



THE MARTIN REVIEW

WORKERS' COMPENSATION • SOCIAL SECURITY DISABILITY • LONG-TERM DISABILITY • VETERANS' BENEFITS

HOT TOPIC

Do you have to pay taxes on workers' compensation?

The answer is no. Whether you receive wage loss benefits weekly or a lump-sum settlement, workers' compensation is not taxable.

IRS Publication 907 reads as follows:

"The following payments are not taxable... Workers' compensation for an occupational sickness or injury if paid under a workers' compensation act or similar law."

There is no federal or state income tax applied to the weekly receipt of the workers' compensation check. In addition, lump-sum settlements in workers' compensation are not subject to taxation. If you are on workers' compensation and wondering, "Where is my W-2?" – you will not receive any tax notification documents, and it is not necessary to include worker's compensation as income when you file your taxes.

Nevertheless, if you were on Social Security Disability and Workers' Compensation simultaneously, it may trigger a tax notification on the Social Security Disability income. This is a more complicated issue dealing with offsets on the Social Security Disability arising from the receipts of workers' compensation benefits, and it is best to consult a qualified tax expert.

If you have questions about your rights, it is important to speak with a lawyer.



Is workers' compensation settlement considered income?

It is important to note that while workers' compensation is not taxable, it is still income. Benefits like cash assistance, Medicaid, and SSI are only available to low-income individuals, and workers' compensation will be considered income for purposes of determining eligibility for these types of programs. If a settlement would put you at risk of being disqualified from continuing your Medicaid coverage, consider accepting your workers' compensation settlement in a Special Needs Trust. This would allow a disabled individual to continue on Medicaid, while being able to use the settlement funds for expenses like home, vehicle, and personal care.

The bottom line is that you do not have to pay income taxes on any benefits paid out under workers' compensation in Pennsylvania. If any tax preparer or advisor asks you about it, it is perfectly acceptable to tell them that these benefits are not taxed.

FREQUENT QUESTIONS

by: Andrew Yang, Esq.



Is Social Security Disability Income Taxable?

Yes. Even if you are receiving non-taxable worker's compensation simultaneously, you need to pay taxes on the Social Security Disability that you would have received irrespective of the workers' compensation benefit.

Social Disability benefits are taxable when your household income exceeds a certain threshold. It can depend on certain things, including your marital status and income from other sources.

If you have further questions about this or similar scenarios relating to offsets, you should consult with a tax specialist.



ATTORNEY Spotlight

John P. Dogum, Esq.

John P. Dogum is a partner at Martin Law. He has concentrated his practice on litigating Pennsylvania workers' compensation cases since 1992. Before joining the firm to protect the rights of injured workers, he was a partner for a major Philadelphia defense firm where he represented Fortune 500 companies and major insurance carriers in workers' compensation litigation for more than a decade. Mr. Dogum is a certified specialist in Pennsylvania Workers' Compensation by the PA Bar Association's Section on Workers' Compensation Law as authorized by the PA Supreme Court. Mr. Dogum often gives presentations to interested parties, including other attorneys, on the topic of workers' compensation on the state and national levels. [\[Read More\]](#)



Certified Specialist

Pennsylvania Workers' Compensation

Education

J.D. Widener University School of Law (Wilmington, DE)

B.S. Finance - Susquehanna University (Selingsgrove, PA)

NEWS



Lauren McDowell Joins Martin Law.

Martin Law, LLC. announces that attorney Lauren McDowell, Esq. has joined Martin Law as an associate in the Workers' Compensation Department. Ms. McDowell earned a bachelor of science in criminology and justice studies with a minor in legal studies from Drexel University in 2018. She continued her education at Villanova University Charles Widger School of Law...

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