

Required Notice about The Tax Equity and Fiscal Responsibility Act of 1982

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. Withholding only applies to the taxable portion of your benefit payment. To make a change, submit the IRS Form W-4P securely through MemberDirect, by mail, fax or drop-off in person at the 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

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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.

If you do not provide the San Jose Retirement System with withholding information, federal law requires the San Jose Retirement System to withhold from a life annuity as if you are single with no adjustments.

If the taxable portion of your monthly benefit is less than \$1,160 in 2023, the PAYOR is not required to withhold tax unless you advise us to do so, but federal taxes may still be owed on this amount.

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.

If you are a U.S. citizen or a resident alien, you can choose not to have tax withheld if you provide San Jose Retirement System with a home address in the United States.

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.