

NEW FEDERAL TAX WITHHOLDING FORM W-4P AND FORM W-4R
FREQUENTLY ASKED QUESTIONS

1. What is the purpose of the updated federal tax withholding forms?

The purpose of the updated forms is to better match the changes made by the Tax Cuts and Jobs Act of 2017.

2. What is the difference between the new Form W-4P and the new Form W-4R?

The old Form W-4P was used to elect out of withholding or change default withholding for all types of retirement plan payments. The new Form W-4P is used to elect out of withholding or change the default withholding on periodic payments. The new Form W-4R is used to elect out of withholding or change the default withholding on nonperiodic payments, or to elect additional withholding on eligible rollover distributions that are not directly rolled over to another eligible retirement plan or IRA. For more detail on the default withholding rules on distributions, *see* Q & A-5.

3. When will San Jose Retirement Services ("San Jose") start using the new 2022 Form W-4P and Form W-4R?

The IRS has announced that retirement systems must implement the new 2022 Form W-4P and Form W-4R no later than January 1, 2023. San Jose will implement the new forms January 1, 2023. Thus, for payees first beginning payments, or existing retirees or beneficiaries who want to make a new withholding election, before January 1, 2023, the 2021 Form W-4P will continue to be used. For new payees starting benefits on or after January 1, 2023, and any changes to existing withholding elections on or after that date, the new Form W-4P or Form W-4R will be used.

4. What if I sign a 2021 Form W-4P at the end of 2022, but it is not received by San Jose until sometime in 2023?

While the IRS has not provided for any official grandfather or grace period, if the old Form W-4P is received by San Jose by Friday, January 6, 2023 and it is signed and dated in no later than December 31, 2022, we will accept the form, otherwise you will need to submit a 2022 withholding form.

5. Do I have to complete a Form W-4P or Form W-4R? What happens if I do not complete these forms?

If you want to either (1) elect to have no federal tax withheld from your San Jose benefit, or (2) want to have an amount that is different from the default amount withheld from your San Jose benefit, you must complete a Form W-4P or Form W-4R. Below are the default federal tax withholding rules for periodic payments, eligible rollover distributions and nonperiodic payments.

- For periodic payments (these would be monthly pension payments), if San Jose does not receive a properly completed Form W-4P, the default federal tax withholding rule would apply:
 - If you begin benefits before January 1, 2023, your default withholding will be calculated as if you were married and claimed three allowances.
 - If you begin benefits on or after January 1, 2023, your default withholding will be calculated as if you were single with no adjustments.
- For eligible rollover distributions, if you do not elect to have the distribution directly rolled over to an eligible retirement plan or IRA, 20% of the taxable amount of the distribution is required to be withheld (you cannot elect out of this withholding or elect a lesser amount). If you want more than 20% withheld, you must submit a completed Form W-4R to San Jose (before January 1, 2023, this election will be made on a 2021 Form W-4P).
- For nonperiodic distributions (like the portion of a lump sum payment that is a required minimum distribution), if you do not submit a completed Form W-4R to San Jose, 10% of the taxable portion of the distribution must be withheld (before January 1, 2023, this election will be made on a 2021 Form W-4P).

6. I am currently receiving San Jose monthly benefits, will my federal tax withholding change? Do I have to complete a new Form W-4P?

Your current federal tax withholding—whether it is based on a Form W-4P election which you have already made or based on the current default withholding rule (married with three allowances)—will continue to be in effect until you make a new withholding election, or elect out of withholding, on Form W-4P. You are not required to complete a new Form W-4P unless you want to change your current withholding election.

7. How do I elect no federal tax withholding?

On the 2021 Form W-4P, there is a checkbox for you to elect out of federal tax withholding from a periodic payment or a nonperiodic payment (you cannot elect out of the mandatory 20% withholding on eligible rollover distributions that are not directly rolled over to an eligible retirement plan or IRA).

Neither the 2022 Form W-4P nor the 2022 Form W-4R include a checkbox to elect out of federal tax withholding. In order to elect no federal tax withholding from a periodic payment on the 2022 Form W-4P, you should write "no withholding" in the space under line 4(c). For the 2022 Form W-4R, you can elect no federal tax withholding from a nonperiodic payment by entering "0%" on line 2. You cannot elect out of the mandatory 20% withholding on eligible rollover distributions.

8. How do I complete the new Form W-4P and Form W-4R? Can San Jose help me fill out my form?

FAQ's for Federal Tax Withholding forms W-4P AND FORM W-4R effective January, 1 2023

In order to be accepted by San Jose, the forms must, at a minimum, have the following information completed:

- **Form W-4P**: Step 1 (name, address, social security number (SSN), and filing status), and a dated signature in Step 5.
 - **Important Note**: Steps 2, 3 and 4 are completed if relevant to your (or your spouse's, if married filing jointly) personal financial situation. Because San Jose cannot provide you with specific tax or financial advice, we recommend that you review the applicable instructions to the forms and seek outside legal, tax or financial advice if you need assistance in completing the form.

- **Form W-4R**: Lines 1a and 1b (name, address, and SSN), and a dated signature.
 - **Important Note**: Determining the amount of federal tax withholding from a nonperiodic payment or eligible rollover distribution will depend on your personal financial situation. Because San Jose cannot provide you with specific tax or financial advice, we recommend that you review the applicable instructions to the forms and seek outside legal, tax or financial advice if you need assistance in completing the form.