



## SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100, COLUMBUS, OHIO 43215-3746  
614-222-5853 • TOLL-FREE 800-878-5853 • www.ohsers.org

### 2017 Recipient Income Tax Information

This pamphlet is provided to SERS' benefit recipients as a guide to general federal and Ohio income tax laws. It is intended to familiarize you with these laws, but cannot replace or supplement federal or state income tax publications. If you need assistance with information in preparing your tax returns, you should consult federal or state publications or taxing authorities, or a qualified tax advisor. SERS cannot assist you with your income tax filings.

#### FEDERAL TAXATION

##### Withholding

SERS is required under Internal Revenue Service (IRS) law to calculate the taxable amount of your benefit and report this amount to the IRS and to you on IRS Form 1099-R.

SERS is required to withhold federal income taxes from monthly benefit payments, unless you have elected not to have any withholding.

Withholding applies to the portion of your benefit includable in taxable income. The calculation of the amount withheld is based on information supplied to SERS on IRS Form W-4P

or a substitute form. If no form is submitted, SERS calculates the withholding as if you are married claiming three withholding allowances.

If federal taxes are being withheld and you wish to stop the withholding or change the amount being withheld, you need to send SERS another withholding form, which you can obtain on the SERS website, by writing to SERS, or by contacting the IRS. If you chose not to have withholding and now wish to start withholding, you need to submit a withholding form to SERS.

If you chose not to have withholding or there is not enough federal income tax withheld, you may be responsible for estimated tax payments.

Generally, you must pay estimated tax if you will owe more than \$1,000 in taxes after withholding and tax credits for the current tax year, and you expect your annual withholding to be less than 90% of the taxes you owe for the current tax year or less than 100% of the taxes you owed in the preceding tax year. You may incur penalties if you are required to make estimated tax payments and fail to make them.

#### REPORTING YOUR SERS BENEFIT TO THE IRS

By federal law, SERS' benefits must be reported to the IRS. See page 4 for a complete description of Form 1099-R. For more information on reporting, consult IRS Publication 575, *Pension and Annuity Income*.

##### Age and Service Retirees and Beneficiaries

*If you turned 59½ years old in 2017, or if your benefit amount changed because you reported a change in marital status, you may receive more than one Form 1099-R. The appropriate amounts from all Form 1099-Rs should be added together to obtain the correct amount to report to the IRS.*

The amount shown in Box 1 on Form 1099-R is the total amount paid to you in 2017 before any deductions. Box 1 does not include the Medicare Part B reimbursement, if applicable. It does not include any lump sum amount paid under the Partial Lump Sum Option Plan. If you selected this plan,

you will receive a separate Form 1099-R. This amount also does not include any payments made to an alternate payee (spouse or former spouse) under a division of property order. These payments are taxable to the alternate payee. Payments deducted for child or spousal support are included in the amount in Box 1. Box 2a on Form 1099-R shows the amount of your benefit that is includable as income for tax purposes.

If there is no amount shown in Box 2a and Box 2b is checked, you should contact the IRS or a qualified tax advisor to complete your tax return.

##### Reemployed Retirees

If you receive a monthly annuity based on service as a reemployed retiree, the benefit should be reported in the same manner as an age and service retiree.

##### Disability Benefit Recipients

A SERS disability benefit is taxable as ordinary income (replacement of wages or salary) until you reach minimum retirement age; then, the benefit is taxable as an annuity or pension.

If Box 7 on Form 1099-R contains a number 7, you have reached minimum retirement age and should follow the information on reporting for an age and service retiree.

Prior to reaching minimum retirement age, Box 7 on Form 1099-R will contain a number 2. SERS no longer uses a code number 3, which is the IRS definition of permanently and totally disabled. Since the SERS criteria for disability only requires a member to be disabled from their SERS-covered position, not all SERS disability benefit recipients meet the IRS definition of disability.

If you meet the IRS definition of permanently and totally disabled, you may be eligible to file IRS Schedule R (*Credit for the Elderly or the Disabled*) with your federal tax return. Consult IRS Publication 524, *Credit for the Elderly or the Disabled*, or a qualified tax advisor if you think you may be eligible for this credit.

If you met the minimum retirement age during 2017, you will receive one

form with Distribution Code 2, and one form with a Distribution Code of 7.

### **Survivor Benefit Recipients**

If you received a monthly benefit because of the death of a SERS member before retirement, the benefit should be reported in the same manner as an age and service retiree.

### **Alternate Payees**

If you are a spouse or former spouse of a SERS benefit recipient and received payments as the result of a court division of property order, you should report these payments in the same manner as an age and service retiree. Consult IRS Publication 504, *Divorced or Separated Individuals*, or a qualified tax advisor for more information.

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## **REPORTING YOUR SERS BENEFIT TO STATE AND LOCAL AUTHORITIES**

Your SERS benefit may be subject to state and/or local income taxes. Please consult the appropriate tax department where you live. The following information applies only to full- and part-time residents of Ohio.

