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ABSTRACT

Designed to cover the general information essential to all annuitants regarding the Federal Income Tax implications of Civil Service retirement, this guide is for the use of the Civil Service Commission in training agency retirement counselors and as an instructor's guide or instructor's reference by retirement counselors in conducting pre-retirement counseling seminars. The guide uses lecture, handouts, and group discussion, as well as visual aids. The contents of the guide are: Introduction (seminar objectives, forms and statements Civil Service provides retirees regarding Federal income tax, information and services a retiree can expect from IRS, and other professional tax services available); The Taxability of Annuities and Payments to Civil Service Retirees (the taxability of an immediate annuity, a disability annuity, of sick leave pending retirement, and of lump-sum payments received at retirement); The Taxability of Annuities and Payments to Survivors of Civil Service Retirees (the taxability of survivor annuity, the income tax status of lump-sum payments made at death of retiree, the filing requirements of the final tax return for deceased annuitants, the requirements to be met for widow/widower filing a joint return for two years beyond year of spouse's death); Special Federal Income Tax Considerations upon Reaching Age 65 or Retirement; Retirement Income Credit (who may or may not receive credit, what retirement income is, how to compute the credit); Declaration of Estimated Tax; and Review and Evaluation. (DB)

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INSTRUCTOR GUIDE

FOR FEDERAL INCOME TAX IMPLICATIONS OF CIVIL SERVICE RETIREMENT

MAY 1972

PREPARED BY
DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

PUBLISHED AND DISTRIBUTED BY
U.S. CIVIL SERVICE COMMISSION
BUREAU OF TRAINING

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INTRODUCTION

BACKGROUND:

This unit was developed by the Internal Revenue Service to be-

(1) used by the Civil Service Commission in training other agency retirement counselors, and

(2) made available by the Civil Service Commission for use as either an Instructor Guide or an Instructor Reference by retirement counselors, usually personnel officers, government-wide in conducting pre-retirement counseling seminars.

PURPOSE:

The unit is designed to cover the general information essential to all annuitants regarding the Federal Income Tax implications of Civil Service retirement. Unusual and complex matters should be referred to the local IRS office.

OBJECTIVES:

By the conclusion of the seminar, the participant will have an awareness of:

(1) the forms and statements Civil Service provides retirees regarding Federal income tax;

(2) the information and services a Civil Service retiree can expect from IRS:

(3) other professional tax services available to him;

(4) the Federal income taxability of Civil Service annuities, payments to retirees, and benefits to survivors;

(5) special Federal income tax considerations upon reaching age 65 or retirement;

(6) the requirements for filing a declaration of estimated tax; the optional withholding provision available to the Civil Service retiree.

INSTRUCTOR SELECTION CRITERIA AND PREPARATION:

It is recommended that the personnel officer chosen (or another possibility is an employee who is experienced in the completion of tax returns) be one who:

(1) has retirement counseling responsibilities;

(2) has instructed, or at least is experienced in giving presentations.

It is further recommended that he:

(1) study the unit for comprehension;

(2) establish a local IRS contact:

- o to obtain clarification, if necessary, of content of unit;
- o to be able to furnish IRS publications and additional information when needed (e.g., regarding a subject of general interest to the seminar participant or a specific problem which an individual participant might have);

(3) dry-run the presentation;

(4) work with his agency training officer regarding his presentation; the selection and preparation of facilities, equipment and training aids; and the reproduction of handout materials.

METHOD:

The unit uses lecture, handouts, group discussion. It is intended to be a flexible training aid rather than a rigid training package. The successful instructor will adapt the materials to the needs and size of the participant group, his own teaching style, and the facilities available to him.

USE OF SEMINAR MATERIALS:

The materials comprise an Instructor Guide which includes suggested handouts which may be reproduced and given to participants before, during or after the presentation (it is recommended that the participants take the handouts home and study them). The handouts also lend themselves to being made into transparencies, blow-ups, etc.

Caution: the successful use of these materials requires the use of visual aids as indicated in the Guide.

