

ILLUSTRATIVE GUIDE TO NATIONAL TAXATION OF UN JOINT STAFF PENSION FUND BENEFITS FOR CANADIAN RESIDENTS

(prepared *pro bono* for use by any Staff Association in the UN system)

last updated in September 2006

This guide has been prepared primarily to assist recent and soon-to-be UN system retirees to determine their Canadian income tax liabilities, if Canadian residents. Older retirees residing in Canada will find this document of interest to appreciate the issues involved. It was prepared by John D. NORTH CUT , Member of the CAFICS Executive Committee (Taxation Questions) and UNJSPF recipient, **who cannot take legal or other responsibilities for the materials presented or the interpretations made. The preparation of tax returns is the responsibility of individual UNJSPF recipients.**

In this document, CRA means the Canada Revenue Agency and IRS means the US Internal Revenue Service. UNJSPF means the United Nations Joint Staff Pension Fund (www.unjspf.org). CAFICS means the Canadian Association of Former International Civil Servants (www.icao.int/cafics).

Material presented herein is based on 1) the *Guide to National Taxation of UNJSPF Benefits with Special Reference to United States Tax* that was prepared by the United Nations Office of Legal Affairs; 2) CRA Document 2001-0098645 entitled *Tax Treatment UNJSPF Pension*; and 3) the *Canada-US Income Tax Convention* as well as various official publications of the CRA and the IRS. Commercial publications such as the highly-regarded *Ernst & Young Tax Guide* were reviewed as was Title 26 (the Internal Revenue Code) of US law. The UN document was prepared years ago and is outdated since tax laws have changed. The CRA Document may be modified to clarify certain points concerning documents needed from the IRS.

The author is not aware of any other document that has been prepared as a taxation guide for UNJSPF recipients in Canada.

Notes by the author: This paper has intentionally been prepared using a large font to assist those who may have poor eyesight. **Where the masculine gender is used, no offence to female readers is intended.**

TAXATION OF PENSIONS IN CANADA

1. Unlike the salaries paid to United Nations staff¹ in active service, pension payments to former staff or to their survivors are generally not exempt from federal or provincial taxation by reason of any international agreement.
2. For Canadian residents, how pension payments are taxed is therefore a matter of taxation laws in Canada (and also of Québec law for residents of that province). For non-residents of Canada (whether Canadian citizens or not), there is no Canadian tax payable on UNJSPF benefits unless the person is determined to be a 'deemed resident' of Canada or chooses to be taxed as such.
3. Since the UNJSPF is part of the United Nations Secretariat at UN Headquarters and is located within the United States, the application of the Canada-US Income Tax Convention (also known as the tax treaty) results in Canada maintaining its right to tax pension income arising in the United States. **As per Article XVIII of the tax treaty, pension income arising in the United States and paid to a resident of Canada is taxed by Canada on the amount that would be taxed if the recipient were a resident of the United States².**
4. The United States does not tax its residents (and citizens) who are UNJSPF recipients on the portion of the pension payment that is considered, under US tax law, a refund of the participant's own contributions. Therefore, a portion of the pension payment (whether in the form of a lump sum near the start of retirement or of periodic monthly payments) that represents a return of contributions may be deductible in computing the taxpayer's income in Canada as treaty-exempt income.

¹ UN staff means staff either of the United Nations itself or of the specialized agencies and organizations that are members of the UNJSPF.

² If the UNJSPF beneficiary wishes to ignore the tax treaty and pay tax on the full amount of pension income, he/she should verify with the CRA, preferably in writing, whether this is acceptable (even if it benefits the Crown). In certain cases, the CRA has taken the position that taxpayers cannot pick and choose which parts of tax treaties they wish to apply.

5. The information contained in this document is not meant to cover the following taxpayer situations which can result in complex tax returns that are beyond the scope of this guide:

- a) United States citizens who are resident in Canada and must prepare both US and Canadian returns;
- b) other UNJSPF recipients who qualify as being a resident both of Canada and of the United States which is possible since the rules for determining residency in Canada and the United States are different (for example, a 'Green Card' holder may be considered to be a US resident even if he or she spends a minority of days in a year in the United States);
- c) recipients who retired years ago where the tax law may result in different calculations (but not necessarily less favourable) for non-taxable amounts and new retirees who are more than 75 years of age (for which there may be different rules);
- d) staff receiving full withdrawal settlements as a result of resigning from UN service prior to retirement age without taking a deferred pension; and
- e) recipients of survivor pensions (that are generally reported the same way but some special rules apply).