### **Ohio Income Tax**

The SERS retirement benefit includable in your federal adjusted gross income is taxable income for Ohio income tax purposes. A retirement tax credit is available for this amount and varies depending on the amount of your retirement benefits. Refer to the Ohio Individual Tax Return (Form IT-1040, Schedule of Credits) and Instructions for more information.

If you are 65 or older before Jan. 1, 2017, you are allowed one additional \$50 senior citizen credit on your

taxes. Refer to Form IT-1040, Schedule of Credits.

If you receive SERS' survivor benefits due to the death of a member, or if you receive disability benefits, you may be able to deduct these amounts from your income. The disability must be permanent or presumed to be permanent and make you unable to work in jobs for which you are otherwise qualified. The deduction cannot be taken for benefits that qualify as retirement payments. You should consult the Ohio Department of Taxation or a qualified tax advisor if you believe you may be eligible for this deduction.

You may have state of Ohio income tax withheld from your monthly benefit if you wish. There is no mandatory withholding. You can request

withholding by completing a form which you can obtain from SERS. On the form you must state the monthly amount to be withheld. You can determine this amount by estimating your tax liability, including any tax deductions, additions, or credits for which you qualify.

### **Ohio School District Income Tax**

SERS benefits are subject to local school district income taxes in Ohio. You are responsible for payment of these taxes if the school district in which you reside has an income tax. SERS cannot withhold this tax from your benefit.

Refer to Ohio School District Income Tax Return (Form SD100) and Instructions for more information.

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## **REPORTING YOUR SERS PARTIAL LUMP SUM TO THE IRS**

If you received a partial lump sum in 2017, please read the following information about reporting it to the IRS and the state of Ohio.

• **If a lump sum amount was paid directly to you, the following information is applicable:**

**If you transferred the payment to an eligible retirement plan or an Individual Retirement Account (IRA) within 60 days of receiving it, please consult the IRS or a qualified tax advisor for more information.**

### **Age and Service Retirees and Beneficiaries**

The amount shown in Box 1 on the Form 1099-R is the total lump sum amount paid under the Partial Lump

Sum Option to you in 2017 before any deductions. It does not include any monthly retirement benefits paid to you; you will receive a separate Form 1099-R for this payment. This amount also does not include any payments made to an alternate payee (spouse or former spouse) under a division of property order. These payments are taxable to the alternate payee. Payments deducted for child or spousal support are included in the amount in Box 1. Box 2a on Form 1099-R shows the amount of your benefit that is includable as income for tax purposes.

### **Survivor Benefit Recipients**

If you received the lump sum benefit because of the death of a SERS

member before retirement, the payment should be reported in the same manner as an age and service retiree.

### **Alternate Payees**

If you are a spouse or former spouse of a SERS benefit recipient and received a payment as the result of a court division of property order, you should report this payment in the same manner as an age and service retiree. Consult IRS Publication 504, *Divorced or Separated Individuals*, or a qualified tax advisor for more information.

• **If SERS transferred a lump sum amount to another eligible retirement plan or an Individual**

**Retirement Account (IRA), the following information is applicable:**

**Age and Service Retirees and Beneficiaries**

The amount transferred is not taxable income to you. You need to report receiving it but you do not need to

report it as taxable until you take a distribution from the new plan or IRA.

**Survivor Benefit Recipients**

The amount transferred is not taxable income to you. The payment should be reported in the same manner as an age and service retiree.

**Alternate Payees**

The amount transferred is not taxable income to you. You need to report receiving it, but you do not need to report it as taxable until you take a distribution from the new plan or IRA.

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**REPORTING YOUR SERS PARTIAL LUMP SUM TO STATE AND LOCAL AUTHORITIES**

Your SERS partial lump sum payment may be subject to state and/or local income taxes. Please consult the appropriate tax department where you live. The following information applies only to full- and part-time residents of Ohio.

**Ohio Income Tax**

The SERS lump sum amount includable in your federal adjusted gross income is taxable income for Ohio income tax purposes. A retirement tax credit is available on

this amount, and varies depending on the combined amount of your lump sum and recurring retirement benefits. Refer to the Ohio Individual Tax Return (Form IT-1040, Schedule of Credits) and Instructions for more information.

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**REPORTING HEALTH CARE COVERAGE**

**Affordable Care Act Individual Shared Responsibility Provision**

Individuals must have health care coverage, or make a shared responsibility payment with their tax return unless they qualify for an exemption.

If you and your dependents had minimum essential coverage for each month in 2017, you will check a box on your tax return indicating you had coverage.

If you qualify for an exemption, you may have to attach IRS Form 8965, Health Coverage Exemptions, to your return to claim that exemption. However, if you are not required to file a tax return, your tax household is exempt from the shared responsibility payment and you do not need to file a

return to claim the coverage exemption.

If you are required to make the individual shared responsibility payment, you will calculate your payment and make the payment with your return.

For more information, go the Affordable Care Act section of the IRS website: [www.irs.gov/Affordable-Care-Act](http://www.irs.gov/Affordable-Care-Act).

