



Guide to Your SERS-Issued 1099-R Tax Form

Because SERS made at least one payment to you in 2013, we are required to provide you and the IRS with a *1099-R* form. This guide explains the information on the form and helps you understand if you should expect to receive more than one *1099-R* before filing your 2013 income tax return.

Depending on the number, type, and timing of the payments you received from SERS, you may receive more than one *1099-R* form. You could receive more than one *1099-R* from SERS if:

- you retired last year and chose to withdraw any of your contributions and interest in a lump sum,
- you received a payment from your own SERS pension and also received a survivor or beneficiary payment from a deceased SERS member's pension, or
- you turned 59½ last year.

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A Map to Your 1099-R

Box 7 - Dist. code shows the type of payment you received. If you received more than one type of payment, you will receive more than one 1099-R form from SERS and each will have a different code in this box. The following codes apply to SERS payments:

1 - Early distribution, no known exception (in most cases, under age 59½) indicates lump-sum payments you received before age 59½ that were not rolled into another qualified retirement plan.

2 - Early Distribution, exception applies (under age 59½) indicates monthly annuity payments you received before the age of 59½ and to lump-sum payments that were not rolled into another qualified retirement plan if you left employment between the year you turned 55 and the year you turned 59½.

3 - Disability

4 - Death

7 - Normal Distribution indicates payments made after you turned 59½.

G - Direct rollover of a distribution to a qualified plan, a governmental section 457(b) plan or an IRA indicates payments rolled directly into another qualified retirement plan, such as the commonwealth's Deferred Compensation Program.

The Unique control number is a seven-digit number that identifies a specific 1099-R form. The first digit indicates how many 1099-R forms you will receive from SERS for 2013.

Box 1 - Gross distribution shows the total amount paid to you before taxes were calculated and deducted. In most cases, this is the amount you report on your 1040 or 1040-A tax form on the line for "IRA distributions," "Pensions and annuities," or "Taxable amount" (whichever applies). If the amount was paid to you as a lump-sum distribution, see *Form 4972, Tax on Lump-Sum Distributions* for additional instruction.

Box 2a - Taxable amount shows the taxable amount paid to you. A portion of the total amount paid to you may not be taxable, so the amount in Box 1 may be different from the amount in Box 2a. If there is any difference, it will be shown in Box 5.

Box 2b - Taxable amount not determined, if marked with a check mark, indicates that SERS does not have enough information to determine how much of the total paid to you is taxable and Box 2a should be blank. If this box is checked, contact the IRS or a professional tax adviser for assistance.

Box 2b - Total distribution, if marked with a check mark, indicates that the 2013 payment closed the SERS account. This could occur if:

- you left employment, were not entitled to an annuity, and withdrew all of your contributions and interest in 2013,
- you left employment, withdrew all of your contributions in installments, and received your final installment payment in 2013, or
- you received a lump-sum payment in 2013 as a beneficiary of a deceased SERS member.

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM 30 NORTH THIRD STREET, SUITE 150 HARRISBURG, PA 17101-1716		1 Gross distribution \$5,299.74	OMB No. 1545-0119 2013 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount \$5,289.20			
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		COPY B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the Internal Revenue Service.
PAYER'S Federal ID number 23-1732438	RECIPIENT'S ID number XXX-XX-6789	4 Federal income tax withheld \$501.23	5 Employee contributions \$10.54		
RECIPIENT'S name, street address, city or town, province or state, country, and ZIP or foreign postal code 1123456 JOHN Q MEMBER C/O JANE MEMBER 123 MAIN STREET PO BOX 123 ANYTOWN PA 12345		7 Dist. code(s) 7		9a Your total dist. %	
		9b Total employee contributions \$343.11			

Form 1099-R Department of the Treasury - Internal Revenue Service

Box 4 - Federal income tax withheld shows the amount of federal income tax withheld from the amount in Box 1. Enter this amount on your tax return as "tax withheld."

Box 9a - Your total dist. will be blank if the payment was rolled into another qualified retirement plan. If, however, a payment you received was part of the total distribution of a pension account made to more than one person, your percentage of the distribution is shown here.

Box 9b - Total employee contributions, if you received your first annuity payment last year, shows the amount of contributions you paid toward your SERS pension, if any, that are not subject to federal income tax. This box only applies if you received your first annuity payment in 2013.

Box 5 - Employee contributions shows the amount of previously taxed money you paid (or in the case of survivor or beneficiary payments, the amount the deceased SERS member paid) toward your pension, if any, that was returned to you tax-free in 2013, as part of the distribution or annuity payments you received. These employee contributions are also referred to as "after-tax contributions."

For advice on taxes or estate planning, please see a professional financial or tax adviser, or contact the IRS at www.irs.gov or 1-800-829-1040.

In general, SERS pension payments are:

subject to federal income tax. Two key exceptions include: payments made to return employee contributions that you made toward your pension prior to 1982, and payments made to return employee contributions you made when purchasing prior creditable service.

exempt from PA state and local income taxes.