NON-TAXABLE AMOUNT OF MONTHLY PENSION

6. To determine the non-taxable amount of the monthly pension, it is necessary for the Canadian resident, under the terms of the tax treaty, to 'pretend' that the taxpayer is a US resident (at the time the pension is received) and determine the amount that would be taxable as per US tax law.³

³ This does NOT mean that the taxpayer needs to file a US tax return or have any intention of actually becoming a US resident. It is merely a notional exercise to determine taxable amounts for Canadian tax returns.

7. Under US tax law, there are two methods (the General Rule and the Simplified Method) of calculating the non-taxable amount of the monthly pension. For pensions starting after 18 November 1996, the Simplified Method must be used (with a limited number of exceptions) for all pension plans that are classified as ‘qualified plans’ under US law, which the UNJSPF is.⁴ This paper does not cover using the General Rule (which is explained in IRS Publication 939).

9. The fixed monthly tax-exempt amount is determined under the Simplified Method by dividing the contribution to the pension by divisors that the United States IRS determines to be appropriate. Divisors are published in IRS Publication 575. The most commonly used divisors (for staff who retire from the UN) are the one used for those who are single and retire at age 62, which is 260 and the one used for those who are married⁵ and retire at age 62 with a beneficiary (usually a surviving spouse) in the age range of 59 to 68 years old, which is 310.

10. The amount of contributions to the UNJSPF used for the purpose of determining the tax-free amount depends on the recipient status (for taxation purposes under US law) while serving as a staff member when the contributions were made.

11. The next five paragraphs (purposely technical in nature) give explanations concerning which it is necessary to peruse IRS Publication 575. Retirees adept at preparing their own tax return(s) should review these paragraphs carefully. Those having someone else prepare their return(s) may wish to ask them specifically to review these paragraphs. A more general discussion begins again at paragraph 17.

12. In reading with care IRS Publication 575, a Canadian resident must bear some points in mind, importantly to read the publication focusing on American tax rules, not Canadian tax rules.⁶ It has long been recognized

⁴ The ‘qualified’ status of the UNJSPF was confirmed by letter from the US Treasury to the United Nations.

⁵ A UNJSPF recipient who is considered legally married under Canadian law but not legally married under US federal tax law should seek legal advice concerning how to use IRS Publication 575 for the purposes of applying the Canada-US tax treaty.

under US tax law that contributions made that either a) are taxed in the US; or b) would not have been subject to US tax if paid directly to the individual are considered to be part of the cost of the pension plan when figuring tax-free amounts (the calculation needed to apply the provisions of the tax treaty).

13. If the UN retiree was a non-resident alien (for US taxation purposes) working anywhere in the UN system when the (employee and employer) contributions were made, the contributions would not be taxable in the US even if paid directly to the individual as salary. This is due to the fact that a non-resident alien is NOT taxed by the US on UN employment income (even if working at UN offices in the US on a G-4 visa). A new law passed in 2004 modified US taxation to disallow non-taxable portions of pension distributions (but only those after the law was passed) in certain cases, but the new law does not apply to UNJSPF distributions (for reasons explained in the footnotes to paragraph 15).

14. This paper **only covers the case of a non-US citizen** who did not work at UNJSPF members organizations while being a resident of the United States for tax purposes **and either retired in recent years or will retire soon (for those who retired years ago, different rules may apply).**

15. For example, a Canadian resident UNJSPF recipient (whether or not a Canadian citizen but not a US citizen) who worked anywhere within the UN system before retirement but not in the United States, unless the service in the United States was under G-4 Visa or exempt status, is allowed to count as contributions to the UNJSPF **his/her own actual contributions, plus the Organization's contribution during the whole career. This total is known as the "cost in the plan (contract)" that the taxpayer enters on line 2 of Worksheet A from IRS Publication 575.**⁷

⁶ except where IRS Publication 575 explicitly refers to taxation by foreign countries, i.e., not the US. UN salaries are not taxable in Canada but the method for determining non-taxation has changed over the years. The author of this paper is unaware of any country (other than the US for its own citizens and resident aliens) that taxes UN salaries.

