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# General Tax Withholding Rules To Consider



TruStage®

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## Tax Withholding Rules to Consider

- Your withholding election will generally remain in effect until you revoke it. You may change or revoke your election at any time by returning the appropriate form, signed, and dated to us. Any election or revocation will be effective 30 days after receipt or earlier if reasonably practicable. You may make and revoke elections not to have withholding apply as often as you wish.
- If you elect not to have federal and state income tax withheld, or if you do not withhold enough taxes, you are still liable for payment of federal income tax and, if applicable, state income tax on the taxable portion of the distribution.
- There may be penalties for not paying enough federal and/or state income tax during the year
- Please consult with a tax advisor for advice on how to withhold the appropriate amount of tax throughout the year to avoid any underpayment penalties imposed by the IRS and/or your state of legal residence.
- Federal and state income tax withholding rates are always subject to change
- The default withholding rates differ for distributions from nonqualified annuity contracts, IRAs, and eligible retirement plans (generally, qualified retirement plans, section 403(b) contracts, and governmental section 457(b) plans).
- Subject to certain exceptions, mandatory withholding applies, and you cannot elect out of withholding, in certain cases, in particular, with respect to eligible rollover distributions from eligible retirement plans, distributions to a non-resident alien, and distributions delivered outside of the United States or its possessions.

### Federal Tax Withholding - Periodic Payments

Periodic payments you receive from a pension or annuity are taxable except to the extent they are treated as a tax-free recovery of any after-tax contributions. Periodic payments are amounts paid at regular intervals (such as monthly or annual) for a period of time greater than 1 year. Federal law requires withholding on periodic payments using wage withholding elections. If you make any other form of withholding election or elect not to have taxes withheld from your payments, you may be responsible for payment of estimated tax. Please keep in mind, when federal income tax withholding is calculated, there is a minimum payment amount that must be met in order for any withholding to take place. For distributions from nonqualified annuity contracts and IRAs, and distributions from eligible retirement plans that are not eligible to be rolled over, we will withhold federal income tax from your payments at the default rate based on filing status of single with no adjustments (or prescribed rate then in effect) unless you complete and provide Form W-4P to us. Periodic payments from an eligible retirement plan that are not eligible to be rolled over include annuity payments for life or joint lives, annuity payments for a period certain of 10 years or more, required minimum distributions paid in the form of annuity payments. Periodic payments from an eligible retirement plan that are eligible to be rolled over are subject to mandatory 20% withholding unless they are rolled over tax-free directly to an IRA or other eligible retirement plan. The Form W-4P with instructions is located on the Internal Revenue Service Website at: <https://apps.irs.gov/app/picklist/list/formsPublications.html>. Enter W-4P in the search window.

Withholding elections may be changed at any time by submitting a new Form W-4P to the Company or making an election with the Company online (if available).

### Federal Tax Withholding – Nonperiodic Withdrawals

The withholding rules for nonperiodic withdrawals include, but not limited to, partial withdrawals, lump sum payments, systematic withdrawals, dividends, and certain loans. A 10% default withholding rate applies to nonperiodic withdrawals from nonqualified annuity contracts and IRAs, and nonperiodic withdrawals from eligible retirement plans that are not eligible to be rolled over. Nonperiodic payments from an eligible retirement plan that are not eligible to be rolled over include hardship withdrawals and required minimum distributions that are not made in the form of an annuity. Nonperiodic payments from an eligible retirement plan that are eligible to be rolled over are subject to mandatory 20% withholding unless they are rolled over tax-free directly to an IRA or other eligible retirement plan.

Depending on the type of withdrawal, you may be able to choose to have a different rate of withholding by completing Form W-4R and returning it with this form. The Form W-4R with instructions is located on the Internal Revenue Service Website at: <https://apps.irs.gov/app/picklist/list/formsPublications.html>. Enter W-4R in the search window.

**Payments to Foreign Persons and Payments to be delivered outside the United States** – If you are a United States citizen or resident alien, withholding generally is required on any payments that are to be delivered outside the United States or its possessions. If you are a nonresident alien, mandatory withholding (generally at 30%) applies to distributions, unless a tax treaty or other exception applies.

In the absence of a tax treaty exemption, nonresident aliens, foreign beneficiaries, and foreign estates are generally subject to federal income tax withholding at a rate of 30%. The payee must submit a completed IRS Form W-8BEN.

Military or diplomatic post office addresses are considered an address located in the U.S.

