

State of Illinois Deferred Compensation Plan



2015 Income Tax Information For State of Illinois Deferred Compensation Plan Participants

Currently Deferring Participants

If you are actively deferring into the State of Illinois Deferred Compensation Plan (DCP), your taxable income was reduced thanks to your participation in the DCP. You will only report the wages shown in Box 1 of your W-2 statement on your income tax form. Your wages reported in Box 1 show your gross wages reduced by the total amount of your 2014 deferrals and any other tax-deferred and tax-exempt deductions.

Your W-2 statement will reflect contributions to the DCP. If the "Deferred Compensation" box in the lower right-hand corner of the W-2 form is marked "X," it means you contributed to the DCP in 2014; the amount of your deferral is indicated in Box 12 with a "G" coding. Remember, you do not report your deferred compensation anywhere on your income tax form.

For Participants Who Took A Distribution In 2014

If you received a payment from your account during the 2014 tax year, you will receive a separate Form 1099-R from our recordkeeper, T. Rowe Price, by January 31, 2015. Box 2a of your 1099-R will list the taxable amount of your distribution(s) you received during 2014 and should be entered on line 16b of your Form 1040. Box 7 of your 1099-R shows the distribution code for the type of distribution received. A code of "7" in this box indicates a normal distribution for a participant age 59½ or over. If you were under age 59½, box 7 will be coded with a "2" to indicate that your DCP Plan distributions are not subject to the 10% additional tax on early distributions.

Distributions from your DCP, plus any earnings, are taxable as ordinary income for federal income tax purposes. These same distributions are not, however, subject to State of Illinois income tax. Line 1 of your IL 1040 is taken directly from your federal adjusted gross income, which includes any DCP distributions. These distributions should also then be listed (and consequently deducted from income) on line 5 of your Illinois return (IL 1040).

IRS Limits For 2015

To help you better prepare for the upcoming year, below is a summary of the 2015 salary deferral contributions you can make to your DCP:

- The IRS annual salary deferral dollar limit for before-tax contributions is \$18,000.
- For participants who will be age 50 and older, the age 50 catch-up provision allows you to defer up to \$24,000 in before-tax contributions. (This includes the \$18,000 maximum before-tax contribution allowed by the IRS plus an additional \$6,000.)
- The 457 special catch-up provision is \$36,000. (This provision can only be elected during the three years (consecutive) prior to, but not including, the year the participant attains normal retirement age, as defined by the 457 Plan.)

Use the Contribution Maximizer tool on the T. Rowe Price website to help determine how much to contribute each paycheck to reach the IRS limits. The tool helps you calculate how much you should defer each pay period to spread your contributions evenly throughout the year and max out the IRS limits.

1099-Rs for 2014 distributions will be mailed by January 31, 2015.

(over, please)

Required Minimum Distributions

If you turn age 70½ in 2015 and have left state service, you must receive your 2015 required minimum distribution (RMD) by April 1, 2016. To calculate your RMD, divide your account balance as of December 31, 2014, by 27.4 if you turn age 70, or 26.5 if you turn age 71, in 2015. This is the minimum amount that you must withdraw from your account.

Each year thereafter (including 2016), you must receive your RMD for that year by December.