⁷ The relevant portions of the US tax law are as follows (**point this out to tax advisors** since it may not be widely known and the IRS PUB 575 is not easy to interpret vis-à-vis UN retirees):

16. To determine the appropriate calculation of the non-taxable amount under the Canada-US tax treaty, IRS Publication 575 should be consulted. When reading the paragraph headed “Foreign employment contributions”, note that the second sentence beginning “This applies to contributions that were made . . .” **does not mean** this applies **only** to contributions that were made under the conditions listed in the paragraph. For a US citizen, the contribution conditions listed would be the only ones that apply. A non-resident alien of the US (for taxation purposes) would have the whole period while employed as a non-resident alien in which employer contributions were not includible in gross income for US taxation purposes.

a. Paragraph (f)(2) of Title 26, Subtitle A, Chapter 1, Subchapter B, Part II, Section 72 provides that the “**amounts contributed by the employer**” will be included in the computation of employee contributions, provided that “**if such amounts had been paid directly to the employee at the time they were contributed, they would not have been included in the gross income of the employee under the law applicable at the time of such contribution.**” Since the employment income of United Nations staff who are non-resident aliens is not includable in gross income for US taxation purposes, the test is met to include both employer and employee contributions for non-resident aliens (even if the non-resident alien becomes a US resident when retired or is treated as such for purposes of Article XVIII of the Canada-US tax treaty).

b. Section 72 was modified in 2004 by a new law , adding subsection (w), which provides that “**any employer or employee contribution**” would not be included in the computation of employee contributions for non-resident aliens receiving compensation outside the United States “**which was not subject to income tax (and would have been subject to income tax if paid as cash compensation when the services were rendered) under the laws of the United States or any foreign country.**” This modification sometimes results in contributions being excluded from the calculation of non-taxable amounts to the extent that the US resident retiree (or assumed resident for purposes of applying the tax treaty) had not been taxed either by the US or a non-US jurisdiction while formerly a non-resident alien for US taxation purposes (when the contributions were made). This would not apply to contributions by or for UN staff (who are non-US citizens/residents for taxation purposes), since salaries paid to those who are not also US citizens/ residents are not subject to taxation by any non-US country, including Canada (although the method for determining non-taxation in Canada of UN salaries was different many years ago). The contributions of the employer and employee fail this test for being disallowed. Therefore, they would be allowed under Paragraph (f)(2) as explained in a) above.

17. **Unless the taxpayer is adept at preparing his/her own tax returns, it may be preferable to use the services of a professional tax preparer that is knowledgeable in preparing treaty-based returns.** The Canadian Association of Former International Civil Servants (CAFICS) has a list of such preparers for its members (www.icao.int/cafics). CAFICS welcomes potential retirees as members and membership dues are modest (currently C\$15 per year). CAFICS members will receive e-mail alerts about any major matters affecting taxation of UNJSPF pensions.

18. The example given below in this paper represents a hypothetical taxpayer:

START OF EXAMPLE

Our taxpayer is a Canadian resident at the time of retirement who has served as a staff member of an organization of the UN system for 20 years. The staff member retires at age 62 with a spouse age 63. The total contribution made to the UNJSPF by the staff member was US\$80 000. The organization's contribution was US\$160 000 for which the staff member receives credit under the provision of US Internal Revenue Code 72(f)(2), which provides that if the Organization's contribution would not have been subject to income tax if paid directly to the staff member rather than to the UNJSPF (which it would not have been, since UN salaries are tax free in Canada), then it is treated as a credit.

The tax-exempt portion of the monthly pension must be calculated according to the Simplified Method of IRS Publication 575. The total credit of US\$240 000 is divided by 310 (the divisor appropriate as determined by age and marital status) to obtain US\$774.20 per month as the tax-free amount. The UNJSPF recipient receives US\$1 755.10 per month, therefore approximately 44% of the monthly amount is tax-free.

If the taxpayer takes a one-third lump sum settlement at the start of retirement, let us assume the amount received is US\$120 000. Under US tax law, only part of this is tax free for US residents which is the appropriate calculation to claim the Canada-US tax

treaty deduction. It is necessary to take the amount received and multiply it by the percentage (%) obtained by dividing the cost (US\$240 000 since the taxpayer is not a US citizen) by the total lump sum of US\$360 000 on which the 1/3 settlement was based. The percentage in this example would be 66 2/3%, therefore the taxpayer would get US\$80 000 tax free and US\$40 000 would be taxable in the year received.

