

Retirement Benefits and Income Tax

Although your retirement benefit is currently exempt from Louisiana state income tax, a portion is subject to **federal** income tax. The portion of your benefit that is not taxable by the federal government is the amount of your retirement contributions on which taxes have already been paid. This is called your "recoverable" contributions.

Recoverable (nontaxable) contributions

At the time of your retirement, TRSL furnishes you with the total amount of your recoverable contributions and the nontaxable amount of your monthly benefit. This nontaxable amount will remain the same for you and your beneficiary, regardless of changes in your benefit amount, until all contributions are fully recovered. Federal law requires that these nontaxable contributions be spread over your lifetime, which, as defined by the Internal Revenue Service (IRS), is approximately 85 years. Once contributions have been recovered by you or your beneficiary, the monthly annuity payments will be fully taxable.

You will receive a Form 1099-R (*Distributions from Pensions, Annuities, Retirement, ...*) from TRSL at the end of January each year. The 1099-R will show both taxable and nontaxable portions of your benefit for the preceding calendar year. The same information is also reported to the IRS.

The nontaxable portion of your benefit is based on your member contributions made to TRSL before July 1, 1988, and the IRS life expectancy tables in effect at the date of your retirement.

Federal income tax withholding

When you retire, you must tell TRSL how much federal income tax to withhold from your monthly benefit payment.

If TRSL does not have a Form W-4P (*Withholding Certificate for Pension or Annuity Payments*) in your retirement file, we must withhold federal income tax according to a status of married claiming three withholding allowances. This may result in your not having enough income tax withheld. If withholding and estimated tax payments are not sufficient, you may incur penalties under IRS regulations.

If you have any questions about this information or want to request a Form W-4P to change your federal income tax withholding, please call our automated toll-free line at 1-877-ASK-TRSL (1-877-275-8775).