



2019 TEFRA Notice of Right to Elect or Revoke Federal Tax Withholding

Monthly pension payments received from SDCERA are subject to federal income tax withholding if the taxable portion of the total annual payments equals or exceeds \$24,396 (\$2,033 per month). If you are a U.S. citizen or a resident alien, you may choose not to have tax withheld, but you must provide SDCERA with your home street address (not a P.O. Box) located within the United States. Otherwise, SDCERA is required to withhold tax. If you do not make a tax election, your withholding will be calculated as if you are married and claiming three withholding allowances.

IF YOU DO NOT WANT TO MAKE A TAX ELECTION OR TO CHANGE A PRIOR ELECTION, NO ACTION IS NECESSARY.

If you do not pay your taxes through withholding or do not pay enough tax this way, you may have to pay estimated tax. You may incur penalties under the estimated tax rules if your withholding or estimated tax payments do not meet Internal Revenue Service (IRS) requirements. Withholding only applies to the taxable portion of your benefit payment.

Federal tax election forms with instructions, worksheets and tax withholding tables can be found at <https://www.irs.gov/pub/irs-pdf/fw4p.pdf>. You may also request a *Tax Election for Monthly Retirement Payment* form by calling SDCERA's Member Service Center at 619-515-6800 or visiting the SDCERA website at: http://www.sdcer.org/PDF/tax_election_form.pdf.

Withholding decisions can be complicated. The IRS provides a Withholding Calculator for taxpayers to estimate their withholding for federal income taxes. The Withholding Calculator can be found at <https://www.irs.gov/individuals/irs-withholding-calculator>. The Withholding Calculator is expected to be updated with 2019 tax withholding in the spring of 2019. If you have any questions regarding your tax withholding, you should contact a tax professional.