



PENSION RIGHTS CENTER

Building Retirement Security

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April 1, 2009

The Honorable Timothy Geithner
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20006

Dear Secretary Geithner:

The Pension Rights Center - the nation's only consumer organization dedicated solely to protecting and promoting the retirement security of American workers and their families - is writing today to express our concerns about the impact of new Internal Revenue Service withholding tables on retirees receiving pension benefits.

The American Recovery and Reinvestment Act of 2009 enacted the Making Work Pay tax credit, which provides working Americans with a tax credit on earned income. In order to facilitate the tax credit, the Internal Revenue Service issued new withholding tables. IRS Publication 15-T states that the new withholding tables apply not only to earned income, but also to pension benefits. However, non-working retirees are ineligible for the Making Work Pay tax credit. If pension plans use the new withholding tables, many retirees receiving pension checks could face an unpleasant surprise when they file their 2009 tax returns and learn that insufficient funds were withheld to cover their tax liabilities. This could even subject some to penalties.

Given the relatively small amount of the tax credit, and the fact that withholding is only required if the taxable amount of a pension exceeds \$5,400, this may appear to be a small matter. But it will not be a small matter to retirees living pension-check to pension-check. The new withholding tables could place many retirees in a very vulnerable position.

The only way for these retirees to protect themselves from owing back taxes for 2009 will be to change their W-4 form filed with their pension plan. But few retirees are aware of the new withholding tables, and it is unlikely that the majority of retirees will learn about the issue before it is too late. Certainly it was not the intent of the tax credit to burden pensioners with an unexpected tax liability in the middle of an economic downturn.

We respectfully request that you direct the IRS to modify Publication 15-T to clarify that the new withholding tables do not apply to retirement plans. Thank you for your consideration of this matter.

Sincerely,

Rebecca Davis
Staff Attorney

Karen Ferguson
Director

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