

When you make repayments to IMRF

This letter discusses repayments you make to IMRF when you've received too much in benefit payments. It also references where you can find information from the IRS to help with your tax questions. This letter only covers repayments for monthly pension or disability benefits. This letter does not cover payments to purchase or reinstate service credit. IMRF cannot offer tax advice. If you have additional questions, please discuss them with your tax advisor.

Why did IMRF pay too much in benefit payments?

Occasionally, IMRF pays a benefit which is larger than the amount a member is immediately entitled to. The amount that is greater than the entitled benefit is called a "benefit prepayment." A benefit prepayment can happen for various reasons—for example, if a member signs an agreement asking IMRF to pay a higher disability benefit until a Social Security or workers' compensation award starts. When IMRF makes a benefit prepayment to you, you must pay the money back to IMRF.

Tax considerations

If, in the current tax year, you repaid IMRF for a prepayment you received in a previous year and you included the previous year's prepayment from IMRF as income for federal income tax, you might be able to either deduct or claim a credit for your repayment.

When possible, IMRF will reduce your current year's reportable income by the amount you repaid in that year. This reduction will automatically correct your tax reporting. However, if you:

- Repaid us by having amounts deducted from a refund of your IMRF contributions, we cannot reduce the reportable income since the payments are taxed differently.
- Repaid us an amount in the current tax year that was greater than the amount of payments you received in this year, we cannot reduce your tax statement for the full amount of the repayment.

In these two instances, IMRF will send you a letter in January following the tax year. This letter will show the amount of your repayment that you might be able to use as an adjustment on your tax return.

Tax information

IRS Publication 525, "Taxable and Nontaxable Income" (see "Repayments" in the index), has additional information on this topic. You can find this publication at www.irs.gov. Please note: Effective January 1, 2018, tax law has changed. Please make sure you use the rules appropriate for the year of your repayment.

More questions?

For additional questions, please discuss this with your tax advisor or call the IRS (see your telephone book for a local number).

