

CFRS Issues Corrected 1099-Rs to Certain Retirees and Beneficiaries

As part of an internal compliance review that the City of Fresno Retirement System (CFRS) conducted with its tax counsel, CFRS learned that it had inadvertently been under-reporting the taxable income of some of its retirees/beneficiaries who receive service connected disability retirement benefits. This means that those retirees/beneficiaries did not pay as much in federal and state taxes as they would have if CFRS had included the correct amount on their 1099-Rs.

After substantial review, analysis and discussion of this topic, including a public presentation to the CFRS Boards by CFRS tax counsel in April 2021, the CFRS Boards authorized CFRS to work with the Internal Revenue Service (IRS) and Franchise Tax Board (FTB) to attempt to resolve all issues arising out of this circumstance.

Since then, the Boards have directed CFRS to issue corrected 1099-Rs for 2018 and 2019. All of those corrected 1099-Rs were mailed on November 4, 2021.

If CFRS retirees/beneficiaries did not receive a corrected 1099-R, then they should not be impacted by this issue. Also, corrected 1099-Rs will not be issued for years before 2018 because those tax years are considered to be closed by the IRS.

Meanwhile, CFRS is addressing the topic of potential interest and/or penalties resulting from corrected 1099-Rs and underreported income for prior years with the IRS. CFRS is endeavoring to reach a resolution in which the IRS agrees not to impose interest and penalties on any CFRS retirees or beneficiaries as a result of these corrected 1099-Rs, and any prior underreporting by CFRS. CFRS will also coordinate as needed with the FTB as discussions with the IRS progress.

CFRS will continue to update impacted retirees and beneficiaries on this important matter as information becomes available from the IRS and/or FTB. In addition, CFRS urges impacted retirees and beneficiaries to consult with their accountants to assess best options for each of them. Finally, while CFRS cannot give tax advice, impacted retirees and beneficiaries are welcome to call CFRS at 559-621-7080, if they would like to discuss.