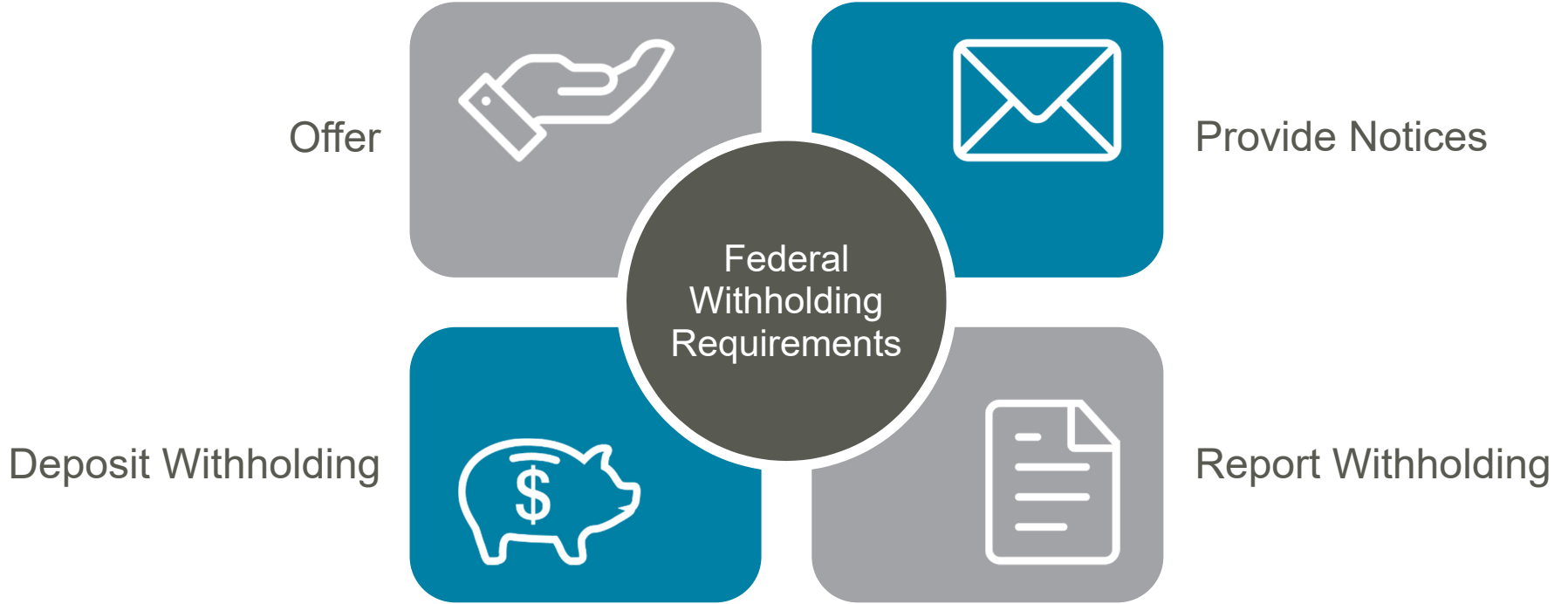


IRA Withholding Requirements



Learning Objectives

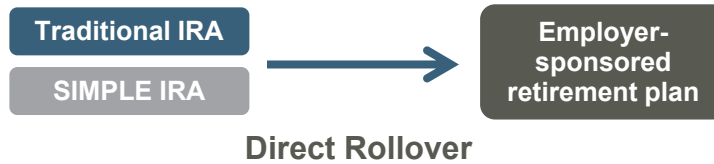
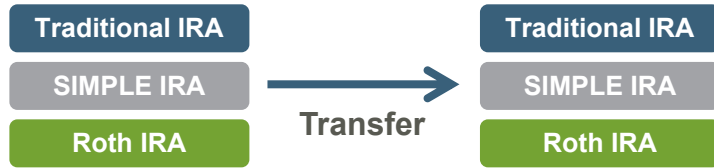
- ✔ List the possible penalties for failing to withhold
- ✔ Explain the withholding notice and election requirements
- ✔ Discuss how withholding is reported and transmitted to the IRS
- ✔ Describe foreign withholding requirements



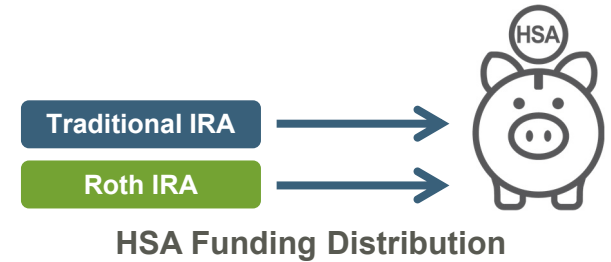
Potential Penalties

Requirement	Penalty for Failure
Withhold federal income tax or obtain signed withholding waiver	The financial organization must pay the tax required to be withheld
Keep records necessary to report withholding to the IRS	\$50 for each IRA for which proper records were not kept
Notify distribution recipients of their withholding rights as required	\$10 for each failure
Deposit amounts withheld from IRA distributions with a federal depository on a timely basis	1–5 days late: 2% 6–15 days late: 5% 16+ days late: 10% More than 10 days after IRS notice: 15% The penalty is a percentage of the amount that should have been deposited. Because the failure to make a required deposit affects all subsequent deposits until the full amount of the underdeposit is corrected, it is important to make withholding deposits on a timely basis.

No Withholding



Qualified Charitable Distribution



HSA Funding Distribution



Qualified Roth Distribution

Provide Withholding Option

Nonperiodic Distributions

- “Payable on demand”
- Subject to 10% withholding rate
- May waive or increase withholding

Periodic Distributions

- Annuitized distributions
- Treated as wages
- 10% withholding rate does not apply