**Military Retirement Pay** - for military retirement pay or nonqualified deferred compensation plans. Use Federal Form W-4.

**Roth IRA** – qualified distributions from a Roth IRA are nontaxable and, therefore, not subject to withholding.

### Federal Income Tax Withholding Default Rates\*\*

Nonperiodic Withdrawal (Non-annuity payments, including systematic withdrawals)			Periodic Payments (Annuity payments)		
NQ Annuity, IRA, Endowment, and Life insurance contract	Eligible Retirement Plan*		NQ Annuity, IRA, and Life insurance contract***	Eligible Retirement Plan*	
	Eligible rollover distribution	Non-eligible rollover distribution		Eligible rollover distribution	Non-eligible rollover distribution
10%	20%	<ul style="list-style-type: none"> <li>▪ RMDs</li> <li>▪ Hardship distributions</li> </ul>	Wage withholding for single with no adjustments	<ul style="list-style-type: none"> <li>▪ Annuity for a period &lt; 10 years that are not RMDs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annuity for life/lives</li> <li>▪ Annuity for a period ≥ 10 years</li> <li>▪ RMDs</li> </ul>
		10%		20%	Wage withholding for single with no adjustments

\* An eligible retirement plan is a qualified trust under section 403(a), qualified annuity under section 403(a), section 403(b) plan, or governmental section 457(b) plan.

\*\* This does not address special rules that impose mandatory withholding in certain cases where the Company does not have your correct name or taxpayer identification number, distributions are made to nonresident aliens, and distributions are to be delivered outside of the United States or its possessions.

\*\*\* Amounts under a life insurance contract paid in the form of an annuity

### State Income Tax Withholding

The state income tax withholding rules vary depending on your primary state of legal residence at the time of withdrawal, your contract type, and the type of withdrawal. The Company's state income tax withholding guidelines generally fit into one of the categories below depending on the form of payment.

- If your state has an income tax withholding form for pension and annuity payments, you should complete and submit your state form instead of the Company state withholding election form.
- State withholding elections can be changed at any time by submitting your states required form,
- By notifying the Company in writing or completing a state withholding election form
- Or by making an election online (if available).
- In addition to being taxed at the federal level, pension and annuity income may also be taxed by your state. If your state of legal residence requires tax withholding, we will withhold at the mandatory rate or prescribed rate then in effect.

If you are a legal resident of	What will happen with State Income Tax Withholding?
Alaska, Florida, Hawaii, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington or Wyoming	There are currently states that do not impose a state income tax on pension and annuity income. This means not to be withheld.
Alabama, Colorado, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, Montana, New Jersey, New Mexico, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Utah, West Virginia or Wisconsin	While not all states require that taxes be withheld, there are several states that allow you to voluntarily make an election for state income tax withholding. Be withheld only if you make an election in writing and we are registered to withhold in the state. If no election is made, state income tax will not be withheld.
California, Massachusetts, Minnesota, Nebraska, North Carolina, or Oklahoma	Be withheld if federal income tax is withheld unless you elect out of state income tax withholding. However, even if federal income tax is not withheld, you may request state income tax be withheld.
Arkansas, Delaware, Iowa, Kansas, Maine, North Carolina, Oregon or Vermont	Be withheld if federal income tax is withheld unless you elect out of state income tax withholding. However, even if federal income tax is not withheld, you may request state income tax be withheld. In Arkansas, Delaware, Iowa, Kansas, Maine, North Carolina and Oregon, you may <b>not</b> elect out for eligible rollover distributions
Arizona	Be withheld only if you make an election by submitting Form A-4P for periodic pension or annuity payments. If no election is made, state income tax will not be withheld. State income tax will not be withheld from any other withdrawal. Withholding is based on a withholding scale.
Connecticut	Be withheld, unless you claim exemption on Form CT-W4P
District of Columbia	Be withheld only on a full surrender of a qualified contract. State income tax will not be withheld from any other withdrawal.
Georgia	Be withheld from periodic payments (annuity payments) unless you elect out of withholding. State income tax will not be withheld from any other withdrawal unless you request state income tax withholding.
Maryland	Be withheld from eligible rollover distributions if federal income tax is withheld. State income tax will not be withheld from any other withdrawal unless you request state income tax withholding in an amount of at least \$5 per month
Michigan	Be withheld, unless you elect out of withholding by submitting Form MI W-4P.
New York	Be withheld only if you make an election by submitting Form IT-2104 for pension or annuity payments over a period of more than 1 year and the amount is at least \$5 per month. If no election is made, state income tax will not be withheld. State income tax will not be withheld from any other withdrawal.
Virginia	Be withheld if federal income tax is withheld unless your contract is an IRA or simplified employee pension plan (SEP-IRA). No State income tax will be withheld for IRA, SEP-IRA or death benefit payable under an annuity contract, unless you request state income tax withholding on Form VA-4P.

