

**State of New Jersey**  
**Division of Pensions and Benefits**  
**January 2024**

Dear Retiree/Beneficiary:

Since this is the first year that you are receiving a *Form 1099-R*, we have included this important tax notice with your form. The notice explains how your benefits are taxed at the State level. It also provides information that may assist you in understanding your *Form 1099-R*. We recommend that you retain this tax notice for future reference. If you are a New Jersey resident, provide a copy of this letter to your tax preparer each year until pension contributions have been recovered for New Jersey state tax purposes.

**Important New Jersey State Tax Information**

**New Jersey Residents**

Generally, your benefits are taxable for New Jersey purposes once you have fully recovered in benefits the amount you contributed to the pension plan while working. The exception is if you will not be able to recover all of your contributions within the first three years of your retirement; in that case, you must determine the taxable portion of your benefits using the general rule method. Under this method, you recover your contributions evenly over your lifetime or the combined lifetime of you and your pension beneficiary. This means that only a small portion of each monthly benefit is considered a return of your contributions and is tax exempt while the balance of your monthly benefit is taxable.

If you must recover your contributions under the general rule method, we recommend that you refer to IRS *Publication 575, Pension and Annuity Income*, or consult with a tax advisor.

**Nonresidents**

If you live outside New Jersey, you are not required to pay New Jersey income tax on the benefits you receive from the retirement system. However, your benefits may be taxable in your state of residence. Please check with your home state's tax office to determine if your benefits are subject to state tax. The New Jersey Division of Pensions & Benefits (NJDPB) does not withhold income tax for other states.

**Commonly Asked 1099-R Questions**

**Do I report the taxable amount shown in box 2a of the *Form 1099-R* on my New Jersey tax return?**

The amount reported on your *Form 1099-R* is the federal taxable amount. You must determine the taxable amount for New Jersey purposes by applying the State tax rules indicated above. Please refer to your *New Jersey Resident Return Booklet* for complete instructions.

**What information do I need to calculate the taxable amount for New Jersey purposes?**

You need your total employee contributions. You can obtain this information from the *Final Retirement Letter* you received following your retirement. Please note that there may be two contribution amounts shown on your *Final Retirement Letter*: your after-tax contributions for federal purposes and your total contributions. Since you paid State tax on all of your contributions, use total employee contributions to calculate the amount of your retirement subject to New Jersey income tax.

You can also find your total employee contributions online through the Member Benefits Online System (MBOS) for retirees (listed in "Retired Account Information"). Go to: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions) to log on to MBOS. You can also call the NJDPB at (609) 292-7524, or email us at: [pensions.nj@treas.nj.gov](mailto:pensions.nj@treas.nj.gov)

### **Is my Disability pension subject to New Jersey/federal income tax?**

According to the New Jersey tax instruction booklet, if you are under age 65 your Disability pension is exempt from tax. If you are 65 or older, your Disability pension is treated as an ordinary pension and is considered taxable income.

If you are receiving an Accidental Disability pension, or if you are a survivor receiving Accidental Disability or Accidental Death benefits, the NJDPB reports your benefit as exempt from federal income tax.

### **What does the amount shown in box 5 of the *Form 1099-R* represent?**

This amount represents the portion of your gross distribution that is not subject to federal tax, i.e., the difference between the gross distribution (box 1) and taxable amount (box 2a). In other words, this amount is considered a return of your previously taxed contributions. It is not an insurance premium.

### **Is my benefit check for the month of December included in my gross distribution?**

For income tax purposes, income is considered earned as of the date of the check. Since your December benefit was due and payable on January 1, 2024, it is not considered income for tax year 2023 and is not included in the gross distribution for 2023 shown in box 1 of your *Form 1099-R*.

### **Where can I get more information?**

For additional information, the *Taxation Of Retirement Benefits* Fact Sheet, *Tax Withholding Charts* and a sample *Form 1099-R* are available on the NJDPB website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions)

If you have general questions regarding the information provided above, please contact our Office of Client Services at (609) 292-7524, or email the NJDPB at: [pensions.nj@treas.nj.gov](mailto:pensions.nj@treas.nj.gov)

Please note that the NJDPB cannot give tax advice. For detailed tax assistance please contact the Internal Revenue Service at 1-800-TAX-1040, the New Jersey Division of Taxation at 1-800-323-4400, or consult with a qualified tax professional.