In addition, IRS publications (which can be obtained from the local IRS office) to be used as handouts are specified. Another handout, listing related IRS publications which may be of interest to some of the participants, is also included.

In o der to allow for questions and a "break," it is suggested that approximately three hours be allowed for the session. However, the group may have no need for one or more subject(s) (e.g., taxability of a disability annuity and sick leave pending retirement), in which case, it is recommended that such subject(s) be omitted.

FACILITIES, EQUIPMENT, TRAINING AIDS, HANDOUTS:

The size of the group will determine the necessary facilities and the kind of equipment, training aids and supplies which will be appropriate (e.g., blackboard, flipchart, VU-Graph).

HANDOUTS

(Those marked with an asterisk* are IRS publications and should be requested from the local IRS office; the others are included with this package to be reproduced and used as handouts and/or blow-ups/transparencies.)

Sequence of Use	Title	Location in Unit
No. 1a	*Pub. No. 567, Tax Information on U.S. Civil Service Retirement and Disability Retirement	Section A
1b	*Pub. No. 554, Tax Benefits for Older Americans	"
1c	*Pub. No. 524, Retirement Income Credit	"
1d	*Pub. No. 505, Tax Withholding and Declaration of Estimated Tax	"
1e	Additional IRS publications which may be of interest and are available from the local office.	"
2a	Taxability of Annuity when 3-Year Rule Applies	Section B
2b	Taxability of Annuity when General Rule Applies	"
2c	Taxability of Annuity when Voluntary Contributions have been made	"
3	Taxability of Disability Annuity	"
4	Computation of Excludable Gain on Sale of Residence After Age 65	Section D
5a	Who may (may not) receive the Retirement Income Credit	Section E
5b	What is Retirement Income? What is the amount of the Credit?	" "
5c	How is the Retirement Income Credit computed?	"
6	Requirements for filing a Declaration of Estimated Tax	Section F
7	Participant Evaluation of Unit	Section G

CONTENTS

A Subject: Introduction
Objectives: Participants will learn:
(1) seminar objectives
(2) what forms and statements Civil Service provides retirees regarding Federal income tax;
(3) what information and services a retiree can expect from IRS;
(4) what other professional tax services are available to him.
Time: 20 minutes
Method of Presentation: Lecture/discussion/handouts
Handouts: Nos. 1a, 1b, 1c, 1d, 1e, 1f.

●INSTRUCTOR ACTIVITY: The purpose is to put everyone at ease. The seminar should be conducted in a relaxed, informal atmosphere conducive to learning.

LESSON OUTLINE: Welcome the group to session on the Federal income tax implications of Civil Service retirement. The subject is one about which much interest has been expressed; hopefully, each participant will learn those things useful to him.

Self-Introduction to the group. The instructor should tie this to the reason he is giving the presentation and make clear that, though he is not a tax expert, he can refer to the local IRS office a question or problem of general interest to the group which is not covered, or is inadequately covered, in the session or in the handouts.

Throughout this session, when we refer to taxes, we mean the Federal income tax. Furthermore, all such references are based on the tax laws currently in effect.

●ACTIVITY: Use prepared flipchart, transparency, etc. Have these objectives in participants' view throughout the seminar.

OUTLINE:
(1) Statement of Seminar Objectives
By the conclusion of the seminar, you will have learned:
(a) the forms and statements Civil Service provides retirees regarding Federal income tax;
(b) the information and services a Civil Service retiree can expect from IRS;
(c) other professional tax services available to you;
(d) the Federal income taxability of Civil Service annuities, payments to retirees, and benefits to survivors;
(e) special Federal income tax considerations upon reaching age 65;
(f) the requirements for filing a Declaration of Estimated tax; the optional withholding provision available to the Civil Service retiree.

Any questions?

(2) First of all, what kinds of information needed by or useful to you for Federal income tax purposes will you receive from the CSC regarding payments they make to you?

At your retirement (whether a regular, optional or disability), you will receive a Civil Service Annuity Statement.

As printed on this statement: KEEP THIS STATEMENT. YOU WILL NEED IT FOR FEDERAL INCOME TAX AND FOR OTHER PURPOSES.

