



January 2023

Dear Retiree,

Enclosed please find your 2022 Form 1099-R, and the "Important Notice for U.S. Tax Residents Covered by the Staff Retirement Plan", which is provided annually to explain that certain IDB Group retirees may need to file IRS Form 8938 along with their federal tax return.

The amounts reported on your Form 1099-R should generally be reported on your federal tax return as follows:

- the amount in Box 1 of Form 1099-R should be included on line 5a of Form 1040 (or 1040-SR):  
and
- the amount in Box 2a of Form 1099-R should be included on line 5b of Form 1040 (or 1040-SR).<sup>1</sup>

Taxpayers who were born before January 2, 1958 have the option of using IRS Form 1040-SR in lieu of Form 1040. You should review the IRS Form 1040 instructions, which can be downloaded from IRS.gov, to determine if you are eligible to file using Form 1040-SR.

For more comprehensive instructions on how to complete your federal tax return, please review the latest instructions to Form 1040, which you can download from IRS.gov, or you may wish to consult with a professional tax advisor. For instructions on how to complete your state tax return, please refer to the website of your state tax authority.

Please see the reverse side of this notice (or the next page if you are reading this electronically) for an explanation of the amounts entered on Form 1099-R.

If you have further questions about your Form 1099-R, you may inquire by email addressed to [taxconsultants@iadb.org](mailto:taxconsultants@iadb.org). For guidance and FAQs on Form 8938, please refer to the Taxes section of the retirees page on the Bank's website: <https://www.iadb.org/en/retirees/taxes>.

Sincerely,

**IDB Tax Unit**

1300 New York Avenue, N.W.  
Washington, D.C. 20577

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<sup>1</sup> If you received a withdrawal benefit from the Staff Retirement Plan in 2022 and rolled over all or part of it into an individual retirement account (IRA) or another employer retirement plan, please refer to the instructions to IRS Form 1040 (which you can download from IRS.gov) for information on how to report the rollover.

## **Explanation of Amounts Reported on Form 1099-R**

**Box 1, "Gross Distribution":** In most cases, the amount reported equals the sum of three elements:

- your total Staff Retirement Plan ("SRP") benefits paid to you in 2022,
- your 2022 quarterly tax reimbursements, and
- the amount of any adjustment, whether positive or negative, paid or collected in 2022 resulting from the confirmation of a tax reimbursement for a previous year.

If you received a withdrawal benefit from the SRP, you are not eligible for tax reimbursement and only your withdrawal benefit will be included in Box 1.

**Box 2a, "Taxable Amount":** The amount reported is the amount in Box 1 minus your pension tax exclusion, i.e., the portion of your SRP benefit that is not subject to U.S. income tax. Under U.S. law, the pension tax exclusion for a monthly pension expires after a fixed number of monthly payments. If your pension tax exclusion expired before 2022, your 2022 gross distribution will be the same as the taxable amount.

### **Pension Tax Exclusion**

The pension tax exclusion is the portion of the SRP benefit that represents a tax-free refund of (1) your own contributions to the SRP, and (2) if applicable, the estimated IDB Group SRP contributions relating to periods of SRP service while you were not a U.S. citizen and not subject to U.S. income tax on your IDB Group compensation. Under U.S. tax law, the pension tax exclusion is spread out over a period that usually ranges from 21 to 34 years depending on your age and the age of your spouse upon retirement. After your pension tax exclusion expires, your entire pension and tax reimbursement will be subject to U.S. income taxes.

*While the IDB Group is not obliged to provide guidance to its retirees who are U.S. tax residents concerning the preparation of federal and state tax returns, we are assisting you by providing this general information, which does not constitute tax or legal advice. It is your responsibility to comply with all provisions of law, which may be subject to change. You may wish to consult with a professional tax advisor if you are still unsure about how to complete your tax returns, or if you have other tax questions.*

**IMPORTANT NOTICE FOR U.S. TAX RESIDENTS**  
**COVERED BY THE STAFF RETIREMENT PLAN**

The following important notice relates to the filing of IRS Form 8938 by recipients and future recipients of benefits under the IDB's Staff Retirement Plan. Although this potential filing requirement will not affect your taxable income or income tax liability in any way, you may nevertheless be required to file this Form 8938 along with your federal tax return. The following information is provided for your general knowledge and reference, but you should discuss its content and applicability with your tax advisor.

