SUNY Optional Retirement Program

Taxation of Distributions

The SUNY ORP is designed to allow retirement at any age. Distributions from ORP contracts are permitted any time after separation from services, subject to an IRS 10% penalty for distributions prior to age 59 ½, unless separating from service after reaching the normal retirement age of 55. No IRS 10% tax penalty is applied to payments made to children or to a divorced spouse in accordance with a qualified domestic-relations order.

As a New York State Public Retirement Plan, distributions from SUNY ORP contracts are exempt from New York State Income Taxes.

NYS Tax Law [NYS Tax: §612(c) (3) (i)]

§ 612. New York adjusted gross income of a resident individual. (c) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income: (3) (i) Pensions to officers and employees of this state, its subdivisions and agencies, to the extent includible in gross income for federal income tax purposes;

Instructions for Form IT-203, NYS Resident Income Tax Return:

Government pensions: If the amount on line 10, either column, represents a pension or other benefit paid by the New York State or a municipal retirement system (including distributions from the TIAA-CREF Optional Retirement Program) or the United States, its territories or possessions, political subdivisions of these territories or possessions, the District of Columbia or any agency or instrumentality of any of the above (including the military), also include this amount on line 25. See the instructions for line 25.

New York subtractions: Line 25 - Pensions of New York State and local governments and the federal government. Did you receive a pension or other distribution from a NYS or Local government pension plan or federal government pension plan? If No, go to line 26. If Yes, and the pension or distribution amount was included in your federal AGI, enter in both the Federal amount column and New York State amount column the amount included in line 10 that represents any pension you received, or distributions made to you from a pension plan which represents a return of contributions in a year prior to retirement, as an officer, employee, or beneficiary of an officer or employee of: NYS, including State and City University of New York and NYS Education Department employees who belong to the Optional Retirement Program. Optional Retirement Program members may only subtract that portion attributable to employment with the State or City University of New York or the NYS Education Department.

If you have questions about your specific SUNY ORP contracts, or if you have received an audit letter from the NYS Department of Taxation and Finance about previous distributions, please contact your SUNY ORP Investment Provider for assistance.

This information is not intended to be relied upon as tax advice. Please consult a tax professional for further assistance with your personal income taxes.