

# Withholding Certificate for Pension or Annuity Payments

**Purpose.** This form is for recipients of pensions, annuities, and certain other deferred compensation to tell payers whether income tax is to be withheld and on what basis. Your options depend on whether the payment is periodic, nonperiodic, or an eligible rollover distribution as explained on page 3.

You also may use this form to choose to have (a) no income tax withheld from the payment (except for eligible rollover distributions or payments to U.S. citizens delivered outside the United

States or its possessions) or (b) an additional amount of tax withheld.

**What do I need to do?** Complete lines A through F of the Personal Allowances Worksheet. Use the additional worksheets on page 2 to adjust your withholding allowances for itemized deductions, adjustments to income, or multiple pensions/more than one income situations. If you do not want income tax to be withheld, you can skip the worksheets and go directly to the form at the bottom of this page.

**Sign this form.** Form W-4P is not valid unless you sign it.

**Other income.** If you have a large amount of income from other sources not subject to withholding (such as interest, dividends, or taxable social security), consider making estimated tax payments using **Form 1040-ES**, Estimated Tax for Individuals. Call 1-800-TAX-FORM (1-800-829-3676) for Form 1040-ES, and **Pub. 505**, Tax Withholding and Estimated Tax.

## Personal Allowances Worksheet

**A** Enter "1" for **yourself** if no one else can claim you as a dependent . . . . . **A** \_\_\_\_\_

**B** Enter "1" if: } 

- You are single and have only one pension; or
- You are married, have only one pension, and your spouse has no income subject to withholding; or
- Your income from a second pension or a job, or your spouse's pension or wages (or the total of all) is \$1,000 or less.
 . . . . . **B** \_\_\_\_\_

**C** Enter "1" for your **spouse**. But you may choose to enter -0- if you are married and have either a spouse who has income subject to withholding, or you have more than one source of income subject to withholding. (This may help you avoid having too little tax withheld.) . . . . . **C** \_\_\_\_\_

**D** Enter number of **dependents** (other than your spouse or yourself) you will claim on your return . . . . . **D** \_\_\_\_\_

**E** Enter "1" if you will file as **head of household** on your tax return. . . . . **E** \_\_\_\_\_

**F** Add lines A through E and enter total here. **Note:** *This may be different from the number of exemptions you claim on your return.* . . . . . **F** \_\_\_\_\_

For accuracy, complete all worksheets that apply. } 

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you have more than one source of income subject to withholding or a spouse with income subject to withholding AND your combined earnings from all sources exceed \$32,000 (\$55,000 if married filing jointly), see the **Multiple Pensions/More Than One Income Worksheet** on page 2 if you want to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line F on line 2 of Form W-4P below.

..... Cut here and give the certificate to the payer of your pension or annuity. Keep the top part for your records. ....

# Withholding Certificate for Pension or Annuity Payments

▶ For Paperwork Reduction Act Notice, see page 3.

Type or print your full 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 lines 2 or 3.) ▶

**2** Total number of allowances and marital status you are claiming for withholding from each **periodic** pension or annuity payment. (You may also designate an additional dollar amount on line 3.) . . . . . ▶ \_\_\_\_\_  
 Marital status:  Single  Married  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 ▶ \_\_\_\_\_

**Deductions and Adjustments Worksheet**

**Note:** Complete only if you plan to itemize deductions or claim adjustments to income on your 1998 tax return.

- 1 Enter an estimate of your 1998 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 1998, you may have to reduce your itemized deductions if your income is over \$124,500 (\$62,250 if married filing separately). Get Pub. 919 for details.) **1** \$ \_\_\_\_\_
- 2 Enter:  $\left\{ \begin{array}{l} \$7,100 \text{ if married filing jointly or qualifying widow(er)} \\ \$6,250 \text{ if head of household} \\ \$4,250 \text{ if single} \\ \$3,550 \text{ if married filing separately} \end{array} \right\}$  . . . . . **2** \$ \_\_\_\_\_
- 3 **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter -0- . . . . . **3** \$ \_\_\_\_\_
- 4 Enter an estimate of your 1998 adjustments to income, including alimony, deductible IRA contributions, and educational loan interest . . . . . **4** \$ \_\_\_\_\_
- 5 **Add** lines 3 and 4 and enter the total . . . . . **5** \$ \_\_\_\_\_
- 6 Enter an estimate of your 1998 income not subject to withholding (such as dividends or interest) . . . . . **6** \$ \_\_\_\_\_
- 7 **Subtract** line 6 from line 5. Enter the result, but not less than zero. . . . . **7** \$ \_\_\_\_\_
- 8 **Divide** the amount on line 7 by \$2,500 and enter the result here. Drop any fraction . . . . . **8** \_\_\_\_\_
- 9 Enter the number from **Personal Allowances Worksheet**, line F, on page 1 . . . . . **9** \_\_\_\_\_
- 10 **Add** lines 8 and 9 and enter the total here. If you plan to use the **Multiple Pensions/More Than One Income Worksheet**, also enter this total on line 1 below. Otherwise **stop here** and enter this total on Form W-4P, line 2, on page 1 . . . . . **10** \_\_\_\_\_

**Multiple Pensions/More Than One Income Worksheet**

**NOTE:** Complete only if the instructions under line F on page 1 direct you here. This applies if you (and your spouse if married filing a joint return) have more than one source of income subject to withholding (such as more than one pension, or a pension and a job, or you have a pension and your spouse works).