Provide Withholding Option



Provide notices
>\$200



Applies to all
owners and
beneficiaries



Separate from
early distribution
penalty tax

Provide Withholding Option

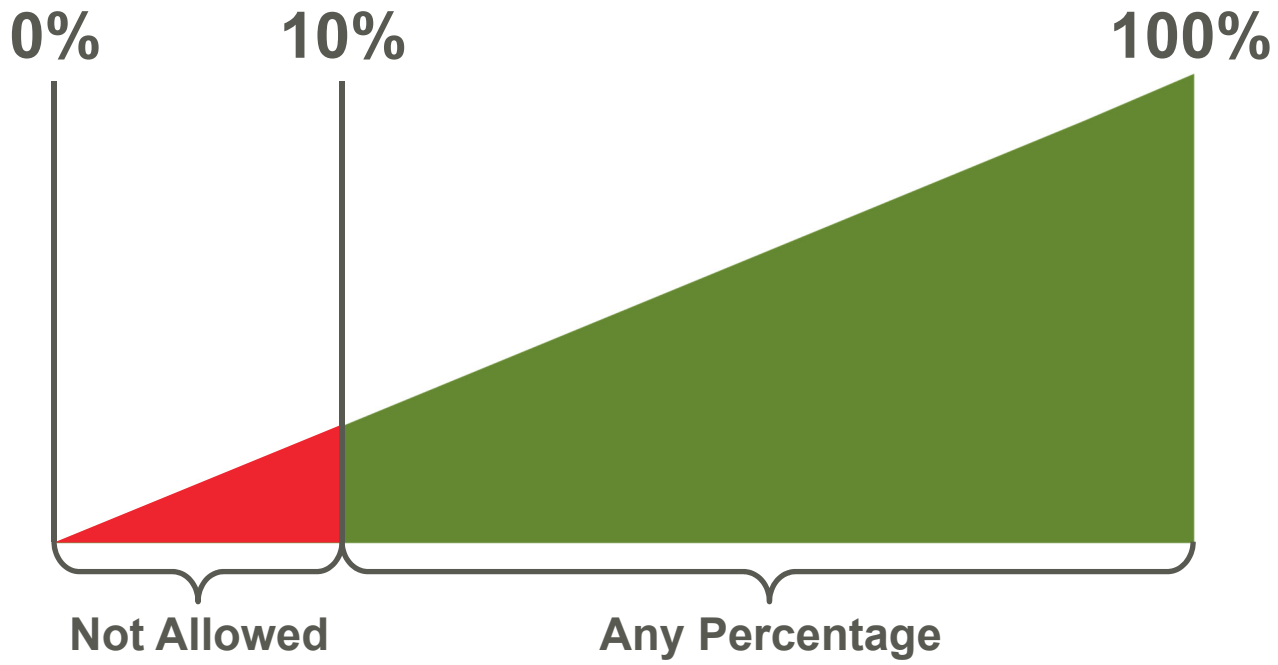


Withhold

OR



Waive withholding



Must be documented

Withholding Certificate for Pension or Annuity Payments

Future developments. For the latest information about any future developments related to Form W-4P, such as legislation enacted after it was published, go to www.irs.gov/FormW4P.
Purpose. Form W-4P is for U.S. citizens, resident aliens, or their estates who are recipients of pensions, annuities (including commercial annuities), and certain other deferred compensation. Use Form W-4P to tell payers the correct amount of federal income tax to withhold from your payments). You also may use Form W-4P to choose (a) not to have any federal income tax withheld from the payment (except for eligible rollover distributions or for payments to U.S. citizens to be delivered outside the United States or its possessions) or (b) to have an additional amount of tax withheld.
Your options depend on whether the payment is periodic, nonperiodic, or an eligible rollover distribution, as explained on pages 2 and 3. You previously filed Form W-4P will remain in effect if you don't file a Form W-4P for 2019.

General Instructions

Section references are to the Internal Revenue Code.
Follow these instructions to determine the number of withholding allowances you should claim for pension or annuity payment withholding for 2019 and any additional amount of tax to have withheld. Complete the worksheet(s) using the taxable amount of the payments.
If you don't want any federal income tax withheld (see *Purpose*, earlier), you can skip the worksheets and go directly to the Form W-4P below.
Sign this form. Form W-4P is not valid unless you sign it. You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you have more than one pension or annuity, a working spouse, or a large amount of income outside your pensions. After your Form W-4P takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2019. If you use the calculator, you don't need to complete any of the worksheets for Form W-4P.
Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax

withheld, you will owe tax when you file your tax return, and you might owe a penalty.
Filers with multiple pensions or more than one income. If you have more than one source of income subject to withholding (such as more than one pension or a pension and a job, or you're married filing jointly and your spouse is working), read all of the instructions, including the instructions for the Multiple Pensions/More-Than-One-Income Worksheet, before beginning.
Other income. If you have a large amount of income from other sources not subject to withholding (such as interest, dividends, or capital gains), consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you might owe additional tax. See Pub. 505, Tax Withholding and Estimated Tax, for more information. Get Form 1040-ES and Pub. 505 at www.irs.gov/FormsPubs. Or, you can use the Deductions, Adjustments, and Additional Income Worksheet on page 5 of the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your payments. If you have income from wages, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or Form W-4P.
Note: Social security and railroad retirement payments may be includable in income. See Form W-4V, Voluntary Withholding Request, for information on voluntary withholding from these payments.

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 depend on (a) the kind of payment you receive; (b) whether the payments are to be delivered outside the United States or its possessions; and (c) whether the recipient is a nonresident alien individual, a nonresident alien beneficiary, or a foreign estate. Qualified distributions from a Roth IRA are nontaxable and, therefore, not subject to withholding. See page 3 for special withholding rules that apply to payments to be delivered outside the United States and payments to foreign persons.

----- Separate here and give Form W-4P to the payer of your pension or annuity. Keep the worksheet(s) for your records. -----

Withholding Certificate for Pension or Annuity Payments

► For Privacy Act and Paperwork Reduction Act Notice, see page 6.

Your first name and middle initial	Last name	Your social security number
Home address (number and street or rural route)		Claim of identification number (if any) of your pension or annuity contract
City or town, state, and ZIP code		

Complete the following applicable lines.

- Check here if you do not want any federal income tax withheld from your pension or annuity. (Don't complete line 2 or 3.)
- Total number of allowances and marital status you're claiming for withholding from each periodic pension or annuity payment. (You also may designate an additional dollar amount on line 3.)
- Marital status: Single Married Married, but without a higher Single rate Higher Single rate (Enter number of allowances.)
- Additional amount, if any, you want withheld from each pension or annuity payment. (Note: For periodic payments, you can't enter an amount here without entering the number (including zero) of allowances on line 2.) \$

Your signature ► _____ Date ► _____
Cat. No. 10222T Form **W-4P** (2019)

Note: The payer won't withhold federal income tax if the entire distribution is transferred by the plan administrator in a direct rollover to a traditional IRA or another eligible retirement plan (if allowed by the plan), such as a 401(k) plan, qualified pension plan, governmental section 457(b) plan, section 403(b) contract, or tax-sheltered annuity.

Distributions that are (a) required by federal law, (b) one of a specified series of equal payments, or (c) qualifying "hardship" distributions are not "eligible rollover distributions" and aren't subject to the mandatory 20% federal income tax withholding. See Pub. 505 for details. See also *Nonperiodic payments—10% withholding* on page 2.

Tax relief for victims of terrorist attacks. For tax years ending after September 10, 2001, disability payments for injuries incurred as a direct result of a terrorist attack directed against the United States (or its allies), whether outside or within the United States, aren't included in income. You may check the box on line 1 of Form W-4P and submit the form to your payer to have no federal income tax withheld from these disability payments. However, you must include in your income any amounts that you received or you would've received in retirement had you not become disabled as a result of a terrorist attack. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Changing Your "No Withholding" Choice

Periodic payments. If you previously chose not to have federal income tax withheld and you now want withholding, complete another Form W-4P and submit it to your payer. If you want federal income tax withheld at the 2019 default rate (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 1 on the form.

Nonperiodic payments. If you previously chose not to have federal income tax withheld and you now want withholding, write "Revoked" next to the checkbox on line 1 and submit Form W-4P to your payer.

Payments to Foreign Persons and Payments To Be Delivered Outside the United States

Unless you're a nonresident alien, withholding (in the manner described above) is required on any periodic or nonperiodic payments that are to be delivered to you outside the United States or its possessions. Don't check the box on line 1 of Form W-4P. See Pub. 505 for details.

In the absence of a tax treaty exemption, nonresident aliens, nonresident alien beneficiaries, and foreign estates generally are subject to a 30% federal withholding tax under section 1441 on the taxable portion of a periodic or nonperiodic pension or annuity payment that is from U.S. sources. However, most tax treaties provide that private pensions and annuities are exempt from withholding and tax. Also, payments from certain pension plans are exempt from withholding even if no tax treaty applies. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for details. A foreign person should submit Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting, to the payer before receiving any payments. The Form W-8BEN must contain the foreign person's taxpayer identification number (TIN).

Statement of Federal Income Tax Withholding For Your Pension or Annuity

By January 31 of next year, your payer will furnish a statement to you on Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., showing the total amount of your pension or annuity payments and the total federal income tax withheld during the year. If you're a foreign person who has provided your payer with Form W-8BEN, your payer instead will furnish a statement to you on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, by March 16 of next year.

Specific Instructions

Personal Allowances Worksheet

Complete this worksheet on page 4 first to determine the number of withholding allowances to claim.
Line C. Head of household phase out: Generally, you can claim head of household filing status on your tax return only if you're unmarried and pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub. 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you may be eligible to claim a child tax credit for each of your eligible children. To qualify, the child must be under age 17 as of December 31, must be your dependent who lives with you for more than half the year, and must have a valid social security number. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your payments by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your pensions, wages, and other income, including income earned by a spouse, if you are filing a joint return.

