

2017 FEDERAL TAX WITHHOLDING ON PENSION PAYMENTS

If you want the retirement office to calculate your Federal tax liability, please be sure to enter appropriate information on the ELECTION form before returning it.

If you want to estimate your Federal tax liability, you may use the following tables (note: these are subject to change per federal regulations).

CHECK BOXES TO DETERMINE NUMBER OF EXEMPTIONS:

- () **SELF:** For yourself.
- () **SPOUSE:** If you are legally married and your spouse is not claiming his/her own allowances for his/her own income only. If your spouse is claiming his/her own allowances, go to item #1, below.

Elderly and blind persons no longer receive additional personal exemptions. You do, however, receive an increased standard deduction on your tax return if you do not itemize your deductions.

- ITEM #1 (a) Total boxes checked: _____
- (b) Number of other dependents: _____
- (c) Total allowance (a) + (b) _____

ITEM #2 Multiply the number you are claiming by \$337.50 and enter the amount here: \$ _____

ITEM #3 Subtract the amount from item #2 from the taxable part of your monthly pension.

ITEM #4 Based on the result in item #3, calculate the amount to be withheld from each check from the following chart.

(A) If you are SINGLE (this includes head of household) and the result in item #3 is:

<u>At Least \$</u>	<u>But Not Over \$</u>	<u>Withhold \$</u>	<u>Plus%</u>	<u>of excess amount over \$</u>
\$ 0.00	\$ 192.00	\$ 0.00		N/A
\$ 192.00	\$ 969.00	\$ 0.00	10%	of amount over \$ 192.00
\$ 969.00	\$ 3,354.00	\$ 77.70	15%	of amount over \$ 969.00
\$ 3,354.00	\$ 7,850.00	\$ 435.45	25%	of amount over \$ 3,354.00
\$ 7,850.00	\$ 16,163.00	\$ 1,559.45	28%	of amount over \$ 7,850.00
\$ 16,163.00	\$ 34,917.00	\$ 3,887.09	33%	of amount over \$ 16,163.00
\$ 34,917.00	\$ 35,058.00	\$ 10,075.91	35%	of amount over \$ 34,917.00
\$ 35,058.00		\$ 10,125.26	39.6%	of amount over \$ 35,058.00

(B) If you are MARRIED and the result in item #3 is:

<u>At Least \$</u>	<u>But Not Over \$</u>	<u>Withhold \$</u>	<u>Plus%</u>	<u>of excess amount over \$</u>
\$ 0.00	\$ 721.00	\$ 0.00		N/A
\$ 721.00	\$ 2,275.00	\$ 0.00	10%	of amount over \$ 721.00
\$ 2,275.00	\$ 7,046.00	\$ 155.40	15%	of amount over \$ 2,275.00
\$ 7,046.00	\$ 13,479.00	\$ 871.05	25%	of amount over \$ 7,046.00
\$ 13,479.00	\$ 20,167.00	\$ 2,479.30	28%	of amount over \$ 13,479.00
\$ 20,167.00	\$ 35,446.00	\$ 4,351.94	33%	of amount over \$ 20,167.00
\$ 35,446.00	\$ 39,946.00	\$ 9,394.01	35%	of amount over \$ 35,446.00
\$ 39,946.00		\$ 10,969.01	39.6%	of amount over \$ 39,946.00

NOTICE OF TAX WITHHOLDING ON PENSION PAYMENTS

FEDERAL LAW:

Federal law requires that our office withhold income tax from pension payments unless you inform us otherwise. You may choose to file an estimate tax in lieu of requesting automatic withholding from your monthly check. However, if your estimated tax is too low, you may be required to pay a penalty. Withholding for Vermont tax is optional.

SOCIAL SECURITY

It should be noted that Social Security benefits are no longer exempt from taxation. Up to one-half (50%) of the Social Security benefit may be taxed if your “other income” plus one-half of the Social Security benefit is between \$25,000 and \$34,000 (single taxpayer), between \$32,000 and \$44,000 (married taxpayer filing jointly); if more than \$34,000 (single taxpayer) or \$44,000 (married taxpayer filing jointly), up to 85% of the Social Security benefit may be taxed. This information should enter into your tax consideration.

COMPLETION OF THE FORM:

Please complete and return the enclosed election form along with your application for retirement (if applicable). If you want the retirement office to calculate your tax liability, be sure to complete marital status and the number of exemptions you have on the election form before returning it. Whatever you decide will remain in effect until you change it, and you may change it at any time. You may use the reverse side of this notice if you want to determine how much will be withheld for federal tax should you ask us to calculate your withholding. If for some reason you do not return the election form, we are required to withhold from your pension assuming you are married and claim three exemptions. This means that any taxable amount over \$1,733.50 will be subject to withholding.

IMPORTANT

Remember that withholding is based on the amount paid to you by retirement only. It does not consider other income. You might wish to have us withhold additional tax because of other income and the fact that in some circumstances Social Security is taxable.

While we can tell you how much of your pension is taxable, we cannot give you tax advice.

Any recipient of a disability should also contact a tax advisor as they may be eligible for additional tax exclusions.

