

Re: HB 239

EXHIBIT 05  
DATE 1-28-05  
HB 239

Representative Brown,

Enclosed is information from the Social Security website (www.ssa.gov) regarding income limits. Pension income is not subject to the earnings limit established for 2005. For purposes of determining whether Social Security benefits are payable, a person's earnings for a taxable year are the sum of pay for services as an employee plus all net earnings from self-employment (minus any net loss from self-employment) for that year. Wages for Social Security purposes are gross wages - wages before any payroll deductions for income tax, Social Security tax, dues, insurance, or other deductions by the employer. We use gross wages as the basis for Social Security credit and for determining whether benefits must be withheld because of earnings.

Nonwork sources of income, such as:

- inheritance payments,
- pensions,
- income from investments,
- IRA distributions,
- interest, or
- other sources;

**do not count** as wages for the earnings test. The Social Security retirement program insures against loss of earnings from work and not against the failure to have investment income.

**If you are under full retirement age (FRA):** when you start getting your Social Security payments, \$1 in benefits will be deducted for each \$2 you earn above the annual limit. For 2005 that limit is \$12,000 and for 2004, that limit is \$11,640. Remember, the earliest age that you can receive Social Security retirement benefits remains 62 even though the FRA is rising.

**In the year you reach your FRA:** \$1 in benefits will be deducted for each \$3 you earn above a different limit, but only counting earnings before the month you reach FRA. For 2005, this limit is \$31,800; for 2004, this limit is \$31,080

**Starting with the month you reach FRA:**, you will get your benefits with **NO** limit on your earnings.

Thanks,

*Tammy Rau*

Teachers' Retirement System  
1500 East Sixth Avenue  
P O Box 200139  
Helena, MT 59620-0139  
(406) 444-3134  
(406) 444-2641 fax

**Rec'd 1/26/05**

**Rep. Dee Brown**