

UTAH'S TAXATION OF SOCIAL SECURITY BENEFITS

Abstract

This policy brief provides an overview of how Social Security benefits are taxed in Utah and compares Utah's approach with those of other states. It outlines the structure of the federal and state tax systems as they relate to Social Security income, including the application of Utah's nonrefundable Social Security tax credit. The brief reviews changes to Utah's tax credit thresholds since the credit's enactment in 2021 and presents data on usage trends over time. It also surveys tax treatments in the nine states that continue to tax Social Security benefits, illustrating how exemptions, deductions, and credits vary by state and filing status. This information is intended to assist policymakers in understanding the current framework and its implications for Utah taxpayers.

Chris Stitt, Policy Analyst
June 17, 2025



KEY FINDINGS

- Utah taxes Social Security benefits to the extent they are included in Federal Adjusted Gross Income (AGI) on the Federal Individual Income Tax Return.
- The state has a nonrefundable tax credit for Social Security benefits that reduces the tax liability of taxpayers below statutorily established income thresholds.
- Since the enactment of the tax credit in 2021, the Legislature has increased the income thresholds in 2022, 2023 and 2025, resulting in more taxpayers receiving the benefit.
- Utah is one of nine states that taxes Social Security benefits.

Introduction

Utah imposes income tax on the amount of Social Security benefits that are included in an individual's Federal AGI. To reduce the burden on lower- and middle-income retirees Utah has enacted a nonrefundable income tax credit for Social Security benefits. Despite this reform, some Utah seniors with retirement income from other sources remain subject to state taxation of their benefits.

The continued taxation of Social Security is a policy issue of interest to lawmakers and advocacy groups. This brief outlines the structure of Federal taxation of Social Security benefits, Utah's taxation of Social Security benefits, and compares Utah's approach to other states.

Background

What is Social Security?

Social Security is the common name for the federal Old-Age, Survivors, and Disability Insurance (OASDI) program that provides income security to eligible individuals and families through retirement, disability, and survivor benefits.

How does Social Security work?

Social Security is structured as a contributory program in which current workers finance benefits for current retirees, individuals with disabilities, and eligible family members. The system is primarily funded through payroll taxes authorized by the Federal Insurance Contributions Act (FICA) and the Self-Employment Contributions Act (SECA). Employees contribute 6.2% of their wages, up to an annual wage cap of \$176,100 in 2025, and their employers pay an equal amount. Self-employed individuals remit both the employee and employer shares totaling 12.4%.

Payroll tax revenues collected under FICA and SECA are credited to the Old-Age, and Survivor Insurance (OASI) and Disability Insurance (DI) funds, which are also funded with income taxes on certain Social Security benefits and interest earned on the funds' holdings. The revenues within OASI and DI funds are used to satisfy benefit obligations.