Line F. Credit for other dependents. When you file your tax return, you may be eligible to claim a credit for other dependents for whom a child tax credit cannot be claimed, such as a qualifying child who does not meet the age or social security number requirement for the child tax credit, or a qualifying relative. To learn more about this credit, see Pub. 972. To reduce the tax withheld from your payments by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of your pensions, wages, and other income, including income earned by a spouse, if you are filing a joint return.

Line G. Other credits. You may be able to reduce the tax withheld from your payments if you expect to claim other tax credits, such as tax credits for education (see Pub. 970). If you do so, your payments will be larger, but the amount of any refund that you receive when you file your tax return will be smaller. Follow the instructions for Worksheet 1-6 in Pub. 505 if you want to reduce your withholding to take these credits into account. Enter "-0-" on lines E and F if you use Worksheet 1-6.

Deductions, Adjustments, and Additional Income Worksheet

Complete this worksheet to determine if you're able to reduce the tax withheld from your pension or annuity payments to account for your itemized deductions and other adjustments to income, such as IRA contributions. If you do so, your refund at the end of the year will be smaller, but your payments will be larger. You're not required to complete this worksheet or reduce your withholding if you don't wish to do so.

You can also use this worksheet to figure out how much to increase the tax withheld from your payments if you have a large amount of other income not subject to withholding, such as interest, dividends, or capital gains.

Another option is to take these items into account and make your withholding more accurate by using the calculator at www.irs.gov/W4App. If you use the calculator, you don't need to complete any of the worksheets for Form W-4P.

Multiple Pensions/More-Than-One-Income Worksheet

Complete this worksheet if you receive more than one pension, if you have a pension and a job, or if you're married filing jointly and have a working spouse or a spouse who receives a pension. If you don't complete this worksheet, you might have too little tax withheld. If so, you will owe tax when you file your tax return and may be subject to a penalty.

Frank is receiving scheduled payments from his IRA and has elected 10% federal withholding. Frank would like to take an extra distribution and waive withholding.

How does Frank make the election?

How will this affect him moving forward?

The financial organization must have Frank complete Form W-4P (or substitute form) to reflect this change.

This change will apply to future payments, including the scheduled payments, until Frank completes another Form W-4P (or substitute form).



Withholding for Nonresident Aliens

Income Code Number		Interest ^{ccc}		Dividends			Pensions and Annuities	
Name	Code	1 Paid by U.S. Obligors— General	Treaty Article Citation	6 Paid by U.S. Corporations— General ^a	7 Qualifying for Direct Dividend Rate ^{a, b, aaa}	Treaty Article Citation	15 Pensions and Annuities ^d	Treaty Article Citation
Australia.....	AS	10 g, jj, nn	11(2) / P7	15 mm	5 mm,oo	10(2) / P6	0	18(1)
Austria.....	AU	0 g,jj,ss	11(1)	15 w	5 w	10(2)	0	18(1)(a)
Bangladesh.....	BG	10 g.bb,jj	11(2)	15 mm	10 mm	10(2)	0 f,q	19(1)
Barbados.....	BB	5 rr, z	11(1) /1PIV; 2PII(6)	15 w rr	5 w, rr	10(2) / 1PIII(1); 2PII(6)	0 f	18(1)(a)
Belgium	BE	0 g,jj, ss	11(1)	15 dd,mm	5 dd,mm,oo	10(2)	0 f	17(1)
Bulgaria	BU	5 g,dd,jj,z	11(1)-(3)	10 dd,mm	5 dd,mm	10(2)	0 f	17(1)
Canada.....	CA	0 g,jj	XI(1) \ 5P6(1)	15 mm	5 mm	X(2) / 5P5(1)	15 ii	XVIII(1) / 3P9; 5P13
China, People's Rep. of.....	CH	10 z	10(2)	10	10	9(2)	0 t	17(1)
Comm. of Independent States*.....		0 n	III(1)(g)	30	30	None	30	none
Cyprus..bbb.....	CY	10 z	13(2)	15	5	12(2)	0 f	23(1)
Czech Republic.....	EZ	0 g	11(1)	15 w	5 w	10(2)	0 f	19(1)(a)

30%

Withholding on IRA Distributions



Is the recipient a U.S. citizen or a resident alien?

YES

NO

Is the distribution being delivered to the recipient's U.S. home address?

Has the recipient elected a treaty rate on Form W-8BEN or W-8BEN-E?

YES

NO

YES

NO

May elect out of withholding

May **not** elect out of withholding

May elect out of *IRC Sec. 1441* withholding (30%) and apply treaty rate

May **not** elect out of *IRC Sec. 1441* withholding (30% withholding applies)

Notify Distribution Recipients of Their Withholding Rights

Type of Distribution	Timing of Notification	Notification Method
Individual distributions	When the distribution is requested	<i>Withdrawal Authorization</i> form
Quarterly or more frequently	Before the first distribution each year	Form W-4P or acceptable substitute
Less frequently than quarterly	Before each distribution*	Form W-4P or acceptable substitute

* This can be no earlier than six months before the scheduled distribution, and must be early enough to allow distribution recipients to make a withholding change.

Withholding Notice

WITHHOLDING NOTICE INFORMATION *(Form W-4P/OMB No. 1545-0074)*

Basic Information About 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 IRAs; and from commercial annuities.

Caution: There may be penalties for not paying enough tax during the year, through either withholding or estimated tax payments. New retirees should see Publication 505, *Tax Withholding and Estimated Tax*. 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 IRA using form W-4P.

Purpose of Form W-4P. Unless you elect otherwise, 10 percent federal income tax will be withheld from payments from individual retirement accounts (IRAs). You can use Form W-4P (or a substitute form, such as this form), provided by the trustee or custodian, to instruct your trustee or custodian to withhold no tax from your IRA payments or to withhold more than 10 percent. This substitute form should be used only for withdrawals from IRAs that are payable upon demand.

Nonperiodic Payments. Payments made from IRAs that are payable upon demand are treated as nonperiodic payments for federal income tax purposes. Generally, nonperiodic payments must have at least 10 percent income tax withheld.

Your election will remain in effect for any subsequent withdrawal unless you change or revoke it.

Payments Delivered Outside of the U.S. A U.S. citizen or resident alien may not waive withholding on any withdrawal delivered outside of the U.S. or its possessions. Withdrawals by a nonresident alien generally are subject to a tax withholding rate of 30 percent. A reduced withholding rate may apply if there is a tax treaty between the nonresident alien's country of residence and the United States and if the nonresident alien submits Form W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, or satisfies the documentation requirements as provided under federal regulations. The Form W-8BEN must contain the foreign person's taxpayer identification number.

For more information, Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, and Publication 519, *U.S. Tax Guide for Aliens*, are available on the IRS website at www.irs.gov or by calling 1-800-TAX-FORM.

Revoking the Exemption From Withholding. If you want to revoke your previously filed exemption from withholding, file another Form W-4P with the trustee or custodian and check the appropriate box on that form.

Statement of Income Tax Withheld From Your IRA. By January 31 of next year, your trustee or custodian will provide a statement to you and to the IRS showing the total amount of your IRA distributions and the total federal income tax withheld during the year. Copies of Form W-4P will not be sent to the IRS by the trustee or custodian.

Ascensus' IRA Withholding Notice and Election

IRA WITHHOLDING NOTICE AND ELECTION

The term IRA will be used below to mean Traditional IRA, Roth IRA, and SIMPLE IRA, unless otherwise specified. If this is an inherited IRA, the IRA Owner is the beneficiary who has inherited this IRA. Refer to page 2 of this form for withholding notice information.

