

1099-R

NEWS

Introduction to Your Form 1099-R

Your 2013 Form 1099-R is scheduled to be mailed by the end of January 2014. The form provides the details concerning the benefit distributions you received during the 2013 tax year and should be used in filing your 2013 federal income taxes.

This newsletter describes different situations that could apply to the many retirees and beneficiaries who received distributions in 2013. Not all of the situations described in this newsletter will apply to you.

We have coded your Form 1099-R in accordance with the tax law. However, if you believe you have received an incorrect Form 1099-R considering the descriptions in this newsletter, please contact the Member Services Contact Center at (800) 821-2251 (outside Juneau) or (907) 465-4460 (Juneau) between 10 a.m. and 3:30 p.m. Alaska Time, select option “1” or you can email: doa.drb.retireepayroll@alaska.gov.

Note: To determine how your distributions may impact your individual tax situation, please call your tax consultant or the IRS directly.

Disability Benefit Recipients

All Teachers’ Retirement System (TRS), Public Employees’ Retirement System (PERS) non-occupational, and certain PERS occupational disability benefit recipients will receive a Form 1099-R with an IRS Distribution Code of “1.” This is an indication to the IRS that the distribution is an early distribution which is subject to a 10% penalty. The Division codes the Form 1099-R this way because the requirement necessary to meet the federal definition of disability is far more stringent than the requirement necessary to meet the retirement systems’ definition. ***In this case, Form 1099-R coding is ruled by federal law, not the Alaska State retirement system statutes or determinations.***

Internal Revenue Code Section 72(m)(7) states, “...an individual shall be considered to be disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long continued and indefinite duration. An individual shall not be considered to be disabled unless he furnishes proof of the existence thereof in such form and manner as the Secretary may require.”

The retirement systems do not require certification to that extent to qualify for receiving a disability benefit. Therefore, upon advice from the IRS, the Division codes most of the types of disability distributions noted above with an IRS Distribution Code of “1.”

Any benefit recipient who believes they meet the federal definition of disability can file Form 5329 to exempt their retirement distribution from the early distribution penalty. If you are uncertain how to file this form, or the implications it may have on your tax situation, you should contact your tax consultant. Form 5329 can be downloaded from the IRS’s Web site at IRS.gov. It should also be available where you obtain other IRS forms necessary to file your taxes.

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Multiple Form 1099-R Benefit Recipients

The Division issues multiple Form 1099-Rs to benefit recipients when their status changes during the year. For example, when a benefit recipient goes from a temporary retirement benefit, such as a disability benefit, to a normal retirement benefit, the Division will issue two Form 1099-Rs. One Form 1099-R will be issued for the period when distributions were made under the temporary benefit. In the case of nonoccupational disability benefits and old-law occupational disability benefits, the IRS Distribution Code would be a Code "1." New-law occupational disability benefits would have a Code "3" as the IRS Distribution Code. A second Form 1099-R will be issued for the period when distributions

were made under the normal benefit, and for these, the IRS Distribution Code would be a Code "2" or a Code "7," depending on the benefit recipient's age (under/over 59-½).

Another prominent example is when a normal benefit recipient turns age 59-½ during the year. Distributions that were made before age 59-½ will most likely reflect a Code "2" for the IRS Distribution Code on the Form 1099-R. Distributions made after age 59-½ will have a Code "7" reflected.

If you are receiving multiple benefits, you may receive multiple Form 1099-Rs for each benefit that is affected by the situations described above.

Form 1099-R Distribution Code for Normal Retirement Benefit Recipients

The IRS defines the use of Distribution Code "7" as a normal distribution from a plan when the benefit recipient is at least 59-½ years old. The IRS requires the use of Code "2" (early distribution, exception applies) for normal distributions from a plan when the benefit recipient is under the age of 59-½.

The IRS considers a distribution prior

to age 59-½ to be an early distribution. This should not affect the taxability of your distribution, so for those of you who are affected, we understand there would be no difference in the tax treatment for the two codes. If you have questions on whether it might affect your individual case, you should contact your tax consultant or the IRS.

Tax Excludable Employee Contributions

Most members who made "after-tax" contributions to their retirement account will see a taxable amount reflected in box 2a different than the amount noted in box 1. The difference will be the amount in box 5, which is the amount of your benefit that is excludable from federal taxes.

Benefit recipients who turned age 59-½ during 2013 will receive two

Form 1099-Rs. Each Form 1099-R will reflect a gross distribution (box 1), taxable amount (box 2a), and employee contributions (box 5) equal to the applicable period covered by the Form 1099-R. If you receive more than one Form 1099-R, the totals for each Form 1099-R should be combined to determine your total 2013 taxable distribution.

National Guard/ Naval Militia Benefit Distributions

If you take an actuarially determined lump sum distribution from the National Guard/ Naval Militia Retirement System (NGNMRS) and it is a direct rollover to a traditional IRA, your IRS Distribution Code in box 7 will be "G" and your taxable amount in box 2a will be zero. Any other distribution from the NGNMRS before age 59-½ will have an IRS Distribution Code of "1," and your distribution will be reported as fully taxable in box 2a. This is because the distributions do not meet the early distribution exception noted in the Internal Revenue Code, Section 72(t)(2)(A)(iv) which requires a series of substantially equal periodic payments to be made for the life or life expectancy of the member. Distributions after age 59-½ will have a distribution code of "7."

Death Benefit Distributions

If you are a survivor and receive a lump sum death benefit distribution, the IRS Distribution Code in box 7 will be "4," and the amount reported in box 2a will be the taxable portion of your distribution. If you elect to have the distribution be a direct rollover to a traditional IRA, the distribution code will be "4G" and the taxable amount in box 2a will be zero.