●ACTIVITY: Use prepared flipchart. Keep in participants' view throughout the seminar.

OUTLINE:
The Civil Service Annuity Statement includes your:
Name
Address
Social Security Number
Civil Service Annuity Number
Monthly Rate of Annuity (indicating what part, if any, was purchased by voluntary contributions)
Effective Annuity Date
Total Contributions to the Retirement Fund (indicating what part, if any, were voluntary contributions)
Type of Retirement
Survivor Annuitant's Name (if one designated)
Survivor Annuitant's Monthly Annuity

As you will see in examples of annuities which we will go through in this session, this statement includes information needed to determine the taxability of your annuity.

At the effective date of a survivor annuity, the survivor annuitant (whether of a deceased employee or a deceased annuitant) receives an Annuity Certificate. The survivor annuitant should KEEP THIS STATEMENT. It includes information necessary to determine the taxability of the survivor annuity.

●ACTIVITY: Use prepared flipchart. Keep in participants' view throughout the seminar.

OUTLINE:
The Annuity Certificate includes:
Name of Survivor Annuitant
Address

Name of Former Employee
Claim Number
Effective Survivor Annuity Date
Total of Decendent's Retirement Contributions (indicating what part, if any, were voluntary contributions)
Total Annuity Paid to Decedent (if he had retired)
Statement of Monthly Annuity (indicating total monthly annuity and what part, if any, was purchased by voluntary contributions)

Does anyone have a question about the Civil Service Annuity Statement sent to the retiree or the Annuity Certificate sent to the survivor annuitant?

REMEMBER: They contain basic information needed to complete the Federal Income Tax Return.

●ACTIVITY: Use prepared flipchart. Keep in participants' view throughout the seminar.

OUTLINE: In addition, a retiree receives from CSC a U.S. Information Return (Form 1099) showing the gross amount of annuity paid to him during the calendar year just completed. All, part, or none of this amount may be taxable income to him. We will see how this is determined in the examples we will go through a little later in this session.

Please note that an Information Return is sent only to a retiree receiving an annuity. One is not sent to a survivor annuitant. (However, should either the retiree or the survivor annuitant elect to have income tax withheld from his annuity, the CSC will send him a Form W-2, or equivalent, showing the amount withheld. We will discuss this later on.)

(3) Now, let's find out what kinds of information and services regarding Civil Service retirement you can expect from IRS.

IRS has a number of publications available at no charge upon request from your local IRS office. A packet of those we think will be useful to most of you will be given out at this time.

●ACTIVITY: Distribute packet of IRS publications - Handout No. 1. Packet should include:

No.	Title
567	Tax Information on U.S. Civil Service Retirement and Disability Retirement (Handout No. 1a)
554	Tax Benefits for Older Americans (Handout No. 1b)
524	Retirement Income Credit (Handout No. 1c)
505	Tax Withholding and Declaration of Estimated Tax (Handout No. 1d)

List of additional publications which may be of interest and are available from IRS. (Handout No. 1e)
Instructor should go through the packet giving the title and displaying a sample of each publication. The titles describe content.

OUTLINE: Tow of these deal exclusively with Civil Service retirement. Also included in the packet is a list of related publications which some of you might find useful.

●ACTIVITY: Instructor should put the local IRS taxpayer service telephone number and address on flipchart.

OUTLINE: If you cannot find the answer to your question in an IRS publication or it is not clear to you, you may call or visit the local IRS office for taxpayer service. They will be glad to help you find the answer to your tax problem. I suggest that you refer your questions to IRS at the earliest possible time -- don't wait till April 15 when the lines at the office are long! As I mentioned earlier, if in our pre-retirement counseling sessions, we find that we have an income tax question of general interest, or if in any of your individual pre-retirement counseling conferences, an income tax question arises, I shall be glad to get the information from the local IRS office.

(4) Or should you prefer to get your income tax advice from someone other than IRS, you can get professional help from an attorney, a CPA or other accountant, or an income tax returns completion service. (Some banks and department stores now offer this service.)

