

FORM 1099-R

EXAMPLE AND EXPLANATION

At the end of each calendar year, every pension recipient receives a *Form 1099-R* from the New Jersey Division of Pensions & Benefits (NJDPB). The *Form 1099-R* shows the retirement allowance received in the previous calendar year along with other information of use when filing federal or State income tax. You receive three copies of your *Form 1099-R*. Each copy indicates to which tax return it applies and includes one copy for your records.

- When you receive your *Form 1099-R*, please check the information carefully. If there are any errors, contact the NJDPB Office of Client Services at (609) 292-7524.
- If you need a duplicate form, you can request one using the "Duplicate 1099-R" application on the Member Benefits Online System (MBOS).

Listed below are explanations to the most frequently questioned areas on the *Form 1099-R* and how they apply to you.

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| PAYER <input type="checkbox"/> CORRECTED (if checked) | | For assistance, call the IRS at 1-800-829-1040 | | |
| New Jersey Division of Pensions and Benefits PO Box 295 Trenton, NJ 08625-0295 | | 1 Gross distribution 00,000.00 | <small>OMB No 1545-0119</small> 20XX Form 1099-R | Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. |
| | | 2a Taxable amount 00,000.00 | | |
| PAYER'S Federal identification number XX-XXXXXXX | | 2b Taxable amount not determined <input type="checkbox"/> | 3 Capital gain (included in box 2a) | |
| Recipient's identification number XXX-XX-XXXX | | | | |
| 4 Federal income tax withheld 000.00 | 5 Employee contributions or insurance premiums 000.00 | | 7 Distribution code X | COPY C For Recipient's Records |
| 9a Your percentage of total distribution | 9b Total employee contributions 0,000.00 | | 14 State tax withheld 000.00 | This information is being furnished to the Internal Revenue Service |
| Recipient's name, address, and ZIP code A. RETIREE 123 FIRST STREET ANYTOWN, NJ 07000 | | | 15 State/Payer's state number | KEEP THIS COPY FOR YOUR RECORDS |
| | | | Account number (optional) | |

Form 1099-R

Department of the Treasury--Internal Revenue Service

Payer and Recipient Information - These areas identify the Payer, the Recipient, give the tax identification numbers (Federal ID number for Payer; Social Security number for Recipient), and list mailing addresses.

Tax Year and Distribution Information - These areas indicate the tax year, the name and type of form, and which tax return with which to use each copy.

Box 1 - The total amount of pension allowance you received during the calendar year (checks dated January 1 - December 31).

Box 2a - The amount of your pension allowance that is subject to federal income tax.

Box 4 - The total amount withheld for federal income tax.

You can file a new *Form W-4P* at any time to change your withholding level, stop withholding, or start withholding again if you had requested it to be stopped. You may use MBOS to change your withholding status.

Box 5 - Don't be confused by the title of this box. It actually shows the amount of your previously taxed contributions paid to you this calendar year. This amount is not subject to federal income tax. The sum of the tax-exempt amount in Box 5 and your taxable amount in Box 2a will equal your gross distribution listed in Box 1.

If you paid federal tax on any of your contributions to the pension plan prior to the distribution, the portion of your monthly benefit that represents a return of your previously taxed contributions is not subject to federal tax. Contributions made to the pension plan prior to January 1, 1987, were already taxed, as were any purchases of optional pension membership credit. The rate at which you can recover these previously taxed contributions is determined by the IRS's Expected Return Rule. Under this rule, you recover your contributions evenly over an estimation of your expected lifetime, or the combined expected lifetime of you and a survivor if there are survivor benefits to be paid, up to a total of 410 months. The length of the recovery period is determined in part by your age, or combined ages, at retirement and your retirement date. More information on the Expected Return Rule is available in the *Taxation of Retirement Benefits Fact Sheet* or *IRS Publication 939 - General Rule for Pensions and Annuities*.

Box 7 - This is a code number that indicates the type of distribution you are receiving. The *Form 1099-R* instructions list the various distribution codes.

Box 9b - The amount of your previously taxed contributions used to compute the taxable portion of your pension benefits. This information is provided to first-year retirees only. After the first year, Box 9b is blank.

Box 14 - The total amount withheld for New Jersey State income tax. State tax is not automatically deducted from your check.

If you live in New Jersey and wish to have New Jersey State tax withheld from your check, you should use MBOS to change your withholding online.

If you need help deciding whether to have New Jersey State income tax withheld or how much to have withheld, you should contact the New Jersey Division of Taxation at 1-800-323-4400.

The NJDPB can only deduct State income tax for New Jersey residents. Laws regarding income tax for other states will vary depending on your state of permanent residence. Please check with your state's office of taxation for further information.