

Step-by-Step IRA Withholding

IRA Withholding Notice & Election

1. Determine if withholding applies
2. Provide withholding notice
3. Capture withholding election

Determine if Withholding Applies

Traditional	Subject to withholding
Roth	Subject to withholding unless nontaxable distribution

Provide Withholding Notice

- Distributions taken less frequently than quarterly – provide a notice prior to each distribution, but not more than six months prior to each distribution
- Distributions taken quarterly or more often provide an annual blanket notice

IRC Sec. 3405(e)(10)(B)(ii) states that “... the payer of any nonperiodic distribution shall transmit to the payee notice of the right to make any election provided in subsection (b) at the time of the distribution (or at such earlier time as may be provided in regulations).”

And the treasury regulations (§35.3405-1T; f-27 states that “... If distributions from an IRA have begun and are scheduled to be made at quarterly or more frequent intervals, then, in lieu of providing a notice at the time of each distribution, the payer may furnish a blanket notice applicable to all such distributions that are expected to be made to the payee from the account during a calendar year.”

- Failure to comply with the notice requirement is subject to a penalty of \$100 per failure, with a maximum of \$50,000 in any calendar year for all such failures by the payer unless due to reasonable cause and not to willful neglect.

Capture Withholding Election

Form W-4R Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions OMB No. 1545-0074
Department of the Treasury Internal Revenue Service Give Form W-4R to the payer of your retirement payments. **2025**

Ta First name and middle initial Last name 1b Social security number

Address

City or town, state, and ZIP code

Your withholding rate is determined by the type of payment you will receive.

- For nonperiodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% on line 2. Generally, you can't choose less than 10% for payments to be delivered outside the United States and its territories.
- For an eligible rollover distribution, the default withholding rate is 20%. You can choose a rate greater than 20% by entering the rate on line 2. You may not choose a rate less than 20%.

See page 2 for more information.

2 Complete this line if you would like a rate of withholding that is different from the default withholding rate. See the instructions on page 2 and the Marginal Rate Tables below for additional information. Enter the rate as a whole number (no decimals) 2 %

Sign Here Your signature (This form is not valid unless you sign it.) Date

For IRAs in 2023 and later years, the distributing custodian/trustee must furnish the IRA owner with a withholding notice which provides notice of the IRA owner's right to have federal income tax withheld from the IRA distribution. The IRA owner may elect a rate from 0-100%. If the IRA owner does not elect a withholding rate, the IRA custodian/trustee must withhold the amount elected on the most recent election or, if no prior election, then 10% of the IRA distribution.

CAUTION: Annuitized distributions from IR annuities are considered periodic distributions and are subject to different requirements