●ACTIVITY: Leave these flipcharts for reference throughout the seminar.

OUTLINE: Are there any questions on what we covered so far? - On the seminar objectives?
What information a retiree receives from the CSC?
What services a retiree can expect from IRS?
Other sources of professional help?

B

<u>Subject</u>: The taxability of annuities and payments to Civil Service Retirees

<u>Objectives</u>: Participants will learn:

(1) the taxability of an immediate annuity:
  (a) when the cost is recovered within 3 years;
  (b) when the cost is not recovered within 3 years;
  (c) purchased by voluntary contributions.

(2) the taxability of:
  (a) a disability annuity
  (b) sick leave pending retirement.

(3) the taxability of lump-sum payments received at retirement.

<u>Time</u>: 45 minutes

<u>Method of Presentation</u>: Lecture/discussion/handouts

<u>Handouts</u>: Nos. 2a, 2b, 2c, 3.

<u>OUTLINE</u>: In earlier sessions, we learned that retirement is mandatory at age 70 after 15 or more years of service, and that you may retire and receive an immediate annuity:

at age 62 with 5 years of service;
at age 60 with 20 years of service;
at age 55 with 30 years of service;

and if separated involuntarily, at
age 50 with 20 years of service;
any age with 25 years of service;

and if totally disabled, at
any age with 5 years of service.

What portion of this annuity is taxable?

(1) First, let's consider the immediate annuity other than a disability annuity.

The annuity statement you receive at retirement shows your cost and the monthly rate of your annuity benefit.

At the time you receive this statement, you should compute the number of months it will take for you to recover your cost. This answer determines how your annuity will be taxed--by the 3-Year Rule or by the General Rule. <u>Once this is determined, a change in the amount of the monthly annuity has no effect on the Rule which applies</u>.

If your total contribution is equal to or less than the monthly annuity multiplied by 36 (the number of months in 3 years), you recover your cost within 3 years and must use the 3-Year Rule. <u>Almost all the U.S. Civil Service retirees use the 3-Year Rule</u> since they receive annuity benefits sufficient to recover their cost well within 3 years--usually within 15 to 20 months--after they retire.

If your total contribution exceeds the monthly annuity multiplied by 36, you do not recover your cost within 3 years and must, therefore, use the General Rule.

If you made voluntary contributions to the retirement fund, the monthly annuity purchased by these contributions is stated separately on the annuity statement, is taxable under the General Rule, and is not used in determining which tax rule applies to the annuity exclusive of that purchased by voluntary contributions. In other words, your annuity would be treated like two annuities for tax purposes: one to which either the 3-Year Rule or the General Rule applies (depending on the time required for cost recovery) and the other (purchased by voluntary contributions) to which only the General Rule applies.

Let's go through some examples of an immediate annuity.

What happens when the 3-Year Rule applies?

●<u>ACTIVITY</u>: Distribute Handout No. 2a and demonstrate example on flipchart.

<u>OUTLINE</u>:
Go through Handout No. 2a
(15 minutes)
Remember: the 3-Year Rule applies to most Civil Service annuities.
Ask for questions.

What happens when the General Rule applies?

●<u>ACTIVITY</u>: Distribute Handout No. 2b.

<u>OUTLINE</u>:
Go through Handout No. 2b
(5 minutes)
Ask for questions.

What happens when voluntary contributions have been made?

●<u>ACTIVITY</u>: Distribute Handout No. 2c.

<u>OUTLINE</u>:
Go through Handout No. 2c
(5 minutes)
Ask for questions.

(2) Let's turn now to the matter of a dis-

ability retirement.

●ACTIVITY: Determine if this subject is of interest to this particular group.

OUTLINE: What portion of this annuity is taxable? Here, again, you will receive an annuity statement from CSC showing your total contributions and your monthly rate of annuity.

Until you attain your Retirement Date (which we will define later), disability annuity payments are considered sick pay and qualify for sick pay exclusion for tax purposes.

Let's see how this applies in an actual case.

●ACTIVITY: Distribute Handout No. 3.

