



CITY OF PHILADELPHIA
MUNICIPAL EMPLOYEES

DEFERRED COMPENSATION PLAN

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January 2018

Re: **IMPORTANT TAX INFORMATION**
Pennsylvania State Income Tax Liability

Dear Deferred Compensation Plan Participant:

Enclosed is your IRS Form 1099-R detailing the total distributions made to you from the City of Philadelphia Municipal Employees Deferred Compensation Plan during calendar year 2017.

The following information is not intended to provide you with tax or legal advice, but is intended to provide you with helpful information for you or your tax advisor to reference in completing and filing your 2017 tax return with the State of Pennsylvania.

The amount shown in Box 1 represents the total of all payments made to you from the Deferred Compensation Plan in calendar year 2017 and is reported to the Pennsylvania State Department of Revenue, if you reside in Pennsylvania.

YOU DO NOT OWE PENNSYLVANIA STATE TAX ON THE AMOUNT SHOWN IN BOX 1- IF EITHER OF THE FOLLOWING IS TRUE:

1. You received payments from the City's Deferred Compensation Plan as a result of your "Retirement." (Retirement means that the employee has attained normal age and service requirements established for retirement under the Philadelphia Public Employees Retirement System),

or

2. You received regularly recurring payments as a result of a disability.

If either of these situations applies to you, then you **do not** owe Pennsylvania State Income Taxes on your Distributions.

If you qualify under one of the factors listed above, you must attach a written statement to your Pennsylvania Income Tax Return explaining that no Pennsylvania State Income Tax is due on the accumulated earnings portion of the distribution due to retirement or disability, whichever is applicable. Sample letters can be found online at www.philly457.org.

ADDITIONALLY, YOU MAY NOT OWE PENNSYLVANIA STATE TAX ON THE FULL AMOUNT SHOWN IN BOX 1.

If you do not meet either of the two criteria described above, then you must determine the amount of distributions in 2017 that represent accumulated earnings (total balance minus employee contributions).

If the amount that you declare on your 2017 Pennsylvania State Income Tax Returns differs from the amount in Box 1, then you need to provide a separate written statement with your Pennsylvania State Tax Return explaining the portion of your distribution that represents contributions that were previously taxed.

The City has received confirmation from the State of Pennsylvania Department of Revenue that all payments of accumulated earnings that you receive from the City's Deferred Compensation Plan are taxable in the year you receive payments, unless the two criteria set forth apply to you. Remember that the portion of your distribution representing contributions made to the Plan was previously taxed by the State of Pennsylvania when contributed and should not be taxed again by the State of Pennsylvania.

To assist you in determining what portion of your total 2017 distribution is subject to State of Pennsylvania income tax, you may obtain the amount of total contributions you made to the City's Plan by calling **Nationwide Plan Representatives at (215) 568-1964 or (215) 568-1982 or 215-568-1960** during normal business hours.

We hope you find this information helpful and recommend that you consult with a tax advisor. If you should have additional questions please feel free to contact ICMA-RC at the telephone number listed above.

Sincerely,



Shamika Taliaferro
Deputy Pension Director

City of Philadelphia
Board of Pensions & Retirement

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