Publication 575

Pension and Annuity Income

For use in preparing

2023 Returns

Volume 1 of 4

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Future Developments

For the latest information about developments related to Pub. 575, such as legislation enacted after it was published, go to *IRS.gov/Pub575.*

What's New

Distributions to victims of domestic abuse. For tax years beginning after December 31, 2023, a distribution to a domestic abuse victim is not subject to the

10% additional tax on early distributions if the distribution is made from an applicable eligible retirement plan and made to an individual during the 1-year period beginning on the date on which the individual is a victim of domestic abuse by a spouse or domestic partner.

An eligible distribution to a domestic abuse victim must not exceed the lesser of $10,000 or 50% of the present value of the nonforfeitable accrued benefit of the employee under the plan.

The distribution may be repaid at any time during the 3-year period beginning on the day after the date on which the distribution was received.

Reminders

The direct payment requirement for certain distributions for payment of health or long-term care insurance repealed. Distributions from governmental plans to an eligible retired public safety officer made after December 29, 2022, for health and long-term care insurance can be excluded from that employee’s gross income.

These distributions are excluded from gross income whether the premiums are paid directly to the provider of the accident or health plan or qualified long-term care insurance contract by deduction from a distribution from the eligible retirement plan or if the distributions are made to the employee.

The amount which may be excluded from gross income for the tax year can’t exceed the lesser of $3,000 or the amount paid for the insurance.

Form 8915-F replaces Form 8915-E. Form 8915-F, Qualified Disaster Retirement Plan Distributions and Repayments, replaces Form 8915-E for reporting qualified 2020 disaster distributions and repayments of those distributions made in 2021, 2022, and 2023, as applicable. In previous years, distributions and repayments would be reported on the applicable Form 8915 for that year's disasters. For example, Form 8915-D, Qualified 2019 Disaster Retirement Plan Distributions and Repayments, would be used to report qualified 2019 disaster distributions and repayments.

Form 8915-F is a forever form. Beginning in 2021, additional alphabetical Forms 8915 will not be issued. For more information, see the Instructions for Form 8915-F.

Photographs of missing children. The IRS is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication discusses the tax treatment of distributions you receive from pension and annuity plans and also shows you how to report the income on your federal income tax return. How these distributions are taxed depends on whether they are periodic payments (amounts received as an annuity) that are paid at regular intervals over several years or nonperiodic payments (amounts not received as an annuity).

What is covered in this publication? This publication contains information that you need to understand the following topics.

- How to figure the tax-free part of periodic payments under a pension or annuity plan, including using a simple worksheet for payments under a qualified plan.
- How to figure the tax-free part of nonperiodic payments from qualified and nonqualified plans, and how to use the

optional methods to figure the tax on lump-sum distributions from pension, stock bonus, and profit-sharing plans.

- How to roll over certain distributions from a retirement plan into another retirement plan or IRA.
- How to report disability payments, and how beneficiaries and survivors of employees and retirees must report benefits paid to them.
- How to report railroad retirement benefits.
- When additional taxes on certain distributions may apply (including the tax on early distributions and the tax on excess accumulation).

For additional information on how to report pension or annuity payments on your federal income tax return, be sure to review the instructions on the back of Copies B, C, and 2 of the Form 1099-R, *Distributions From Pensions, Annuities, Retirement or*

Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that you received and the instructions for Form 1040, lines 5a and 5b, and the instructions for Form 1040-NR, lines 5a and 5b.

CAUTION *A “corrected” Form 1099-R replaces the corresponding original Form 1099-R if the original Form 1099-R contained an error. Make sure you use the amounts shown on the corrected Form 1099-R when reporting information on your tax return.*

What isn't covered in this publication? The following topics aren't discussed in this publication.

The General Rule. This is the method generally used to determine the tax treatment of pension and annuity income from nonqualified plans (including commercial annuities). For a qualified plan, you can’t generally use the General Rule unless your annuity starting date is before November 19, 1996. Although this publication will help you determine whether you can use the General Rule, it won't help you use it to determine the tax treatment of your pension or annuity income. For that and other information on the General Rule, see Pub. 939, General Rule for Pensions and Annuities.

Individual retirement arrangements (IRAs). Information on the tax treatment of amounts you receive from an IRA is in Pub. 590-B.

Civil service retirement benefits. If you are retired from the federal government (regular, phased, or disability retirement) or are the survivor or beneficiary of a federal employee or retiree who died, see Pub. 721, Tax Guide to U.S. Civil Service Retirement Benefits. Pub. 721 covers the tax treatment of federal retirement benefits, primarily those paid under the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). It also covers benefits paid from the Thrift Savings Plan (TSP).

Social security and equivalent tier 1 railroad retirement benefits. For information about the tax treatment of these benefits, see Pub. 915, Social Security and Equivalent Railroad Retirement Benefits. However, this publication (575) covers the tax treatment of the non-social security equivalent benefit portion of tier 1 railroad retirement benefits, tier 2 benefits, vested dual benefits, and supplemental annuity benefits paid by the U.S. Railroad Retirement Board.

Tax-sheltered annuity plans (403(b) plans). If you work for a public school or certain tax-exempt organizations, you may be eligible to participate in a 403(b) retirement plan offered by your employer. Although this publication covers the treatment of benefits under 403(b) plans and discusses in-plan Roth rollovers from 403(b) plans to designated Roth accounts, it doesn't cover other tax provisions that apply to these plans. For that and other information on 403(b) plans, see Pub. 571.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*. Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can’t respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don’t** send tax questions, tax returns, or payments to the above address.

Getting answers to your tax questions. If you have a tax question not answered by this publication or the *How To Get Tax Help* section near the end of this publication, go to the IRS Interactive Tax Assistant page at *IRS.gov/ Help/ITA* where you can find topics by using the search feature or viewing the categories listed.

