

FEDERAL WITHHOLDING UPDATES FOR RETIREMENT ACCOUNTS— EFFECTIVE JANUARY 1, 2023

Historically, IRA distributions have been subject to 10% withholding unless a higher rate was elected, or the recipient opted out of federal income-tax withholding.

However, a new Form W-4R was recently implemented by the IRS: Now, distributions are subject to the default of 10% withholding unless the recipient waives federal withholding or elects a different rate (in whole numbers) between 1% and 100%.

Recipients of eligible rollover distributions from employer-sponsored qualified plans continue to be subject to 20% withholding unless a higher rate is elected. The new form contains a marginal rate table, which shareholders can use to determine the appropriate withholding to take based on their income and tax filing status.

What does this mean for IRA and retirement account holders?

Account holders will notice the following changes:

- All retirement distribution forms, including IRA, SIMPLE IRA, 403(b), and qualified retirement plan distribution forms and the Roth IRA Conversion form will have new W-4R language built into the withholding sections. These forms will also now have an appendix in the back to assist shareholders in calculating the correct withholding amount for their situation.
- Shareholders will now have the option of withholding between 1% and 100% or opting out of withholding (0%).

When will the IRS begin requiring transfer agents to use the new form?

The effective date for this change is January 1, 2023.

For more information, please visit the [IRS website](#).