

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)." §35.3405-1 (F)

And the treasury regulations say "... 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 \$10 per failure, with a maximum of \$5,000 in any calendar year for all such failures by the payer unless due to reasonable cause and not to willful neglect.

Capture Withholding Election

----- Separate here and give Form W-4P to the payer of your pension or annuity. Keep the top part for your records. -----

| | | | |
|---|--|---|----------------------------------|
| Form W-4P Department of the Treasury Internal Revenue Service | | Withholding Certificate for Pension or Annuity Payments ► For Privacy Act and Paperwork Reduction Act Notice, see page 4. | OMB No. 1545-0074 2014 |
| Your first name and middle initial | | Last name | Your social security number |
| Home address (number and street or rural route) | | Claim or identification number (if any) of your pension or annuity contract | |
| City or town, state, and ZIP code | | | |
| Complete the following applicable lines. | | | |
| 1 Check here if you do not want any federal income tax withheld from your pension or annuity. (Do not complete line 2 or 3.) ► | | <input type="checkbox"/> | |
| 2 Total number of allowances and marital status you are claiming for withholding from each periodic pension or annuity payment. (You also may designate an additional dollar amount on line 3.) | | | |
| Marital status: <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. | | (Enter number of allowances.) | |
| 3 Additional amount, if any, you want withheld from each pension or annuity payment. (Note. For periodic payments, you cannot enter an amount here without entering the number (including zero) of allowances on line 2.) | | ► \$ | |
| Your signature ► | | Date ► | |

Cat. No. 10225T Form **W-4P** (2013)

Withholding applies at a rate of 10 percent. However, IRA owners may explicitly elect to

- waive out of withholding, or
- withhold at a rate greater than 10 percent.

Election on file remains in effect until a new election is submitted by the IRA owner.

CAUTION: Annuitized distributions from IR annuities or from annuity contracts under IRAs are considered periodic and are subject to different requirements.