Getting tax forms, instructions, and publications. Go to *IRS.gov/Forms* to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to *IRS.gov/OrderForms* to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order for forms and publications as soon as possible. **Don't** resubmit requests you've already sent us. You can get forms and publications faster online.

Useful Items

You may want to see:

Publication

- ☐ **505** Tax Withholding and Estimated Tax
- ☐ **524** Credit for the Elderly or the Disabled
- ☐ **525** Taxable and Nontaxable Income
- ☐ **560** Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
- ☐ **571** Tax-Sheltered Annuity Plans (403(b) Plans)
- ☐ **590-A** 590-A Contributions to Individual Retirement Arrangements (IRAs)
- ☐ **590-B** Distributions from Individual Retirement Arrangements (IRAs)

- ☐ **721** Tax Guide to U.S. Civil Service Retirement Benefits
- ☐ **907** Tax Highlights for Persons With Disabilities
- ☐ **915** Social Security and Equivalent Railroad Retirement Benefits
- ☐ **939** General Rule for Pensions and Annuities
- ☐ **976** Disaster Relief

Form (and Instructions)

- ☐ **W-4P** Withholding Certificate for Pension or Annuity Payments
- ☐ **W-4R** Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions
- ☐ **1099-R** Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- ☐ **4972** Tax on Lump-Sum Distributions

- ☐ **5329** Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
- ☐ **8915-C** Qualified 2018 Disaster Retirement Plan Distributions and Repayments
- ☐ **8915-D** Qualified 2019 Disaster Retirement Plan Distributions and Repayments
- ☐ **8915-F** Qualified Disaster Retirement Plan Distributions and Repayments

See *How To Get Tax Help* near the end of this publication for information about getting publications and forms.

General Information

Definitions. Some of the terms used in this publication are defined in the following paragraphs.

Pension. A pension is generally a series of definitely determinable payments made to you after you retire from work. Pension payments are made regularly and are based on such factors as years of service and prior compensation.

Annuity. An annuity is a series of payments under a contract made at regular intervals over a period of more than 1 full year. They can be either fixed (under which you receive a definite amount) or variable (not fixed). You can buy the contract alone or with the help of your employer.

Qualified employee plan. A qualified employee plan is an employer's stock bonus, pension, or profit-sharing plan that is for the exclusive benefit of employees or their beneficiaries and that meets Internal Revenue Code requirements. It qualifies for special tax benefits, such as tax deferral for employer contributions and capital gain treatment or the 10-year tax option for lump-sum distributions (if participants qualify). To determine whether your plan is a qualified plan, check with your employer or the plan administrator.

Qualified employee annuity. A qualified employee annuity is a retirement annuity purchased by an employer for an employee under a plan that meets Internal Revenue Code requirements.

Designated Roth account. A designated Roth account is a separate account created under a qualified Roth contribution program to which participants may elect to have part or all of their elective deferrals to a 401(k), 403(b), or 457(b) plan designated as Roth contributions. In addition, a designated Roth account may include certain nonelective contributions or matching contributions that a participant designates as Roth contributions.

Designated Roth contributions, designated Roth nonelective contributions, and designated Roth matching contributions are included in your income. However, qualified distributions (explained later) aren't included in your income.

You should check with your plan administrator to determine if your plan will accept designated Roth contributions.

Tax-sheltered annuity plan. A tax-sheltered annuity plan (often referred to as a "403(b) plan" or a "tax-deferred annuity plan)" is a retirement plan for employees of public schools and certain tax-exempt organizations. Generally, a tax-sheltered annuity plan provides retirement benefits by purchasing annuity contracts for its participants.

Types of pensions and annuities. Pensions and annuities include the following types.

Fixed-period annuities. You receive definite amounts at regular intervals for a specified length of time.

Annuities for a single life. You receive definite amounts at regular intervals for life. The payments end at death.

Joint and survivor annuities. The first annuitant receives a definite amount at regular intervals for life. After they die, a second annuitant receives a definite amount at regular intervals for life. The amount paid to the second annuitant may or may not differ from the amount paid to the first annuitant.

Variable annuities. You receive payments that may vary in amount for a specified length of time or for life. The amounts you receive may depend upon such variables as profits earned by the pension or annuity funds, cost-of-living indexes, or earnings from a mutual fund.

Disability pensions. You receive disability payments because you retired on disability and haven't reached minimum retirement age.

More than one program. You may receive employee plan benefits from more than one program under a single trust or plan of your employer. If you participate in more than one program, you may have to treat each as a separate pension or annuity contract, depending upon the facts in each case. Also, you may be considered to have received more than one pension or annuity. Your former employer or the plan administrator should be able to tell you if you have more than one contract.

Example. Your employer set up a noncontributory profit-sharing plan for its employees. The plan provides that the amount held in the account of each participant will be paid when that participant retires. Your employer also set up a contributory defined benefit pension plan for its employees providing for the payment of a lifetime pension to each participant after retirement.

The amount of any distribution from the profit-sharing plan depends on the contributions (including allocated forfeitures) made for the participant and the earnings from those contributions. Under the pension plan, however, a formula determines the amount of the pension benefits. The amount of contributions is the amount necessary to provide that pension.

Each plan is a separate program and a separate contract. If you get benefits from these plans, you must account for each separately, even though the benefits from both may be included in the same check.

Distributions from a designated Roth account are treated separately from other distributions from the plan.

Qualified domestic relations order (QDRO). A QDRO is a judgment, decree, or order relating to payment of child support, alimony, or marital property rights to a spouse, former spouse, child, or other dependent of a participant in a retirement plan. The QDRO must contain certain specific information, such as the name and last known mailing address of the participant and each alternate payee, and the amount or percentage of the participant's benefits to be paid to each alternate payee. A QDRO may not award an amount or form of benefit that isn't available under the plan.

