

Update on Pending Withholding Forms W-4P and W-4R

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Earlier this year, the IRS released draft versions of 2022 Forms W-4P and W-4R for pension and IRA withholding on payments, to be used beginning on or after January 1, 2022. In short, the draft forms split the existing W-4P form into two – the Form W-4P to be used for periodic payments, and Form W-4R to be used for nonperiodic payments and eligible rollover distributions. The intent is to provide for more accurate federal income tax withholding, which unfortunately adds to the complexity of the forms. The draft Form W-4P is similar to the revised Form W-4 that was rolled out in 2020, and provides for a new default withholding rate of single with no adjustments (rather than married with three allowances).

The industry is eagerly awaiting the release of these final forms, which, informally, we hear are coming next month – December. But there is still a very strong push for a delay in mandating the use of these forms, out of concern with the time it takes to program, test, and implement a rollout of the changes to tens of millions of pensioners and IRA owners.

A few notable comments –

- We are also waiting on the 2022 Publication 15-T that should be used hand-in-hand with the new forms to compute the tax withholding.
- A substitute Form W-4P cannot simply provide for a participant to designate a set dollar amount to withhold from periodic payments. (Both the existing and pending W-4P only expressly permit an additional flat dollar amount to be selected in addition to the wage withholding otherwise calculated.)
- The plan sponsor must request a Form W-4P from a pensioner before it can use a default rate of withholding.
- Electronic substitute Forms W-4P will need to comply with [Publication 1167](#) and generally need to be an exact replicate of the paper form.

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- The Form W-4P and the Form W-4 differ on the withholding approach where there are multiple sources of withholding (*e.g.*, multiple pensions, or a job and an annuity). Therefore, the system programming for Form W-4 may not always be compatible.

As we hear more, we will keep you posted!

UPDATE: It's official, the 2022 Forms W-4P and W-4R will be **optional** for 2022.
[2022 Form W-4P \(irs.gov\)](https://www.irs.gov)

GROOM