If you live in PA, your SERS payments are exempt from PA state and local income taxes. As such, we do not provide *1099-R* forms to any state or local tax authority.

Several commercial tax preparation programs automatically assess PA state and local taxes on SERS payments. In such cases, you will need to manually change the calculated amounts to avoid paying more taxes than you actually owe. Contact the manufacturer of the particular tax preparation software you use if you need assistance.

Special notes for those who:

live outside PA. While SERS payments are exempt from PA state and local taxes, they may be subject to state and local income taxes where you live. If so, you will be required to file Copy 2 of your *1099-R* form with your state and/or local tax office. Contact your state and local tax offices, or a qualified tax professional for more information. If you live outside the United States, you are responsible for learning about and adhering to any income tax obligations you may have to non-U.S. taxing authorities.

receive SERS disability retirement payments.

Generally, when filing your federal income tax return, you must report the taxable portion of your disability retirement payments as “wages” on IRS forms *1040* or *1040-A* until you reach the retirement system’s normal retirement age. See IRS *Publication 575, Pension and Annuity Income* for more information.

are not U.S. citizens. If you are not a U.S. citizen (including resident alien) you should receive an IRS *1042-S* form instead of a *1099-R*. Please contact SERS at 1-800-633-5461 if you receive a *1099-R* in error.

Contributions not subject to federal income tax can include:

“Pre-87 after-tax contributions,” if you did not withdraw them in a lump sum at retirement, are previously taxed payroll contributions made toward your pension prior to January 1, 1982 as well as payments to purchase service credit made prior to January 1, 1987.

“Post-86 after-tax contributions” are payments to purchase service credit made on or after January 1, 1987.

See IRS *Publication 575* to learn how contributions you paid tax on can be returned to you without being taxed again. Until all non-taxable money is returned to you, a portion of your benefit is paid to you tax-free each year. After all of your after-tax contributions are returned to you, your gross distribution and your taxable amounts will be the same.

Need Help?

To ask questions about your SERS pension, call your retirement counselor at 1-800-633-5461 or visit www.SERS.state.pa.us.

To get federal tax forms or help with those forms, contact the IRS at 1-800-829-1040 or visit www.IRS.gov.

To learn more about taxes or estate planning, contact a professional tax adviser.

1099-R Frequently Asked Questions

Can SERS provide tax advice? No. You can seek advice from a professional tax adviser or from the IRS at 1-800-829-1040 or www.irs.gov. This information is general guidance only and does not cover all relevant tax law.

How is federal income tax calculated on my SERS payments? There are several IRS-approved methods of calculating the taxable and non-taxable portions of SERS benefits depending upon the date you first began receiving payments and other factors. In most cases, we use the “simplified method” for annuity payments that began after November 18, 1996. Under this method, previously taxed contributions made after December 31, 1986, cannot be fully excluded from federal income tax in the year in which they are received. Instead, they are excluded from federal income tax over a period equal to the expected number of payments, based on your age at retirement.

If you were over age 75 when you retired, special rules apply. See IRS *Publication 575, Pension and Annuity Income*, or *Publication 939, General Rule for Pensions and Annuities* for more information, specific to your date of retirement.

Is there a tax penalty if I withdrew my contributions and interest at retirement, and had the pretax portion sent directly to me? Yes, if you received a payment before age 59½ and you did not roll the money into a qualified plan. In addition to the regular income tax, you will also pay tax equal to 10 percent of the taxable portion of the withdrawal. There are exceptions. See IRS *Publication 575* for information.

I think my 1099-R is incorrect – what should I do? Please write to SERS at the address on this guide or send an e-mail to ra-sersbene@pa.gov. Provide your daytime phone number and detail the information you believe is incorrect. If necessary, we will issue a corrected *1099-R*. If we determine that the original *1099-R* is correct, we will notify you and explain why.

How do I change how much I withhold from my payments for income tax purposes? You can authorize SERS to start, stop, or change withholding by completing an *Annuitant Federal Income Tax Withholding (SERS-W-4P)* form. The form is available at www.SERS.state.pa.us or call 1-800-633-5461 to have one sent to you.

How can I get another copy of my 1099-R form? You can print duplicate forms for 1995 through 2013 from your Online Member Services account. If you haven’t already, please visit www.SERS.state.pa.us, click on “Account Sign In” and create an account.

Free duplicate *1099-R* forms are also available from SERS for tax years 1995 through 2013. Forms from before 1995 cost \$5 each. For assistance, call your retirement counseling center at 1-800-633-5461.

I use direct deposit. If I move, do I have to notify SERS of my new address?

Yes. Even though we don’t send you a check every month, we still need to send important information like your *1099-R* form, your *Personal Statement of Retirement Benefits*, newsletters, benefit verification forms, etc. If your address changes – even temporarily – complete an *Annuitant Change of Address (SERS-128)* form. The form is available at www.SERS.state.pa.us and by calling 1-800-633-5461.

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