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periodic retirement and annuity payments made after Dec. 31, 2020.

Sep. 28, 2020



The U.S. Department of the Treasury and the Internal Revenue Service have issued [final regulations](#) updating the federal income tax withholding rules for certain periodic retirement and annuity payments made after Dec. 31, 2020.

Prior to the Tax Cuts and Jobs Act (TCJA), if no withholding certificate was in effect for a taxpayer's periodic payments, the amount to be withheld from the payments

was determined by treating the taxpayer as a married individual claiming three

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the rules and procedures for determining the default rate of withholding on periodic payments in applicable forms, instructions, publications and other guidance.

In July 2020, the IRS released a draft of a redesigned 2021 Form W-4P and instructions intended to align with the redesigned [Form W-4](#), "Employee's Withholding Certificate."

The draft 2021 Form W-4P also proposed a new default rate of withholding on periodic payments that begin after Dec. 31, 2020. Based on comments received on the draft Form W-4P, regarding the time required by payors to implement the new form and a new default rate of withholding, the IRS will postpone issuance of the redesigned form. Instead, the 2021 Form W-4P will be similar to the 2020 [Form W-4P](#).

The IRS also intends to provide in the instructions to the 2021 Form W-4P and related publications that the default rate of withholding on periodic payments will continue to be determined by treating the taxpayer as a married individual claiming three withholding allowances.

The Treasury and IRS will continue working closely with the tax community on the redesign of Form W 4P, with the intention of making the withholding system more accurate and transparent for taxpayers.

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