

Revised and New Retirement Plan Distribution Withholding Forms

Chad DeGroot
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Earlier this year, the IRS issued a revised **Form W-4P** (Withholding Certificate for Pension or Annuity Payments) and a new **Form W-4R** (Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions), both of which are described in further detail in **Publication 15-T**, which was issued in December 2021. These forms are used by payees to indicate the amount of federal income tax to withhold from taxable payments from, among other things, pension plans and profit-sharing plans (including 401(k) plans), including eligible rollover distributions. Required effective January 1, 2023, the revised Form W-4P is to be used for taxable periodic pension and annuity payments, and the new Form W-4R must be used for nonperiodic payments and eligible rollover distributions. This marks the first time that administrators will need to send different forms to payees depending on the nature of the distribution that is being received, so administrators must be familiar with the new forms and their applications.

The revised Form W-4P, which relates to payments *without* default withholdings, continues to utilize dollar amounts (as opposed to percentage withholdings), and now includes only one worksheet (as opposed to three) and clear steps to follow for purposes of calculating those dollar amounts. The new Form W-4R, which relates to payments *with* default withholdings, clearly identifies the withholding rates, and allows payees to elect withholding rates, in whole percentages, that are different from the default rates. Previously, payees could have elected an additional

Attorneys

Chad R. DeGroot

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dollar amount or percentage in addition to the 10% minimum withholding on nonperiodic payments. In addition, the IRS issued a revised **Publication 15-A** (Employer's Supplemental Tax Guide) in early 2022, which set forth a number of requirements that apply if the Form W-4R is formatted to fit certain products, such as electronic systems.

Issuers of Forms W-4P or W-4R, including retirement plan sponsors, should be familiarizing themselves with the changes to Form W-4P and the new Form W-4R ahead of the mandatory implementation date of January 1, 2023, to ensure that systems are in place as required to utilize the new forms. If you have any questions regarding these new Forms or your obligations in that regard, please contact any of our Employee Benefits professionals.