- 1 Enter the number from line F on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet) **1** \_\_\_\_\_
  - 2 Find the number in **Table 1** below that applies to the **LOWEST** paying pension or job and enter it here **2** \_\_\_\_\_
  - 3 If line 1 is **GREATER THAN OR EQUAL TO** line 2, **subtract** line 2 from line 1. Enter the result here (if zero, enter -0-) and on Form W-4P, line 2, page 1. **Do not** use the rest of this worksheet . . . . . **3** \_\_\_\_\_
- Note:** If line 1 is **LESS THAN** line 2, enter -0- on Form W-4P, line 2, on page 1. Complete lines 4-9 to calculate the additional withholding amount necessary to avoid a year end tax bill.
- 4 Enter the number from line 2 of this worksheet . . . . . **4** \_\_\_\_\_
  - 5 Enter the number from line 1 of this worksheet . . . . . **5** \_\_\_\_\_
  - 6 **Subtract** line 5 from line 4 . . . . . **6** \_\_\_\_\_
  - 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying pension or job and enter it here **7** \$ \_\_\_\_\_
  - 8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed. . . . . **8** \$ \_\_\_\_\_
  - 9 **Divide** line 8 by the number of pay periods remaining in 1998. (For example, divide by 12 if you are paid every month, and you complete this form in December 1997.) Enter the result here and on Form W-4P, line 3, page 1. This is the additional amount to be withheld from each payment . . . . . **9** \$ \_\_\_\_\_

**Table 1: Multiple Pensions/More Than One Income Worksheet**

Married Filing Jointly				All Others	
If amount from <b>LOWEST</b> paying pension or job is—	Enter on line 2 above	If amount from <b>LOWEST</b> paying pension or job is—	Enter on line 2 above	If amount from <b>LOWEST</b> paying pension or job is—	Enter on line 2 above
0 - \$4,000 . . . . .	0	43,001 - 54,000 . . . . .	9	0 - \$5,000 . . . . .	0
4,001 - 7,000 . . . . .	1	54,001 - 62,000 . . . . .	10	5,001 - 11,000 . . . . .	1
7,001 - 12,000 . . . . .	2	62,001 - 70,000 . . . . .	11	11,001 - 16,000 . . . . .	2
12,001 - 18,000 . . . . .	3	70,001 - 85,000 . . . . .	12	16,001 - 21,000 . . . . .	3
18,001 - 24,000 . . . . .	4	85,001 - 100,000 . . . . .	13	21,001 - 25,000 . . . . .	4
24,001 - 28,000 . . . . .	5	100,001 - 110,000 . . . . .	14	25,001 - 42,000 . . . . .	5
28,001 - 33,000 . . . . .	6	110,001 and over . . . . .	15	42,001 - 55,000 . . . . .	6
33,001 - 38,000 . . . . .	7			55,001 - 70,000 . . . . .	7
38,001 - 43,000 . . . . .	8			70,001 - 85,000 . . . . .	8
				85,001 - 100,000 . . . . .	9
				100,001 - and over . . . . .	10

**Table 2: Multiple Pensions/More Than One Income Worksheet**

Married Filing Jointly		All Others	
If amount from <b>HIGHEST</b> paying pension or job is—	Enter on line 7 above	If amount from <b>HIGHEST</b> paying pension or job is—	Enter on line 7 above
0 - \$50,000 . . . . .	\$400	0 - \$30,000 . . . . .	\$400
50,001 - 100,000 . . . . .	760	30,001 - 60,000 . . . . .	760
100,001 - 130,000 . . . . .	840	60,001 - 120,000 . . . . .	840
130,001 - 240,000 . . . . .	970	120,001 - 250,000 . . . . .	970
240,001 and over . . . . .	1,070	250,001 and over . . . . .	1,070

**When should I complete the form?**

Complete the form and give it to the payer as soon as possible to avoid underwithholding.

**Multiple pensions/more than one income.** To figure the number of allowances you may claim, combine allowances and income subject to withholding from all sources on one worksheet. You may file a Form W-4P with each pension payer, but do not claim the same allowances more than once. Your withholding will usually be more accurate if you claim all allowances on the Form W-4P for the largest source of income subject to withholding.

