



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

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This is in reply to your request for a ruling regarding the correct exclusion ratio to determine the income tax treatment of annuity payments to you from the Office of DC Pensions.

We are not issuing a ruling at this time. Instead we are returning the check for \$95.00 which you sent with your request for a ruling. We believe that there may be no applicable exclusion ratio for your annuity, but we are unable to establish this with certainty because we have been unable to contact you directly. Below you will find general information which may clarify your tax situation, and from which you may determine whether you need a ruling on the exclusion ratio for your annuity.

Annuity payments are generally includible in gross income under section 72 of the Internal Revenue Code. However, that portion of each payment which represents the return of previously taxed contributions to the fund is excludible from gross income. Such taxed contributions usually are amounts allocated to the employee's pay, included in income, taxed, and then withheld from the paycheck as a contribution to the retirement fund, for each pay period before retirement. For each annuity contract, the exclusion ratio is found by dividing the employee's pre-taxed investment in the contract by the expected return under the contract. The exclusion ratio establishes the portion of each payment which represents a return of money upon which taxes have already been paid, and which is now excludable from income.

In some cases, none of the funds contributed to the pension fund have been included in the employee's taxable income while working. Such funds would not have been taxed, and would not constitute a pre-taxed investment in the contract. In this case there would be no exclusion ratio, and the entire annuity benefit would be taxable as income.

If you still feel that you need a ruling on the income tax treatment of your annuity, you may resubmit your request. Please provide clear documentation as to the amount of your previously taxed investment in the contract.

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If you have any question concerning this matter, please contact  
(not a toll-free number). Or you may contact  
; Acting Manager, Actuarial Group 1, at  
(also not a toll-free number).

Sincerely yours



Larry Isaacs, Acting Manager  
Employee Plan Actuarial Group 1