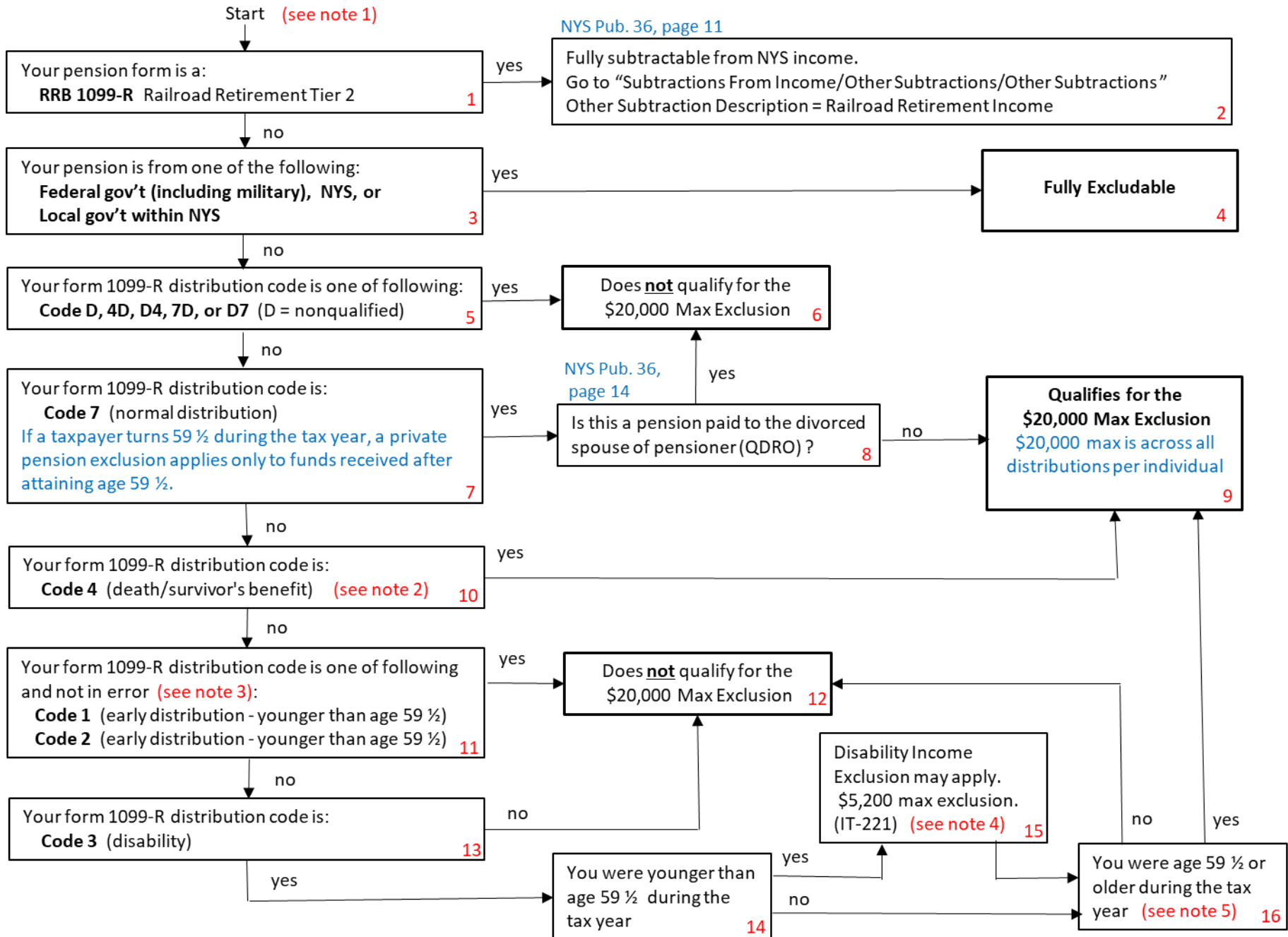


# New York State Pension and Annuity Exclusion Summary

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All notes are on the next page



## New York State Pension and Annuity Exclusion Summary

Exclude only amounts that are included in NYS AGI

**Note 1:** For distribution codes other than those listed, see NTTC Modified IRS Pub. 4012 tab D for guidance (many are out of scope) .

**Note 2:** If you receive pension and annuity income of a deceased individual, you may take this subtraction (to the extent the distributions are included in your federal adjusted gross income), regardless of your age, only if the deceased would have been entitled to it had the deceased continued to live.

If deceased taxpayer would have turned 59 ½ during the tax year, beneficiary(s) can apply exclusion only to payments received after deceased would have turned 59 ½ .

If the decedent died during the tax year, the amount of the decedents exclusion allocated to the beneficiaries is first reduced by the amount the decedent subtracts from their own final tax return, if any.

If multiple beneficiaries, their exclusion must be apportioned in the same ratio as the distribution. The total exclusion of decedent and all beneficiaries cannot exceed \$20,000.

**Note 3:** If Code 1 is known to be in error (i.e. taxpayer was actually age 59 ½ or older at time of the distribution):

a) On Federal return: Exclude amount subject to penalty on Federal form 5329; Select the reason for exemption = “Other”.

b) Warn taxpayer either IRS and/or NYS may contact them for proof or clarification“

If Code 2 is known to be in error (i.e. the taxpayer was actually age 59 ½ or older at time of the distribution) then:

a) On Federal return: Code 2 indicates that no penalty will be applied. No need for Form 5329.

b) Warn taxpayer NYS may contact them for proof or clarification.

**Note 4:** See NYS Form IT-221 Instructions to determine if the taxpayer qualifies for the Disability Income Exclusion (IT-221).

You may subtract either the actual weekly disability pay or \$100 a week, whichever is less but not to exceed \$5,200.

Go to “Subtractions From Income/Other Subtractions/Disability Income Exclusion (IT-221)” and answer all pertinent questions and enter relevant amounts.

On the Federal tax return, a code 3 disability pension should be reported as wages if the taxpayer has not reached the minimum retirement age set by the employer.

**Note 5** If the taxpayer became 59½ during the tax year, then the taxpayer is eligible to claim both the Disability Income Exclusion (\$5,200 max exclusion) and the Pension Annuity Income Exclusion (\$20,000 max exclusion)

a) For the Disability Income Exclusion (if the taxpayer qualifies) , the exclusion amount only applies to the distribution received before the taxpayer became 59 ½ .

b) For the Pension Annuity Income Exclusion, exclude only the distribution received after the taxpayer became 59½, but not more than \$20,000.

The total of the Disability Income Exclusion and any Pension and Annuity Income Exclusion you claim cannot exceed \$20,000.