OUTLINE:
Go through Handout No. 3
(10 minutes)
Ask for questions.

At your Retirement Date, your annuity payments are taxable in the same way as is the regular annuity:

(1) you determine whether the 3-Year Rule or the General Rule for annuities applies--you use the annuity statement you received when your annuity began in order to make this determination.
(2) recovery of your cost begins at your Retirement Date.

Your Retirement Date is the earliest date of the following:
age 55 with 30 or more years of service;
age 60 with 20 or more years of service;
age 62, or the date of service termination, whichever is later.

(Note: a disability retiree must project his years of service as if he had not been disabled and had continued to work in creditable government service.)

Any questions on a disability annuity?

(3) Finally, insofar as payments to CS retirees are concerned, the lump-sum payment for accrued annual leave is income taxable to the retiree in the year of receipt.

In a case where this amount is large, you might want to time your retirement to minimize the taxes payable on this lump-sum. For example, when there is no change in the tax rate schedule, it might be well to defer a retirement from late in one calendar year in which earnings put you in a higher-income tax bracket to early in the following calendar year when annuity income will be lower and the payment for the accrued annual leave will be subject to a lower tax rate. However, the possibility of a tax advantage afforded by income averaging should not be overlooked. (Handout No. 1f lists Publication No. 506 on income averaging as one which may be of interest to some of you and is available at your local IRS office.) There may be other personal factors to consider here. I just mention this as a possibility.

Are there any questions regarding the taxability of Civil Service regular or disability annuities, or lump-sum payments to retirees?

I suggest that when you have the time, you go through the examples in the handouts and apply them to your own personal situation.

C

Subject: The taxability of annuities and payments to survivors of Civil Service Retirees.

Objectives: Participants will learn certain information to give to a designated survivor annuitant regarding:

(1) the taxability of a survivor annuity;

(2) the income tax status of lump-sum payments made at the death of a retiree;

(3) the filing requirements of the final tax return for deceased annuitants;

(4) the requirements for widow/widower filing of a joint return for two years beyond the year of a spouse's death.

Time: 5 minutes

Method of Presentation: Lecture/discussion

OUTLINE: Let's turn to the matter of the taxability of benefits to survivors.

(1) First, the survivor annuity.
The surviving spouse of a deceased retiree annuitant uses the same Rule (3-Year or General) as the retiree did with regard to the recovery of the cost of the annuity.

And, I want to call your attention to the fact that under current tax law, the election of a survivor beneficiary may result in a taxable gift. Here, I suggest reference to your local IRS office.

(2) As to lump-sum payments to survivors:
(a) Group life insurance proceeds are usually tax-exempt. However, amounts in excess of the face amount of life insurance are not exempt. This latter situation arises when periodic payments are received rather than a lump-sum payment. To determine the exempt portion, you must prorate the amount of life insurance over the period in which installments are to be paid. Amounts exceeding the face of a life insurance policy must be included in income as interest unless the proceeds are payable to a surviving spouse. In this instance, interest up to $1000 each year is excluded from income.

Here again, I suggest reference to your local IRS office.

(b) Salary paid after the death of the employee is considered ordinary income to the beneficiary.

Any questions on a survivor annuity or lump-sum payments to a beneficiary?

(3) With regard to income tax return filing requirements:
(a) A final tax return must be filed for the deceased employee or retiree for the year of death for income received up to the date of death. This can be done as a joint return by the widow or widower. Requirements for this return differ in no way from those filed in prior years.
(b) In addition, the widow or widower may file a joint return in the two years following the year in which death occurred if the following requirements are met.

●ACTIVITY: Use prepared flipchart.

OUTLINE:

The surviving spouse must:
- o have been entitled to file a joint return with the deceased for the year of death;
- o not have remarried;
- o have a child or stepchild who qualifies as a dependent;
and
- o furnish over half the maintenance of the home which is the principal abode of dependent child or stepchild.

(4) Finally, a consideration which is not an income tax matter but which you should be aware of is that the value of survivor benefits is includable in the gross estate and may result in an estate tax liability if the value of the estate exceeds $60,000.