PART 1. IRA OWNER

Name (First/M/Last) _____
 Address Line 1 _____
 Address Line 2 _____
 City/State/ZIP _____
 Social Security Number _____ Phone _____
 Date of Birth _____
 Email Address _____
 Account Number _____ Suffix _____

ACCOUNT TYPE (Select one)

Traditional IRA Roth IRA SIMPLE IRA
 Inherited Traditional IRA Inherited Roth IRA

PART 2. IRA TRUSTEE OR CUSTODIAN

To be completed by the IRA trustee or custodian

Name _____
 Address Line 1 _____
 Address Line 2 _____
 City/State/ZIP _____
 Phone _____ Organization Number _____

PART 3. WITHHOLDING NOTICE

Federal regulations require us to provide notice regarding withholding elections on your IRA distributions. You may incur tax penalties under the estimated tax payment rules if your payments of the estimated tax and withholding are insufficient.

Your withholding election remains in effect for any subsequent distributions unless you change or revoke the election. If you want your current withholding election to remain unchanged, no action is required.

You may change or revoke your election at any time. To make a new withholding election, complete Part 5 below, sign and date this form, and return the original copy to us.

PART 4. CURRENT WITHHOLDING ELECTION ON FILE

To be completed by the trustee or custodian

- You elected not to have federal income tax withheld from your IRA distributions.
- You elected to withhold federal income tax of _____% from your IRA distributions.
 You also elected to withhold additional federal income tax of \$ _____ from your IRA distributions.
- You elected to withhold state income tax of _____ from your IRA distributions.
 Name of Withholding State _____

PART 5. WITHHOLDING ELECTION (Form W-4POMB No. 1545-0074)

To be completed by the IRA owner to change or revoke the current withholding election

FEDERAL WITHHOLDING (Select one)

Withhold _____% (Must be 10% or greater)
 Withhold Additional Federal Income Tax of \$ _____ (if applicable)
 Do Not Withhold Federal Income Tax

STATE WITHHOLDING (If applicable, select one)

Name of Withholding State _____
 Withhold _____%
 Withhold \$ _____
 Do Not Withhold State Income Tax

PART 6. SIGNATURE

I understand that I am responsible for the payment of federal income tax on my IRA distributions regardless of my withholding election.

Signature of IRA Owner _____ Date (mm/dd/yyyy) _____

IRS Form W-4P

Form W-4P	Withholding Certificate for Pension or Annuity Payments	OMB No. 1545-0074 2019
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Future developments. For the latest information about any future developments related to Form W-4P, such as legislation enacted after it was published, go to www.irs.gov/FormW4P.

Purpose. Form W-4P is for U.S. citizens, resident aliens, or their estates who are recipients of pensions, annuities (including commercial annuities), and certain other deferred compensation. Use Form W-4P to tell payers the correct amount of federal income tax to withhold from your payment(s). You also may use Form W-4P to choose (a) not to have any federal income tax withheld from the payment (except for eligible rollover distributions or for payments to U.S. citizens to be delivered outside the United States or its possessions) or (b) to have an additional amount of tax withheld.

Your options depend on whether the payment is periodic, nonperiodic, or an eligible rollover distribution, as explained on pages 2 and 3. Your previously filed Form W-4P will remain in effect if you don't file a Form W-4P for 2019.

General Instructions

Section references are to the Internal Revenue Code.

Follow these instructions to determine the number of withholding allowances you should claim for pension or annuity payment withholding for 2019 and any additional amount of tax to have withheld. Complete the worksheet(s) using the taxable amount of the payments.

If you don't want any federal income tax withheld (see *Purpose*, earlier), you can skip the worksheets and go directly to the Form W-4P below.

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

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you have more than one pension or annuity, a working spouse, or a large amount of income outside of your pensions. After your Form W-4P takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2019. If you use the calculator, you don't need to complete any of the worksheets for Form W-4P.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax

withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple pensions or more than one income. If you have more than one source of income subject to withholding (such as more than one pension or a pension and a job, or you're married filing jointly and your spouse is working), read all of the instructions, including the instructions for the Multiple Pensions/More-Than-One-Income Worksheet, before beginning.

Other income. If you have a large amount of income from other sources not subject to withholding (such as interest, dividends, or capital gains), consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you might owe additional tax. See Pub. 505, Tax Withholding and Estimated Tax, for more information. Get Form 1040-ES and Pub. 505 at www.irs.gov/Forms/Pubs. Or, you can use the Deductions, Adjustments, and Additional Income Worksheet on page 5 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your payments. If you have income from wages, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or Form W-4P.

Note: Social security and railroad retirement payments may be includable in income. See Form W-4V, Voluntary Withholding Request, for information on voluntary withholding from these payments.

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 depend on (a) the kind of payment you receive; (b) whether the payments are to be delivered outside the United States or its possessions; and (c) whether the recipient is a nonresident alien individual, a nonresident alien beneficiary, or a foreign estate. Qualified distributions from a Roth IRA are nontaxable and, therefore, not subject to withholding. See page 3 for special withholding rules that apply to payments to be delivered outside the United States and payments to foreign persons.

----- Separate here and give Form W-4P to the payer of your pension or annuity. Keep the worksheet(s) for your records. -----

Form W-4P	Withholding Certificate for Pension or Annuity Payments	OMB No. 1545-0074 2019
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Department of the Treasury Internal Revenue Service	▶ For Privacy Act and Paperwork Reduction Act Notice, see page 6.	Your social security number
Your first name and middle initial	Last name	Claim or identification number (if any) of your pension or annuity contract
Home address (number and street or rural route)		
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. (Don't complete line 2 or 3.) ▶
 - 2 Total number of allowances and marital status you're claiming for withholding from each **periodic** pension or annuity payment. (You also may designate an additional dollar amount on line 3.) ▶
- Marital status:** Single Married Married, but withheld 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 can't enter an amount here without entering the number (including zero) of allowances on line 2.) \$ ▶

Your signature ▶	Date ▶
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Valley Financial Organization mails withholding notices to recipients twice a year on the following schedule.

In December, the withholding notice is mailed for annual distributions scheduled for the first six months of the year, and all monthly, quarterly, and semiannual distributions.

In June, the withholding notice is mailed for annual distributions scheduled for the second six months of the year, and all semiannual distributions.

Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Total tax reported on 2017 Form 945	2019 deposit schedule
\$50,000 or less	<p>Monthly deposits. Deposit nonpayroll withholding balance with a federal depository by the 15th day of the following month.</p>
Over \$50,000	<p>Semiweekly deposits. Deposit amounts withheld on Wednesday, Thursday, and Friday with a federal depository by the following Wednesday.</p> <p>Deposit amounts withheld on Saturday, Sunday, Monday, and Tuesday with a federal depository by the following Friday.</p>



General ledger



Federal depository

IRS Form 945 and 945-A

Form **945** **Annual Return of Withheld Federal Income Tax** OMB No. 1545-1430
 ▶ For withholding reported on Forms 1099 and W-2G.
 ▶ For more information on income tax withholding, see Pub. 15 and Pub. 15-A.
 ▶ Go to www.irs.gov/Form945 for instructions and the latest information.

Department of the Treasury Internal Revenue Service
2018

Name (as distinguished from trade name) _____ Employer identification number (EIN) _____
 Trade name, if any _____
 Address (number and street) _____
 City or town, state or province, country, and ZIP or foreign postal code _____

Type of Print If address is different from prior return, check here.