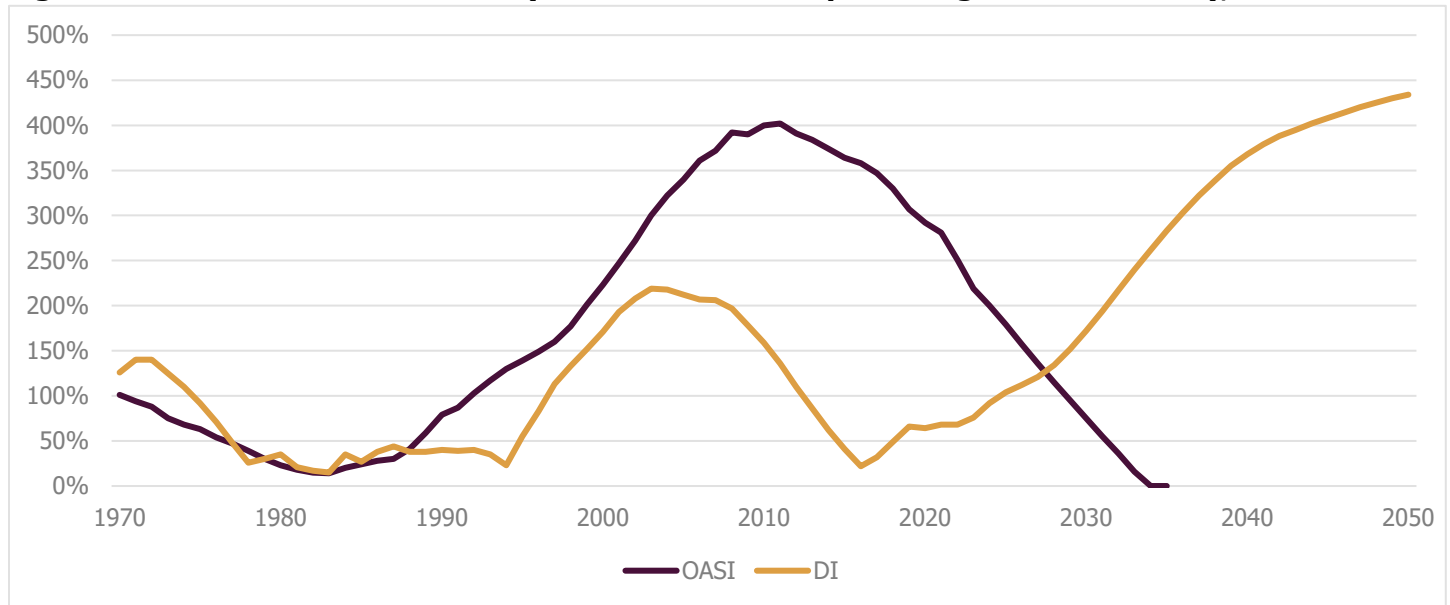
If annual revenues exceed benefit obligations, the trust funds accumulate reserves. Surplus revenues are invested in U.S. Treasury securities, which earn interest and constitute assets of the trust funds.

If obligations exceed revenues, the Social Security Administration redeems Treasury securities to cover the shortfall. According to the 2024 Trustees Report¹ (see Figure 1) the OASI Trust Fund is projected to be



depleted by 2033, at which point continuing payroll tax income would be sufficient to pay approximately 77% of scheduled benefits. The DI Trust Fund is in a stronger position and is projected to remain solvent beyond 2050.

Figure 1: OASDI Trust Fund Ratios (Asset reserves as a percentage of annual cost), 2024



Source: Social Security Administration, Trustees Report, 2024

Utah Average Claim of Social Security benefits

OASDI is the main Social Security benefit. As of December 2023, the [Social Security Administration](#)² reported that Utah had 458,004 OASDI beneficiaries, to which it paid \$842,194,000 in benefits. The average OASDI monthly benefit payment to Utah beneficiaries is \$1,838.83, which is above the national average of \$1,767.03.

The average OASDI monthly benefit payment to Utah beneficiaries is \$1,838.83, which is above the national average of \$1,767.03.

Utah Average Claim of Supplemental Security Income

Supplemental Security Income is an additional benefit to those with lower incomes, lower resources, a disability, blindness, or age 65 or older. According to the Social Security Administration³ and as of December 2023, Utah had 29,972 Supplemental Security Income benefit recipients, 8,938 of which also received OASDI benefits. The 29,972 beneficiaries received \$21,210,000 in benefits. The average Supplemental Security Income monthly benefit to Utah beneficiaries is \$707.66.

Federal Taxation

Social Security is subject to taxation at two stages, often described as “double taxation.” During their working years, individuals pay FICA payroll taxes on their earnings. Employees may not deduct these FICA taxes from federal taxable income, which means income tax is also paid on the earnings. Employers may deduct their



contributions as a business expense, and self-employed individuals may deduct only the employer contribution of the SECA tax as a business expense.

