

# Louisiana Sheriffs' Pension & Relief Fund

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**DATE:** February 1, 2011  
**TO:** Benefit Recipients  
**FROM:** Keith Duplechain, Assistant Director  
**SUBJECT:** Federal Income Tax Withholding Annual Notice

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) requires that we remind you each year that the retirement or beneficiary benefit paid to you by Sheriffs' Pension and Relief Fund is subject to federal income tax.

You can change, start, or stop federal income tax withholding from your Sheriffs' Pension and Relief Fund benefit payment by filing a federal **Form W-4P, *Withholding Certificate for Pension or Annuity Payments***. To obtain an interactive Form W-4P [click here](#). You may also request Form W-4P from the Sheriffs' Pension and Relief Fund by calling or writing us at the telephone numbers or address listed above.

If you choose not to withhold taxes from your pension/benefit payment, or if you do not have enough federal income tax withheld from your benefit, you may be responsible for payment of estimated tax. Additionally, you may incur penalties under the estimated tax rules if your withholding or estimated tax payments do not meet IRS requirements. Withholding only applies to the taxable portion of your benefit payment.

If the taxable portion of your monthly benefit is less than **\$1600.00** this year, we are *not required* to withhold tax unless you advise us to do so. This does not mean that tax will not be owed on this amount at the end of the year, and, if you have additional income, you may wish to have tax withheld. To view and download the 2011 IRS Publication 15 which contains the new withholding percentage and wage bracket tables [click here](#).

An explanation of the IRS withholding rates for 2011 is available beginning on page two of this notice. Please do not hesitate to contact one of our benefits analysts with any questions you may have concerning your pension withholding rate.

## **IMPORTANT NOTICE CONCERNING EXEMPTION OF PENSION INCOME FROM LOUISIANA STATE INCOME TAX: *LSA-R.S. 11:2182. Exemption from execution***

*Any annuity, retirement allowance or benefits, or refund of contributions, or any optional benefit or any other benefit paid to any person under the provisions of the Sheriffs' Pension and Relief Fund is exempt from any state or municipal tax and is exempt from levy and sale, garnishment, attachment, or any other process whatsoever, except as provided in R.S. 11:292, and is unassignable.*

This means that you **do not** owe state income tax on the benefit you receive from the Sheriffs' Pension and Relief Fund. However, in order to claim the exemption from state income tax, **you must file Schedule E** along with your Louisiana State Income Tax Return every year. The form, Schedule E, is available from the Louisiana State Office of Revenue and Taxation or wherever Louisiana State Tax Return forms are made available, such as the library.

Whatever your situation, we strongly recommend that you seek advice from your accountant or other tax professional concerning this and other tax matters.

**TARCZA & ASSOCIATES**  
ATTORNEYS AT LAW

February 7, 2011

Robert E. Tarcza  
[bobt@tglaw.net](mailto:bobt@tglaw.net)

**Via U.S. Mail**

Mr. Osey McGee, Jr.  
Executive Director  
Louisiana Sheriffs' Retirement System  
1225 Nicholson Drive  
Baton Rouge, Louisiana 70802

**Re: IRS Withholding Rates for 2011**  
**Our file: 570-001**

FEB 08 2011

Dear Skip:

You have asked us to advise you regarding the 2011 federal income tax withholding requirements beginning on January 31, 2011. While the new withholding rates have no effect on an individual's ultimate end-of-year tax liability, employees and retirees will be noticing a change in their take-home pay as a result of the new rates. Each year the IRS issues withholding tables that contain the rate schedules which must be used by employers to calculate the amounts required to be withheld from employee paychecks for federal income tax purposes. Pension funds are also required to use these tables when calculating the required federal income tax withholding on payments made to retirees. The IRS recently released the income tax withholding rate tables for tax year 2011, and there are several significant changes from tax year 2010.

In tax year 2010, most taxpayers were eligible for the Making Work Pay tax credit, which was introduced as part of the federal government's 2009 economic stimulus package (the American Recovery and Reinvestment Act of 2009, Public Law 111-5). As such, the IRS adjusted the withholding rate tables for 2010 to reflect the lower end-of-year tax liability of most taxpayers. The Making Work Pay tax credit expired on December 31, 2010. Accordingly, the IRS has re-adjusted upward the withholding tables for 2011 to reflect the expiration of the Making Work Pay tax credit.

To offset the effects of the expiring Making Work Pay tax credit, the federal government included in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 a provision which reduces the employee tax rate for Social Security from 6.2% to 4.2% in tax year 2011. For most taxpayers, the reduction in Social Security contributions functions as an offset to the expiration of the Making Work Pay tax credit, and results in more take-home pay throughout the year. However, because LSPRF employees and retirees are not required to contribute to Social Security, the reduced employee tax rate for Social Security has no impact on

Mr. Osey McGee, Jr.  
February 7, 2011  
Page 2

their take-home pay. Accordingly, the new IRS withholding rates will result in a decrease in the take-home pay of most LSPRF employees and retirees in 2011.

As mentioned above, use of the 2011 federal income tax withholding tables is not discretionary. IRS Notice 1036 (a copy of which is enclosed) mandates that the new 2011 withholding tables are to be implemented no later than January 31, 2011.

Failure to comply with the withholding rates set by the IRS for the period beginning after January 31, 2011 could result in substantial penalties being assessed to the LSPRF. The penalty assessed for failure to comply with the applicable withholding rates is the total amount which should have been otherwise withheld, but was not collected and deposited with the IRS, plus interest at the IRS published rate.

Please advise if you have any other questions or concerns.

Sincerely yours,



Robert E. Tarca

RET/jet  
Enclosure  
IRS Notice 1036

FEB 08 2011