

IRS Announces Expiration of 2009 Credit

The Internal Revenue Service (IRS) recently announced the expiration of the Making Work Pay Credit and some other provisions of the 2009 American Recovery and Reinvestment Act. Your benefit may have decreased as a result of this change.

The Making Work Pay Credit provided a tax stimulus for wage earners. Although the credit did not apply to retirement income, this resulted in a reduction in the federal tax withholding for a majority of retirees, effective with the May 1, 2009 payment. The recent expiration of the credit means your federal tax withholding may have increased, creating a decrease in your benefit payment beginning with the February 1, 2011 payment.

For more information, call the IRS toll free at 1-800-829-1040 or visit the IRS Web site at www.irs.gov. See also "Benefit Amount Changed?" on the VRS Web site at www.varetire.org.

Can I change my withholding to add back the amount of the decrease to my benefit payment?

You can adjust your withholding by submitting the Request for Income Tax Withholding (VRS-15) to VRS or by visiting your *myVRS* account. Before you change your withholding, VRS strongly encourages you to talk with a tax advisor or contact the IRS. The VRS-15 is available on the VRS Web site at www.varetire.org. *VRS*

Other reasons your benefit may have changed:

- The Virginia Department of Taxation increased personal and dependent exemptions.
- The State Retiree Medicare-eligible health insurance premiums (Advantage 65) decreased, except for the Medical Only Plan with dental and vision coverage.

1099-Rs were mailed in January.

Information about the 1099-R is available at www.varetire.org. Select the Retiree homepage for links to the winter 2010 issue of *Retiree News* and to "Tax Time." *Note:* If you received a work-related disability retirement benefit last year, you received an income verification letter instead of a 1099-R.

Social Security Rate Decrease Also Affects Some Retirees' Benefits

The IRS announced a decrease in the Social Security tax rate to 4.2 percent from 6.2 percent, which was passed by Congress for the 2011 calendar year. If you have VRS group life insurance coverage in excess of \$50,000, the excess amount is subject to FICA (Social Security and Medicare) tax. Retirees affected by the decrease in the Social Security tax rate saw an increase in their benefit ranging from a few cents to \$22, beginning with the February 1 benefit payment. Because this change was not received in time to apply the rate decrease to the January 1 payment, VRS sent a one-time adjustment to these retirees' financial institution accounts in February. The Social Security rate decrease is effective through December 31, 2011.

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Benefit Amount Changed?

The Internal Revenue Service (IRS) recently announced the expiration of the 2009 Making Work Pay Credit. This may have resulted in a decrease in your benefit amount. [See inside.](#)



Look up your 1099-R, W-2 and benefit payment information in *myVRS*.

To log in or create a secure online account, select the *myVRS* logo from www.varetire.org.



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