Once an individual receives social security benefits, the individual may also be subject to federal income tax on a portion of their Social Security benefits. The federal taxation of Social Security benefits was introduced in 1983 as part of an effort to ensure the long-term solvency of the Social Security trust funds⁴, and it was expanded in 1993 to include a secondary set of thresholds and a higher taxable percentage for beneficiaries who exceeded the secondary thresholds. Under current law, up to 50% or 85% of an individual's Social Security benefits may be included in taxable income depending on the individual's combined income level (see Table 1).

$$\text{Combined income} = 50\% \text{ of Social Security benefit amount} + \text{other earned income}$$

These thresholds are not indexed for inflation, and over time, an increasing share of beneficiaries have become subject to benefit taxation. Revenue from this taxation is returned to the OASDI trust funds to help finance benefit obligations.

Table 1: Percentage of Taxable Social Security Benefit, 2024

Filing Status	Combined Income	Amount of benefit that is taxable
Single	Less than \$25,000	0%
	Between \$25,000 and \$34,000	50%
	More than \$34,000	85%
Joint Return	Less than \$32,000	0%
	Between \$32,000 and \$44,000	50%
	More than \$44,000	85%

Source: Internal Revenue Service, Publication 915 ⁵, 2024



Utah Taxation of Social Security Benefits

Social Security benefits are taxed in Utah to the extent the benefits are included in the AGI amount on the federal income tax return. Utah has a nonrefundable tax credit for Social Security benefits, Utah Code Ann. § 59-10-1042⁶ (2025), that may be applied to the taxpayer's Utah income tax return to reduce the tax liability.

*Social Security tax credit = the taxable amount of Social Security benefit * 4.5%.*

The credit amount is reduced by \$0.025 for each dollar that modified AGI exceeds statutory income thresholds.

Table 2 shows the income thresholds, by filing status, above which the tax credit begins to phase out. The Legislature has increased these income thresholds three times since the creation of the tax credit in 2021.

Table 2: Nonrefundable tax credit for Social Security benefits income thresholds, 2021-2025

Filing Status	2021 (HB 86)	2022 (SB 59)	2023 (HB 54)	2024	2025 (SB 71)
Married Filing Separately	\$25,000	\$31,000	\$37,500	\$37,500	\$45,000
Single	\$30,000	\$37,000	\$45,000	\$45,000	\$54,000
Head of Household	\$50,000	\$62,000	\$75,000	\$75,000	\$90,000
Married Filing Jointly	\$50,000	\$62,000	\$75,000	\$75,000	\$90,000

Source: Data collected by staff from associated bills ⁷

This structure ensures that those with lower and moderate incomes, who are more likely to rely heavily on Social Security, receive a full tax credit for their Social Security benefits, while higher-income individuals receive proportionally less.

For simplified examples of how this process works see the Appendix.

