

Retiree News & NOTES



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

JANUARY 2004
VOL. 22 NO. 2

A Newsletter for Retirees from the State Retirement & Pension System of Maryland

Agency posts direct deposit, check dates

The schedule for direct deposit of retirement benefits for the first part of 2004 has been announced by the State Retirement Agency. For retirees with an approved waiver on file with the Agency, mailed check delivery dates are also listed below.

Date direct deposit is credited to retirees' accounts

- Friday, January 30
- Friday, February 27
- Wednesday, March 31
- Friday, April 30

Date Post Office begins to deliver retirement checks and advice slips*

- Saturday, January 31
- Saturday, February 28
- Wednesday, March 31
- Friday, April 30

* NOTE: Retirement checks are delivered to the main post office by 3 p.m. on the previous day. Checks are then distributed to local post offices for delivery.

Employer pick-up and your taxes

For eligible retirees, Block 15 of the 1099-R form contains the amount of your tax deferred contributions made under the Employer Pick-up Program. This figure is important for Maryland State income tax preparation.

The Employer Pick-up Program provides for the deferral of federal taxes on member contributions to the State Retirement and Pension System. The program applies primarily to members of the old Retirement System and the new Contributory Pension System, as well as to members of other SRPS plans who made employee contributions. Your employer must elect to participate in the pick-up program for you to be eligible for a tax deferral. The program does not defer State taxes.

FEDERAL TAXES

Since eligible members did not pay any federal taxes on employer pick-up contributions during employment, these taxes must be paid during retirement. You do not need to make any special entries on your federal tax form — the Retirement Agency has included employer pick-up contributions when computing the taxable amount of your pension for federal tax purposes.

MARYLAND STATE TAXES

You have already paid Maryland State taxes on the employer pick-up contributions listed on your 1099-R. To avoid paying these taxes twice, you must subtract the employer pick-up amount from your federal adjusted gross income shown on page 1 of your Maryland tax return (Form 502) as follows:

Enter your employer pick-up amount on line 14, entering code letter "r." This serves as a subtraction from your income. The resulting figure is the taxable amount of your pension for State income tax purposes.

If the employer pick-up amount is greater than the taxable amount, the taxable amount is reduced to zero and the remainder of the pick-up amount is carried over to next year's taxes.

When the employer pick-up amount reaches zero, "EP used" will be printed in the pick-up block on your 1099-R. This usually occurs within a few years after the date of retirement.

ATTENTION 2003 RETIREES

For members who retired in 2003, the W-2 form you receive from your former employer will show 1) your annual wages earned prior to retirement and 2) any employer pick-up contributions made in 2003. This amount serves as an addition to State income for 2003. Enter this figure on line 3 of your Maryland tax return (Form 502).

Understanding Your 1099-R

Personalized copies of Internal Revenue Service Form 1099-R will be distributed to all State Retirement and Pension System retirees by the end of January, 2004. The forms provide each retiree with detailed information on his or her pension income for the previous year. Most retirees receive only one 1099-R each year. However, members who retired in 2003 will receive a separate form 1099-R for any additional refunds they received, such as a transfer refund, refund of employer pick-up contributions or a refund of voluntary annuity contributions.

HOW TO READ YOUR 1099-R

BLOCK 1.

(GROSS DISTRIBUTION)

This is the total amount of pension benefits paid to you by the State Retirement Agency during the 2003 calendar year.

BLOCK 2a.

(TAXABLE AMOUNT)

This is the taxable amount of your pension. Depending on your retirement date and whether you contributed to your plan, you may not be taxed on the total amount of benefits paid to you. If this is the case, the amount shown in this block will differ from the amount in Block 1.

BLOCK 2b.

(TAXABLE AMOUNT NOT DETERMINED)

This block applies *only* to disability retirees who retired prior to January 1, 1995. These individuals should consult IRS Publication 575 before preparing their tax returns.

BLOCK 4.

(FEDERAL INCOME TAX WITHHELD)

This block shows any federal income tax deducted from your monthly retirement checks. To change the amount of federal income tax being withheld, complete a tax withholding request form (Form 766), available through the State Retirement Agency.

BLOCK 5.

(EMPLOYEE CONTRIBUTIONS)

This is the amount of your contributions that were recovered, tax free, during 2003. This figure is the difference between the amounts in Blocks 1 and 2a.

BLOCK 7.

(DISTRIBUTION CODE)

IRS codes are explained on the back of the 1099-R form.

BLOCK 9b.

(TOTAL EMPLOYEE CONTRIBUTIONS)

For retirees who received their first benefit payments in 2003, this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2003 and made pension contributions will see a value in this block. For members who retired prior to 2003, a zero will be printed in the block.

BLOCK 10.

(STATE INCOME TAX WITHHELD)

Any Maryland State income tax deducted from your monthly checks is shown in this block. To change the amount being withheld, complete a tax withholding request form (Form 766).

BLOCK 15.

(PICK-UP CONTRIBUTIONS)

This figure applies to members whose employers participated in the Employer Pick-up Program. For an explanation of pick-up contributions, see "Employer pick-up and your taxes" on the front side.

DUPLICATE 1099-R

To request a duplicate copy of your 1099-R form, please call the State Retirement Agency at 410-625-5555 or 1-800-492-5909.

Retiree News is published by The State Retirement Agency
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☐ VOID ☐ CORRECTED		OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code MARYLAND STATE RETIREMENT AGENCY 120 EAST BALTIMORE STREET BALTIMORE, MD 21202-6700		2003 Form 1099-R		
PAYER'S Federal identification number 52-6104406		1 Gross distribution \$ 12,000.00 2a Taxable amount \$ 11,000.00	Copy C For Recipient's Records	
RECIPIENT'S identification number 123-45-6789		2b Taxable amount not determined ☐ Total distribution ☐		
Account number (optional)		3 Capital gain (included in box 2a) \$.00	This information is being furnished to the Internal Revenue Service.	
MARY SMITH 123 MAIN STREET BALTIMORE, MD 21201		4 Federal income tax withheld \$ 500.00		
		5 Employee contributions or insurance premiums \$ 1,000.00		
		6 Net unrealized appreciation in employer's securities \$.00		
		7 Distribution code 7	8 Other \$ %	
		9a Your percentage of total distribution %	9b Total employee contributions \$ 16,868.75	
		10 State tax withheld \$ 250.00	11 State/Payer's state no. MARYLAND 52-6104406	12 State distribution \$.00
		13 Local tax withheld \$.00	14 Name of locality	15 Pick-Up Contrib's \$ 3,000.00
Form 1099-R		(Keep for your records.) Department of the Treasury - Internal Revenue Service		