

New IRS Withholding Form for Retirement Plan Tax Withholding Elections

The Internal Revenue Service (IRS) published a new Form W-4R, Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions. In accordance with the IRS requirements, this new Form must be used to capture withholding elections on nonperiodic and Eligible Rollover Distributions effective January 2023. Withholding elections were previously submitted using IRS Form W-4P.

The IRS withholding rules require that a payor withhold income taxes on distributions at a rate of 10% for individual retirement arrangements (IRAs) and 20% on Eligible Rollover Distributions (ERD) from employer sponsored retirement plans. These are referred to as default withholding rates.

For IRA distributions you will now be able to choose a withholding rate other than the default of 10% at a rate between 0% and 100%. Or you may choose to have no federal income tax withheld.

For ERDs, the payer of a distribution must withhold at a flat 20% rate on any part of an ERD that is distributed rather than rolled over directly to another qualified plan. Though you may not elect out of the 20% withholding requirement, you may choose a rate higher than 20% on these types of distributions.

Beginning January 1, 2023, the MFS Service Center, Inc. (MFSC) has updated our requirements relating to these distributions. As a result, if you request a distribution and choose a rate other than the default withholding rate (10% for IRA distributions and 20% for ERDs), you will be required to submit a completed and signed new Form W-4R with your distribution request. Additionally, if you currently have a systematic withdrawal plan set up to receive scheduled payments from your retirement account and wish to change your current election, you will need to submit a completed and signed new Form W-4R. You may access the IRS Form W-4R on [mfs.com/forms](https://www.irs.com/forms).