Current usage of the Social Security tax credit

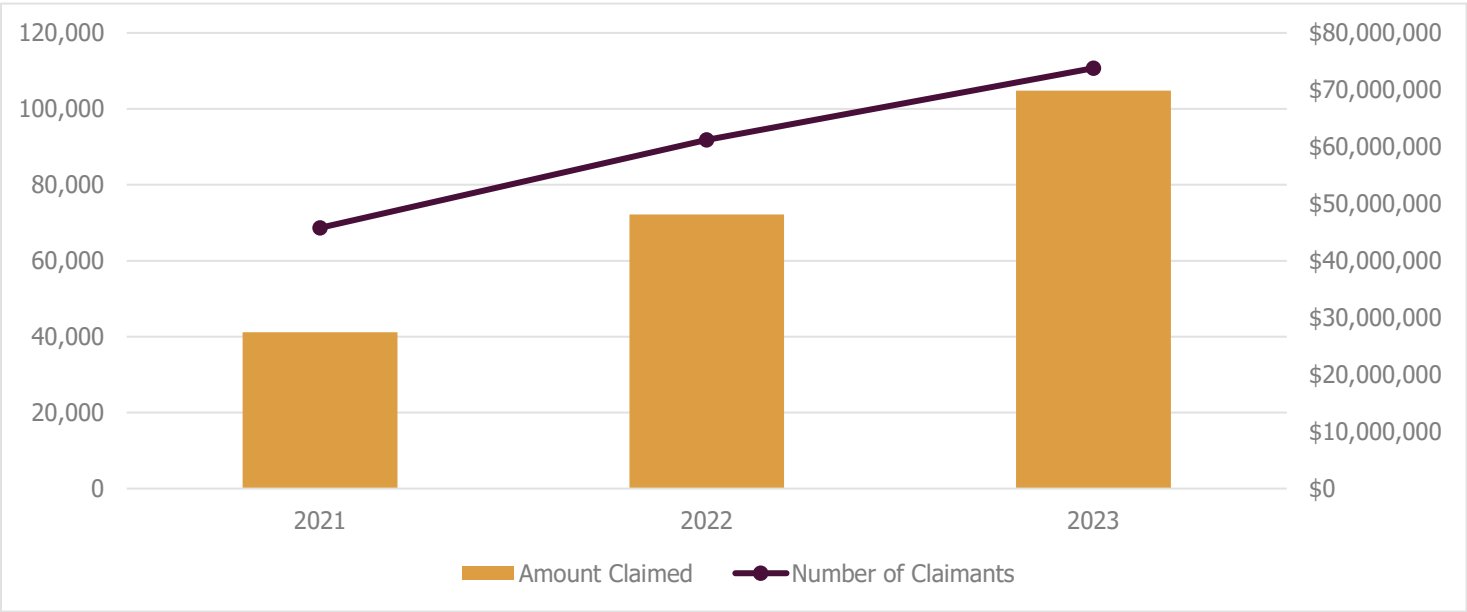
Since its enactment in 2021, the Social Security tax credit has experienced a substantial increase in utilization, reflecting the Legislature's decision to expand eligibility through annual threshold adjustments. The credit's



expanded uptake also correlates with demographic trends, including the growth of Utah’s retiree population and the increasing number of residents drawing on both Social Security and Supplemental Security Income³.

Figure 2 shows that from 2021 to 2023, the number of claimants increased from 68,666 to 110,709, and the total amount claimed increased from \$27,422,512 to \$69,865,121. Data is only available through 2023, however this trend is expected to continue as more data becomes available.

Figure 2: Usage of Utah’s Social Security Tax Credit, 2021 – 2023



Source: Utah State Tax Commission, 2025

How do other States Tax Social Security Benefits?

Currently, 32 states exclude Social Security benefits from taxable income, while nine states do not levy any individual income tax. This leaves nine states, including Utah, that tax some portion of Social Security benefits.

