

City of San José - Office of Retirement Services (ORS)

FAQ's for Federal Tax Withholding Forms W-4P and W-4R

1. When do I need to submit an updated tax withholding form for it to show on my monthly pension payment?

ORS must receive your updated tax withholding form no later than the 15th of the month to process the change for that month's pension payment. For example, the form must be received on or before March 15th to be effective on the March 31st pension payment. Please note that processing time may be delayed if forms have missing or incorrect information.

2. How do I complete the new Form W-4P and Form W-4R?

To be accepted by ORS, the forms must, at a minimum, have the following information completed:

- **Form W-4P:** All information in Step 1 is required (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 ORS 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:** All information in Lines 1a and 1b is required (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 ORS 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.

3. Where do I claim allowances on the new federal withholding forms?

“Allowances” are no longer used on the new federal withholding forms.

4. What if I want a flat amount withheld for my federal tax withholdings?

The IRS does not allow you to withhold a flat amount for federal taxes. Please *see Q & A-2* for instructions on filling out the new federal withholding forms. You may choose to have no withholdings by writing "no withholding" in the space under line 4(c), *see Q & A-5*. Note, the State of California allows flat amount withholdings.

5. How do I elect no federal tax withholding?

Neither the 2022 Form W-4P nor the 2022 Form W-4R include a checkbox to elect out of federal tax withholding. To elect no federal tax withholding from a periodic payment (e.g. monthly benefit 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 (e.g. lump sum payment) by entering "0%" on line 2. You cannot elect out of the mandatory 20% withholding on eligible rollover distributions.

6. Can ORS provide me with an estimate of my tax withholdings?

You may generate tax estimates in Member Direct by using the "Tax Withholding What-If" function. To access the "Tax Withholding What-If" function, follow these steps:

- Log into Member Direct* and click "Withholding Elections" from the menu on the left side of the page. You'll see your Federal Withholding information on the right side of the page.
- Click the drop-down menu caret (^) next to your federal withholding information and select "Tax Withholding What-If."
- Enter your federal tax withholding details and click "Calculate New Net Benefit" at the bottom of the page.
- You will be provided with an estimate of your federal withholdings and monthly benefit amount.
- **Please note that withholding changes won't be effective until you submit a Form W-4P or W-4PR to ORS.** The "What-If" function is for estimating purposes only.

If you need assistance with Member Direct and/or running the tax estimates, please contact ORS at 408-794-1000.

As a reminder, ORS is not able to provide you with 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.

*To access Member Direct, click Member Portal Login on the upper right side of the ORS website, www.sjretirement.com. If you do not have a Member Direct account, follow the instructions to request a PIN and setup your account.

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

The Form W-4P is used to elect out of withholding or change the default withholding on periodic payments such as your monthly pension payment. The 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, such as lump sum return of contribution payments made to former City employees. For more detail on the default withholding rules for distributions, *see Q & A-9*.

8. When did ORS start using the 2022 Form W-4P and Form W-4R?

ORS began using the 2022 federal tax withholding forms on January 1, 2023.

9. What are the default withholding rules for distributions?

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 ORS does not receive a properly completed Form W-4P, 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.
- 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, 10% of the taxable portion of the distribution must be withheld.