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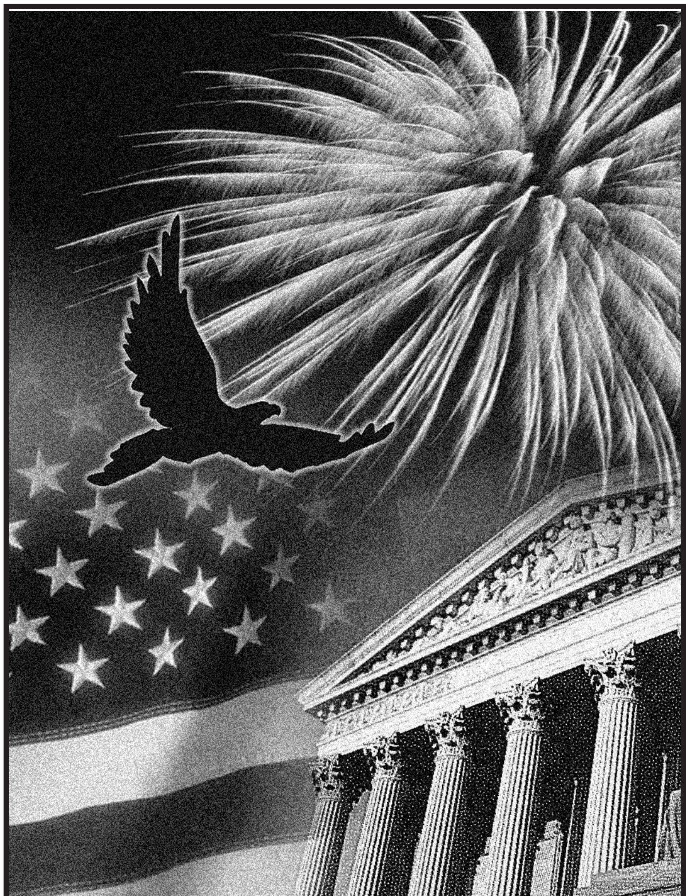
Pension and Annuity Income

For use in preparing

2021 Returns



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Feb 28, 2022

Contents

What's New

Form 8915-F replaces Form 8915-E. Form 8915-F, Qualified Disaster Retirement Plan Distributions and

Is your plan eligible? To find out if your plan is an eligible plan, check with your employer. Plans that aren't eligible section 457 plans include the following.

- Bona fide vacation leave, sick leave, compensatory time, severance pay, disability pay, or death benefit plans.
- Nonelective deferred compensation plans for nonemployees (independent contractors).
- Deferred compensation plans maintained by churches.
- Length of service award plans for bona fide volunteer firefighters and emergency medical personnel. An exception applies if the total amount paid to a volunteer exceeds $6,000 for any year of service.

Disability Pensions

If you retired on disability, you must generally include in income any disability pension you receive under a plan that is paid for by your employer. You must report your taxable disability payments as wages on Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a, until you reach minimum retirement age. Minimum retirement age is generally the age at which you can first receive a pension or annuity if you aren't disabled.

TIP *You may be entitled to a tax credit if you were permanently and totally disabled when you retired. For information on this credit, see Pub. 524.*

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity. When you receive pension or annuity payments, you are able to recover your cost or investment. Your cost is generally your net investment in the plan as of your annuity starting date. It doesn't include pre-tax contributions. For more information, see *Cost (Investment in the Contract)* and *Taxation of Periodic Payments*, later.

Report the payments on Form 1040, 1040-SR, or 1040-NR, lines 5a and 5b.

TIP *Disability payments for injuries incurred as a direct result of a terrorist attack directed against the United States (or its allies) aren't included in income. For more information about payments to survivors of terrorist attacks, see Pub. 3920, Tax Relief for Victims of Terrorist Attacks, and Pub. 907.*

Military and government disability pensions. Certain military and government disability pensions aren't taxable.

Service-connected disability. You may be able to exclude from income amounts you receive as a pension, annuity, or similar allowance for personal injury or sickness resulting from active service in one of the following government services.

- The armed forces of any country.
- The National Oceanic and Atmospheric Administration.
- The Public Health Service.
- The Foreign Service.

Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income can't be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is a:

- Qualified trust,
- Section 403(a) plan,
- Section 403(b) annuity, or
- Section 457(b) plan.

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R doesn't reflect this exclusion. Report your total distributions on Form 1040, 1040-SR, or 1040-NR, line 5a. Report the taxable amount on Form 1040, 1040-SR, or 1040-NR, line 5b. Enter “PSO” next to the appropriate line on which you report the taxable amount.

If you are retired on disability and reporting your disability pension on Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a, include only the taxable amount on that line and enter “PSO” and the amount excluded on the dotted line next to the applicable line.

Railroad Retirement Benefits

Benefits paid under the Railroad Retirement Act fall into two categories. These categories are treated differently for income tax purposes.

The first category is the amount of tier 1 railroad retirement benefits that equals the social security benefit that a railroad employee or beneficiary would have been entitled to receive under the social security system. This part of the tier 1 benefit is the social security equivalent benefit (SSEB) and you treat it for tax purposes as social security benefits. If you received, repaid, or had tax withheld from the SSEB portion of tier 1 benefits during 2021, you will receive Form RRB-1099, Payments by the Railroad Retirement Board (or Form RRB-1042S, Statement for Nonresident Alien Recipients of Payments by the Railroad Retirement Board, if you are a nonresident alien) from the U.S. Railroad Retirement Board (RRB).