A If you don't have to file returns in the future, check here and enter date final payments made. ▶ _____

1 Federal income tax withheld from pensions, annuities, IRAs, gambling winnings, etc.	1	
2 Backup withholding	2	
3 Total taxes. If \$2,500 or more, this must equal line 7M below or Form 945-A, line M	3	
4 Total deposits for 2018, including overpayment applied from a prior year and overpayment applied from Form 945-X	4	
5 Balance due. If line 3 is more than line 4, enter the difference and see the separate instructions	5	

6 Overpayment. If line 4 is more than line 3, enter the difference ▶ \$ _____

Check one: Apply to next return. Send a refund.

- All filers: If line 3 is less than \$2,500, don't complete line 7 or Form 945-A.
- Semiweekly schedule depositors: Complete Form 945-A and check here ▶
- Monthly schedule depositors: Complete line 7, entries A through M, and check here ▶

7 Monthly Summary of Federal Tax Liability. (Don't complete if you were a semiweekly schedule depositor.)

	Tax liability for month		Tax liability for month		Tax liability for month
A January		F June		K November	
B February		G July		L December	
C March		H August		M Total liability for year (add lines A through L)	
D April		I September			
E May		J October			

Third-Party Designee Do you want to allow another person to discuss this return with the IRS? See separate instructions. Yes. Complete the following. No.

Designee's name ▶ _____ Phone no. ▶ _____ Personal identification number (PIN) ▶ _____

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature ▶ _____ Print Your Name and Title ▶ _____ Date ▶ _____

Paid Preparer Use Only Print/Type preparer's name _____ Preparer's signature _____ Date _____ Check if self-employed
 Firm's name ▶ _____ Firm's EIN ▶ _____
 Firm's address ▶ _____ Phone no. _____

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 14684B Form **945** (2018)

Form **945-A** **Annual Record of Federal Tax Liability** OMB No. 1545-1430
 (Rev. October 2017) Department of the Treasury Internal Revenue Service
 ▶ Go to www.irs.gov/Form945A for the latest information.
 ▶ File with Form 945, 945-X, CT-1, CT-1 X, 944, or 944-X.
 Name (as shown on Form 945, 945-X, CT-1, CT-1 X, 944, or 944-X) _____ Calendar Year _____
 Employer identification number (EIN) _____

You must complete this form if you're a semiweekly schedule depositor or became one because your accumulated tax liability during any month was \$100,000 or more. Show tax liability here, not deposits. (The IRS gets deposit data from electronic funds transfers.) Don't change your current year tax liability by adjustments reported on any Form 945-X, CT-1 X, or 944-X.

January Tax Liability		February Tax Liability		March Tax Liability	
1	17	1	17	1	17
2	18	2	18	2	18
3	19	3	19	3	19
4	20	4	20	4	20
5	21	5	21	5	21
6	22	6	22	6	22
7	23	7	23	7	23
8	24	8	24	8	24
9	25	9	25	9	25
10	26	10	26	10	26
11	27	11	27	11	27
12	28	12	28	12	28
13	29	13	29	13	29
14	30	14	30	14	30
15	31	15	31	15	31
16		16		16	

A Total for month ▶		B Total for month ▶		C Total for month ▶	
April Tax Liability		May Tax Liability		June Tax Liability	
1	17	1	17	1	17
2	18	2	18	2	18
3	19	3	19	3	19
4	20	4	20	4	20
5	21	5	21	5	21
6	22	6	22	6	22
7	23	7	23	7	23
8	24	8	24	8	24
9	25	9	25	9	25
10	26	10	26	10	26
11	27	11	27	11	27
12	28	12	28	12	28
13	29	13	29	13	29
14	30	14	30	14	30
15	31	15	31	15	31
16		16		16	

D Total for month ▶ **E Total for month ▶** **F Total for month ▶**

For Paperwork Reduction Act Notice, see page 4. Cat. No. 14733M Form **945-A** (Rev. 10-2017)

IRS Form 1042

2012 Annual Withholding Tax Return for U.S. Source Income of Foreign Persons

OMB No. 1545-0046 **2018**

Form 1042-SS (2012) Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form1042 for instructions and the latest information.

If this is an amended return, check here Name of withholding agent _____

Employer identification number _____

For IRS Use Only

Ch. 3 Status Code _____ Ch. 4 Status Code _____

Number, street, and room or suite no. (if a P.O. box, see instructions) _____

City or town, state or province, country, and ZIP or foreign postal code _____

CC FD
RD FF
CAF FP
CR I
EDC SIC

If you do not expect to file this return in the future, check here Enter date final income paid

Section 1 Record of Federal Tax Liability (Do not show federal tax deposits here)

Line No.	Period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)
1	7	21	7	7	41	7	7	41
2	Jan. 15	22	15	May 15	42	15	Sept. 15	43
3	22	23	22	22	43	22	22	44
4	31	24	31	31	44	30	30	45
5	Jan. total	25	May total	45	Sept. total	46	7	46
6	7	26	7	7	47	7	7	48
7	15	27	15	June 15	47	15	Oct. 15	48
8	22	28	22	22	48	22	22	49
9	28	29	30	30	49	31	31	50
10	Feb. total	30	June total	50	Oct. total	51	7	52
11	7	31	7	7	51	7	7	53
12	15	32	15	July 15	52	15	Nov. 15	53
13	22	33	22	22	53	22	22	54
14	31	34	31	31	54	30	30	55
15	Mar. total	35	July total	55	Nov. total	56	7	57
16	7	36	7	7	56	7	7	58
17	15	37	15	Aug. 15	57	15	Dec. 15	58
18	22	38	22	22	58	22	22	59
19	30	39	31	31	59	31	31	60
20	Apr. total	40	Aug. total	60	Dec. total	61	7	62

61 No. of Forms 1042-S filed: a On paper _____ b Electronically _____

62 Total gross amounts reported on all Forms 1042-S and 1000:

a Total U.S. source FDAP income (other than U.S. source substitute payments) reported _____ 62a

b Total U.S. source substitute payments reported:

(1) Total U.S. source substitute dividend payments reported _____ 62b(1)

(2) Total U.S. source substitute payments reported other than substitute dividend payments _____ 62b(2)

c Total gross amounts reported (Add lines 62a-b) _____ 62c

d Enter gross amounts actually paid if different from gross amounts reported _____ 62d

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. No

Designee's name _____ Phone no. _____ Personal identification number (PIN) _____

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than withholding agent) is based on all information of which preparer has any knowledge.

Sign Here Your signature _____ Date _____ Capacity in which acting _____

Print/Type preparer's name _____ Preparer's signature _____ Date _____ Check if self-employed PTIN _____

Firm's name _____ Firm's EIN _____

Firm's address _____ Phone no. _____

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 11384V Form 1042 (2012)

Form 1042 (2012) Page 2

63 Total tax reported as withheld or paid by withholding agent on all Forms 1042-S and 1000:

a Tax withheld by withholding agent _____ 63a

b Tax withheld by other withholding agents:

(1) For payments other than substitute dividends _____ 63b(1)

(2) For substitute dividends _____ 63b(2)

c Adjustments to withholding:

(1) Adjustments to overwithholding _____ 63c(1)

(2) Adjustments to underwithholding _____ 63c(2)

d Tax paid by withholding agent _____ 63d

e Total tax reported as withheld or paid (Add lines 63a-d) _____ 63e

64 Total net tax liability

a Adjustments to total net tax liability _____ 64a

b Total net tax liability under chapter 3 _____ 64b

c Total net tax liability under chapter 4 _____ 64c

d Excise tax on specified federal procurement payments (Total payments made x 2% (0.02)) _____ 64d

e Total net tax liability (Add lines 64a-d) _____ 64e

65 Total paid by electronic funds transfer (or with a request for extension of time to file):

a Total paid during calendar year _____ 65a

b Total paid during subsequent year _____ 65b

66 Enter overpayment applied as credit from 2017 Form 1042 _____ 66

67 Credit for amounts withheld by other withholding agents:

a For payments other than substitute dividend payments _____ 67a

b For substitute dividend payments _____ 67b

68 Total payments. Add lines 65 through 67 _____ 68

69 If line 64e is larger than line 68, enter balance due here _____ 69

70a Enter overpayment attributable to overwithholding on U.S. source income of foreign persons _____ 70a

b Enter overpayment attributable to excise tax on specified federal procurement payments _____ 70b

