



2006 Recipient Income Tax Information PARTIAL LUMP SUM OPTION PLAN

This pamphlet is provided to SERS benefit recipients as a guide to general federal and Ohio income tax laws. It is intended to familiarize you with these laws but cannot replace or supplement federal or state income tax publications. If you need assistance with information in preparing your tax returns, you should consult federal or state publications or taxing authorities, or a qualified tax advisor. SERS cannot assist you in your income tax filings.

Federal Taxation

Withholding

SERS is required under Internal Revenue Service (IRS) law to calculate the taxable amount of your payment and report this amount to the IRS and to you on an IRS Form 1099R.

SERS is required to withhold 20 percent for federal income taxes from this payment. Withholding applies to the portion of your benefit includable in taxable income. No taxes were withheld if your payment was rolled over to another qualified plan or an Individual Retirement Account (IRA).

If you received a lump sum payment from SERS after August 17, 2006, retired from your employer as a certified police officer, and were between ages 50 to 55 years old, you should contact SERS. Under changes in federal tax law which became effective late in 2006, the additional ten percent (10%) tax for early withdrawal may not apply to you and SERS may need to determine if you should receive a new IRS Form 1099R.

Tax Credits

Some SERS recipients may be eligible for a tax credit for the elderly. Information on this credit is available in the instructions for IRS Form 1040, various IRS publications, or by contacting IRS.

Assistance with Tax Computation

The IRS will determine the tax liability of taxpayers filing an IRS Form 1040A or other eligible taxpayers filing a Form 1040, as well as tax credits. Information on obtaining this help may be found in the instructions to Form 1040A or 1040.

Foreign Nationals or Residents

If you are receiving a SERS benefit and residing outside the U.S., or if you are a foreign national, your benefit may be subject to U.S. income tax. You should consult IRS publications or a qualified tax advisor for more information.

Reporting Your SERS Partial Lump Sum to the IRS

SERS benefits must be reported to the IRS by federal law. See the next page for a complete description of the Form 1099R.

If a lump sum amount was paid directly to you the following information is applicable. If you transferred the payment to an eligible retirement plan or an Individual Retirement Account (IRA) within 60 days of receiving it, please consult the IRS or a qualified tax advisor for more information.

Age and Service Retirees and Beneficiaries

The amount shown in Box 1 on the Form 1099R is the total lump sum amount paid under the Partial Lump Sum Option Plan to you in 2006 before any deductions. It does not include any monthly retirement benefits paid to you; you will receive a separate Form 1099R and information for the monthly benefits you received. This amount also does not include any payments made to an alternate payee (spouse or former spouse) under a division of property order. These payments are taxable to the alternate payee. Payments deducted for child or spousal support are included in the amount in Box 1. Box 2a on the Form 1099R shows the amount of your benefit that is includable as income for tax purposes.

Enter the amount shown in Box 1 on Line 16a of IRS Form 1040 (Line 12a on Form 1040A). Enter the amount in Box 2a on Line 16b on Form 1040 (Line 12b on Form 1040A).

If the amounts in Box 1 and 2 are the same, do not use Line 16a, use only Line 16b (Line 12b on Form 1040A).

Alternate Payees

If you are a spouse or former spouse of a SERS benefit recipient and received a payment as the result of a court division of property order, you should report this payment in the same manner as an age and service retiree, as explained above. Consult IRS Publication 504, "Divorced or Separated Individuals", or a qualified tax advisor for more information.

If SERS transferred a lump sum amount to another eligible retirement plan or an Individual Retirement Account (IRA), the following information is applicable.

Age and Service Retirants and Beneficiaries

The amount transferred was not taxable income to you. You need to report receiving it but you do not need to report it as taxable until you take a distribution from the new plan or IRA. Enter the amount shown in Box 1 on Line 16a of IRS Form 1040 (Line 12a on Form 1040A).

Alternate Payees

The amount transferred was not taxable income to you. You need to report receiving it but you do not need to report it as taxable until you take a distribution from the new plan or IRA. Enter the amount shown in Box 1 on Line 16a of IRS Form 1040 (Line 12a on Form 1040A).

Reporting Your SERS Partial Lump Sum to State and Local Authorities

Your SERS partial lump sum payment may be subject to state and/or local income taxes. Please consult the appropriate tax department where you live. The following information applies only to full and part-time residents of Ohio.

