

IMPORTANT TAX INFORMATION FOR CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM RETIREES

We are providing this information to assist you and/or your tax preparer with filing **2023 tax returns** for your pension benefit payments. This is not legal tax advice but simply an attempt to make you aware of the various considerations for your filing. Any questions related to your specific tax filing should be directed to a professional tax advisor.

PLEASE NOTE: You will receive one 1099-R tax reporting form for your 2023 benefit payments from USBank-ITC Services on behalf of the Charlotte Firefighters' Retirement System.

If you retired at the end of 2022 and received your termination payout in January 2023 you will receive both a 1099-R from USBank on behalf of the Retirement System and a W-2 form from the City of Charlotte.

If you retired during 2023 and received pension payments during 2023 you will receive both a 1099-R from USBank on behalf of the Retirement System and a W-2 form from the City of Charlotte for any wages paid in the year.

If you do not receive your 1099-R from USBank before February 6, 2024:

- You may log on to the Retiree Portal at <https://portal.innovestsystems.com/usb/usb> and retrieve a copy. If you have not yet registered for this site, please see the enclosed Initial Log On Instructions.
- You may contact USBank after February 5th to request a replacement copy. Mailing of replacement copies will begin on February 14, 2024.
- *Please make sure you allow processing and mailing time to receive your 1099R information in a timely manner. Actual delivery date of USMail is out of USBank's control.*

We strongly encourage you to seek professional tax advice when completing your tax return to ensure you receive all the exemptions you are entitled to.

The Charlotte Firefighters' Retirement System is a Qualified Government Defined Benefit Retirement Plan and exempt from ERISA.

FEDERAL TAX FILING

During your employment with the Charlotte Fire Department, **pension contributions** you made to the Retirement System before July 1, 1984 were made on an after-tax basis. In addition, if you purchased prior military time you would have paid for such a purchase with after-tax dollars if that purchase was made prior to late 2002. Any after-tax amounts for contributions and service purchases can be deducted over time on your Federal Tax Returns. For Federal tax filing purposes, you should use (or have your tax preparer use) **IRS Publication 575** for guidance when preparing your Federal tax returns. Publication 575 provides a worksheet for the Simplified Method and explains how to recoup your After-Tax Contributions.

If your pension benefits began after July 1, 1986, and before November 19, 1996, you could have chosen to use either the Simplified Method or General Rule. If your starting date is after November 18, 1996, you **MUST** use the Simplified Method to recoup your cost (any contributions you paid on an AFTER-TAX BASIS).

If you have not been recouping the post-tax contributions you made into this retirement system, you may wish to consider filing amended Federal tax returns. You can do this for up to three prior years. Please refer to the information you received at the time of your retirement which itemizes the contributions you made to the Retirement System during your employment with the Charlotte Fire Department. If you do not have the contribution statement the Retirement System sent you when you retired, call the Retirement System office at 704-626-2728 to request another copy. *Please allow a minimum of 2 days for processing this information.*

The **Pension Protection Act of 2006** created an exemption for eligible retired public safety officers related to income distributions made from your eligible retirement plan that are used to pay the premiums for health insurance. To be eligible for this election you had to retire under a Disability or Service Retirement Pension (excludes Early Retirement Pension).

This exemption does not show on your 1099-R. **Box #1** shows the Gross Distribution from the Retirement System during 2022. The amount you can exclude from your income is the lesser of the amount of the insurance deductions paid to the City OR \$3,000. **Your total medical premium amount will show on your December 31, 2023 semi-monthly pension pay stub under the Year to Date for Medical deductions. If you do not receive a pay stub, you may view your medical deductions in the US Bank retiree portal. This does not provide you a YTD, therefore you would need to review your payment history to tally up the total of medical deductions. Note: The amount excluded from your income cannot also be used to claim a medical expense deduction.**

Please also note if you separated from service at age 50 or older and have taken a distribution from your NC 401(k) plan since 2016, your distribution would not be subject to the 10% early withdrawal penalty. You must complete the federal tax form, Form 5329.

State Tax Filing (This is for North Carolina Residents filing only)
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Just a reminder that many of you are eligible for the state income tax exemption under the **Bailey Case**. To be eligible for the Bailey Case, you needed to be vested with 5 years of service prior to August 12, 1989. If you do NOT qualify for the exemptions under the Bailey Case, you will be guided by the existing North Carolina State Tax Laws related to pension benefits.

Being eligible under the Bailey Case means that the entire amount of your Retirement System pension benefits shown on the 1099-R form are exempt **from NC State Income Taxes**. If you are receiving the Fire Rescue Squad pension, those payments should also be exempt under the Bailey case exemption.

If you are eligible for the Bailey Case exemption, you may also be eligible for some amount of exemption under the existing State tax laws for pensions. These laws may apply to distributions you receive from your 457 deferred comp account after you retire.

Since your 1099-R form is your Federal tax withholding form which is also utilized by States for tax reporting purposes, there is no indication on the 1099-R of Bailey Eligibility. Therefore, you will need to complete the North Carolina tax form D-400 Schedule S. This form can be obtained by logging on to www.ncdor.gov or from your tax consultant.