71 Apply overpayment (sum of lines 70a and 70b) to (check one):

Credit on 2019 Form 1042 or Refund

Section 2 Reconciliation of Payments of U.S. Source FDAP Income

1 Total U.S. source FDAP income required to be withheld upon under chapter 4 _____ 1

2 Total U.S. source FDAP income required to be reported under chapter 4 but not required to be withheld upon under chapter 4 because:

a Amount of income paid to recipients whose chapter 4 status established no withholding is required _____ 2a

b Amount of excluded nonfinancial payments _____ 2b

c Amount of income paid with respect to grandfathered obligations _____ 2c

d Amount of income effectively connected with the conduct of a trade or business in the U.S. _____ 2d

e Total U.S. source FDAP income required to be reported under chapter 4 but not required to be withheld upon under chapter 4 (Add lines 2a-d) _____ 2e

3 Total U.S. source FDAP income reportable under chapter 4 (Add lines 1 and 2e) _____ 3

4 Total U.S. source FDAP income reported on all Forms 1042-S (from line 62a, (b)(1), and (b)(2)) _____ 4

5 Total variance, subtract line 3 from line 4, if amount other than zero, provide explanation on line 6 _____ 5

6 _____

Section 3 Potential Section 871(m) Transactions

Check here if any payments (including gross proceeds) were made by the withholding agent under a potential section 871(m) transaction, including a notional principal contract or other derivatives contract that references (in whole or in part) a U.S. stock or other underlying security. See instructions

Section 4 Dividend Equivalent Payments by a Qualified Derivatives Dealer (QDD)

Check here if any payments were made by a QDD _____

If box is checked, you must:

(1) Attach a statement (see instructions for requirements).

(2) Enter the EIN (not the QI-EIN) of the QDD _____

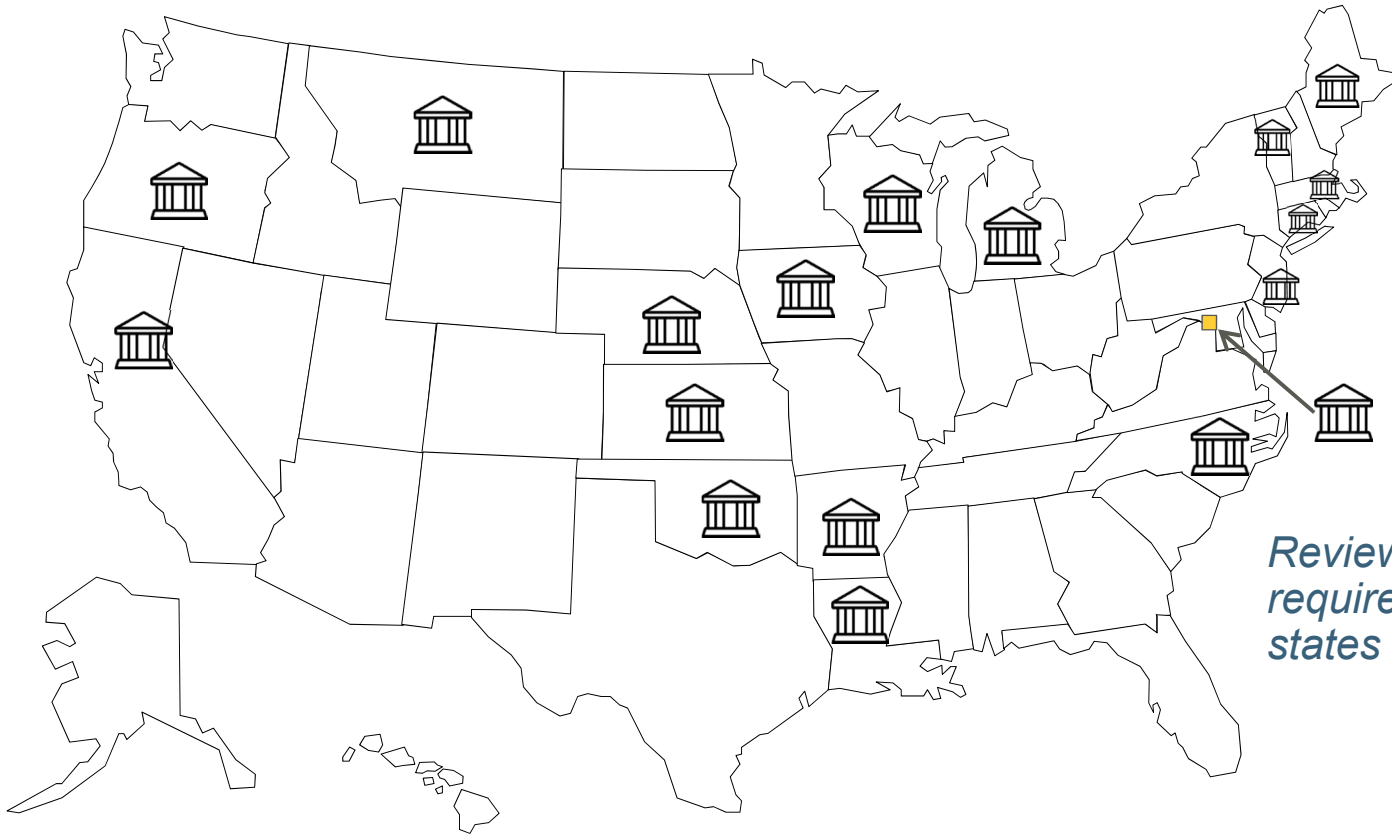
Form 1042 (2012)

Who is responsible at your financial organization for depositing withheld assets to the federal depository?

Who is responsible for completing Forms 945 and 945-A?



State Income Tax Withholding



Review withholding requirements in any other states you do business

State Withholding Requirements



Offer in certain
states



Possible notices



Deposit
withholding



Report
withholding

State Income Tax Withholding Guide for IRA Distributions

This guide provides general information about state withholding requirements for IRA distributions. It is not intended to provide a complete overview of state withholding rules and regulations. The information in this guide was obtained from state revenue authorities, and every effort has been made to ensure its accuracy. Because state tax laws are subject to constant change, often without prior notice, the accuracy of the information cannot be guaranteed beyond the revision date of this guide.

General Rules

In most cases, state withholding applies to state residents only. In Maine, Massachusetts, Montana, Nebraska, Oregon, and Wisconsin, state withholding also applies to individuals required to file a state tax return in that state.

If a state withholding election is not made and state withholding is required, state tax will be withheld.

A state withholding election may be changed at any time, applicable to payments made after the change.

State-Specific Rules

ARKANSAS. IRA distributions are subject to state withholding at 3.0% of the gross payment unless the IRA owner elects no state withholding.

CALIFORNIA. IRA distributions are subject to state withholding at 1.0% of the gross payment unless the IRA owner elects no state withholding.

CONNECTICUT. Taxable lump-sum IRA distributions are subject to mandatory state withholding at 6.99% of the gross payment.

MICHIGAN. Any taxable distribution from an IRA received by an IRA owner or beneficiary born after December 31, 1945, is subject to state withholding at 4.25% of the gross payment, unless the IRA owner provides the financial organization with a completed Form MI W-4P. Withholding also applies to any taxable distributions received by an IRA owner or beneficiary born before 1946 that exceeds certain income thresholds. Withholding is not required on qualified distributions from Roth IRAs. Form MI W-4P may be obtained from the Michigan Department of Treasury.