A spouse or former spouse who receives part of the benefits from a retirement plan under a QDRO reports the payments received as if they were a plan participant. The spouse or former spouse is allocated a share of the participant's cost (investment in the contract) equal to the cost times a fraction. The numerator of the fraction is the present value of the benefits payable to the spouse or former spouse. The denominator is the present value of all benefits payable to the participant.

A distribution that is paid to a child or other dependent under a QDRO is taxed to the plan participant.

Variable Annuities

The tax rules in this publication apply both to annuities that provide fixed payments and to annuities that provide payments that vary in amount based on investment results or other factors. For example, they apply to commercial variable annuity contracts, whether bought by an employee retirement plan for its participants or bought directly from the issuer by an individual investor. Under these contracts, the owner can generally allocate the purchase payments among several types of investment portfolios or mutual funds and the contract value is determined by the performance of those investments. The earnings aren't taxed until distributed either in a withdrawal or in annuity payments. The taxable part of a distribution is treated as ordinary income.

For information on the tax treatment of a transfer or exchange of a variable annuity contract, see *Transfers of Annuity Contracts* under *Taxation of Nonperiodic Payments*, later.

Net Investment Income Tax (NIIT). Annuities under a nonqualified plan are included in calculating your net investment income for the NIIT. See Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, and its instructions for more information.

Withdrawals. If you withdraw funds before your annuity starting date and your annuity is under a qualified retirement plan, a ratable part of the amount withdrawn is tax free. The tax-free part is based on the ratio of your cost (investment in the contract) to your account balance under the plan.

If your annuity is under a nonqualified plan (including a contract you bought directly from the issuer), the amount withdrawn is allocated first to earnings (the taxable part) and then to your cost (the tax-free part). However, if you bought your annuity contract before August 14, 1982, a different allocation applies to the investment before that date and the earnings on that investment. To the extent the amount withdrawn doesn't exceed that investment and earnings, it is allocated first to your cost (the tax-free part) and then to earnings (the taxable part).

If you withdraw funds (other than as an annuity) on or after your annuity starting date, the entire amount withdrawn is generally taxable.

The amount you receive in a full surrender of your annuity contract at any time is tax free to the extent of any cost that you haven't previously recovered tax free. The rest is taxable.

For more information on the tax treatment of withdrawals, see *Taxation of Nonperiodic Payments*, later. If you withdraw funds from your annuity before you reach age $59\frac{1}{2}$, also see *Tax on Early Distributions* under *Special Additional Taxes*, later.

Annuity payments. If you receive annuity payments under a variable annuity plan or contract, you recover your cost tax free under either the Simplified Method or the General Rule, as explained under *Taxation of Periodic Payments*, later. For a variable annuity paid under a qualified plan, you must generally use the Simplified Method. For a variable annuity paid under a nonqualified plan (including a contract you bought directly from the issuer), you must use a special computation under the General Rule. For more information, see *Variable annuities* under *Computation Under the General Rule* in Pub. 939.

Death benefits. If you receive a single-sum distribution from a variable annuity contract because of the death of the owner or annuitant, the distribution is generally taxable only to the extent it is more than the unrecovered cost of the contract. If you choose to receive an annuity, the payments are subject to tax as described above. If the contract provides a joint and survivor annuity and the primary annuitant had received annuity payments before death, you figure the tax-free part of annuity payments you receive as the survivor in the same way the primary annuitant did. See *Survivors and Beneficiaries*, later.

Section 457 Deferred Compensation Plans

If you work for a state or local government or for a tax-exempt organization, you may be able to participate in a section 457 deferred compensation plan. If your plan is an eligible plan, you aren't taxed currently on pay that is deferred under the plan or on any earnings from the plan's investment of the deferred pay. You are generally taxed on amounts deferred in an eligible state or local government plan only when they are distributed from the plan. You are taxed on amounts deferred in an eligible tax-exempt organization plan when they are distributed or otherwise made available to you.

Your 457(b) plan may have a designated Roth account option. If so, you may be able to roll over amounts to the designated Roth account or make contributions. Contributions to a designated Roth account are included in your income. Qualified distributions (explained later) aren't included in your income. See *Designated Roth accounts* under *Taxation of Periodic Payments*, later.

This publication covers the tax treatment of benefits under eligible section 457 plans, but it doesn't cover the treatment of deferrals. For information on deferrals under section 457 plans, see *Retirement Plan Contributions* under *Employee Compensation* in Pub. 525.

Is your plan eligible? To find out if your plan is an eligible plan, check with your employer. Plans that aren't eligible section 457 plans include the following.

- Bona fide vacation leave, sick leave, compensatory time, severance pay, disability pay, or death benefit plans.
- Nonelective deferred compensation plans for nonemployees (independent contractors).
- Deferred compensation plans maintained by churches.
- Length of service award plans for bona fide volunteer firefighters and emergency medical personnel. An exception applies if the total amount paid to a volunteer exceeds $7,000 for any year of service.

Disability Pensions

If you retired on disability, you must generally include in income any disability pension you receive under a plan that is paid for by your employer. You must report your taxable disability payments as wages on Form 1040, 1040-SR, or 1040-NR, line 1h, until you reach minimum retirement age. Minimum retirement age is generally the age at which you can first receive a pension or annuity if you aren't disabled.

TIP *You may be entitled to a tax credit if you were permanently and totally disabled when you retired. For information on this credit, see Pub. 524.*

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity. When you receive pension or annuity payments, you are able to recover your cost or investment. Your cost is generally your net investment in the plan as of your annuity starting date. It doesn't include pre-tax contributions. For more information, see *Cost*

(Investment in the Contract) and *Taxation of Periodic Payments*, later.

Report the payments on Form 1040, 1040-SR, or 1040-NR, lines 5a and 5b.

Disability payments for injuries incurred as a direct result of a terrorist attack directed against the United States (or its allies) aren't included in income. For more information about payments to survivors of terrorist attacks, see Pub. 3920, Tax Relief for Victims of Terrorist Attacks, and Pub. 907.