## State Income Tax Withholding Default Rates\*\*\*

	Nonperiodic Withdrawal			Periodic Payments		
	(Non-annuity payments, including systematic withdrawals)			(Annuity payments)		
	NQ Annuity, IRA, and Life insurance contract	Eligible Retirement Plan*		NQ Annuity, IRA, and Life insurance contract	Eligible Retirement Plan*	
		Eligible rollover distribution	Non-eligible rollover distribution		Eligible rollover distribution	Non-eligible rollover distribution
		RMDs, Hardship distributions		Annuity for a period < 10 years that are not RMDs	Annuity for life/lives, Annuity for a period > 10 years, RMDs	
Arkansas*	3%	5%	3%	Married with 3 allowances	5%	Married with 3 allowances
California*	Designated dollar amount of at least \$10 or 10% of Federal Income Tax Withheld	Designated dollar amount of at least \$10 or 10% of Federal Income Tax Withheld	Designated dollar amount of at least \$10 or 10% of Federal Income Tax Withheld	Designated dollar amount of at least \$10 or 10% of Federal Income Tax Withheld	Designated dollar amount of at least \$10 or 10% of Federal Income Tax Withheld	Designated dollar amount of at least \$10 or 10% of Federal Income Tax Withheld
Connecticut*	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%
Delaware	5%	5%	5%	5%	5%	5%
District of Columbia	10.75% on full distributions, otherwise the default is no withholding	10.75% on full distributions, otherwise the default is no withholding	10.75% on full distributions, otherwise the default is no withholding	No Withholding	No Withholding	No Withholding
Georgia*	5.75%	5.75%	5.75%	Married with 3 allowances	Married with 3 allowances	Married with 3 allowances
Iowa*	5%	5%	5%	5%	5%	5%
Kansas	5%	5%	5%	Single with 0 allowances	5%	Single with 0 allowances
Maine*	5%	5%	5%	Single with 0 allowances	5%	Single with 0 allowances
Maryland	Must be at least \$5	7.75%	Must be at least \$5	Must be at least \$5	7.75%	Must be at least \$5
Massachusetts*	5%	5%	5%	5%	5%	5%
Michigan*	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Minnesota*	Calculated as wages	Calculated as wages	Calculated as wages	Single with 0 allowances	Calculated as wages	Single with 0 allowances
Nebraska*	5%	5%	5%	Single with 0 allowances	5%	Single with 0 allowances
North Carolina*	4%	4%	4%	Single with 0 allowances	4%	Single with 0 allowances
Oklahoma*	5%	5%	5%	Single with 0 allowances	5%	Single with 0 allowances
Oregon	8%	8%	8%	Single with 0 allowances	8%	Single with 0 allowances
Vermont	30% of Federal Income Tax Withheld	30% of Federal Income Tax Withheld	30% of Federal Income Tax Withheld	Single with 0 allowances	30% of Federal Income Tax Withheld	Single with 0 allowances
Virginia*	4%	4%	4%	0 exemptions	4%	0 exemptions
Indiana, Missouri*, Montana*, New Jersey*, New Mexico	Must be at least \$10					
Arizona*	No Withholding	No Withholding	No Withholding	Will be the amount requested	No Withholding	Will be the amount requested
New York*	No Withholding	No Withholding	No Withholding	Must be at least \$5	Must be at least \$5	Must be at least \$5
Wisconsin	Must be at least \$5					

Alabama*, Colorado, Idaho, Kentucky, Louisiana, Mississippi*, North Dakota, Ohio*, Pennsylvania, Rhode Island, South Carolina, Utah, West Virginia*	Will be the amount requested					
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\* Denotes states that have a state specific form for withholding elections.

\*\* In states where this is required no withholding will apply if less than minimum required. In addition, certain states require withholding in whole dollars. If you are a resident in one of these states, withholding may be to the nearest whole dollar.

\*\*\* If you are a resident in a state that has exemptions to withholding for certain types of payments no withholding will apply.

**Any tax information included in this written or electronic communication is not intended or written to be used, and it cannot be used by the taxpayer, for purposes of avoiding any penalties that may be imposed on the taxpayer by any governmental taxing authority.**