

**Annual Notice of Right to Elect or Revoke Federal Tax Withholding
(Tax Equity and Fiscal Responsibility Act of 1982 - TEFRA)**

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) requires that San Jose Retirement System notify you each year that the periodic retirement benefit paid to you by San Jose Retirement System is subject to federal income tax and that you have a right not to have federal tax withholding apply to your periodic payment.

If you do not wish to make an election or to change a prior election, no action is necessary. Your current withholding will stay in affect unless you change or revoke it. You have a right to change or discontinue federal income tax withholding from your benefit payment as often as you wish. To make a change, submit the IRS Form W-4P securely through MemberDirect, by mail, fax or drop-off in person at the Office of Retirement Services (ORS) office.

MemberDirect: Go to www.sjretirement.com and click "Member Portal Login." After you login, click "Message Center" on the left then click "Send a New Message." You may attach multiple documents and forms to your message.

Office Location: 1737 N. First Street, Suite 600, San José, CA 95112-4505

Office Hours: Monday – Friday, 8:00 a.m. – 5:00 p.m.

ORS Email: retirement.dept@sanjoseca.gov

Fax: (408) 392-6732

In general, pension and annuity payments are subject to federal income tax. If you choose not to withhold taxes from your benefit payment, or if you do not have enough federal income tax withheld from your benefit, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding or estimated tax payments are not sufficient. Withholding only applies to the taxable portion of your benefit payment.

If you are a U.S. citizen or a resident alien, you may choose not to have tax withheld, but you must provide ORS with your home street address (not a P.O. Box) located within the United States. Otherwise, ORS is required to withhold tax. If you do not make a tax election, your withholding will be calculated as if you are single with no adjustments.

If you are not a U.S. citizen or a resident alien and are living and receiving your benefits outside of the United States, you are considered a nonresident alien for withholding purposes. The rules regarding withholding requirements for nonresident aliens are more complex. See IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*. We recommend that you discuss these requirements with your tax professional.

Federal tax election forms with instructions, worksheets and tax withholding tables can be found at <https://www.irs.gov/pub/irs-pdf/fw4p.pdf>. If you are a resident of the State of California, you can find state withholding forms at https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de4p.pdf. ORS does not withhold tax for any other state.

Withholding decisions can be complicated. The Internal Revenue Service ("IRS") has a Withholding Calculator for use by taxpayers in estimating the appropriate withholding for federal income taxes, it is located on its website (www.irs.gov). **We recommend that you consult with your tax advisor if you have questions regarding whether or not to have Federal income tax withheld from your pension or annuity payment. ORS DOES NOT OFFER TAX ADVICE.**