Military and government disability pensions. Certain military and government disability pensions aren't taxable.

Service-connected disability. You may be able to exclude from income amounts you receive as a pension, annuity, or similar allowance for personal injury or sickness resulting from active service in one of the following government services.

- The armed forces of any country.
- The National Oceanic and Atmospheric Administration.
- The Public Health Service.
- The Foreign Service.

Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew who is retired because of disability or because you reached normal retirement age), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for coverage by an accident or health plan or a long-term care insurance contract. The premiums can be for coverage for you, your spouse, or dependents.

The distribution must be from the plan maintained by the employer from which you retired as a public safety officer. The distribution can be made directly from the plan to the provider of the accident or health plan or long-term care insurance contract, or the distribution can be made to you to pay to the provider of the accident or health plan or long-term care insurance contract.

You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can make this election only for amounts that would otherwise be included in your income. The amount excluded from your income can't be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is a:

- Qualified trust,
- Section 403(a) plan,
- Section 403(b) annuity, or

- Section 457(b) plan.

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R doesn't reflect this exclusion. Report your total distributions on Form 1040, 1040-SR, or 1040-NR, line 5a. Report the taxable amount on Form 1040, 1040-SR, or 1040-NR, line 5b. Enter “PSO” next to the appropriate line on which you report the taxable amount.

If you are retired on disability and reporting your disability pension on Form 1040, 1040-SR, or 1040-NR, line 1h, include only the taxable amount on that line and enter “PSO” and the amount excluded on the dotted line next to the applicable line.

Railroad Retirement Benefits

Benefits paid under the Railroad Retirement Act fall into two categories. These categories are treated differently for income tax purposes.

The first category is the amount of tier 1 railroad retirement benefits that equals the social security benefit that a railroad employee or beneficiary would have been entitled to receive under the social security system. This part of the tier 1 benefit is the social security equivalent benefit (SSEB) and you treat it for tax purposes as social security benefits. If you received, repaid, or had tax withheld from the SSEB portion of tier 1 benefits during 2023, you will receive Form RRB-1099, Payments by the Railroad Retirement Board (or Form RRB-1042S, Statement for Nonresident Alien Recipients of Payments by the Railroad Retirement Board, if you are a nonresident alien) from the U.S. Railroad Retirement Board (RRB).

For more information about the tax treatment of the SSEB portion of tier 1 benefits and Forms RRB-1099 and RRB-1042S, see Pub. 915.

The second category contains the rest of the tier 1 railroad retirement benefits called the non-social security equivalent benefit (NSSEB). It also contains any tier 2 benefit, vested dual benefit (VDB), and supplemental annuity benefit. Treat this category of benefits, shown on Form RRB-1099-R, as an amount received from a qualified employee plan. This allows for the tax-free (nontaxable) recovery of employee contributions from the tier 2 benefits and the NSSEB part of the tier 1 benefits. (The NSSEB and tier 2 benefits, less certain repayments, are combined into one amount called the Contributory Amount Paid on Form RRB-1099-R.) VDBs and supplemental annuity benefits are non-contributory pensions and are fully taxable. See *Taxation of Periodic Payments*, later, for information on how to report your benefits and how to recover the employee contributions tax free. Form RRB-1099-R is used for U.S. citizens, resident aliens, and nonresident aliens.

Nonresident aliens. A nonresident alien is an individual who isn't a citizen or a resident alien of the United States. If you are a nonresident alien, you are subject to U.S. tax on your SSEB portion of tier 1 benefits at a 30% rate, unless exempt or subject to a lower treaty rate. See Pub. 519, U.S. Tax Guide for Aliens, for more information.

If your rate of tax changed or your country of legal residence changed during the tax year, you may receive more than one Form RRB-1042S or RRB-1099-R. To determine your total benefits paid or repaid and total tax withheld for the year, you should add the amounts shown on all forms you received for that year.

Tax withholding. To request or change your income tax withholding from SSEB payments, U.S. citizens should contact the IRS for Form W-4V, Voluntary Withholding Request, and file it with the RRB. To elect, revoke, or change your income tax withholding from NSSEB, tier 2, VDB, and supplemental annuity payments received, use Form RRB W-4P, Withholding Certificate for Railroad Retirement Payments. If you are a nonresident alien or a U.S. citizen living abroad, you should provide Form RRB-1001, Nonresident Questionnaire, to the RRB to furnish citizenship and residency information and to claim any treaty exemption from U.S. tax withholding. Nonresident U.S. citizens can't elect to be exempt from withholding on payments delivered outside the United States.

Help from the RRB. To request an RRB form or to get help with questions about an RRB benefit, you should contact your nearest RRB field office if you reside in the United States (call 877-772-5772 for the nearest field office) or U.S. Consulate/Embassy if you reside outside the United States. You can visit the RRB on the Internet at *RRB.gov*.

Form RRB-1099-R. The following discussion explains the items shown on Form RRB-1099-R. The amounts shown on this form are before any deduction for:

- Federal income tax withholding;
- Medicare premiums;
- Legal process garnishment payments;
- Recovery of a prior-year overpayment of an NSSEB, tier 2 benefit, VDB, or supplemental annuity benefit; or
- Recovery of Railroad Unemployment Insurance Act benefits received while awaiting payment of your railroad retirement annuity.

The amounts shown on this form are after any offset for:

- Social security benefits;
- Age reduction;
- Public service pensions or public disability benefits;
- Dual railroad retirement entitlement under another RRB claim number;
- Work deductions;
- Legal process partition deductions;
- Actuarial adjustment;
- Annuity waiver; or
- Recovery of a current-year overpayment of NSSEB, tier 2 benefits, VDB, or supplemental annuity benefits.

The amounts shown on Form RRB-1099-R don't reflect any special rules, such as capital gain treatment or the special 10-year tax option for lump-sum payments, or tax-free rollovers. To determine if any of these rules apply to your benefits, see the discussions about them later.