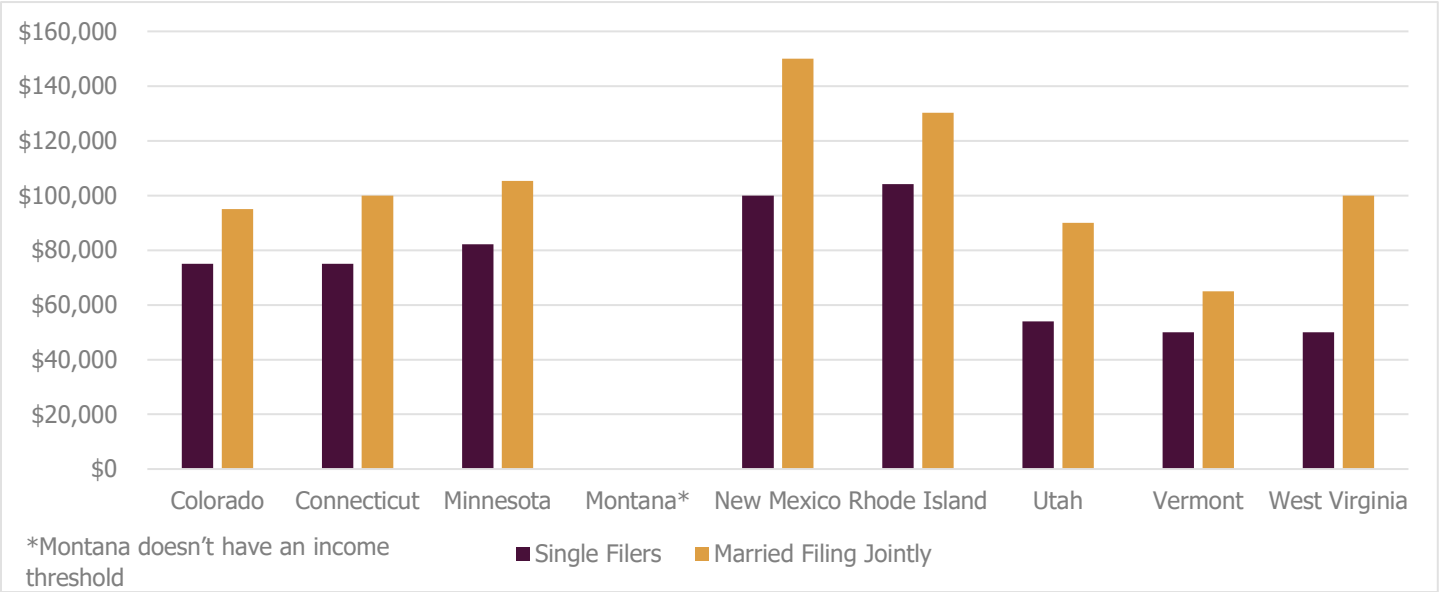
This highlights a national trend towards reducing or eliminating the state-level taxation of Social Security benefits. In 2024, Kansas, Missouri, and Nebraska eliminated taxation on Social Security benefits and West Virginia has a scheduled phaseout of taxation on Social Security benefits with full exemption in 2026.

The nine states that tax a portion of Social Security benefits provide targeted relief through deductions, exemptions, or credits. Each state’s mechanisms vary in structure, generosity, and eligibility criteria. All but Montana, which has a flat deduction for all filers, have an income threshold that determines by filing status which filers qualify for the deduction, exemption, or credit.

See Figure 3 for a comparison on income thresholds across all nine states offering exemptions or credits.



Figure 3: State income thresholds for Social Security benefit exemption/credit, 2025



Source: Data collected from each of the various State websites ⁷

Likewise, Table 3 illustrates the specific income thresholds across the nine states that tax a portion of Social Security benefits as well as the tax treatment. Some states offer full exemptions below a fixed income level, while others provide partial phaseouts, or age-based exemptions.

Table 3: State income thresholds for Social Security benefit exemption/credit and tax treatment of Social Security benefits, 2025

STATE	SINGLE FILERS	MARRIED FILING JOINTLY	TAX TREATMENT
COLORADO	\$75,000	\$95,000	65+ Full deduction for all filers 55-64 Full deduction below thresholds; deduction cap of \$20,000 above
CONNECTICUT	\$75,000	\$100,000	Full deduction below thresholds; 75% deduction above
MINNESOTA	\$82,190	\$105,380	Full deduction below thresholds; deduction phase out above
MONTANA	N/A	N/A	65 and over deduction of \$5,660
NEW MEXICO	\$100,000	\$150,000	Full exemption below thresholds; full taxation above
RHODE ISLAND	\$104,200	\$130,250	Full deduction below thresholds; full taxation above
UTAH	\$54,000	\$90,000	Full tax credit below thresholds; reduced credit above
VERMONT	\$50,000	\$65,000	Full exemption below thresholds; partial up to \$60,000 (single) / \$75,000 (joint)
WEST VIRGINIA	\$50,000	\$100,000	35% exemption in 2024; 65% in 2025; full exemption in 2026

Source: Data collected from each of the various State websites ⁸



Conclusion

A portion of a Utah taxpayer's Social Security benefits that are taxable at the federal level are also subject to state income tax. To reduce the tax burden on lower- and middle-income retirees, Utah offers a nonrefundable income tax credit equal to 4.5% of the federally taxable portion of Social Security benefits. This credit phases out gradually as income increases and fully offsets the state tax on these benefits for qualifying taxpayers with income below statutory thresholds. The credit provides targeted relief, ensuring that those most reliant on Social Security income receive the greatest benefit.