Once again, I suggest reference to the local IRS office or an attorney who handles estates.

(NOTE: A GOOD PLACE FOR A BREAK)

Subject: Special Federal Income Tax Considerations upon Reaching Age 65 or Retirement

Objectives. Participants will learn tax provisions which grant preferential treatment to older taxpayers who are 65 or older.

Time: 15 minutes

Method of Presentation: Lecture/discussion/Handout

Handout: No. 4

OUTLINE: If you are age 65 or older, you may qualify for special benefits under the Federal income tax law. Those benefits include:

(1) additional personal exemptions;

(2) special treatment of profit if you sell your residence.

(1) Personal Exemptions

●ACTIVITY: Use prepared flipchart.

OUTLINE:

A. An individual age 65 or over gets a double personal exemption. This is also true for a spouse age 65 or over. Therefore, a husband and wife, age 65 or over, filing a joint return are entitled to 4 exemptions.

Each personal exemption is:
$625 in 1970
$650 in 1971
$700 in 1972
$750 in 1973 and thereafter

Therefore, in 1970 this husband and wife had an exemption of 4 x $625, or $2,500.

B. Requirements for Filing a Return

●ACTIVITY: Use prepared flipchart.

OUTLINE: The current requirements for filing a tax return are:

A single person with gross income of $1,700 or more must file a return.

A married person with gross income of $2,300 or more must file a return.

These amounts are increased $600 for each exemption for age. So the married couple, both 65 years of age or older, must file a return if they have gross income of $3,500 ($2,300 & $1,200) or more. (Note: Social Security benefits are exempt income and not includible in gross income.)

Any Questions?

(2) Sale of Residence

●ACTIVITY: Use prepared flipchart.

OUTLINE:

A. If you are single and 65 or over, or married, and you and/or your spouse is 65 or over, and

B. you have owned and used the property as your principal residence for 5 years or more of the 8 years ending on the date of its sale or exchange, you may elect to exclude from your gross income all or part of the gain on that sale or exchange. This election may be made only once in a lifetime. However, once elected it may be revoked within a specified period of time. Both the election and the revocation must be made jointly by both spouses.

If the adjusted sales price is $20,000 or less, none of the gain is considered income. If the adjusted sales price is more than $20,000, a part of the gain may be excluded from income.

Let's go through an example of how to determine the gain that may be excluded when the adjusted sales price is in excess of $20,000.

●ACTIVITY: Distribute Handout No. 4.

OUTLINE:

Go through Handout No. 4
(10 minutes)

Any questions?

- Publication No. 523. "Tax Information on Selling Your Home" is listed on Handout No. 1f as a publication which is available at your local IRS office.

(3) Deferring income in retirement years

Just in passing, I want to remind you again that there usually is the additional benefit of a lower tax rate if income is deferred to retirement years when income is lower than in the working years.

We discussed this as a factor in determining the timing of retirement when accrued annual leave represents a large amount.

Another example is that of deferring the cashing of Savings E Bonds to retirement years.

These are the kinds of things to keep in mind regarding the deferment of income.

E Subject: Retirement Income Credit

Objectives: Participants will learn:

(1) who may receive a retirement income credit;
(2) who may not receive the credit;
(3) what retirement income is;
(4) what amount the credit can be;
(5) how to compute the credit.

Time: 30 minutes

Method of Presentation: Lecture/discussion/handouts

Handouts: Nos. 5a, 5b, 5c.

OUTLINE: You are, of course, entitled to the deductions applicable to taxpayers generally. And, as we have seen, at age 65 and thereafter, you are entitled to the benefits of extra personal exemptions and special treatment of your profit if you sell your residence.

●ACTIVITY: Use prepared flipchart.

OUTLINE: In addition, you may be entitled to a retirement income credit. If you are retired, or are 65 or older, you may be entitled to a credit against your tax of up to 15% of your retirement income. If eligible, you could reduce your tax by as much as $228.60 if single or $457.20 if married.