Under the Foreign Account Tax Compliance Act (FATCA), U.S. taxpayers who hold "specified foreign financial assets" with a total value exceeding certain thresholds (described below) must report such assets annually on Form 8938. SRP benefits and related tax reimbursements (if any) are "specified foreign financial assets" and therefore must be included in calculating this total value. If the threshold value is exceeded, then Form 8938 must be filed along with the annual federal tax return. It is important to note that filing Form 8938 is solely a reporting requirement; it does not affect your taxable income or income tax liability.

The requirement to file Form 8938 only applies to U.S. taxpayers, including U.S. citizens, permanent residents, and non-residents who file a joint tax return with a U.S. tax resident. If you are not required to file a U.S. federal tax return, you are not subject to FATCA reporting and are not required to file Form 8938.

The discussion below is intended to assist you in determining whether you should file Form 8938 with respect to the SRP. However, you should consult your personal tax advisor to determine how FATCA and the Form 8938 requirement apply in your situation.

For retirees and beneficiaries of the SRP, the amount of the SRP benefit and related tax reimbursement (if any) paid to you during the tax year is considered to be a specified foreign financial asset for purposes of reporting on Form 8938. This amount was reported to the IRS by the Bank on Form 1099-R. If the amount of the SRP benefit and related reimbursement, when added to your non-SRP foreign financial assets, exceeds the applicable threshold described below, you should file Form 8938.

For active staff members not receiving distributions under the SRP, an interest in the SRP is considered to be a specified foreign financial asset for purposes of reporting on Form 8938, but its value is considered to be zero. If you are required to file a Form 8938 because of non-SRP specified foreign financial assets exceeding the applicable threshold, you should report the SRP on your Form 8938 at a value of zero.

The following steps may assist you in determining if you are required to file Form 8938 along with your federal tax return:

1. If you are a retiree or beneficiary of the SRP, determine the aggregate dollar value of the total amount of your SRP benefit plus tax reimbursement, as reported in Box 1 of your Form 1099-R.
2. If you are an active staff member not receiving distributions under the SRP, the value of your interest in the SRP is considered by the IRS to be zero.

3. If you have non-SRP specified foreign financial assets, you should carefully review the instructions to Form 8938 to determine which of your (and if you file a joint return, your spouse's) personal non-SRP assets are considered specified foreign financial assets, and the value of any such assets.
4. Add the values of your SRP and non-SRP specified foreign financial assets and compare the total value of your specified foreign financial assets with the applicable Form 8938 filing thresholds as follows:
  - For married individuals filing a joint federal tax return, a Form 8938 is required if the total value of the specified foreign financial assets in which either spouse has an interest exceeds \$100,000 on the last day of the taxable year or exceeds \$150,000 at any time during the year.
  - The corresponding figures for tax returns using single, head of household or married separate filing status are \$50,000 and \$75,000, respectively.
  - Higher dollar thresholds apply to U.S tax residents who reside abroad, as described in the instructions to Form 8938.
5. If your total specified foreign financial assets exceed the applicable threshold, you should file Form 8938 and report all your specified foreign financial assets, including the relevant value for the SRP, even if it is zero.

If you are required to file Form 8938, the fillable IRS Form 8938 and its instructions are available on the IRS web-site (IRS.gov). You should review the instructions carefully, and/or seek advice from your personal tax professional. Generally, the IRS may impose penalties on taxpayers who are required to file Form 8938 but who fail to do so.

For more guidance on Form 8938 as well as FAQs, please refer to the Taxes section of the Retirees' page on the Bank's website: <https://www.iadb.org/en/retirees/taxes>.

*While the Bank is not obliged to alert recipients of SRP benefits of applicable tax law requirements, we are assisting you by providing this general information. This notice does not constitute professional tax or legal advice. It is your responsibility to comply with all provisions of law, which may be subject to change. Accordingly, we urge you to consult with a professional tax advisor if you are not sure whether and how FATCA applies in your particular situation.*

**IDB Tax Unit, Human Resources Department  
Inter-American Development Bank  
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