If you are the survivor of a peace officer who died in the line of duty, your taxable amount in box 2a will be zero and the IRS Distribution Code will be "2" or "7" depending on whether you are under or over age 59-½.

Same-Sex Partner Health Benefits – Change in Tax Reporting

Prior to 2011, the Division has reported the imputed income attributable to same-sex partner health benefits on Form 1099-R. The Division has been advised, based on the manner in which these benefits are funded and recent statements by the IRS, that the most appropriate means of reporting this imputed income is on Form W-2. Therefore, effective with the 2011

calendar year, the Division began issuing a W-2 to report the amounts of imputed income attributable to your same-sex partner health benefits in addition to Form 1099-R to report your retirement benefits.

In accordance with U.S. v. Windsor and Revenue Ruling 2013-17, for federal tax law purposes only, the IRS will recognize a marriage between

same-sex individuals that was validly entered into in a domestic or foreign jurisdiction whose laws authorize the marriage of two individuals of the same sex. If you have a marriage certificate on file with the Division you will not be issued a Form W-2 to impute same-sex partner health benefits.

Sample Form 1099-R

1 Gross distribution: The gross amount of all checks disbursed for the period January 1, 2013, to December 31, 2013.

2 Taxable amount: The amount that the Division of Retirement and Benefits reports to the IRS as your taxable benefit. If this box is blank, please read the explanation of box 2b (see **3** below).

3 Taxable amount not determined: If there is an "X" in this box, the Division of Retirement and Benefits has not determined what portion of your benefit is taxable. When filing your tax return, you must report what is taxable. For this determination, we recommend that you consult a tax accountant or review IRS Publication 575–*Pension and Annuity Income*.

4 Federal income tax withheld: This is the amount of federal taxes which the Division withheld from your benefit for the year 2013. If, after completing your taxes, you determine that you would like to adjust this amount in the future, please submit a Form W-4P [PDF] to the Division of Retirement and Benefits.

5 Employee contributions or insurance premiums: This is the amount of your benefit which is excluded from federal taxes. The amount in box #5 is calculated using the Simplified Method, as described in IRS Publication 575–*Pension and Annuity Income*.

6 Distribution code: Depending on such factors as the type of benefit received and age, all members will receive an IRS Distribution Code in box #7. The code does affect how the benefit will be taxed. To determine how the distribution code may impact

your individual tax situation, please call your tax consultant or contact the Internal Revenue Service.

Special Note: The address shown on the Form 1099-R which you will receive will be the current address of record which the Division of Retirement and Benefits has on file when the forms are processed in January. If this address is incorrect, please submit a written request with your signature to change the address. Download the required forms from Alaska.gov/drb to make a change to your address, tax withholding, or direct deposit.

VOID CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$ 1	OMB No. 1545-0119 2013 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S federal identification number RECIPIENT'S identification number		2a Taxable amount \$ 2	2b Taxable amount not determined <input type="checkbox"/> 3 Total distribution <input type="checkbox"/>	
RECIPIENT'S name Street address (including apt. no.) City, state, and ZIP code		3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 4	Copy 1 For State, City, or Local Tax Department
5 Employee contributions /Designated Roth contributions or insurance premiums \$ 5		6 Net unrealized appreciation in employer's securities \$		
7 Distribution code(s) 6 IRA/SEP/SIMPLE <input type="checkbox"/>		8 Other \$ _____ %		
9a Your percentage of total distribution %		9b Total employee contributions \$		
10 Amount allocable to IRR within 5 years \$	11 1st year of desig. Roth contrib.	12 State tax withheld \$	13 State/Payer's state no.	14 State distribution \$
Account number (see instructions)		15 Local tax withheld \$	16 Name of locality	17 Local distribution \$

Form **1099-R**

www.irs.gov/form1099r

Department of the Treasury - Internal Revenue Service

2014 Benefit Mailing Dates

The Division of Retirement and Benefits mails checks monthly to benefit recipients (retirees, disabled members, and survivors). The mailing date is also the date that funds are available from your financial institution. Benefit payments will be mailed or electronically deposited on the following dates in 2014:

January 24	May 23	September 25
February 25	June 25	October 24
March 25	July 25	November 25
April 25	August 25	December 23

If your monthly check does not arrive within 15 days of the mailing date, please let us know (in writing) so the Division can issue a new check. However, please wait 15 days as the Division cannot issue a new check until then.

In an effort to reduce costs and improve efficiency, the Division of Retirement and Benefits is no longer printing and mailing Direct Deposit Confirmations except by request.

All Direct Deposit Confirmations are available online through **myRnB**.

For assistance with **myRnB**, contact the Division toll-free at (800) 821-2251 or in Juneau at (907) 465-4460 between 10 a.m. and 3:30 p.m. Alaska Time.

Contact the Division right away if your check has been lost or stolen.



When writing to the Division, don't forget to...

- ✓ print your full name and address on your letter;
- ✓ include your Retirement Identification Number (RIN) or the last four digits of your Social Security Number and your daytime telephone number; and
- ✓ sign and date any request for information or action.

When calling the Division...

Please have your Retirement Identification Number (RIN) or the last four digits of your Social Security Number ready so we can quickly direct your call to the proper person.

The 1099-R News is published by the State of Alaska Division of Retirement and Benefits.

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alaska.gov/drb

The Alaska Department of Administration complies with Title II of the 1990 Americans with Disabilities Act (ADA). This publication is available in alternative communication formats upon request. To make necessary arrangements, contact the ADA Coordinator for the Division of Retirement and Benefits, at (907) 465-4460 or contact the TDD for the hearing impaired at (907) 465-2805.