicant can deduct Social Security benefit in full. Spouse can deduct income from **one** category of excludable income, i.e., either Social Security or County pension. Spouse's County pension is larger and is the most advantageous choice. A total of $29,000 can be deducted from income leaving a balance of $9,400 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 15

PTD Applicant disabled, less than full retirement age, spouse age 62 or more.

	INCOME	DEDUCTION ALLOWED
Applicant-Social Security	$18,500	$18,500

Applicant-Business Income	12,000	0
Applicant-Allowable Business Expenses	(7,500)	0
Spouse-Social Security	10,452	10,452
Total	$33,452	$28,952

Applicant’s Social Security benefit can be deducted in full. Applicant’s business income is not deductible but ordinary and necessary expenses of the business as allowed by the Federal Internal Revenue Code and regulations can be subtracted from the business income. Spouse’s Social Security is deducted in full leaving a balance of $4,500 which is under the $10,000 income limit.

Conclusion: Eligible

EXAMPLE 16

PTD Applicant of full retirement age.

	INCOME	**DEDUCTION ALLOWED**
Applicant Social Security	$15,500	$15,500
Applicant Rental Income	14,000	0
Applicant Allowable Rental Expenses	(15,000)	0
Applicant Private Pension	9,000	0
Other income	1,500	0
Total	$25,000	$15,500
	or *$26,000	

Social Security benefit deducted in full. Income total subject to Federal Internal Revenue Code, treatment of rental income and allowable expenses in excess of rental income. Disposition of the net $1,000 rental income loss is dependent on Federal Income Tax Treatment.

Conclusion: Depends on review of Federal Income Tax Treatment.

Where federal guidelines permit taxpayer to apply expense loss against income, the $1,000 net loss reduces the income to $25,000. After allowable deductions, a balance of $9,500 remains which is under the $10,000 income limit resulting in eligible status.

*Where rental income is reduced to zero after deductions of ordinary and necessary expenses of the rental property, income totals $26,000. After allowable deductions, a balance of $10,500 remains which is over the $10,000 income limit resulting in ineligibility.