

IRS News Release

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IRS Announces Withholding Adjustment Option for Pension Plans and Provides Taxpayer Education

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WASHINGTON — As part of a wider outreach effort to educate taxpayers about the benefits they will receive under the American Recovery and Reinvestment Act, the Internal Revenue Service today released new withholding adjustment procedures for pension plans.

In February, the IRS issued revised withholding tables incorporating the Making Work Pay Tax Credit, one of the key provisions of the American Recovery and Reinvestment Act. That change resulted in more take home pay for more than 120 million American households and provided an immediate economic stimulus. The new procedure for pensions will make withholding more accurate for pension recipients.

While the newly announced procedures apply only to pension payments, the IRS is gearing up for a wider outreach campaign to educate pensioners and other taxpayers about the withholding tables and Recovery payments. The IRS will work with partner groups to provide taxpayers information to make sure they have the appropriate withholding for their situation. The IRS will also work on developing a variety of information products, including brochures, video and audio material to help educate taxpayers.

The change announced today will help some pensioners avoid a smaller refund next spring or even a balance due in limited situations. A wide variety of factors, such as outside jobs and other earned income, can affect how much, if any, withholding is needed by people receiving a pension to satisfy their annual tax liability. The optional adjustment procedure which may be used by those paying pensions is available in [Notice 1036-P](#), Additional Withholding for Pensions for 2009. The on-line version of Publication 15-T, New Wage Withholding and Advance Earned Income Credit Payment Tables, will be updated and available next week.

Pension payors are not required to use this new procedure and may continue to use only the February 2009 withholding tables. For plans that adopt the new procedure, withholding on pension payments will be automatically adjusted with no action needed by pensioners. The IRS is also encouraging pension payors who choose to implement the new withholding adjustment procedures to contact retirees who previously submitted a Form W-4P, Withholding Certificate for Pension or Annuity Payments, requesting additional withholding after the February withholding tables were issued.

Those who should pay particular attention to their withholding include married couples with two incomes, individuals with multiple jobs, dependents, some Social Security recipients who work and workers who do not have valid Social Security Numbers. Depending on their

personal situation, some people could have less withheld from their paychecks than they need or want. People who believe their current withholding is not appropriate for their personal situation can perform a quick check by using the IRS withholding calculator on IRS.gov. Any necessary adjustments can be made by filing a revised Form W-4, Employee's Withholding Allowance Certificate, with their employer.

For more information visit IRS.gov. Taxpayers and payors can download forms and publications from IRS.gov or request a free copy by calling toll free 1-800-TAX-FORM (1-800-829-3676).