

# Michigan Catholic Conference



TO: MCC Retirees  
FROM: Karen LaRosa  
DATE: October 21, 2011  
RE: Michigan Income Tax Withholding on LERP Benefits

Effective January 1, 2012, Michigan's tax treatment of pension and retirement benefits will change, and benefit payments from the MCC Lay Employees' Retirement Plan (the "LERP") will be subject to Michigan income tax for many recipients. The changes in Michigan law will require the MCC to withhold income tax on payments that will be subject to Michigan income tax.

Beginning in 2012, pension and retirement benefits will be taxed differently by the State of Michigan depending on the age of the recipient. For married participants, age is determined using the age of the older spouse.

For recipients born before 1946, the law remains the same as it was prior to 2012. Those born before 1946 may continue to subtract all qualifying pension and retirement benefits received from public sources (this does not include any LERP benefits), and they may subtract private pension and retirement benefits up to \$45,842 if single or married filing separately, or \$91,684 if married filing a joint return. Withholding of Michigan income taxes will only be necessary on taxable pension payments that exceed these limits for recipients born before 1946.

Recipients born between 1946 and 1952 will be able to deduct from their Michigan taxable income \$20,000 in pension and retirement benefits if single or married filing separately, or \$40,000 if married filing a joint return. If the benefits will be less than these deductible amounts, no withholding is required unless the recipient requests withholding by submitting the enclosed MI W-4P form. However, if total "household resources" exceed \$75,000 for a single filer or \$150,000 for a joint filer, and the filer was born between 1946 and 1952, no deduction from Michigan taxable income for pension or retirement benefits will be allowed.

For recipients of pension and retirement benefits born after 1952, all such benefits are taxable by the State of Michigan.

Please complete the enclosed MI W-4P form and return it to the MCC in the enclosed envelope no later than November 11, 2011. If you do not return the MI W-4P form to us by that date and you or your spouse (if we have a record of your spouse's date of birth) were born prior to 1946, no Michigan income tax will be withheld from your LERP monthly benefits paid on and after January 1, 2012. If you do not return the MI W-4P form to us by November 11, 2011 and our records show that the elder of you and your spouse was born after 1945, we will withhold Michigan income tax on your LERP benefit at the rate of 4.35 percent.

You can file a new MI W-4P with the MCC at any time and change the Michigan income tax withholding on your LERP benefits. Feel free to contact us if you need another MI W-4P form. There are penalties for not paying enough Michigan income tax during the year either through withholding or estimated tax payments. If you have any questions regarding how to complete the MI W-4P form, please consult with your tax advisor.

Thank you.

Enclosures