Ohio Income Tax

The SERS lump sum amount includable in your federal adjusted gross income is taxable income for Ohio income tax purposes. A retirement tax credit is available on this amount and varies depending on the combined amount of your lump sum and recurring retirement benefits. Refer to the Ohio Individual Tax Return (Form IT-1040, Schedule B, Line 49) and Instructions for more information.

If you are 65 or older before January 1, 2006, you are allowed one additional \$50 senior citizen credit on your taxes. Refer to Form IT-1040, Schedule B, Line 50.

Ohio School District Income Tax

SERS benefits are subject to local school district income taxes. If you are 65 or older, you are eligible for a \$50 tax credit for these taxes. You are responsible for payment of these taxes if the school district in which you reside has an income tax. SERS cannot withhold this tax from your benefit.

Internal Revenue Service Form 1099R (PARTIAL LUMP SUM OPTION PLAN)

SERS sends each benefit recipient information marked "Important Tax Information". This is your IRS Form 1099R with the information you need to file your 2006 tax returns. A sample is shown below with explanations of the type of figures that appear in the boxes.

PAYER'S name, street address, city, state, and ZIP code		SCHOOL EMPLOYEES RETIREMENT SYSTEM 300 EAST BROAD ST., SUITE 100 COLUMBUS, OH 43215-3746		Copy B Report this income on your Federal tax return. If this form shows Federal income tax withheld in Box 4, attach this copy to your Federal tax return. Form 1099-R		<div style="font-size: 2em; font-weight: bold; margin-bottom: 5px;">2006</div> <small>OMB No. 1545-0119 Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, Etc.</small>	
		1 Gross distribution	2a Taxable amount		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>
		\$	\$				
		PAYER'S Federal identification number 31-6401777		RECIPIENT'S identification number		RECIPIENT'S name and address	
3 Capital gain (included in Box 2a)		4 Federal income tax withheld		5 Employee contributions			
\$		\$		\$			
6 Net unrealized appreciation in employer's securities		7 Distribution code		8 Other		9a Your percentage of total distribution	
\$		IRA/SEP SIMPLE <input type="checkbox"/>		\$		% %	
9b Total employee contributions		10 State income tax withheld		11 State/Payer's state number		12 Effective date of retirement	
\$		\$		OH 51-935692 7		13 Medicare reimbursed*	
						\$ <input type="checkbox"/> CORRECTED	
This information is being furnished to the Internal Revenue Service.						*Excluded from gross & taxable amounts	

The following information will appear if the Partial Lump Sum Optional Plan (PLOP) payment was paid directly to you.

Box 1: The lump sum amount under the PLOP paid to you by SERS in 2006. This does not include any monthly benefits paid to you; you will receive a separate 1099R and 2006 Recipient Income Tax Information pamphlet for your monthly benefits. You will need all 1099R forms.

Box 2a: The taxable amount of your lump sum.

Box 4: The total amount of federal income tax withheld from your lump sum.

Box 5: The amount of your benefit that is not taxable.

Box 7: Describes the type of benefit, as defined by the IRS, paid to you.

If the PLOP payment was rolled over to another eligible retirement plan or an Individual Retirement Account (IRA) the following information will appear.

Box 1: The lump sum amount which was rolled over to the other plan or an IRA.

Box 7: Designation that the payment was made as a rollover.

Contacts

If you lose, or do not receive your 2006 Form 1099R, contact SERS:

300 East Broad Street, Suite 100
Columbus, Ohio 43215-3746
(614) 222-5853 (For non-toll calls in Franklin County area)
(800) 878-5853 (Toll free outside of Franklin County)

If you need federal tax information, contact IRS:

1. At your local IRS office
2. By telephone, (800) 829-1040
3. At its web site, www.irs.gov

Free help is available to older, disabled, and non-English-speaking individuals in preparing Forms 1040A, or basic 1040. You may obtain information on locations of the Volunteer Income Assistance (VITA) or Tax Counseling for the Elderly (TCE) programs by contacting the IRS.

If you need State of Ohio tax information including School District Income Tax information, contact the Ohio Department of Taxation:

1. At your local Taxpayer Service Center
2. By telephone, (800)282-1780 (Taxpayer Services)
(800) 282-1782 (Forms)
3. At its web site, www.tax.ohio.gov



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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