

Agency Payments to Claimant Representatives

A-05-15-15017



July 2015

Office of Audit Report Summary

Background

A claimant may appoint a qualified individual to act on his/her behalf in matters before the Social Security Administration (SSA). An appointed representative can request that the Agency pay the authorized fee directly out of a claimant's past-due benefits if he/she is an attorney or a non-attorney who has met certain prerequisites. SSA will withhold 25 percent of the claimant's past-due benefits if the appointed claimant representative properly notifies SSA that direct payment will be requested.

SSA is required to file an information return (Form 1099-MISC) with the Internal Revenue Service (IRS) when it pays \$600 or more to claimant representatives during the tax year (TY). While SSA pays fees directly to individual representatives, the associated income can be shared between the claimant representatives and affiliated firms.

In this report, we focus on income to show the portion of funds attributable to representatives' employment with firms as well as the overall income received by those firms.

Summary

In TY 2013, SSA reported to the IRS approximately \$1.4 billion in direct payments to claimant representatives. These payments related to about 15,300 claimant representatives and 3,200 firms for services provided to approximately 446,000 claimants, with the paid amounts coming directly from claimant funds.

As part of the direct payment process, claimant representatives can attribute all, part, or none of the income associated with the SSA direct payments to their work on behalf of firms. SSA prepares the Forms 1099-MISC based on the information provided by claimant representatives. The portion of direct payments attributed to a firm becomes that firm's taxable income. Of the \$1.4 billion in direct payments, about \$575 million (40 percent) in taxable income related to individual claimant representative income, and the remaining \$872 million (60 percent) in taxable income related to affiliated firms.

The median annual income per individual claimant representative associated with these direct payments was about \$7,800, with 9 percent receiving more than \$100,000 in income. Firm median annual income was approximately \$44,100, with about 5 percent of the firms receiving more than \$1 million in income. Moreover, the 10 firms with the highest income received approximately \$191 million, representing about 22 percent of all direct payment income shared with firms in TY 2013.

Firm	Income in TY 2013
1	\$66.6 million
2	\$34.6 million
3	\$18.0 million
4	\$11.8 million
5	\$10.8 million
6	\$10.2 million
7	\$10.2 million
8	\$9.9 million
9	\$9.8 million
10	\$9.3 million
Total	\$191.2 million