

Federal and State Withholding on IRA Distributions

Federal Income Tax Withholding – The default withholding rate is 10%. You can choose a different rate by entering a rate between zero and 100%. Generally, you can't choose less than 10% for payments to be delivered outside of the United States and its possessions. Federal income tax will not be withheld from distributions from a Roth IRA unless you elect to have such tax withheld or are otherwise subject to withholding because you are a non-resident alien.

State Income Tax Withholding – When you withdraw money from your IRA, your state may require you to have income tax withheld from your distribution. Your withholding is a pre-payment of your state income tax that serves as a credit toward your current-year state income tax liability.

Your state withholding may be affected by the following criteria:

- Type of retirement plan (IRA or qualified retirement plan)
- State of residence for tax purposes
- Eligibility to roll over a distribution
- Distribution amount (a minimum amount may apply)
- Type of distribution (single sum or periodic payments)

Each state's requirements are different. You should consult your tax advisor or financial professional to understand your state's withholding requirements.

Whether or not you elect to have federal and/or state income tax withheld from your distribution(s), you are responsible for the full payment of federal income tax, any state or local taxes, and any penalties that may apply. You may be responsible for estimated tax payments and could incur penalties if your estimated tax payments are not sufficient.

THE INFORMATION PROVIDED ABOVE IS GENERAL IN NATURE AND SHOULD NOT BE CONSIDERED LEGAL OR TAX ADVICE.