SDRS
SOUTH DAKOTA RETIREMENT SYSTEM

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IMPORTANT TAX INFORMATION NOTICE

Separate from this mailing, in January 2021, you will receive your 2020 1099-R from SDRS. This 1099-R will contain information you will need in preparing your income tax return. Both the total amounts of benefits paid during the year and taxable benefits will be shown. The total amount of benefits is reflected as "**Gross Distribution**" in **Box 1** and taxable benefits are reflected as "**Taxable Amount**" in **Box 2A**. The difference (if any) between the gross distribution (Box 1) and taxable amount (Box 2A) represents a partial recovery of your previously taxed contributions to the South Dakota Retirement System.

In determining the recovery portion of the total benefit, SDRS used the IRS "Simplified" method. According to the IRS, the "Simplified" method allows for tax-free recovery of your previously taxed contributions. The amount of your tax exclusion (if any) for this year appears as "**Employee Contributions or Insurance Premiums**" in **Box 5**. Consequently, Box 5 does **not** pertain in any way to health or life insurance premiums paid by you or your former employer.

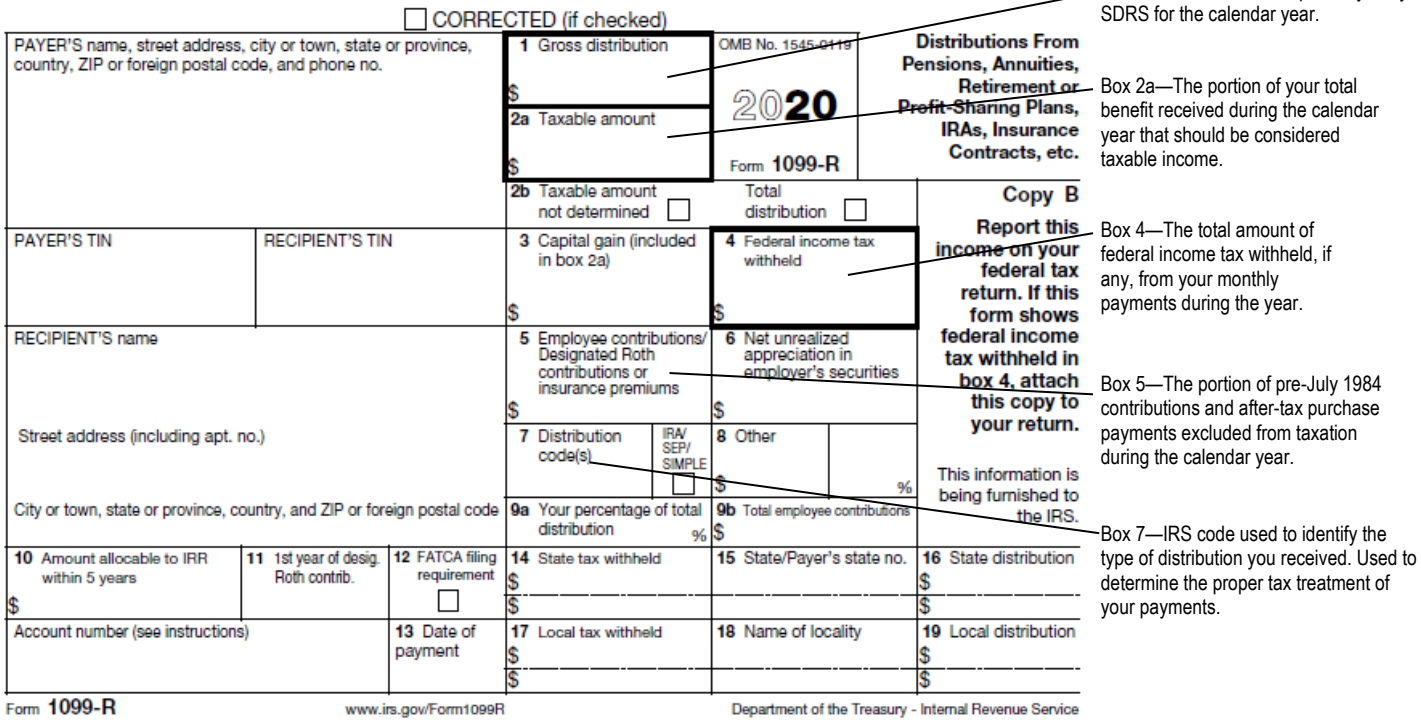
Further information regarding the "Simplified" method may be found in the instructions for IRS Form 1040.

NOTE: If you are the beneficiary of a deceased member who died before August 21, 1996, you may qualify for a death benefit exclusion of up to $5,000. If this is applicable, we suggest you contact your tax preparer for further assistance as SDRS is not allowed to determine the non-taxable portion of the death benefit exclusion.

This notice has been supplied to you in accordance with IRS Notice 98-2.

Please retain this notice for future tax years.

Sample IRS Form 1099-R



Box 1—The total amount paid to you by SDRS for the calendar year.

Box 2a—The portion of your total benefit received during the calendar year that should be considered taxable income.

Box 4—The total amount of federal income tax withheld, if any, from your monthly payments during the year.

Box 5—The portion of pre-July 1984 contributions and after-tax purchase payments excluded from taxation during the calendar year.

Box 7—IRS code used to identify the type of distribution you received. Used to determine the proper tax treatment of your payments.