Generally, amounts shown on your Form RRB-1099-R are considered a normal distribution. Use distribution code “7” if you are asked for a distribution code. Distribution codes aren't shown on Form RRB-1099-R.

There are three copies of this form. Copy B is to be included with your income tax return if federal income tax is withheld. Copy C is for your own records. Copy 2 is filed with your state, city, or local income tax return when required. See the illustrated Copy B (Form RRB-1099-R), later.

TIP *Each beneficiary will receive their own Form RRB-1099-R. If you receive benefits on more than one railroad retirement record, you may get more than one Form RRB-1099-R. So that you get your form timely, make sure the RRB always has your current mailing address.*

Box 1—Claim Number and Payee Code. Your claim number is a six- or nine-digit number preceded by an claim number and payee code shown in this box.

Box 2—Recipient's Identification Number. This is the recipient's U.S. taxpayer identification number (TIN). It is the social security number (SSN), individual taxpayer identification number (ITIN), or employer identification number (EIN), if known, for the person or estate listed as the recipient.

TIP *If you are a resident or nonresident alien who must furnish a TIN to the IRS and aren’t eligible to obtain an SSN, use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN. The Instructions for Form W-7 explain how and when to apply.*

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE **UNITED STATES RAILROAD RETIREMENT BOARD** 844 N RUSH ST CHICAGO IL 60611-1275	**2023**		**ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD**
	3. Employee Contributions		
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600			
1. Claim Number and Payee Code	4. Contributory Amount Paid		**COPY B -** **REPORT THIS INCOME ON YOUR FEDERAL TAX RETURN. IF THIS FORM SHOWS FEDERAL INCOME TAX WITHHELD IN BOX 9, ATTACH THIS COPY TO YOUR RETURN.** **THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.**
2. Recipient's Identification Number	5. Vested Dual Benefit		
Recipient's Name, Street Address, City, State, and Zip Code	6. Supplemental Annuity		
	7. Total Gross Paid (Sum of boxes 4, 5, and 6)		
	8. Repayments		
	9. Federal Income Tax Withheld		
	10. Medicare Premium Total		

FORM RRB-1099-R

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Box 3—Employee Contributions. This is the amount of taxes withheld from the railroad employee's earnings that exceeds the amount of taxes that would have been withheld had the earnings been covered under the social security system. This amount is the employee's cost that you use to figure the tax-free part of the NSSEB and tier 2 benefit you received (the amount shown in box 4). (For information on how to figure the tax-free part, see *Partly Taxable Payments* under *Taxation of Periodic Payments*, later.) The amount shown is the total employee contribution amount, not reduced by any amounts that the RRB calculated as previously recovered. It is the latest amount reported for 2023 and may have increased or decreased from a previous Form RRB-1099-R. If this amount has changed, the change is retroactive. You may need to refigure the tax-free part of your NSSEB/tier 2 benefit for 2023 and prior tax years. If this box is blank, it means that the amount of your NSSEB and tier 2 payments shown in box 4 is fully taxable.

CAUTION

If you had a previous annuity entitlement that ended and you are figuring the tax-free part of your NSSEB/tier 2 benefit for your current annuity entitlement, you should contact the RRB for confirmation of your correct employee contribution amount.

Box 4—Contributory Amount Paid. This is the gross amount of the NSSEB and tier 2 benefit you received in 2023, less any 2023 benefits you repaid in 2023. (Any benefits you repaid in 2023 for an earlier year or for an unknown year are shown in box 8.) This amount is the total contributory pension paid in 2023. It may be partly taxable and partly tax free or fully taxable. If you determine you are eligible to compute a tax-free part, as explained later in *Partly Taxable Payments* under *Taxation of Periodic Payments*, use the latest reported employee contribution amount shown in box 3 as the cost.

Box 5—Vested Dual Benefit. This is the gross amount of VDB payments paid in 2023, less any 2023 VDB payments you repaid in 2023. It is fully taxable. VDB payments you repaid in 2023 for an earlier year or for an unknown year are shown in box 8.

Note. The amounts shown in boxes 4 and 5 may represent payments for 2023 and/or other years after 1983.

Box 6—Supplemental Annuity. This is the gross amount of supplemental annuity benefits paid in 2023, less any 2023 supplemental annuity benefits you repaid in 2022. It is fully taxable. Supplemental annuity benefits you repaid in 2023 for an earlier year or for an unknown year are shown in box 8.

Box 7—Total Gross Paid. This is the sum of boxes 4, 5, and 6. The amount represents the total pension paid in 2023. Include this amount on Form 1040, 1040-SR, or 1040-NR, line 5a.

Box 8—Repayments. This amount represents any NSSEB, tier 2 benefit, VDB, and supplemental annuity benefit you repaid to the RRB in 2023 for years before 2023 or for unknown years. The amount shown in this box hasn't been deducted from the amounts shown in boxes 4, 5, and 6. It only includes repayments of benefits that were taxable to you. This means it only includes repayments in 2023 of NSSEB paid after 1985, tier 2 benefits and VDB paid after 1983, and supplemental annuity benefits paid in any year. If you included the benefits in your income in the year you received them, you may be able to deduct the repaid amount. For more information about repayments, see

Repayment of benefits received in an earlier year, later.

TIP *You may have repaid an overpayment of benefits by returning a payment, by making a payment, or by having an amount withheld from your railroad retirement annuity payment.*

Box 9—Federal Income Tax Withheld. This is the total federal income tax withheld from your NSSEB, tier 2 benefit, VDB, and supplemental annuity benefit. Include this on your income tax return as tax withheld. If you are a nonresident alien and your tax withholding rate and/or country of legal residence changed during 2023, you will receive more than one Form RRB-1099-R for 2023. Determine the total amount of U.S. federal income tax withheld from your 2023 RRB NSSEB, tier 2, VDB, and supplemental annuity payments by adding the amounts in box 9 of all original 2023 Forms RRB-1099-R, or the latest corrected or duplicate Forms RRB-1099-R you receive.

