

## Tax Information

### Tax Withholding

- ◆ For lump-sum payments and partial lump-sum payments that are eligible for rollover distribution, federal law requires a 20% withholding.
- ◆ For periodic payments of less than 10 years' duration, the member will have 20% withheld for federal income tax as required by the IRS.
- ◆ For periodic payments of greater than 10 years' duration, the member may select the amount of federal tax they wish to have withheld from their monthly or annual disbursement.
- ◆ Generally, for payments to non-resident aliens, the IRS requires 30% withheld for federal tax.

### Distribution

- ◆ Deferred income and investment earnings distributed from RSA-1 will be taxed to you or your beneficiary as ordinary income in the year of distribution. RSA-1 payments to you and your beneficiaries are reported on a form 1099R in the year of distribution. There is no penalty for early distribution from a Section 457 Deferred Compensation Plan such as RSA-1 regardless of your age at the time of distribution.
- ◆ For amounts deferred in 1996 and prior years, the principal and interest are subject to federal income tax upon distribution, while only interest is subject to state of Alabama income tax upon distribution.
- ◆ For amounts deferred in 1997 and years thereafter, the principal and interest are subject to federal and state of Alabama income tax upon distribution.