Since enacting the Social Security tax credit in 2021, the Utah Legislature has increased the income thresholds that determine credit eligibility three times in 2022, 2023, and again in 2025. These changes have expanded access to the tax credit, resulting in a growing number of claimants and an increase in the total dollar amount of credit claimed. This trend reflects both policy adjustments and demographic changes in Utah's retiree population.

Utah is one of only nine states that continues to tax Social Security benefits in some capacity. However, like most other states in this category, Utah has adopted an income-based mechanism to reduce the impact of the taxation of Social Security benefits.



Appendix

Appendix Table 1: Percentage of taxable Social Security benefit for a Single Filer, 2024

Filing Status	Combined Income	Amount of benefit that is taxable
Single	Less than \$25,000	0%
	Between \$25,000 and \$34,000	50%
	More than \$34,000	85%

Source: Internal Revenue Service, Publication 915², 2024

Example 1:

A single filer receives \$20,000 in Social Security benefit and has \$10,000 in other income.

Step 1: Calculate combined income

50% of Social Security benefit + other income
Combined income = (50% * \$20,000) + \$10,000 = \$20,000

Step 2: Determine the percentage of taxable Social Security benefits per Appendix Table 1

Because combined income is less than \$25,000 the percentage of taxable benefit is 0%.

Step 3: Calculate the taxable amount of Social Security benefits

Taxable amount of Social Security benefits = 0% * \$10,000 = **\$0**

Step 4: AGI = taxable Social Security benefits + other income

AGI = \$0 + \$10,000 = **\$10,000**

The Social Security benefit is not taxed in Utah as it was not included in AGI. The \$10,000 in other income will be taxed normally.



Example 2:

A single filer receives \$20,000 in Social Security benefit and has \$20,000 in other income.

Step 1: Calculate Combined income

$(50\% * \text{Social Security benefit}) + \text{other income}$

$(50\% * \$20,000) + \$20,000 = \$30,000$

Step 2: Determine the percentage of taxable Social Security benefits per Appendix Table 1

Because combined income is between \$25,000 and \$34,000 the percentage of taxable benefit is 50%.

Step 3: Calculate the taxable amount of Social Security benefits

Taxable amount of Social Security benefits = $50\% * \$20,000 = \$10,000$

Step 4: AGI = taxable Social Security benefits + other income

AGI = $\$10,000 + \$20,000 = \$30,000$

Step 5: Calculate the Utah Social Security tax credit using the worksheet in Appendix Table 2.

Appendix Table 2: Utah Social Security Credit Worksheet

1. Taxable amount of Social Security benefits from Step 3	1. <input type="text" value="\$10,000"/>
2. AGI from Step 4	2. <input type="text" value="\$30,000"/>
3. Multiply taxable amount of Social Security benefits by 0.045	3. \$450
4. Enter filing status income threshold from Table 2:	4. \$45,000
5. Line 2 minus line 4 (not less than zero)	5. \$0
6. Multiply line 5 by 0.025	6. \$0
7. Social Security Benefits Credit Line 3 minus line 6 (not less than zero)	7. \$450



Example 3:

A single filer receives \$20,000 in Social Security benefit and has \$50,000 in other income.

Step 1: Calculate Combined income

$(50\% * \text{Social Security benefit}) + \text{other income}$

$$(50\% * \$20,000) + \$50,000 = \$60,000$$

Step 2: Determine the percentage of taxable Social Security benefits per Appendix Table 1

As the combined income of \$60,000 is greater than \$34,000 the percentage of taxable benefit is 85%.

