How to Gross-Up a Payment

Here's how to gross-up a taxable Required Minimum Distribution (RMD), reimbursement or other payment type so that you net a desired amount after tax(es) are withheld.

You can ask the company to "gross-up" your payment to cover the tax burden. If, for example, you would like to end up with a $10,000 net payment, here's how to gross up the payment:

1. Determine your total tax rate by adding your federal and state tax percentages. For example, if your federal tax rate is 22% and you live in MA the State rate is 5%, for a total tax rate of 27%. Consultant a tax professional, if you're not sure how to determine your federal and/or state tax rates - **pretty easy ask**.
2. Subtract the total tax percentage from 100 percent to get the net tax percentage. In the example above, the net tax percentage is 73 percent (100 - 27).
3. Divide the desired net payment amount by the net tax percentage to arrive at the grossed up amount. Example: $10,000 / (.73) = $13,698.63 (rounded).
4. Result: You should withdraw a "grossed up" payment amount of $13,698.32 and you will receive your desired net amount $10,000.

Caution: The grossed up payment amount creates a **tax obligation** of $3,698.32 ($10,000 + $3,698.32).

Of this amount your tax obligations are as follows::

1. MA (state) → $13,698.63 x (.05) = $684.93 rounded. This is the your MA (state) tax obligation
2. Federal → $13,698.63 x (.22) = $3,013.70 rounded. This is your Federal tax obligation.

We recommend that you place your tax obligations (Federal and State) in a separate account so that they are available when it comes time to pay the **TaxMan** ! **AND that time always comes!**