The UNJSPF recipient can obtain a deduction for the taxable portion of the one-third lump sum (US\$40 000) by making a contribution to an RRSP using any built-up contribution room as indicated on the latest Notice of Assessment received from the CRA. (This built-up contribution room can also be obtained on the CRA web site provided the taxpayer has enrolled to receive a password for accessing his own records.)

The taxpayer may receive the cheque personally (in fact the UNJSPF will only issue one cheque for a partial lump sum settlement) but if the taxable portion is then deposited to an RRSP within the time limit (up to 60 days after the end of the taxation year in question), the deduction will be recognized. Most UN staff members who have been Canadian residents (for taxation purposes) since 1991 have this built-up contribution room since there is no tax advantage to contributing to an RRSP while serving as UN staff, unless the taxpayer has a large private income.

Before retirement, the staff member should verify with the UNJSPF administrator (or the UNJSPF representative in the employing organization) if the UNJSPF is (still) a Registered Pension Plan (RPP) in Canada, since the rules are different for transfers from a RPP to an RRSP and the taxpayer would not need to use up any built-up contribution room (as a result of past employment).

It is also an excellent idea to consult a professional tax advisor since tax laws do change and lesser-known provisions may not be widely publicized in the media.

Note that if the taxpayer takes the one-third lump sum and gets US\$80 000 tax free, the taxpayer would still qualify for the monthly tax free amount of US\$774.20 but only so long as the grand total of all amounts received tax free (both in the lump sum and the monthly payments) does not exceed the total contributions of US\$240 000.

END OF EXAMPLE

19. At Attachment A is a copy of Worksheet A from IRS Publication 575, used to make the calculations using the Simplified Method (for the monthly payments). The calculation for the lump sum is contained also in IRS Publication 575 under the heading “Distribution Before Annuity Starting Date from a Qualified Plan”.

PREPARING TAX RETURNS

20. It is necessary when preparing the Canadian tax return to report the total amount of the UNJSPF pension received⁸ (converted to Canadian dollars using the average exchange rate for the tax year in question⁹) on the appropriate line where pension income is reported, currently line 115 (Other pensions or superannuation).

21. The amount of the pension that is tax free is reported on line 256 (converted to Canadian dollars). Note that, when using Worksheet A contained in IRS Publication 575, the Worksheet results in a calculation of the “Taxable amount for the year” (line 9 of the Worksheet). To obtain the tax free amount (for the Canadian return), one uses the amount on line 8 of

⁸ The UNJSPF, because of its diplomatic privileges, does not issue an official US tax form (known as a 1099-R) showing the amount of payments to the retiree nor does it deduct any tax from payments. Do not ask the UNJSPF to issue this official tax form or to communicate directly with the tax authorities since they will not do so. The UNJSPF will only communicate the details of any amounts paid in statements to its beneficiaries.

⁹ The Bank of Canada each year publishes the average exchange rates to be used on their web site.

the Worksheet (the amount subtracted from the Total Pension to obtain the Taxable Amount) and converts this amount to Canadian dollars.

22. Similarly, on the Québec tax return, one reports the total pension on line 122 (converted to Canadian dollars) and the tax free amount on line 297 (deduction for income exempt under a tax treaty).

23. The taxable portion of lump sum amounts received near the time of retirement is also calculated using details provided elsewhere in IRS Publication 575 (not on the Worksheet). In the first year of retirement, it is necessary to figure out the non-taxable portion of any partial lump sum payment received at the time of retirement and then to figure out the non-taxable portion of any periodic pension payments during the year. Both of these figures are added together and taken as a deduction, taking care to add together the total figures of amounts received and including this in the total of pension income.

24. **One must attach a note to the front of the tax return indicating the source of the foreign pension (as the UNJSPF based in New York) and that the tax free amount was calculated under the terms of Article XVIII of the Canada-United States Tax Convention using Worksheet A of IRS Publication 575.** Although one is not obligated to file a copy of Worksheet A with the tax return, it is a good idea to do so. In any event, retain a copy of Worksheet A for your own records. Take care to indicate on the Worksheet that all amounts are in US dollars and on the tax returns have been converted to Canadian dollars using the appropriate exchange rate for the year concerned.

25. If your tax return is filed electronically, you should still prepare, date, sign and retain the above note and worksheet for your own records in case your return is questioned. See further on in this paper for guidelines on what to do if your return is questioned.

