



**Housing Agency Retirement Trust**

**DATE:** December 28, 2023

**TO:** All Participating Employees of an Agency Who Adopted an Employer Pay-All Plan or Section 414(h)(2) Plan with Supplemental Death Benefit Coverage

**FROM:** ADP Retirement Services, Record Keeper  
Kelly McGill, Relationship Manager and Jamie Gardner, Customer Service Manager

**SUBJECT:** Housing Agency Retirement Trust - PS58 Cost

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We would like to remind you that by January 31, 2024, you will receive IRS Form 1099R which shows your 2023 PS58 cost. **The income shown on this 1099R must be reported on your 2023 personal federal income tax return.** Therefore, please **do not file your federal tax return before receiving this Form.**

You are probably asking yourself, “What is PS58 cost?” It is when group term life insurance is provided under a qualified pension plan and your employer is paying the premium out of employer contributions made to the retirement plan. The Internal Revenue Service has determined that you are receiving an economic benefit as a result of this employer-paid benefit. The value of this benefit is calculated in accordance with the standard PS-58 table as required by the Internal Revenue Service. The amount of insurance coverage a participant has together with his or her age are the determining criteria for PS58. The plan administrator is keeping a record of the annual PS58 amounts it reports to you each year. When you do retire or terminate your employment and request your distribution from the retirement plan, the taxable amount of your distribution will be reduced by the sum of the prior years’ PS58 cost.

It may be confusing to some of you exactly how to report this income on your tax return. The standard instructions do not cover this situation. Section 72(m)(3) of the Internal Revenue Code generally provides that employer contributions to a retirement plan applied to the purchase of life insurance protection for a plan participant must be included in the participant’s gross income. **Alert your tax preparer to the fact you have received a 1099R with a code of “9” in Box 7 for PS58 cost.** He or she will determine whether it should be combined with your **gross income** and reported on line 1 of the 1040, or whether you can report it as **other income**. Note also, that PS58 cost is not treated as a distribution for purposes of Code Section 72(t). This means that the PS58 costs included in your income are **not** considered a distribution for purposes of applying the 10% premature penalty.

The purpose of this memo is to provide you with our understanding of the correct tax reporting of PS58 costs. **Be sure to consult with your tax preparer on this matter.** If your tax preparer does not agree with this information, or has any questions, please have him/her call Kelly McGill at 1-800-798-2044, extension 1 or Jamie Gardner at 1-800-798-2044 extension 3.

We thank you for partnering with us for your Retirement needs.