MONTANA. IRA distributions are subject to state withholding when an IRA owner elects state withholding and specifies an amount. If state withholding is elected, the financial organization is not required to withhold the amount specified if it would result in a net payment of less than \$10.

NEBRASKA. IRA distributions are subject to state withholding at 5.0% of the gross payment if federal income taxes are withheld from the payment or if the IRA owner requests state withholding in writing.

Any other taxable distribution from an IRA is subject to state withholding at 6.99% of the gross payment, unless the IRA owner furnishes the financial organization with a completed Form CT-W4P. Form CT-W4P may be obtained from the Connecticut Department of Revenue Services.

DISTRICT OF COLUMBIA. Lump-sum IRA distributions are subject to mandatory state withholding at 8.95% of the gross payment, except for any after-tax amount in a lump-sum distribution or a trustee-to-trustee transfer between IRAs.

IOWA. IRA distributions are subject to state withholding at 5.0% of the gross payment if federal income taxes are withheld from the payment.

KANSAS. IRA distributions are subject to state withholding at 5.0% of the gross payment if federal income taxes are withheld from the payment or if the IRA owner requests state withholding in writing.

LOUISIANA. IRA distributions are subject to state withholding only when the IRA owner elects state withholding and specifies a percentage not to exceed 4.8% of the gross payment.

MAINE. IRA distributions are subject to state withholding at 5.0% of the gross payment if federal income taxes are withheld from that payment.

MASSACHUSETTS. IRA distributions are subject to state withholding at 5.05% of the gross payment if federal income taxes are withheld from the payment. (EXCEPTION: A payment is not subject to state withholding if it is excluded from taxation under Massachusetts law.)

NEW JERSEY. IRA distributions are subject to state withholding when an IRA owner elects state withholding and specifies an amount. The IRA owner must specify an even dollar amount. If state withholding is elected, the financial organization is not required to withhold the amount specified if the withheld amount would be less than \$10 (per payment).

NORTH CAROLINA. IRA distributions are subject to state withholding at 4.0% of the gross payment unless the IRA owner furnishes the financial organization with a completed Form NC-4P. Form NC-4P may be obtained from the North Carolina Department of Revenue.

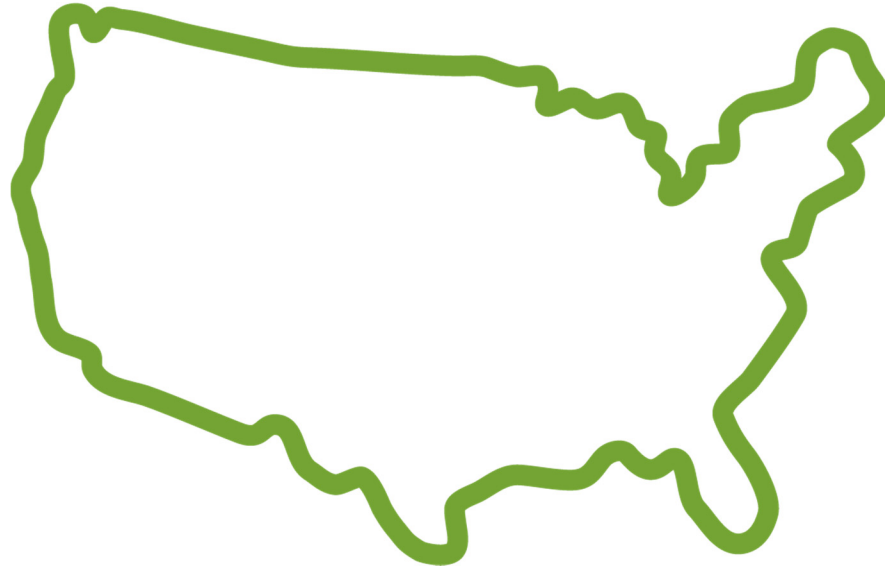
OKLAHOMA. IRA distributions are subject to state withholding at 5.0% of the gross payment if federal income taxes are withheld from the payment or if the IRA owner requests state withholding in writing.

OREGON. IRA distributions are subject to state withholding at 8.0% of the gross payment unless the IRA owner elects no state withholding.

VERMONT. IRA distributions are subject to state withholding at 3.0% of the gross payment if federal income taxes are withheld from the payment or if the IRA owner requests state withholding in writing.

WISCONSIN. IRA distributions are subject to state withholding when an IRA owner elects state withholding and specifies an amount. If state withholding is elected, the financial organization is not required to withhold the amount specified if the withheld amount would be less than \$5 (per payment).

State Reporting Requirements



Check with your state

Combined Federal/State Filing Program



Publication 1220

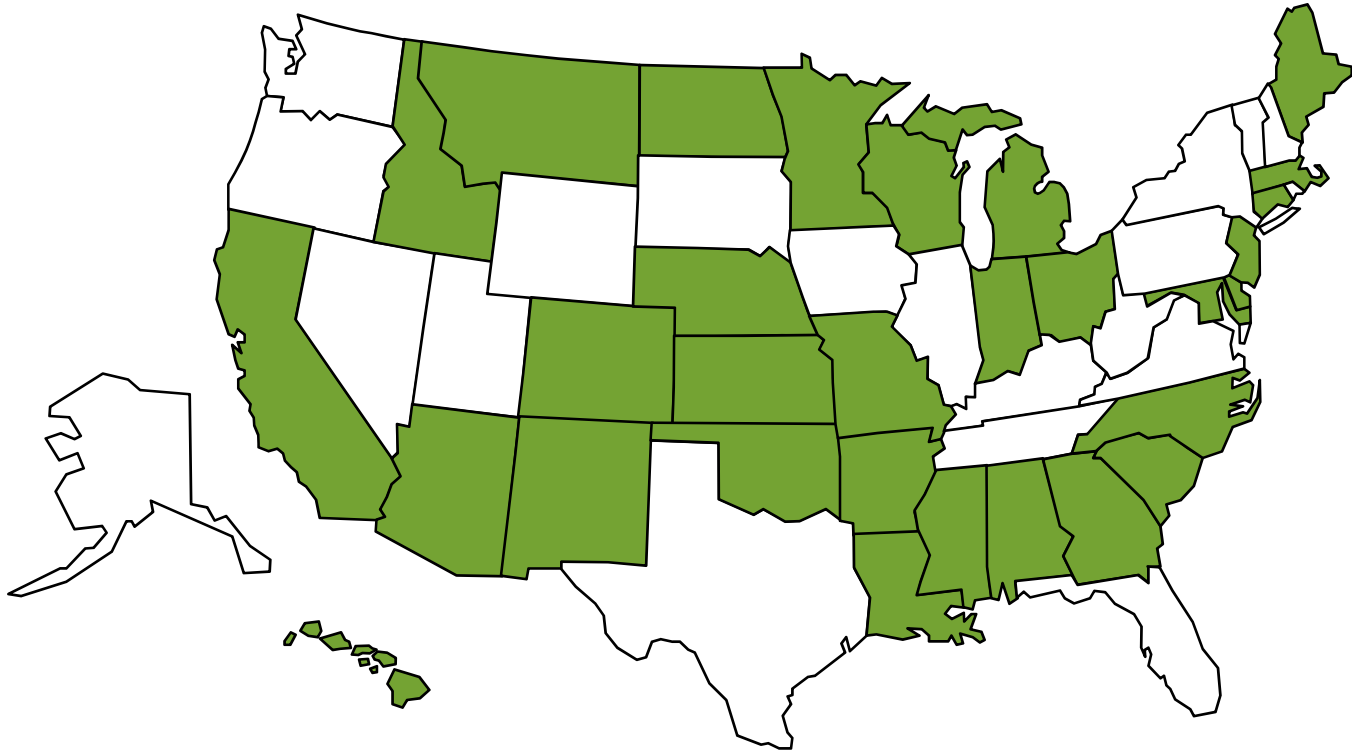


Use state code



Must file
IRS Form 6847

Combined Federal/State Filing



States Participating in the Federal/State Combined Filing Program (9/2018)

State	Code*	State	Code*
Alabama	01	Massachusetts	25
Arizona	04	Michigan	26
Arkansas	05	Minnesota	27
California	06	Mississippi	28
Colorado	07	Missouri	29
Connecticut	08	Montana	30
Delaware	10	Nebraska	31
Georgia	13	New Jersey	34
Hawaii	15	New Mexico	35
Idaho	16	North Carolina	37
Indiana	18	North Dakota	38
Kansas	20	Ohio	39
Louisiana	22	Oklahoma	40
Maine	23	South Carolina	45
Maryland	24	Wisconsin	55

*The codes listed apply only to the Combined Federal/State Filing Program and may not correspond to state codes of agencies or programs outside the IRS.

