

Instructions for Completing Federal Tax Withholding Certificate - ECB-123B

Federal Income Taxes: Your retirement benefits are subject to Federal income taxes. ERS withholds federal income taxes from benefit payments as discussed below. The ERS will issue a Form 1099-R each January for your income tax filing.

- Refer to the Special Tax Notice Regarding Retirement Plan Payment for important tax information regarding refund of contribution payments.

State Income Taxes: Benefits paid by Employees' Retirement System (ERS) are exempt from State of Hawaii income taxes. As such, ERS does not withhold state income taxes from ERS pension benefits. Benefits received from ERS may be taxable if you move to a different state.

Because each person's situation may be different, we recommend that you consult with federal and/or state income tax authorities, your income tax and/or financial advisor regarding your specific situation.

If no Federal Tax Withholding Certificate (EC&B-123B) is received **prior** to your retirement date, your retirement benefits will be processed with the following required Federal income tax withholdings, as discussed below:

- Monthly pension - as if you are married claiming three withholding allowances.
- Refund of Contributions eligible for rollover (i.e. Option Four or Five refund): The entire refund of contributions amount will be paid to you and the minimum 20% Federal income tax withholding will be withheld from the taxable portion.

Section A: Monthly Pension: Federal income tax withholding from monthly pension payments:

Check 'No' if you DO NOT want ERS to withhold Federal income taxes from your monthly pension checks.

Check 'YES' if you DO want ERS to withhold Federal income taxes from your monthly payments. Under current law, you cannot designate a specific dollar amount to be withheld, however, you can designate an additional amount to be withheld if the tax withholding tables do not provide you with the amount you want withheld.

Required: Indicate your marital status and the number of withholding allowances
(Allowance must be zero or greater i.e. no negative numbers).

Optional: Additional amount, you want withheld from each periodic payment.

If you do not designate your federal income tax withholding, ERS must withhold on your monthly payments as if you are married claiming three withholding allowances.

After retirement, you may change monthly federal income tax withholdings by completing IRS Form W-4P. This form is available from the IRS, on our website or by calling ERS to request a form be mailed to you.

Section B: Distributions of any taxable amount from the ERS that qualifies for rollover to another qualified retirement account.

Based on your retirement option, you are able to rollover the taxable portion of Option Four or Option Five refunds you receive from the ERS. Any taxable portion of the Option Four or Option Five refund not rolled over, is subject to a mandatory minimum Federal income tax withholding of 20% (you may have more withheld). Carefully review the enclosed Special Tax Notice Regarding Retirement Plan Payments for important tax information regarding refund of contribution payments that may be eligible for rollover to another qualified retirement account as part of Option Four or Option Five.

EMPLOYEES' RETIREMENT SYSTEM
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813-2980

FEDERAL TAX WITHHOLDING CERTIFICATE

Name: _____ S. S. No.: _____ Retirement Date: _____

SECTION A. (Contributory/Noncontributory/Hybrid)

FEDERAL INCOME TAX WITHHOLDING: You must complete the following to designate federal income tax withholding from your monthly pension payment. If **no** withholding election is made, we are required to withhold as if you are married claiming three withholding allowances. Select only one choice.

- NO Do not withhold federal income taxes
- YES Withhold federal income taxes based on the following:

Marital status: Single Married Married, but withhold at higher "Single" rate

*Number of allowances: _____ Additional amount you want withheld from your pension: \$ _____

*You must enter a number of allowances equal to or greater than zero.

SECTION B. (Contributory/Hybrid Only)

Complete this section for distribution of any taxable amount from the ERS that qualifies for rollover

. Option 4 or 5 Refund

<u>Determination of Estimated Taxable Portion</u>	
1) Option 4 or 5 refund	\$ _____
2) Non-taxable Contributions	- _____
3) Total	=\$ _____

SELECT ONLY ONE

1. _____ **NO ROLLOVER**
 - . I do not want to rollover the taxable portion of my Option 4 or 5 refund payment or any other taxable amount.
 - . By federal law, at least 20% of the taxable portion that is not rolled over must be withheld for federal income taxes. Therefore, please withhold: _____% OR \$ _____ of the taxable portion of my Option 4 or 5 refund payment and any other taxable amount. (Note: 20% will be withheld if no percentage or dollar amount is indicated above.)
2. _____ **FULL ROLLOVER**
 - . I want to rollover the entire taxable portion of my Option 4 or 5 refund payment, if applicable, as well as any other taxable amount to the institution listed below.
3. _____ **PARTIAL ROLLOVER**
 - . I only want to rollover \$ _____ of the taxable portion of my Option 4 or 5 refund payment, if applicable, and any other taxable amount to the institution listed below.
 - . By federal law, at least 20% of the taxable portion that is not rolled over must be withheld for federal income taxes. Therefore, please withhold: _____% OR \$ _____ of the taxable portion of my Option 4 or 5 refund payment. (Note: 20% will be withheld if no percentage or dollar amount is indicated above.)

Rollover Qualified Plan (IRA) Information:

Institution: _____

Address: _____

Account Number _____

The rollover check will be mailed to the address provided to be deposited into my qualified retirement account. I understand that if I do not provide the institution's name by my retirement date, the ERS will not be able to rollover or direct any funds. The ERS will also be required to withhold 20% of the taxable portion of the refund payment and any other taxable amount for federal income tax purposes.

Signature _____

Date _____