Step 3: Calculate the taxable amount of Social Security benefits

$$\text{Taxable amount of Social Security benefits} = 85\% * \$20,000 = \boxed{\$17,000}$$

Step 4: AGI = taxable Social Security benefits + other income

$$\text{AGI} = \$17,000 + \$50,000 = \boxed{\$67,000}$$

Step 5: Calculate the Utah Social Security tax credit using the worksheet in Appendix Table 3

Appendix Table 3: Utah Social Security Credit Worksheet

1. Taxable amount of Social Security benefits from Step 3	1. <input type="text" value="\$17,000"/>
2. AGI from Step 4	2. <input type="text" value="\$67,000"/>
3. Multiply taxable amount of Social Security benefits by 0.045	3. \$765
4. Enter filing status income threshold from Table 2:	4. \$45,000
5. Line 2 minus line 4 (not less than zero)	5. \$22,000
6. Multiply line 5 by 0.025	6. \$550
7. Social Security Benefits Credit Line 3 minus line 6 (not less than zero)	7. \$215



Endnotes

- ¹ "The 2024 OASDI Trustees Report." The 2024 OASDI trustees report, 2024. <https://www.ssa.gov/oact/TR/2024/index.html>.
- ² OASDI beneficiaries by state and County, 2023, 2023. https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2023/ut.pdf
- ³ SSI recipients by state and County, 2023, 2023. https://www.ssa.gov/policy/docs/statcomps/ssi_sc/2023/ut.pdf.
- ⁴ "Research Note #12: Taxation of Social Security Benefit." Social Security Administration Agency History | Research Notes & Special Studies by the Historian's Office, 2001. <https://www.ssa.gov/history/taxationofbenefits.html>.
- ⁵ 2024 Publication 915, November 22, 2024. <https://www.irs.gov/pub/irs-pdf/p915.pdf>.
- ⁶ "Nonrefundable Tax Credit for Social Security Benefits." Utah Code Ann. § 59-10-1042, 2025. https://le.utah.gov/xcode/Title59/Chapter10/59-10-S1042.html?v=C59-10-S1042_2025050720250507.
- ⁷ "Social Security Tax Amendments." HB0086, 2021. <https://le.utah.gov/~2021/bills/static/HB0086.html>.
- "Social Security Tax Revisions." SB0071, 2025. <https://le.utah.gov/~2025/bills/static/SB0071.html>.
- "Tax Amendments." SB0059, 2022. <https://le.utah.gov/~2022/bills/static/SB0059.html>.
- "Tax Revisions." HB0054, 2023. <https://le.utah.gov/~2023/bills/static/HB0054.html>.
- ⁸ "Income Tax Exemptions for Retirement Income - Research Report." Connecticut General Assembly | Office of Legislative Research, 2023. <https://www.cga.ct.gov/2023/rpt/pdf/2023-R-0129.pdf>.
- "Income Tax Topics: Social Security, Pensions and Annuities." Department of Revenue - Taxation, 2025. <https://tax.colorado.gov/income-tax-topics-social-security-pensions-and-annuities>.
- "Montana Tax Tables and Deductions." Montana Department of Revenue, 2025. <https://revenue.mt.gov/taxes/montana-tax-tables-and-deductions>.
- "Rhode Island Retirement Income Tax Guide." State of Rhode Island Division of Taxation, March 2024. https://tax.ri.gov/sites/g/files/xkgbur541/files/2024-03/PUB_2024-01_retirement_income_guide.pdf.
- "Senior Citizen Social Security Modification." West Virginia Tax Division, n.d. <https://tax.wv.gov/Individuals/SeniorCitizens/Pages/SeniorCitizenSocialSecurityModification.aspx>.
- "Social Security Benefit Subtraction." Social Security Benefit Subtraction | Minnesota Department of Revenue, January 22, 2025. <https://www.revenue.state.mn.us/social-security-benefit-subtraction>.
- "Social Security Exemption." Vermont Department of Taxes, 2025. <https://tax.vermont.gov/individuals/income-tax-returns/social-security-exemption>.
- "Social Security Income Tax Exemption." Taxation and Revenue New Mexico, June 15, 2023. <https://www.tax.newmexico.gov/social-security-income-tax-exemption/>.