Determine a Specific Amount After Withholding

gross distribution
x federal withholding rate
federal withholding amount

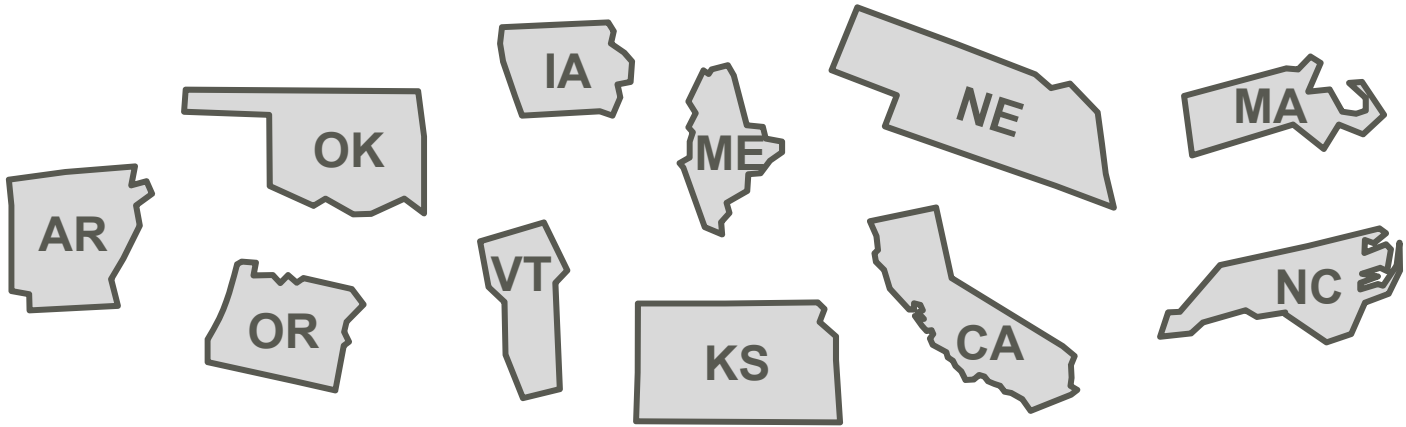
then

gross distribution
– federal withholding amount
net payment

net payment
————— = gross distribution
1.00 – federal withholding rate
(expressed as a decimal)

Specific Amount After Federal and State Percentage Withholding

$$\frac{\text{net payment}}{1.00 - \text{fed w/h rate} - \text{state w/h rate}} = \text{gross distribution}$$



Kathy would like to receive \$5,000 from her IRA. In addition to the \$5,000, she would also like to have 10% withheld for federal withholding and 5% Maine state withholding.

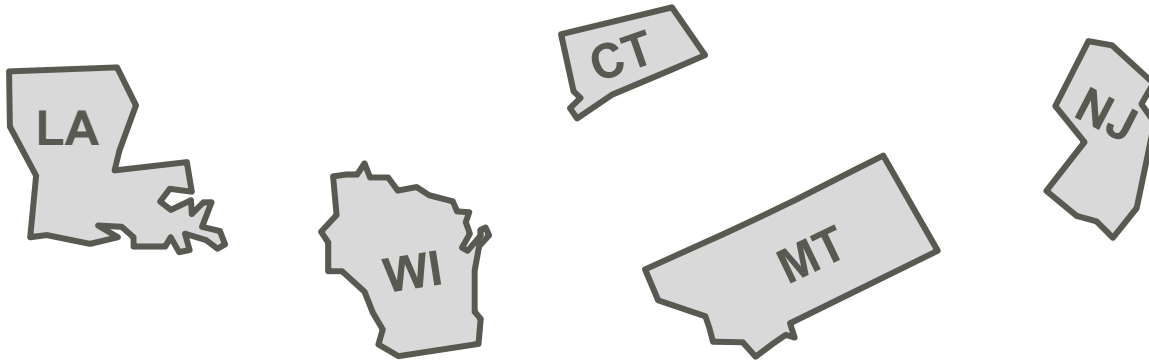
What is Kathy's gross distribution?

$$\frac{\$5,000}{1.00 - .10 - .05} = \$5,882.35$$



Specific Amount After Federal and Specific State Withholding

$$\frac{\text{net payment} + \text{state w/h amount}}{1.00 - \text{federal withholding rate}} = \text{gross distribution}$$



Reported distribution amount does not include financial organization fees or penalties.

gross distribution – financial organization penalty = amount reported on 1099-R
(total withdrawal amount on
Withdrawal Authorization)



Sandy has a balance of \$5,000 in her IRA. She would like to withdraw the entire amount. In addition to the \$5,000, she would also like to have 10% withheld for federal withholding. Sandy will be assessed a \$100 penalty for breaking the terms of her investment.

What is the total amount removed from Sandy's IRA?

\$5,000



What is the distribution amount reported to Sandy?

$$\$5,000 - \$100 = \$4,900$$

How much will Sandy receive?

$$\$4,900 \times 10\% = \$490$$

$$\$4,900 - \$490 = \$4,410$$





Withholding Exercise

Page 23



Withholding Exercise

Mia has been at the financial organization for one year and is now going to assist in the IRA department. **For each of the following questions, work with the group at your table to determine how you would explain the answers to Mia.**

1. What is the penalty if the financial organization does not withhold on an IRA distribution?

The financial organization must pay the tax required to be withheld.

Withholding Exercise

2. Does the financial organization have to send a withholding notice?
If yes, how often does it need to be sent?

Yes, if distributions occur quarterly or more frequently a notice must be sent before the first distribution each year. If the distributions are less frequent than quarterly, the notice must be sent before each distribution, but no earlier than six months before the scheduled distribution.

3. What is the penalty for failing to send a withholding notice?

\$10 for each failure

4. What happens to the assets that are withheld?

The assets are sent to the IRS and reported as withheld on the IRA owner's Form 1099-R. When the IRA owner files her income tax return she will include that amount as withheld.

Withholding Exercise

Roman is taking scheduled quarterly Traditional IRA distributions in March, June, September, and December. Roman elected to withhold 10% for federal income taxes. In July, Roman took a \$100 distribution and chose to waive withholding.

5. How should withholding be handled on the next scheduled distribution if Roman completes no additional paperwork?

Because Roman has now elected to waive withholding, all future scheduled distributions should have withholding waived until Roman makes a new election.

6. How could the financial organization ensure that Roman's scheduled distributions stay the same?

Roman would need to complete a new withholding election for his scheduled distributions and elect 10% federal withholding.

Questions?

Thank you for attending

IRA Withholding Requirements

ascend
2019



We Appreciate Your Opinion

Please complete the electronic course survey for this course located on the Ascend 2019 mobile app.



We help over **9 million Americans**
save for life's biggest moments.
Education. Healthcare. Retirement.