A Civil Service regular annuity qualifies for the credit only after it becomes taxable--after your cost has been recovered. A disability annuity does not qualify; after it becomes a regular annuity at Retirement Date and your cost has been recovered, then it becomes taxable and qualifies. In other words, a tax credit can only apply to taxable income.

Is this clear?

●ACTIVITY: Distribute Handout No. 5a.

OUTLINE:

(1) Who may receive the credit?
(2) Who may not receive the credit?
Go through Handout No. 5a
(5 minutes)
Any questions on eligibility for the retirement income credit?

●ACTIVITY: Distribute Handout No. 5b.

OUTLINE:

(3) What is retirement income?
(4) What is the amount of the credit?
Go through Handout No. 5b
(5 minutes)
We will go through some examples so that you can see how the retirement income credit applies.

●ACTIVITY: Distribute Handout No. 5c. In going through the Handout, explain the examples by computing them on a flipchart.

OUTLINE:

(5) How is the retirement income credit computed?
Let's go through some examples.
Go through Handout No. 5c
(5 minutes)
Any questions?
Are there any questions about who is eligible for the retirement income credit and how to co[illegible]

F Subject: Declaration of Estimated Tax
Objectives: Participant will learn:
(1) the requirements for filing a declaration of estimated tax;
(2) the optional withholding provision available to the Civil Service retiree and t' · survivor annuitant.
Time: 10 minutes
Method of Presentation: '· -e/d'scussion/handout
Handout: No. 6

OUTLINE: Federal income tax payments are made on a pay-as-you-go basis. This is done in two ways:

- o by withholding tax from salaries and wages; and
- o by filing a declaration of estimated tax on income not subject to withholding.

We are all fimilar with the way the tax is withheld from our salaries. But some of you may for the first time be required to file a declaration of estimated tax because of receiving a Civil Service annuity.

(1) What are the requirements for filing a declaration of estimated tax?

●ACTIVITY: Distribute Handout No. 6.

OUTLINE:
Go through Handout No. 6
(3 minutes)
Ask for questions.

(2) Optional withholding provision now available to the Civil Service retiree and the survivor annuit... However, you may elect to have the CSC withhold Federal income tax on the taxable portion of your annuity.

If the annuitant wishes to have income tax withheld from this annuity, he should write to the following address:

Bureau of Retirement, Insurance, and
Occupational Health
U.S. Civil Service Commission
Washington, D.C. 20415

He should include his full name, annuity claim number (CSA number), and date of birth. The CSC will withhold any specific whole-dollar amount from each payment provided the amount is at least $5 a month and does not reduce the net amount of any monthly payment to less than $10.

The annuitant may amend the amount to be withheld or terminate the withholding at any time by a written notice to the CSC.

As mentioned earlier, since the person receiving the annuity sets the amount of withholding, he may specify any amount to cover the estimated tax liability on other income as well and thereby make unnecessary the filing of a declaration of estimated tax.

However, if you do not request withholding, then you should determine whether you are required to file a declaration of estimated tax and pay the tax installments.

Any questions?

At the end of each calendar year the Commission will furnish you a Form W-2P "Statements for Recipients of Annuities, Profit-Sharing Distributions, etc." showing the taxable portion of the annuity as well as the tax withheld, if any.

Form W-2P is also sent to survivor annuitants.

Any further questions?

6 Subject: Review and Evaluation
Objectives: Participant will recall and evaluate the unit.
Time: 20 minutes
Method of Presentation: Lecture/discussion/handout
Handout: No. 7

OUTLINE:

Review

Let's review what we have covered in this unit.

●ACTIVITY: Use Flipchart prepared for listing seminar objectives in Section A.

OUTLINE:

Go through the subjects and objectives from A. through F.
Ask for questions on anything covered in the unit.

Evaluation

Now, we would like your appraisal of this unit so that we can make the next seminar as helpful as possible to preretirees.

●ACTIVITY: Distribute Handout No. 7 - 15 minutes.

OUTLINE:

Please complete the evaluation form and give it to me before you leave.

Express personal pleasure of meeting with group, etc.