

2010

KEEPING UP WITH WITHHOLDING CHANGES

CAN BE TAXING

Over the past year, we've updated you on various (sometimes confusing) tax changes that could affect your LACERA allowance — and we remain committed to keeping you informed. With that in mind, we're notifying you of another tax issue.

BACKGROUND

Under the Making Work Pay Credit (a provision of The American Recovery and Reinvestment Act of 2009), **working individuals and working families** can hold on to more of their paychecks by paying less withholding tax. However, **most pensioners are not eligible for this tax credit** and, as a result, retirees may be faced with an unexpected tax liability for 2009.

FEDERAL TAX CALCULATIONS FOR 2010

In November, the IRS addressed this situation by releasing new optional withholding calculations for 2010 pension payments. **LACERA is implementing these calculations, effective 1-1-10.**

WHAT THIS MEANS TO YOU

The IRS calculations titled **Additional Withholding for Pensions for 2010** are intended to provide **non-working** retirees an approximate offset to the withholding reduction instituted by the Making Work Pay tax tables. These calculations will slightly increase withholding tax on your allowance throughout 2010, to **greatly reduce your chance of facing an unexpected tax liability for 2010.**

HOW TO ADJUST YOUR TAX WITHHOLDING

To change the amount of federal tax withheld from your LACERA allowance, you must file a new Form W-4P tax form with LACERA:

- Visit **My LACERA** at lacera.com, to adjust and submit your tax withholding election online, or
- Call **1-800-786-6464** to have a W-4P/DE-4P tax form mailed to you, or
- Visit the **Brochures & Forms** page of lacera.com to download a W-4P/DE-4P tax form
 - Mail completed form to LACERA, P.O. Box 7060, Pasadena, CA 91109-7060, or
 - Fax completed form to 626-564-6155

CONSULT WITH A PROFESSIONAL ADVISOR

For guidance pertaining to your individual situation, consult with a professional advisor. LACERA does not offer tax or legal advice. **We cannot make recommendations regarding your tax withholding elections.**

Your LACERA Retirement Allowance



**IRS Additional Withholding
for Pensions**



**You pay more
withholding tax in 2010
and have fewer surprises on
April 15, 2011**

LACERA

lacera.com 1-800-786-6464