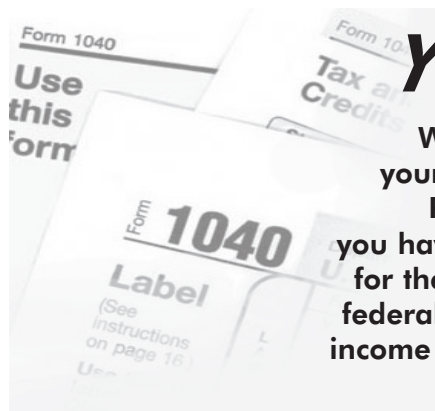


# Your Pension and Taxes



When you fill out your Application for PERA Retirement you have three options for the withholding of federal and Minnesota income taxes from your PERA pension.

## You may:

- ✓ Have no federal or state taxes withheld;
- ✓ Have PERA calculate the amount of tax to be withheld; or\*

\*With this option, you may also choose to have an additional dollar amount withheld above the amount generated by that tax tables.

If you choose to have no income tax withheld by PERA, you may become responsible for making quarterly federal and state estimated tax payments on your pension. PERA will provide you with information on the amount of your pension and that portion, if any, which is exempt from tax.

If you have PERA calculate your withholdings, we will do so based on your marriage status and the number of exemptions you wish to claim. If we determine no tax is due, no amount will be withheld.

You may also specify a dollar amount of your benefit to be withheld in addition to the withholding generated by the tax tables. However, the amount you withhold must be equal to or greater than your standard withholding based on marital status and exemptions.

If you do not specify a withholding preference and your pension is large enough to require withholding, PERA is required by law to withhold federal income tax. In this instance, we will calculate the withholding assuming you are married and claim three exemptions. PERA cannot withhold tax for a state other than Minnesota.

Every January, PERA will issue you a 1099R. You will need this statement to prepare your federal and state tax returns. The 1099R indicates the taxable and non-taxable (if any) amount of your pension, and how much was withheld for taxes by PERA.

**If you wish to change your withholding, you may do so at any time in MY PERA or by submitting a Tax Withholding Preference/Change Certificate to PERA.**

## How much of my pension is taxable?

Most of your retirement income from PERA will be taxable in the year in which it is received. On average, retirees find that 97 to 100 percent of their pension payment is taxable income. This is because our members' contributions have been federally tax-deferred since 1983. The State of Minnesota now recognizes the same tax-deferral date. In addition, because of the Tax Reform Act of 1986, the contributions on which you already paid taxes (pre-taxed) are returned to you as part of your pension payments over a number of years.

PERA uses the Simplified Method to determine what part of your retirement benefit is taxable. This Internal Revenue Service (IRS) table is used in place of over 150 pages of complex regulations used to compute the General Rule exclusion. These regulations extend the recovery of the tax-free portion of your benefit over several years.

Under the Simplified Method, the tax-free portion of your pension is spread over a specific number of payments. The number of payments depends on the age at which you begin receiving a pension and your choice of a Single-life or Survivor Option pension. The tax-free portion of your monthly pension will remain the same over all these payments, even if the pension amount increases or decreases. Once you have received all of your pre-taxed contributions, the entire pension becomes taxable.

Only the Simplified Method can be used for pensions which began after 1996. Thus, it is this method PERA will use to calculate the taxable and nontaxable portion of your benefit.

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**Because you may have other taxable income, deductions and exemptions, you should follow the directions provided by the IRS for filing Form 1040ES and from the Minnesota Department of Revenue for Form M-14 rather than using the tables on the reverse side of this form if you choose to pay quarterly estimated income taxes.**





# 2018 Estimated Tax Withholding Worksheet

- 1 \$ \_\_\_\_\_ **Gross Monthly Pension Amount**
- 2 - \$ \_\_\_\_\_ **Monthly Simplified Method Deduction**  
(Divide total contributions already pre-taxed by the applicable number of payments from table.)
- 3 - \$ \_\_\_\_\_ **Withholding Allowance (monthly)**  
\_\_\_\_\_ x \$337.50
- 4 = \$ \_\_\_\_\_ **Federal & State Taxable Income**
- 5 - \$ \_\_\_\_\_ **Federal Withholding (Use table below)**
- 6 - \$ \_\_\_\_\_ **State Withholding (Use table below)**
- 7 = \$ \_\_\_\_\_ **Net Taxable Income After Withholding**
- 8 \$ \_\_\_\_\_ **Net Monthly Pension (7 + 2 + 3)**

## SIMPLIFIED GENERAL RULE

Single Life Pension		Survivor Option Pension	
Member Age	Payments	Combined Ages	Payments
55 and under	360	110 and under	410
55-60	310	111-120	360
61-65	260	121-130	310
66-70	210	131-140	260
71 and over	160	141 and over	210

### Federal Tax Withholding

	Total Taxable Income .....	Tax Withholding
<b>Single</b>	Not over \$308.....	\$0
	\$308–\$1,102.....	10% of amount over \$308
	\$1,102 – \$3,533.....	12% of amount over \$1,102 + \$79
	\$3,533–\$7,183.....	22% of amount over \$3,533 + \$371
	\$7,183–\$13,433.....	24% of amount over \$7,183 + \$1,174
<b>Married</b>	Not over \$963.....	\$0
	\$963–\$2,550.....	10% of amount over \$963
	\$2,550–\$7,413.....	12% of amount over \$2,550 + \$158
	\$7,413–\$14,713.....	22% of amount over \$7,413 + \$742
	\$14,713 –\$27,213.....	24% of amount over \$14,713 + \$2348

### State Tax Withholding

	Total Taxable Income .....	Tax Withholding
<b>Single</b>	Not over \$195.....	\$0
	\$195–\$2,353.....	5.35% of amount over \$195
	\$2,353–\$7,284.....	7.05% of amount over \$2,353 + \$115
	\$7,284 and over.....	7.85% of amount over \$7,284 + \$463
<b>Married</b>	Not over \$737.....	\$0
	\$737–\$3,891.....	5.35% of amount over \$735
	\$3,891–\$13,269.....	7.05% of amount over \$3,891 + \$168
	\$13,269 and over.....	7.85% of amount over \$13,269 + \$829