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THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO
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MEMORANDUM

TO: RSA Retired Members Receiving DROP Distribution in 2013

FROM: RSA Administration

RE: 2013 Tax Reporting

DATE: January 2014

The following information will assist you in the tax reporting of distributions paid to you in 2013 from the Deferred Retirement Option Plan (DROP). If you received a lump-sum DROP distribution, you will receive an **IRS Form 1099-R** indicating such payment. If part of your DROP distribution was a direct rollover and part was distributed to you, you will receive more than one Form 1099-R. Additionally, you will receive a separate Form 1099-R reporting the monthly retirement benefits paid to you during 2013. The Form 1099-R for the retirement benefit will indicate any health insurance premiums or other deductions withheld from your monthly retirement benefit.

Your Alabama state retirement benefits are generally **taxable for Federal Income Tax purposes** and **exempt from Alabama Income Tax**. If you are a resident of a state other than Alabama, check with that state's revenue department to determine your tax status.

You should receive your Form(s) 1099-R from the RSA prior to January 31, 2014. If you have not received your form(s) by **February 6, 2014**, please call our office toll-free at 877.517.0020 and request a duplicate. **We will not accept requests for duplicate forms prior to that date.**

The following information refers to specific boxes on the Form 1099-R:

Box 1 **Gross Distribution:** For DROP distributions, this will be the amount paid either directly to you or the amount directly rolled over to another plan by the RSA.

Box 2a **Taxable Amount:** This is the taxable portion of the gross distribution which should be reported on your Federal Income Tax return. For members who had their DROP distribution directly rolled over to another plan, this will be zero.

Box 2b **Blank** (Unless you received a death benefit payment.)

Box 3 **Zero**

Box 4 **Federal Income Tax Withheld:** This is the amount of Federal Income Tax withheld from the distributions paid directly to you during 2013. For members who had their DROP distribution directly rolled over to another plan, this will be zero.

Box 5 **Employee Contributions:** This represents the return of your pre-taxed contributions into your DROP account and is the difference between Box 1 and Box 2a. Not everyone will have an amount in this box; if Box 1 and Box 2a are the same, Box 5 will be zero. **PLEASE NOTE: THESE ARE NOT DESIGNATED ROTH CONTRIBUTIONS OR INSURANCE PREMIUMS.**

Box 6 **Zero**

(Mailing Address) P.O. Box 302150 • Montgomery, AL 36130-2150
(Office Location) 201 South Union Street • Montgomery, AL
334.517.7000 or 877.517.0020
www.rsa-al.gov

Box 7 **Distribution Code:** This code identifies the type of payment you received from RSA. For retirees your distribution code should be at least one of the following:

Distribution Code	Type Payment
2	Lump sum payment upon withdrawal from service if less than age 59½ at the time of distribution
4	Death benefits paid to you as beneficiary of a deceased member of the RSA
7	Normal distribution to a person over age 59½
G	Direct rollover to a qualified plan, a tax-sheltered annuity, a governmental 457(b) plan, or an IRA or used with code 4, if applicable
A	May be eligible for 10-year tax option if you received a lump-sum distribution and were born before January 2, 1936. Used with code 4 or 7, if applicable

Box 8 **Zero**

Box 9a **Zero**

Box 9b **Total Employee Contributions:** This is an informational item.

Box 10 **Zero**

Box 11 **Blank**

Box 12 **Zero or Blank**

Box 13 **State/Payers State Number**: Will have "AL" in this box.

Box 14 – 17 **Zero or Blank**

Health Insurance: Zero or Blank – Any health insurance premiums will be reported on the separate Form 1099-R.

Other Deductions: Zero or Blank

You may wish to provide this memorandum along with the IRS Form 1099-R to the person who prepares your 2013 tax returns. If you prepare your own taxes, this memorandum should help answer any questions relating to that process. If you have questions relating to your tax liability or tax filing, contact a qualified tax professional.