**Additional Instructions**

Section references are to the Internal Revenue Code.

**Withholding From Pensions and Annuities**

Generally, Federal income tax withholding applies to the taxable part of payments made from pension, profit-sharing, stock bonus, annuity, and certain deferred compensation plans; from individual retirement arrangements (IRAs); and from commercial annuities. The method and rate of withholding depends on the kind of payment you receive. Also, because your tax situation may change from year to year, you may want to refigure your withholding each year.

You can change the amount to be withheld by using lines 2 and 3 of Form W-4P. You can also choose to exempt the payments from withholding by using line 1 of Form W-4P. This exemption from withholding does not apply to eligible rollover distributions (discussed later). Also, the exemption does not apply to certain recipients who have payments delivered outside the United States or its possessions. See **Exemption From Withholding—Payments Outside the United States** later.

**Caution:** *There are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees, especially, should see Pub. 505. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your pension or annuity using Form W-4P.*

**Periodic payments.** Withholding from periodic payments of a pension or annuity is figured in the same manner as withholding from wages. Periodic payments are made in installments at regular intervals over a period of more than 1 year. They may be paid annually, quarterly, monthly, etc.

Unless you submit Form W-4P to your payer, tax must be withheld on **periodic** payments as if you are married claiming three withholding allowances. Generally, this means that tax will be withheld if your pension or annuity is at least \$1,200 a month.

There are some kinds of periodic payments for which you **cannot** use Form W-4P since they are already defined as wages subject to income tax withholding. These payments include retirement pay for service in the U.S. Armed Forces, and payments from certain nonqualified deferred compensation plans and state and local deferred compensation plans described in section 457. Your payer should be able to tell you whether Form W-4P applies.

For periodic payments, your certificate stays in effect until you change or revoke it. Your payer must notify you each year of your right to choose to have no Federal income tax withheld or to revoke your election.

**Note:** *Social security and railroad retirement payments may be includible in income. See Form W-4V for information on voluntary withholding on these payments.*

**Nonperiodic payments.** Your payer must withhold a flat 10% from nonperiodic payments (but see **Eligible rollover distribution** below). Distributions from an IRA that are payable on demand are treated as nonperiodic payments. You can choose to have no income tax withheld from a nonperiodic payment by filing Form W-4P with the payer and checking the box on line 1. Generally, your choice to have no tax withheld will apply to any later payment from the same plan. You cannot use line 2 for nonperiodic payments. But you may use line 3 to specify an additional amount you want withheld.

**Eligible rollover distribution.** Distributions you receive that are eligible to be rolled over tax free to an IRA or qualified plan are subject to a flat 20% withholding rate for payments from qualified pension or annuity plans (e.g., 401(k) pension plans) or tax-sheltered annuities. You may not choose exemption from withholding for eligible rollover distributions. See Pub. 505 for more details. However, the payer will not withhold income tax if the entire distribution is transferred by the plan administrator in a direct rollover to an IRA or qualified pension plan or tax-sheltered annuity. Because you are not entitled to claim exemption from withholding on eligible rollover distributions, do not give Form W-4P to your payer. If you want an additional amount withheld, complete line 3 of Form W-4P.

**Exemption From Withholding—Payments Outside the United States**

If you are a U.S. citizen or resident alien receiving periodic or nonperiodic payments that are delivered outside the United States or its possessions, you may **not** choose exemption from income tax withholding.

Other recipients, such as nonresident aliens, who have these payments delivered outside the United States or its possessions may choose exemption from withholding only if an individual certifies to the payer that the individual is **not (1)** a U.S. citizen or resident alien or **(2)** an individual to whom section 877 applies (concerning expatriation to avoid tax). The certification must be made in a statement to the payer under penalties of perjury. A nonresident alien who elects exemption from withholding under section 3405 is subject to withholding under section 1441.

**Revoking Your Exemption From Withholding**

**Periodic payments.** If you want to revoke your previously filed exemption from withholding for periodic payments, complete another Form W-4P and give it to the payer. If you want tax withheld at the rate set by law (married with three allowances), write "Revoked" next to the checkbox on line 1 of the form. If you want tax withheld at any different rate, complete line 2 on the form.

**Nonperiodic payments.** If you want to revoke your previously filed exemption from withholding for nonperiodic payments, write "Revoked" next to the checkbox on line 1 and give Form W-4P to the payer.

**Statement of Income Tax Withheld From Your Pension or Annuity**

By January 31 of next year, your payer will furnish a statement to you showing the total amount of your pension or annuity payments and the total income tax withheld during the year on **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

**Paperwork Reduction Act Notice**

We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3405 and 6109 and their regulations. Failure to provide this information may result in inaccurate withholding on your payment(s).

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . . . 40 min.
- Learning about the law or the form** . . . . . 20 min.
- Preparing the form.** . . . . 49 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, give it to your payer.

