



**United States
Office of Personnel Management
Retirement and Insurance Service**

Benefits Administration Letter

Number: 97-111

Date: October 15, 1997

SUBJECT: State Tax and Savings Bond Deductions from Annuity Payments under the Civil Service and Federal Employees Retirement Systems

This Benefits Administration Letter (BAL) announces improvements in the allotment program and State tax withholding capabilities for annuitants who receive benefits under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under the expanded program, CSRS and FERS annuitants may contact the U.S. Office of Personnel Management (OPM) directly to request State income tax withholdings from their regular annuity payments instead of contacting their State revenue agency. They can also purchase Series EE U.S. Savings Bonds through annuity deductions.

The attachment is an updated version of Employee Information Sheet #7 from Chapter 40, "Planning and Applying for Retirement," of the CSRS and FERS Handbook. The fact sheet may be reproduced locally.

A handwritten signature in black ink, appearing to read "Sidney M. Conley".

Sidney M. Conley
Assistant Director
for Retirement Programs

Attachment

**Civil Service
Retirement
System**

**Federal Employees
Group Life
Insurance**

**Federal Employees
Health Benefits
Program**

**Federal Employees
Retirement
System**

Employee Information Sheet #7

**Information about Federal and State Income Tax Withholdings,
Savings Bond Purchases and Deductions**

This sheet provides you with information on how to change the withholding rate for Federal income taxes from your annuity. It also tells you how to elect to have State income taxes withheld and/or start an allotment for Series EE U.S. Savings Bonds from your annuity. Because of technological limitations and the fact that your income is probably substantially changed in retirement, it is neither feasible nor desirable that your tax withholdings remain the same as when you were employed.

Federal Income Tax Withholdings :

Your annuity payments are subject to Federal income tax withholding. Federal income tax is withheld from your initial payment and will continue to be withheld as though you are a married individual claiming three withholding allowances -- the rate required by law if you do not file an election to change the deduction. At the time the Office of Personnel Management (OPM) processes your retirement application, they will send you instructions on how to start, change, or stop your Federal income tax withholding using their toll-free, automated telephone system.

State Income Tax Withholdings :

If you wish to have State tax withholdings from your annuity, you may contact OPM directly if your State participates in the withholding program administered by OPM. OPM is unable to make State tax withholdings for non-participating states.

Participating jurisdictions are: Arkansas, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Georgia, Idaho, Indiana, Iowa, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Utah, Vermont, Virginia, West Virginia, and Wisconsin.

You must specify the monthly amount of State tax you want withheld. Deduction amounts must be in whole dollars. The minimum monthly amount OPM is able to withhold is \$5. Your State tax deductions will be reflected on notices of annuity adjustment mailed when payments change and will be included in your yearly statement (Form 1099R) used for income tax filing purposes.

Savings Bond Purchases and Deductions :

The savings bond allotment program offers you the opportunity to purchase Series EE U.S. Savings Bonds in a manner similar to the payroll saving plan available to employees.

Savings bonds, in the amounts of \$100, \$200, and \$500, can be purchased through monthly annuity deductions. The purchase price is one-half of the face value of the bond, in full, each month. For example, the cost of a \$100 bond is \$50. No partial or installment payments will be accepted for bond purchases. Bonds may be purchased in the name of a single owner, with a co-owner, or to become payable to a beneficiary in the event of death. No more than two names may appear on a bond. You can name someone else as bond owner. Only one co-owner or one beneficiary may be named in addition to the bond owner.

For information about savings bond interest rates and redemption, you may contact the U.S. Department of the Treasury at the following address:

U.S. Savings Bonds
Bureau of Public Debt
Parkersburg, West Virginia 26106-1328

You can obtain information about savings bond interest rates by calling the Department of the Treasury at (800) 4US-BOND.

Requests for Savings Bond and State Tax Deductions

You will be notified when your payments are authorized about how you may begin to have these deductions taken from your regular annuity payments. State tax and savings bond deductions cannot be taken from interim payments. If you already receive regular annuity payments you may call **(800) 409-6528** to start, change, or stop savings bond and State tax deductions. A touchtone telephone is needed to access this system. If you do not have a touchtone telephone, you may contact an OPM Customer Service Specialist by dialing (888) 767-6738. When calling, you will need your "CSA" or "CSF" claim identification number and Social Security Number.