Box 10—Rate of Tax. If you are a nonresident alien, an entry in this box indicates the rate at which tax was withheld on the NSSEB, tier 2, VDB, and supplemental annuity payments that were paid to you in 2023. If you are a nonresident alien whose tax was withheld at more than one rate during 2023, you will receive a separate Form RRB-1099-R for each rate change during 2023. If you are taxed as a U.S. citizen or resident alien, this box doesn't apply to you.

Box 11—Country. If you are a nonresident alien, an entry in this box indicates the country of which you were a resident for tax purposes at the time you received railroad retirement payments in 2023. If you are a nonresident alien who was a resident of more than one country during 2023, you will receive a separate Form RRB-1099-R for each country of residence during 2023. If you are taxed as a U.S. citizen or resident alien, this box doesn't apply to you.

Box 12—Medicare Premium Total. This is for information purposes only. The amount shown in this box represents the total amount of Medicare Part B premiums deducted from your railroad retirement annuity payments in 2023. Medicare premium refunds aren't included in the Medicare total. The Medicare total is normally shown on Form RRB-1099 (if you are a citizen or resident alien of the United States) or Form RRB-1042S (if you are a nonresident alien). However, if Form RRB-1099 or Form RRB-1042S isn't required for 2023, then this total will be shown on Form RRB-1099-R. If your Medicare premiums were deducted from your social security benefits, paid by a third party, refunded to you, and/or you paid the premiums by direct billing, your Medicare total won't be shown in this box.

Repayment of benefits received in an earlier year. If you had to repay any railroad retirement benefits that you had included in your income in an earlier year because at that time you thought you had an unrestricted right to it, you can deduct the amount you repaid in the year in which you repaid it.

However, if you repaid $3,000, or less, for tax years 2018 through 2025, miscellaneous itemized deductions subject to the 2%-of-adjusted-gross-income limit are suspended and therefore not deductible on Schedule A (Form 1040).

If you repaid more than $3,000 in 2023, you can either take a deduction for the amount repaid on Schedule A (Form 1040), line 16, or you can take a credit against your tax. For more information, see *Repayments* in Pub. 525.

Withholding Tax and Estimated Tax

Your retirement plan distributions are subject to federal income tax withholding. However, you can choose not to have tax withheld on payments you receive unless they are eligible rollover distributions. (These are distributions, described later under *Rollovers*, that are eligible for rollover treatment but aren't paid directly to another qualified retirement plan or to a traditional IRA.) If you choose not to have tax withheld or if you don't have enough tax withheld, you may have to make estimated tax payments. See *Estimated tax*, later.

The withholding rules apply to the taxable part of payments you receive from:

- An employer pension, annuity, profit-sharing, or stock bonus plan;
- Any other deferred compensation plan;

- A traditional IRA; or
- A commercial annuity.

For this purpose, a commercial annuity means an annuity, endowment, or life insurance contract issued by an insurance company.

TIP *There will be no withholding on any part of a distribution where it is reasonable to believe that it won't be includible in gross income.*

Choosing no withholding. You can choose not to have income tax withheld from retirement plan payments unless they are eligible rollover distributions. You can make this choice on Form W-4P for periodic payments or Form W-4R for nonperiodic payments. This choice generally remains in effect until you revoke it.

The payer will ignore your choice not to have tax withheld if:

- You don't give the payer your SSN (in the required manner); or
- The IRS notifies the payer, before the payment is made, that you gave an incorrect SSN.

To choose not to have tax withheld, a U.S. citizen or resident alien must give the payer a home address in the United States or its territories. Without that address, the payer must withhold tax. For example, the payer has to withhold tax if the recipient has provided a U.S. address for a nominee, trustee, or agent to whom the benefits are delivered, but hasn't provided their own U.S. home address.

If you don't give the payer a home address in the United States or its territories, you can choose not to have tax withheld only if you certify to the payer that you aren't a U.S.

citizen, a U.S. resident alien, or someone who is subject to section 877 because you expatriated before June 17, 2008. See Form 8854 and its instructions for details about section 877. But, if you so certify, you may be subject to the 30% flat rate withholding that applies to nonresident aliens. This 30% rate won't apply if you are exempt or subject to a reduced rate by treaty. For details, see Pub. 519.

Periodic payments. Unless you choose no withholding, your annuity or similar periodic payments (other than eligible rollover distributions) will be treated as wages for withholding purposes. Periodic payments are amounts paid at regular intervals (such as weekly, monthly, or yearly) for a period of time greater than 1 year (such as for 15 years or for life). You should give the payer a completed withholding certificate (Form W-4P or a similar form provided by the payer). If you don't, tax will be withheld as if you were single with no adjustments made in Steps 2 through 4 on Form W-4P.

Tax will be withheld as if you were single with no adjustments made in Steps 2 through 4 on Form W-4P if:

- You don't give the payer your SSN (in the required manner), or
- The IRS notifies the payer (before any payment is made) that you gave an incorrect SSN.

You must file a new withholding certificate to change the amount of withholding. See the instructions for Form W-P and *Periodic Payments* in Pub. 505 for more information.

Nonperiodic distributions. Unless you choose no withholding, the withholding rate for a nonperiodic distribution (a payment other than a periodic payment) that isn't an eligible rollover distribution is 10% of the distribution. You can also ask the payer to withhold an additional amount using Form W-

4R. The part of any loan treated as a distribution (except an offset amount to repay the loan), explained later, is subject to withholding under this rule.

Eligible rollover distribution. If you receive an eligible rollover distribution, 20% of it will generally be withheld for income tax. You can't choose not to have tax withheld from an eligible rollover distribution. However, tax won't be withheld if you have the plan administrator pay the eligible rollover distribution directly to another qualified plan or an IRA in a direct rollover. For more information about eligible rollover distributions, see *Rollovers*, later.

