

MEMO# 33510

April 28, 2021

ICI Joins Other Trades in Asking IRS for Changes to Draft Forms W-4P and W-4R

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TO: ICI Members
Operations Committee
Pension Committee
Pension Operations Advisory Committee
Transfer Agent Advisory Committee
SUBJECTS: Pension
Tax RE: ICI Joins Other Trades in Asking IRS for Changes to Draft Forms W-4P and W-4R

The attached letter, signed by ICI and several other industry trade organizations,[\[1\]](#) asks the Treasury Department and Internal Revenue Service (IRS) to consider changes to the early release drafts of IRS Forms W-4P and W-4R for the 2022 tax year. As we reported earlier this year,[\[2\]](#) the IRS posted early release drafts of the 2022 IRS Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments, and new Form W-4R, Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions. The two forms would replace the current Form W-4P, which is for use with both periodic and nonperiodic payments (and eligible rollover distributions) from retirement plans and annuities. In connection with the early release drafts, the IRS asked for review and feedback from stakeholders.

In response, the joint letter makes the following points:

- **Simplicity** - The draft Form W-4P should be simplified considerably. The draft is very complicated for individuals to use, many of whom are seniors.
- **Payor obligations** - The draft Form W-4P imposes significant new administrative burdens that appear to be inconsistent with long-standing regulations. The form should be revised to eliminate the inconsistency and reduce burdens.
- **Elections out** - The draft Forms W-4P and W-4R obscure individuals' statutory rights to elect out of withholding. A check-box should be restored to appropriately reflect the importance that Congress has assigned to these rights.
- **Flexibility** - Payors should have more flexibility to develop user-friendly electronic interfaces as substitutes to the paper forms.
- **Guidance on Form W-4R** - Guidance is needed on certain issues involving Form W-4R, regarding how to handle earlier withholding elections for nonperiodic distributions on Form W-4P and certain issues relating to escheated distributions.

- Effective date and penalty relief - The effective date of the new forms should be delayed until the 2023 tax year in order to provide at least one full calendar year for implementation, and penalty relief should be provided for inadvertent errors that payors may make after the established deadline if they act in good faith to comply by then.

We will provide updates on further developments related to the draft forms.

Elena Barone Chism
Associate General Counsel - Retirement Policy

endnotes

[1] In addition to ICI, the letter was signed by the American Benefits Council, American Council of Life Insurers, American Retirement Association, Committee of Annuity Insurers, Insured Retirement Institute, and the SPARK Institute.

[2] See ICI Memorandum No. 33062, dated January 22, 2021, available at <https://www.ici.org/memo33062>.

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