



# Taxes on PERA Benefits

## State Trooper and CBI Agent Provisions

January 2012

As a State Trooper or CBI Agent, you may be entitled to special tax treatment regarding a portion of your PERA benefits.

### Insurance Premiums

Distributions made from your monthly PERA retirement benefit that are used to pay premiums for coverage under PERACare or under PERA's Long-Term Care Program may be eligible for exclusion from your taxable income. The premiums can be for coverage for you, your spouse, or your dependents. You are eligible to exclude up to \$3,000 per year, or the annual total of your premiums, whichever is less.

In order to qualify, the premium distribution must be made directly from PERA to the insurance company. Most individuals will qualify because they pay their PERACare and Long-Term Care premiums through a deduction from their monthly PERA retirement benefit, and PERA remits those premiums directly to the insurance company. If you are paying for PERACare or PERA's Long-Term Care Program through a method other than deduction from your monthly retirement benefit, you may not qualify for this exemption.

You are responsible for claiming this income tax exclusion when you file your taxes each year. The amount reported on your IRS 1099-R by PERA will not reflect the exclusion. Rather, you must make the adjustment on your IRS Form 1040 when you file it each year. For more information, please contact your tax adviser or the IRS, or review IRS Publication 575 *Pension and Annuity Income*, (see Insurance Premiums for Retired Public Safety Officers) and the IRS *1040 Instructions* brochure (see Insurance Premiums for Retired Public Safety Officers).

### Officers Killed in the Line of Duty

Surviving spouses and qualified children who receive survivor benefits based on the death of a State Trooper or CBI Agent who was killed in the line of duty may be exempt from federal income tax. If you are a survivor, please consult a tax adviser to determine if you qualify for this exemption under Section 101(h) of the Internal Revenue Code. If you believe you qualify, please contact Colorado PERA so your withholding and tax reporting can be adjusted. Colorado PERA may request you submit documentation to demonstrate that you qualify for this exemption.

*This fact sheet provides general information about taxes on Colorado PERA benefits. Specific questions about your taxes should be directed to the Internal Revenue Service or to your personal tax consultant. Colorado PERA staff members cannot provide tax advice. Colorado PERA membership rights, benefits, and obligations are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this fact sheet.*