RETIREMENT IN CANADA OF UN STAFF NOT PREVIOUSLY CANADIAN RESIDENTS

26. This paper does not cover details for US citizens who become Canadian residents, since a) they are obligated to file tax returns in both countries; b) the rules are different as to how to calculate taxable and non-

taxable amounts for US citizens; and c) the relevant tax returns are complex (involving foreign tax credits, joint US returns with spouses, multiple tax treaty deductions, etc). The Association of Former International Civil Servants (AFICS-New York) has information on US income taxes for UN retirees that may be available for its members.

27. For a non-Canadian resident for taxation purposes (who is not a US citizen or US resident alien) or a Canadian who has worked abroad and is considered (for Canadian taxation purposes) to be a non-resident, it is advantageous to receive any partial (up to one-third) lump sum settlement BEFORE assuming or re-assuming Canadian residency. Doing so results in the partial lump sum being free of tax. Once assuming residence, then the individual is entitled to calculate and to deduct non-taxable portions of the pension payments on Canadian tax returns calculated as if the individual were a US resident, taking care that the total amount recovered tax-free (including the partial lump sum already received tax-free) is not more than the total amount of employee and employer contributions.

ADDITIONAL POINTS TO BEAR IN MIND

28. The IRS will provide a determination of the taxable and non-taxable portions of pension payments upon request. There is a fee payable for this (currently US\$380). The calculation may not be provided quickly, therefore it should be requested well ahead of tax filing season. CAFICS has, for its members, a model to follow to make the request. Even if one does his own calculations, it is a good idea to request an official determination from the IRS to verify one's own figures or be prepared to do so if the CRA questions the calculations.

29. It does happen that some staff members in taxation offices (when reviewing tax returns) are not always familiar with the Canada-US Tax Treaty, which is understandable since it contains numerous provisions. Always take care to attach a note stating the exact Article of the Tax Treaty for which you are taking a deduction (for UNJSPF payments, it is Article XVIII). If your deduction is refused, then you (**or your tax preparer acting as your agent**¹⁰) should:

¹⁰ Professional tax preparers normally will assist you in filing a Notice of Objection and/or a Request for Competent Authority Assistance. However, the CRA requires that the taxpayer sign a written authorization designating them to act on your behalf.

- a) **double-check your calculations** carefully to **make sure the mistake is not yours** and check to make sure you have reported the amounts on the correct lines;
- b) **pay a personal visit to the taxation office** with your records to resolve the problem (including the official determination from the IRS if you have one);
- c) **be prepared to file a Notice of Objection and a Request for Competent Authority Assistance** if the matter is not resolved promptly; and
- d) **request an official determination from the IRS** concerning the non-taxable amount if you have not already done so and the taxation officials continue to question your calculations.

30. Take care not to miss any deadline for filing a Notice of Objection if your tax treaty deduction is refused (even if the taxation office promises to sort out the matter but has not yet done so) since while you can always withdraw your Notice of Objection, you cannot file one after the deadline. CAFICS has prepared for its members a model to use for filing a Request for Competent Authority Assistance (for tax treaty related matters) which should be sent to the International Taxation Office of the CRA in Ottawa at the time the Notice of Objection is filed.

31. If your treaty-based return is not accepted even after filing a Notice of Objection and a Request for Competent Authority Assistance (for those elements involving the taxation of UNJSPF payments), **consider notifying CAFICS on a voluntary and confidential basis so that it can attempt to determine if the treaty has been amended or subjected to differing and/or incorrect interpretations. If you send a copy of a CRA determination to CAFICS, take care to redact (black-out) any names and other details that identify the specific taxpayer.**

SPECIAL ISSUES FOR QUÉBEC TAXPAYERS

32. Revenu Québec considers health insurance premiums paid by former employers to retirees as 'employment income' (the CRA does not). The

health insurance premiums qualify as medical expenses (for purposes of Québec tax credits) and may or may not be deductible as employment income from UN agencies.

33. UN agencies do not, due to diplomatic privileges, issue tax forms to retirees showing as employment income amounts paid for health insurance.¹¹ Taxpayers should include the amount paid as employment income on the Québec tax return and attach a note saying the RL-1 form (with amount in Box A and Box J) was not issued. These amounts are not considered as taxable income by the CRA and should not normally be reported as such, or claimed as a medical expense, on the federal tax return.¹²

“FIND A RETIREE” CAMPAIGN

34. While many UN retirees residing in Canada are CAFICS members and thus can be informed of information concerning taxation of UNJSPF pensions, there are UN retirees residing in Canada who are not CAFICS members and may not be aware of the provisions of the Canada-US tax treaty.