Estimated tax. Your estimated tax is the total of your expected income tax, self-employment tax, and certain other taxes for the year, minus your expected credits and withheld tax. Generally, you must make estimated tax payments for 2024 if you expect to owe at least $1,000 in tax (after subtracting your withholding and credits) and you expect your withholding and credits to be less than the smaller of:

1. 90% of the tax to be shown on your 2024 return, or
2. 100% of the tax shown on your 2023 return.

If your adjusted gross income for 2023 was more than $150,000 ($75,000 if your filing status for 2024 is married filing separately), substitute 110% for 100% in (2) above. For more information, see Pub. 505.

TIP *In figuring your withholding or estimated tax, remember that a part of your monthly social security or equivalent tier 1 railroad retirement benefits may be taxable. See Pub. 915. You can choose to have income tax withheld from those benefits. Use Form W-4V to make this choice.*

Cost (Investment in the Contract)

Distributions from your pension or annuity plan may include amounts treated as a recovery of your cost (investment in the contract). If any part of a distribution is treated as a recovery of your cost under the rules explained in this publication, that part is tax free. Therefore, the first step in figuring how much of a distribution is taxable is to determine the cost of your pension or annuity.

In general, your cost is your net investment in the contract as of the annuity starting date (or the date of the distribution if earlier). To find this amount, you must first figure the total premiums, contributions, or other amounts you paid. This includes the amounts your employer contributed that were taxable to you when paid. However, see *Foreign employment contributions*, later. It doesn't include amounts withheld from your pay on a tax-deferred basis (money that was taken out of your gross pay before taxes were deducted). It also doesn't include amounts you contributed for health and accident benefits (including any additional premiums paid for double indemnity or disability benefits).

From this total cost you must subtract the following amounts.

1. Any refunded premiums, rebates, dividends, or unrepaid loans that weren't included in your income and that you received by the later of the annuity starting date or the date on which you received your first payment.

2. Any other tax-free amounts you received under the contract or plan by the later of the dates in (1).

3. If you must use the Simplified Method for your annuity payments, the tax-

free part of any single-sum payment received in connection with the start of the annuity payments, regardless of when you received it. (See *Simplified Method*, later, for information on its required use.)

4. If you use the General Rule for your annuity payments, the value of the refund feature in your annuity contract. (See *General Rule*, later, for information on its use.) Your annuity contract has a refund feature if the annuity payments are for your life (or the lives of you and your survivor) and payments in the nature of a refund of the annuity's cost will be made to your beneficiary or estate if all annuitants die before a stated amount or a stated number of payments are made. For more information, see Pub. 939.

The tax treatment of the items described in (1) through (3) is discussed later under *Taxation of Nonperiodic Payments*.

Form 1099-R. *If you began receiving periodic payments of a life annuity in 2023, the payer should show your total contributions to the plan in box 9b of your 2023 Form 1099-R.*

Annuity starting date defined. Your annuity starting date is the later of the first day of the first period for which you received a payment or the date the plan's obligations became fixed.

Example. On January 1, you completed all your payments required under an annuity contract providing for monthly payments starting on August 1 for the period beginning July 1. The annuity starting date is July 1. This is the date you use in figuring the cost of the contract and selecting the appropriate number from Table 1 for line 3 of the Simplified Method Worksheet.

Designated Roth accounts. Your cost in these accounts is your designated Roth contributions that were included in your income as wages subject to applicable withholding requirements. Your cost will also include any in-plan Roth rollovers, designated Roth nonelective contributions, or designated Roth matching contributions you included in income.

Foreign employment contributions. If you worked abroad, your cost may include contributions by your employer to the retirement plan, but only if those contributions would be excludable from your gross income had they been paid directly to you as compensation. The contributions that apply are:

1. Contributions before 1963 by your employer,
2. Contributions after 1962 by your employer if the contributions would be excludable from your gross income

(not including the foreign earned income exclusion) had they been paid directly to you, or

3. Contributions after 1996 by your employer if you performed the services of a foreign missionary (a duly ordained, commissioned, or licensed minister of a

church or a lay person) but only if the contributions would be excludable from your gross income had they been paid directly to you.

Foreign employment contributions while a nonresident alien. In determining your cost, special rules apply if you are a U.S. citizen or resident alien who received distributions in 2023 from a plan to which contributions were made while you were a nonresident alien. Your contributions and your employer's contributions aren't included in your cost if the contribution:

- Was made based on compensation which was for services performed outside the United States while you were a nonresident alien; and
- Wasn't subject to income tax under the laws of the United States or any foreign country, but only if the contribution would have been subject to income tax if paid as cash compensation when the services were performed.

Taxation of Periodic Payments

This section explains how the periodic payments you receive from a pension or annuity plan are taxed. Periodic payments are amounts paid at regular intervals (such as weekly, monthly, or yearly) for a period of time greater than 1 year (such as for 15 years or for life). These payments are also known as amounts received as an annuity. If you receive an amount from your plan that isn't a periodic payment, see *Taxation of Nonperiodic Payments*, later.

In general, you can recover the cost of your pension or annuity tax free over the period you are to receive the payments. The amount of each payment that is more than the part that represents your cost is taxable. However, see *Insurance Premiums for Retired Public Safety Officers*, earlier.

Designated Roth accounts. If you receive a qualified distribution from a designated Roth account, the distribution isn't included in your gross income. This applies to both your cost in the account and income earned on that account. A **qualified distribution** is generally a distribution that is:

- Made after a 5-tax-year period of participation; and
- Made on or after the date you reach age $59^1/2$, made to a beneficiary or your

estate on or after your death, or attributable to your being disabled.

If the distribution isn't a qualified distribution, the rules discussed in this section apply. The designated Roth account is treated as a separate contract.

