

Part I
FEDERAL INCOME TAX WITHHOLDING

The periodic retirement payments you receive from the Maryland State Retirement and Pension System may be subject to Federal income tax withholding. For further information, please refer to IRS Publication 575, *Pension and Annuity Income*, regarding the taxability of pension and annuity income.

As a retiree, the following Federal income tax withholding alternatives are available to you:

1. You may elect not to have Federal income tax deducted from your monthly retirement payment, or
2. You may claim a certain number of exemptions and have the Maryland State Retirement and Pension System deduct the appropriate amount, if any, in accordance with the Federal income tax tables and you may designate an additional specific whole dollar amount to be withheld from your monthly retirement payment.

If you elect not to have Federal withholding apply to your monthly retirement payments, or if you do not have enough Federal income tax withheld, you may be responsible for payment of estimated tax. You may incur penalties under the IRS estimated tax rules if your withholding and estimated tax payment are not sufficient. New retirees, especially, should consider IRS Publication 505, *Tax Withholding and Estimated Tax*.

Part II
MARYLAND STATE INCOME TAX WITHHOLDING

The monthly retirement payments you receive from the Maryland State Retirement and Pension System may be subject to Maryland income tax withholding.

As a retiree and a Maryland resident, the following Maryland income tax withholding alternatives are available to you:

1. You may elect not to have Maryland income tax deducted from your monthly retirement payment, or
2. You may designate a specific whole dollar amount to be withheld from your monthly retirement payment.

If you elect not to have Maryland withholding apply to your monthly retirement payments, or if you do not have enough Maryland income tax withheld, you may be responsible for payment of estimated tax.

NOTE: The Maryland State Retirement Agency does NOT withhold state income taxes for states other than Maryland.

An election of any one of the alternatives will remain in effect until you revoke it. You may revoke or change your election at any time by filing a new Federal and Maryland State Tax Withholding Request.

The Maryland State Retirement Agency cannot assist you in the preparation of tax returns. Please contact the Internal Revenue Service at 1-800-829-1040, the Comptroller's Taxpayer Service Information Line at 410-260-7980 (in Central Maryland) or 1-800-638-2937, or a tax consultant for any assistance.

To receive additional copies of the Federal and Maryland State Tax Withholding Request form, or for other information concerning your retirement benefits, call 410-625-5555, or toll free in Maryland 1-800-492-5909, or visit our website at sra.maryland.gov.

SEE PRECEDING PAGE FOR FEDERAL AND MARYLAND STATE TAX WITHHOLDING REQUEST

Additional Instructions:

Section references are to the Internal Revenue Code.

Agency refers to the Maryland State Retirement Agency.

Completing the form. Complete Form W-4P and give it to the payer as soon as possible. Get Pub. 505 to see how the dollar amount you are having withheld compares to your projected total federal income tax for 2020. You may also use the Withholding Calculator on the IRS website at www.irs.gov/w4app for help in determining how many withholding allowances to claim on your Form W-4P.

Multiple pensions/more-than-one-income. To figure the number of allowances that you may claim, combine allowances and income subject to withholding from all income sources on one worksheet. You may file a Form W-4P with each pension payer, but do not claim the same allowances more than once. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4P for the highest source of income subject to withholding and zero allowances are claimed on the others.

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. Call 1-800-TAX-FORM (1-800-829-3676) to get Form 1040-ES and Pub. 505. You can also get forms and publications from the IRS website at www.irs.gov/formspubs.

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 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 special withholding rules that apply to payments to be delivered outside the United States and payments to foreign persons.

Because your tax situation may change from year to year, you may want to refigure your withholding each year. You can change the amount to be withheld by using lines 2 and 3 of Form W-4P.

Choosing not to have income tax withheld. You (or in the event of death, your beneficiary or estate) can choose not to have federal income tax withheld from your payments by using line 1 of Form W-4P. For an estate, the election to have no income tax withheld may be made by the executor or personal representative of the decedent. Enter the estate's employer identification number (EIN) in the area reserved for "Your social security number" on Form W-4P. You may not make this choice for eligible rollover distributions.

Caution. *There are penalties for not paying enough federal income tax during the year, either through withholding or estimated tax payments. New retirees, especially, should see Pub. 505. It explains your estimated tax requirements and describes penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your pension or annuity using Form W-4P.*

Periodic payments. Withholding from periodic payments of a pension or annuity is figured using certain withholding tables that are also used to figure withholding from wages. Periodic payments are made in installments at regular intervals over a period of more than 1 year. They may be paid annually, quarterly, monthly, etc.

If you want federal income tax to be withheld, you must designate the number of withholding allowances on line 2 of Form W-4P and indicate your marital status by checking the appropriate box. You cannot designate a specific dollar amount to be withheld. However, you can designate an additional amount to be withheld on line 3. If you do not want any federal income tax withheld from your periodic payments, check the box on line 1 of Form W-4P and submit the form to your payer. However, see *Payments to Foreign Persons and Payments to be Delivered Outside of the United States*.

Caution. *If you do not submit Form W-4P to your payer, the payer must withhold on periodic payments as if you are married claiming three withholding allowances. Generally, this means that tax will be withheld if the taxable amount of your pension or annuity is at least \$2,100 a month.*

If you submit a Form W-4P that does not contain your correct Social Security number (SSN), the payer must withhold as if you are single claiming zero withholding allowances even if you checked the box on line 1 to have no federal income tax withheld.

There are some kinds of periodic payments for which you cannot use Form W-4P because they are already defined as wages subject to federal income tax withholding. These payments include retirement pay for service in the U.S. Armed Forces and payments from certain nonqualified deferred compensation plans and deferred compensation plans and tax-exempt organizations described in section 457. Your payer should be able to tell you whether Form W-4P applies.

For periodic payments, your Form W-4P stays in effect until you change or revoke it. Your payer must notify you each year of your right to choose not to have federal income tax withheld (if permitted) or to change your choice.

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.

Payments to Foreign Persons and Payments to be Delivered Outside the United States

Unless you are a nonresident alien, withholding (in the manner described above) is required on any periodic or nonperiodic payments that are to be delivered outside the United States or its possessions. You cannot choose not to have federal income tax withheld on line 1 of Form W-4P. See Pub. 505 for additional 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, 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 Withheld From 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 are 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 15 of next year. For the full instructions, including guidance on personal allowances and calculating withholding, see the IRS' Form W-4P, with instructions.

Federal and Maryland State Tax Withholding Request (REV. 1/21)