35. Serving staff members of UN agencies, who are aware of former UN staff who have retired to reside in Canada, may wish to ask at least one such retiree if they are aware that a portion of the UN pensions paid to Canadian residents is tax free. **Taxpayers can file amended returns for up to ten years to claim deductions they may not have been aware of. This applies also to the heirs of UN retirees who have passed away.** CRA and Revenu Québec both provide special forms to use for adjusting a return already filed.

¹¹ Almost all UN agencies, in fact, do not issue official tax forms even for serving staff members. ICAO, for reasons of its own, chose to issue such forms for staff but not for retirees. The author of this paper is unaware of any other UN agency that issues any tax forms whatsoever to any taxation authorities but is aware that most, if not all except for ICAO, do not.

¹² There is some flexibility as to the tax treatment health insurance premiums for Québec residents, both for the federal and provincial returns, due in part to the fact that medical expenses can be claimed by spouses of the taxpayer. UNJSPF recipients should check with their tax advisors concerning this (or review all relevant tax publications if they prepare their own returns).

36. All UN retirees in Canada (and their survivors) are most welcome to join CAFICS, as are soon-to-be retirees. An application form for membership can be found on its web site at www.icao.int/cafics that can be printed and forwarded with the membership fee paid by cheque.

FINAL ADVICE

37. **This paper is best used as a guideline** to gain awareness of the taxation issues related to UNJSPF pensions paid to Canadian residents, particularly since the example used herein is hypothetical.

38. **Consider consulting a tax professional experienced in preparing treaty-based returns** (with this information in hand). Tax laws change. Although tax treaties are renegotiated infrequently, they do get amended from time to time.

39. Even if one prepares one's own returns, it is worthwhile to get a second opinion from a tax professional experienced in treaty-based returns. **Have them prepare or verify at least your first few returns after retirement.**

40. The information in this paper is believed to be accurate at the time of publication. **Check the date last updated on the cover page of this document.** If it is not a recent date, then take care before using it as a guideline.

41. The author of this paper does not offer tax preparation services. As pointed out earlier, CAFICS maintains a list of tax professionals that may be considered by its members. Neither CAFICS nor the author of this paper is paid any fee or remuneration by any tax professionals for inclusion on the CAFICS list.

42. Thanks are due those individuals who reviewed this document and made valuable suggestions to improve its accuracy and readability. **No writer can guarantee that any document is 100% error-free. Readers should be guided accordingly and, if in doubt, seek professional assistance.**

ATTACHMENT A

Worksheet A. Simplified Method (Keep for Your Records)



1. Enter the total pension or annuity payments received this year. Also, add this amount to the total for Form 1040, line 16a, or Form 1040A, line 12a	1. _____
2. Enter your cost in the plan (contract) at the annuity starting date plus any death benefit exclusion	2. _____
<p>Note: If your annuity starting date was before this year and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below. Otherwise, go to line 3.</p>	
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below.	3. _____
4. Divide line 2 by line 3	4. _____
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise go to line 6	5. _____
6. Enter any amounts previously recovered tax free in years after 1986	6. _____
7. Subtract line 6 from line 2	7. _____
8. Enter the smaller of line 5 or line 7	8. _____
9. Taxable amount for year. Subtract line 8 from line 1. Enter the result, but not less than zero. Also, add this amount to the total for Form 1040, line 16b, or Form 1040A, line 12b. Note: If your Form 1099-R shows a larger taxable amount, use the amount on this line instead	9. _____
10. Add lines 6 and 8	10. _____
11. Balance of cost to be recovered. Subtract line 10 from line 2	11. _____

Table 1 for Line 3 Above

and your annuity starting date was—

if the age at annuity starting date was . . .	before November 19, 1996, enter on line 3	after November 18, 1996, enter on line 3
55 or under	300	360
56-60	260	310
61-65	240	260
66-70	170	210
71 or over	120	160

Table 2 for Line 3 Above

if the combined ages at annuity starting date were . . .	then enter on line 3
110 or under	410
111-120	360
121-130	310
131-140	260
141 or over	210