Period of participation. The 5-tax-year period of participation is the 5-tax-year period beginning with the first tax year for which a contribution was made to the participant's designated Roth account in the plan. Therefore, if a contribution is first made to a participant's designated Roth account in the plan for 2023, the first year for which a qualified distribution can be made is 2028.

However, if a direct rollover is made to the plan from a designated Roth account under another plan, the 5-tax-year period for the recipient plan begins with the first tax year for which a contribution was made to the participant's designated Roth account in the other plan (if earlier).

Your 401(k), 403(b), or 457(b) plan may permit you to roll over amounts from those plans to a designated Roth account within the same plan. This is known as an in-plan Roth rollover. If an in-plan Roth rollover is the first contribution made to your designated Roth account, the 5-tax-year period of participation begins on the first day of the first tax year in which you make the in-plan Roth rollover. For more details, see *In-plan Roth rollovers*, later.

Fully Taxable Payments

The pension or annuity payments that you receive are fully taxable if you have no cost in the contract because any of the following situations apply to you. However, see *Insurance Premiums for Retired Public Safety Officers*, earlier.

- You didn't pay anything or aren't considered to have paid anything for your pension or annuity. Amounts withheld from your pay on a tax-deferred basis aren't considered part of the cost of the pension or annuity payment.

- Your employer didn't withhold contributions from your salary.
- You got back all of your contributions tax free in prior years. However, see *Exclusion not limited to cost* under *Partly Taxable Payments*, later.

Report the total amount you received on Form 1040, 1040-SR, or 1040-NR, line 5b. You should make no entry on Form 1040, 1040-SR, or 1040-NR, line 5a.

Deductible voluntary employee contributions. Distributions you receive that are based on your accumulated deductible voluntary employee contributions are generally fully taxable in the year distributed to you. Accumulated deductible voluntary employee contributions include net earnings on the contributions. If distributed as part of a lump sum, they don't qualify for the 10-

year tax option or capital gain treatment, explained later.

Partly Taxable Payments

If you have a cost to recover from your pension or annuity plan (see *Cost (Investment in the Contract)*, earlier), you can exclude part of each annuity payment from income as a recovery of your cost. This tax-free part of the payment is figured when your annuity starts and remains the same each year even if the amount of the payment changes. The rest of each payment is taxable. However, see *Insurance Premiums for Retired Public Safety Officers*, earlier.

You figure the tax-free part of the payment using one of the following methods.

- ***Simplified Method.*** You must generally use this method if your annuity is paid under a qualified plan (a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity plan or contract). You can't use this method if your annuity is paid under a nonqualified plan.

- ***General Rule.*** You must use this method if your annuity is paid under a nonqualified plan. Generally, you can't use this method if your annuity is paid under a qualified plan. However, see *Qualified plan annuity starting before November 19, 1996*, later, for exceptions to this rule.

You determine which method to use when you first begin receiving your annuity, and you continue using it each year that you recover part of your cost.

If you had more than one partly taxable pension or annuity, figure the tax-free part and the taxable part of each separately.

Qualified plan annuity starting before November 19, 1996. If your annuity is paid under a qualified plan and your annuity starting date (defined earlier under *Cost

(Investment in the Contract)) is after July 1, 1986, and before November 19, 1996, you could have chosen to use either the Simplified Method or the General Rule. If your annuity starting date is before July 2, 1986, you use the General Rule unless your annuity qualified for the 3-year Rule. If you used the 3-year Rule (which was repealed for annuities starting after July 1, 1986), your annuity payments are generally now fully taxable.

Exclusion limit. Your annuity starting date determines the total amount of annuity payments that you can exclude from income over the years. Once your annuity starting date is determined, it doesn't change. If you calculate the taxable portion of your annuity payments using the Simplified Method Worksheet, the annuity starting date determines the recovery period for your cost. That recovery period begins on your annuity starting date and isn't affected by the date you first complete the worksheet.

Exclusion limited to cost. If your annuity starting date is after 1986, the total amount of annuity income that you can exclude over the years as a recovery of the cost can't exceed your total cost. Any unrecovered cost at your (or the last annuitant's) death is allowed as an itemized deduction on the final return of the decedent.

Example 1. Your annuity starting date is after 1986, and you exclude $100 a month ($1,200 a year) under the Simplified Method. The total cost of your annuity is $12,000. Your exclusion ends when you have recovered your cost tax free, that is, after 10 years (120 months). After that, your annuity payments are generally fully taxable.

Example 2. The facts are the same as in <u>*Example 1*</u>, except you die (with no surviving annuitant) after the eighth year of retirement. You have recovered tax free only $9,600 (8 × $1,200) of your cost. An itemized deduction for your unrecovered cost of $2,400 ($12,000 – $9,600) can be taken on your final return.

Exclusion not limited to cost. If your annuity starting date is before 1987, you can continue to take your monthly exclusion for as long as you receive your annuity. If you chose a joint and survivor annuity, your survivor can continue to take the survivor's exclusion figured as of the annuity starting date. The total exclusion may be more than your cost.

Simplified Method

Under the Simplified Method, you figure the tax-free part of each annuity payment by dividing your cost by the total number of anticipated monthly payments. For an annuity that is payable for the lives of the annuitants, this number is based on the annuitants' ages on the annuity starting date and is determined from a table. For any other annuity, this number is the number of monthly annuity payments under the contract.

Who must use the Simplified Method. You must use the Simplified Method if your annuity starting date is after November 18, 1996, and you meet both of the following conditions.

1. You receive your pension or annuity payments from any of the following plans.
   a. A qualified employee plan.
   b. A qualified employee annuity.
   c. A tax-sheltered annuity plan (403(b) plan).
2. On your annuity starting date, at least one of the following conditions applies to you
   a. You are under age 75.
   b. You are entitled to less than 5 years of guaranteed payments.