



Taxation of your Benefit

IMPORTANT NOTE: The Middlesex County Retirement Board is not qualified to provide specific advice relative to the federal tax code. You should consult your personal accountant and/or obtain a copy of the Internal Revenue Service (IRS) Publication 575, *Pension and Annuity Income*, to ensure that you are in compliance with all of the appropriate federal requirements.

Taxes and your retirement allowance

The superannuation retirement allowance that you receive from the Middlesex County Retirement System is exempt from taxation under the Massachusetts income tax laws. The federal government (Internal Revenue Service (IRS)), however, will tax a large portion of your retirement allowance immediately upon retirement. Approximately 95-98% will be taxable at the federal level, depending on how much after-tax money you have in your MCRS annuity account at the time of your retirement.

Upon your retirement, you will be required to complete a W-4P Form to begin a monthly federal tax withholding. It is very important that you complete a tax withholding form in conjunction with your retirement. If no form is filed with MCRS, the retirement board is required by federal law to withhold taxes, starting with your second retirement check, as if you were a married person with three exemptions. It is also possible to request that no taxes be withheld. You may change your federal tax withholding amount at any time during your retirement simply by filing an updated W-4P Form with us.

Your tax liability will be determined by using the Internal Revenue Service's [Simplified Method](#). The tax-free portion depends on the amount of your after-tax contributions to the retirement system, when your contributions were made, and your life expectancy at the time of your retirement.

Since January of 1988, all contributions to the retirement system are being made on a pre-tax basis. Consequently, only your contributions made prior to January of 1988 and any purchases of creditable service made with after-tax dollars will be eligible for exclusion from your federal taxes. Pre-tax contributions and all of the interest which your account has earned cannot be used when you figure the yearly tax-exempt portion of your retirement allowance.

Changing your federal tax withholding

At the time of your retirement, we ask you to complete a Form W-4P which instructs us to withhold an amount for income taxes and, if so, how much. Please note:

- Unless you direct us otherwise, we must withhold federal income tax starting with your first payment.
- You may change your tax withholding amount at any time before or during your retirement by notifying us in writing. Simply download a Form W-4P, complete it, and mail it to our office. Be sure that you mail your form so that it is received in our office by the 15th of the month in which you want the change to occur.
- If you need help in determining your federal tax withholding, use the [IRS's online tax withholding estimator](#) to assist you with your tax withholding preferences.

[About your 1099-R tax form - FAQs](#)

I received more than one 1099-R from MCRS. Why?

It is not unusual to receive more than one 1099-R for a tax year. This can occur as a result of one of the following:

- You reached age 59-1/2 during the tax year. (Exception: if you are receiving accidental disability benefits, then you will receive only one 1099-R for the year during which you reached age 59-1/2.)
- You are receiving your own MCRS retirement benefit and a survivor benefit from a former MCRS member.
- You are receiving your own MCRS retirement benefit and, as a result of a Qualified Domestic Relations Order (QDRO), you are also receiving a benefit from another MCRS member.
- In addition to a benefit payment, you also received a refund payment from the MCRS.

I received two 1099-R forms because I turned 59-1/2 during the tax year. Why – and what does that mean?

In the tax year in which you turn 59-1/2, you will receive two 1099-R forms from us, as the IRS requires that we identify and distinguish between payments that are made to you when you are under age 59-1/2, and payments that are made to you when you are over age 59-1/2. Accordingly, please note:

- **Each form will be different:** One will reflect the amount totals for the months that you were under age 59-1/2, and will have a distribution code of 2 in Box 7; the other will reflect the amount totals for the month in which you turn 59-1/2 as well as for the following month(s) that you were over age 59-1/2, and have a distribution code of 7 in Box 7.
- **You will need both forms to determine your tax reporting information for the year:** To get your annual totals, simply add the different amounts on the two forms. For example, to determine the total amount that you received from the MCRS for the year, add the figure in “Box 1, Gross distribution,” on one form to the figure in “Box 1, Gross distribution,” on the other.

Does the MCRS give tax advice?

No. You should seek advice from a professional tax advisor or the [Internal Revenue Service](#).

What should I advise my family or executor to do in the event of my death?

Please advise your survivors to contact the MCRS to report the death of a benefit recipient.

Can I access my 1099 online?

No. MCRS does not have an online member self-service at this time. If you lost your 1099 or need a duplicate, please contact the MCRS office.