**SERS Health Care Coverage**

SERS' group health plans meet the requirements for minimum essential coverage; however, the optional vision and dental plans as well as the SERS Marketplace Wraparound Plan do not.

If you, your spouse, or your dependents had group health care

coverage through a SERS non-Medicare plan in 2017, you will receive a separate Form 1095-B, Health Coverage, indicating each month of coverage.

If you were enrolled in the SERS Marketplace Wraparound Plan, you will not receive a 1095-B. You will receive a 1095-A from your Marketplace plan.

You are not required to send in proof of health care coverage when filing your taxes. However, you should keep the 1095-B or 1095-A for your records to verify coverage if needed.

Medicare plan participants will not receive the 1095-B because Medicare coverage meets the Affordable Care Act's coverage requirements.

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**OTHER TAX INFORMATION**

**Tax Credits**

Some SERS recipients may be eligible for a tax credit for the elderly, for the permanently and totally disabled, or for earned income. Information on these credits is available in the instructions for IRS Form 1040, various IRS publications, or by contacting the IRS.

**Assistance with Tax Computation**

The IRS will determine the tax liability of taxpayers filing an IRS Form 1040A or other eligible taxpayers filing a Form 1040, as well as tax credits. Information on this may be

found in the IRS Publication 17, *Your Federal Income Tax (Chapter 30)*, or the instructions to Form 1040A or 1040.

**Unrecovered Retirement Cost upon Death**

Whenever a retirement benefit ends because of the death of a retiree or beneficiary and the investment in contract has not been fully recovered, the balance can be deducted on Line 28 of Form 1040 Schedule A of the decedent's final tax return. This deduction only applies to benefits with effective dates after July 1, 1996.

## CONTACTS

If you lose, or do not receive all of your 2017 1099-R forms, log in to your SERS member account on the SERS website [www.ohsers.org](http://www.ohsers.org). If you have questions, or need to contact SERS, call 614-222-5853 (Franklin County area) or toll-free 800-878-5853.

### If you need federal tax information, contact the IRS:

1. At your local IRS office
2. By telephone, 1-800-829-1040
3. At its website, [www.irs.gov](http://www.irs.gov)

Free help is available to older, disabled, and non-English-speaking individuals in preparing Forms 1040A, or basic

1040. You may obtain information on locations of the Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) programs by contacting the IRS.

### If you need state of Ohio tax information, including School District Income Tax information, contact the Ohio Department of Taxation:

1. At your local Taxpayer Service Center
2. By telephone, 1-800-282-1780 Taxpayer Services, 1-800-282-1782 (Forms)
3. At its website, [www.tax.ohio.gov](http://www.tax.ohio.gov)

## INTERNAL REVENUE SERVICE FORM 1099-R

In January, SERS sends each benefit recipient information marked "Important Tax Information." This is your IRS Form 1099-R with the information you need to file your 2017 tax returns. A sample is shown below with explanations of the amounts that appear in the boxes.

2017 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.				
OMB No. 1545-0119		Box 1.	Box 2a.	Box 2b.	Box 4.	Box 5.
This information is being furnished to the Internal Revenue Service.		Gross distribution	Taxable amount	Taxable amounts not determined?	Federal income tax withheld	Employee contributions / Designated Roth contributions or insurance premiums
<b>SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO</b> 300 E. BROAD ST., SUITE 100 COLUMBUS, OH 43215-3746  Payer's Federal ID: <b>31-6401777</b>  Payer's State ID: <b>OH 51-935692 7</b>  Taxpayer ID: XXX-XX-XXXX Account Number: <b>Copy C</b> <b>For Recipient's Records</b>  <small>This Form 1099-R reports tax information for a single type of benefit distribution from SERS. You may receive separate 1099-Rs for other distribution types. You can also access your 1099-R online through the Member Account Login on <a href="http://www.ohsers.org">www.ohsers.org</a>.</small>		\$	\$		\$	\$
Box 7.	Box 9a.	Box 9b.	Box 12.	Box 13.		
Distribution code(s)	Your percentage of total distribution	Total employee contributions	State tax withheld	State/Payer's state no.		
	%	\$	\$	OH 51-935692 7		
<input type="checkbox"/> CORRECTED (if checked)						

**Box 1:** The total amount of benefits paid to you by SERS for this 1099-R. You may receive more than one 1099-R. You will need all the 1099-R forms sent to you by SERS.

**Box 2a:** The taxable amount of your benefits.

**Box 2b:** Marked if the taxable amount has not been calculated because SERS does not have sufficient information; Box 2a will be blank.

**Box 4:** The total amount of federal income tax withheld from your benefits.

**Box 5:** The amount of your benefit that is not taxable (Box 1 less Box 2a). This is a return of the after-tax contributions you made while working in a SERS-covered position.

**Box 7:** Describes the type of benefit, as defined by the IRS, paid to you. See the back of the 1099-R for explanation of the Distribution Code.

**Box 9b:** If you received your first benefit check in 2017, the total amount of your after-tax contributions will be shown in this box, if any. This amount only appears in the first year you receive a benefit.

**Box 12:** The amount of Ohio state income tax withheld.