FIREFIGHTERS' RETIREMENT SYSTEM

One-Time Payment Taxes

Due to an influx of calls regarding the federal tax withholding for the one-time payment, FRS is issuing this memo to help explain how these taxes were calculated. The federal tax withholding calculation for the one-time payment was calculated in the same manner as the federal tax withholding for the monthly benefit payment.

1. If someone chose a flat tax rate to be deducted from their regular payments, the same amount was deducted from their one-time payment.
2. If someone didn't choose a flat tax rate, a computer program used IRS tax tables to calculate how much tax should be deducted from the one-time payment. These tables are different for people who are married, single, or head of household. The tables also have different levels based on income (lower income is taxed at a lower rate). The number of dependents someone has also affects the deduction.

Example: If someone usually receives \$5,000 each month but only received \$2,500 as a one-time payment, the tax program applied a lower tax rate from the table for the \$2,500. That's why a smaller amount of tax was deducted. If \$200 is normally deducted from a \$5,000 monthly benefit payment, that does NOT mean that \$100 will be deducted from a \$2,500 payment because the tax rates gradually increase in the IRS tax tables.

Let's say a person claimed they are married and have two dependents. This affects how much tax is taken from their \$2,500 one-time payment. The government uses a set of rules, like a math formula, to figure out how much tax should be taken.

Here's a simple example of how it might look:

1. **Start with the one-time payment amount: \$2,500**
2. Apply the tax rate based on being married and having two dependents. Let's say the exemption for being married is \$1,000, two dependents create a \$900 allowance, and the IRS tax rate on \$2,500 is 10%.

Tax Rate: 10% **Exemption: \$1,000** **Allowance: \$900**

3. Calculate the amount of tax to be withheld:

Tax Amount = (One-time Payment – Exemption – Allowance) x Tax Rate = (\$2,500 - \$1,000-\$900) x 0.10 Tax Amount = \$60

So, in this example, if someone claimed married with two dependents and they got a \$2,500 one-time payment, the government would withhold \$60 as taxes from that payment.

Please note that this is a simplified explanation using hypothetical amounts for illustrative purposes. Actual tax calculations involve more complex rules and factors.