1990 Form W-4P

Department of the Treasury
Internal Revenue Service

What Is Form W-4P? This form is for recipients of income from annuity, pension, and certain other deferred compensation plans to tell payers whether income tax is to be withheld and on what basis. The options available to the recipient depend on whether the payment is periodic or nonperiodic (including a qualified total distribution) as explained on page 3.

Recipients can use this form to choose to have no income tax withheld from the

What Do I Need To Do? Recipients who want no tax to be withheld can skip the worksheet below and go directly to line 1 of the form. All others should complete lines A through F of the worksheet. Many recipients can stop at line F.

Other Income? If you have a large amount of income from other sources not subject to withholding (such as interest, dividends, taxable social security), you should consider making estimated tax payments using **Form**

Pub. 505, Tax Withholding and Estimated Tax.

When Should I File? File as soon as possible to avoid underwithholding problems.

Multiple Pensions? More Than One Income? To figure the number of allowances you may claim, combine allowances and income subject to withholding from all sources on one worksheet. You can file a Form W-4P with each pension payer, but do not claim the same allowances more than

Deductions and Adjustments Worksheet

NOTE: *Use this Worksheet only if you plan to itemize deductions or claim adjustments to income on your 1990 tax return.*

1. Enter an estimate of your 1990 itemized deductions. These include: qualifying home mortgage interest, 10% of personal interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions (most miscellaneous deductions are now deductible only in excess of 2% of your income) . . . . . 1 $ _____
2. Enter: { $5,450 if married filing jointly or qualifying widow(er); $4,750 if head of household; $3,250 if single; $2,725 if married filing separately } . . . . . 2 $ _____
3. **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter zero . . . . . 3 $ _____
4. Enter estimate of your 1990 adjustments to income. These include alimony paid and deductible IRA contributions . 4 $ _____
5. **Add** lines 3 and 4 and enter the total . . . . . 5 $ _____
6. Enter an estimate of your 1990 income not subject to withholding (such as dividends or interest income) . . 6 $ _____
7. **Subtract** line 6 from line 5. Enter the result, but not less than zero . . . . . 7 $ _____
8. **Divide** the amount on line 7 by $2,000 and enter the result here. Drop any fraction . . . . . 8 _____
9. Enter the number from Form W-4P Worksheet, line F, on page 1 . . . . . 9 _____
10. **Add** lines 8 and 9 and enter the total here. If you plan to use the Multiple Pensions/More Than One Income Worksheet, also enter the total on line 1, below. Otherwise **stop here** and enter this total on Form W-4P, line 2 on page 1 10

Multiple Pensions/More Than One Income Worksheet

NOTE: *Use this Worksheet only if the instructions under line F on page 1 direct you here. This applies if you (and your spouse if married filing a joint return) have more than one source of income subject to withholding (such as more than one pension, or a pension and a job, or you have a pension and your spouse works).*

1. Enter the number from line F on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet) . . . . . 1 _____
2. Find the number in **Table 1** below that applies to the **LOWEST** paying pension or job and enter it here . . . 2 _____
3. If line 1 is **GREATER THAN OR EQUAL TO** line 2, **subtract** line 2 from line 1. Enter the result here (if zero, enter "0") and on Form W-4P, line 2, page 1. **Do not** use the rest of this worksheet . . . . . 3 _____
4. If line 1 is **LESS THAN** line 2, enter "0" on Form W-4P, line 2, page 1, and enter the number from line 2 of this worksheet here . . . . . 4 _____
5. Enter the number from line 1 of this worksheet . . . . . 5 _____
6. **Subtract** line 5 from line 4 . . . . . 6 _____
7. Find the amount in **Table 2** below that applies to the **HIGHEST** paying pension or job and enter it here . . . 7 $ _____
8. **Multiply** line 7 by line 6 and enter the result here . . . . . 8 $ _____
9. **Divide** line 8 by the number of pay periods in each year. (For example, divide by 12 if you are paid every month.) Enter the result here and on Form W-4P, line 3, page 1. This is the additional amount to be withheld from each payment . . . . . 9 $

Table 1: Multiple Pensions/More Than One Income Worksheet

Married Filing Jointly		All Others	
If amount from **LOWEST** paying pension or job is—	Enter on line 2, above	If amount from **LOWEST** paying pension or job is—	Enter on line 2, above
0 - $4,000	0	0 - $4,000	0
4,001 - 8,000	1	4,001 - 8,000	1
8,001 - 19,000	2	8,001 - 14,000	2
19,001 - 23,000	3	14,001 - 16,000	3
23,001 - 25,000	4	16,001 - 21,000	4
25,001 - 27,000	5	21,001 and over	5
27,001 - 29,000	6		
29,001 - 35,000	7		
35,001 - 41,000	8		
41,001 - 46,000	9		
46,001 and over	10		

Table 2: Multiple Pensions/More Than One Income Worksheet

Married Filing Jointly		All Others	
If amount from **HIGHEST** paying pension or job is—	Enter on line 7, above	If amount from **HIGHEST** paying pension or job is—	Enter on line 7, above
0 - $44,000	$310	0 - $25,000	$310
44,001 - 90,000	570	25,001 - 52,000	570
90,001 and over	680	52,001 and over	680

Paperwork Reduction Act Notice.—This information is required to carry out the Internal Revenue laws of the United States.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	40 min.
Learning about the law or the form	20 min.
Preparing the form	49 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; or the **Office of Management and Budget,** Paperwork Reduction Project (1545-0415), Washington, DC 20503.

Changes Effective for 1990

Changes in the law may affect your 1990 tax liability, including changes to your personal exemption and the itemized deduction for personal interest.

You may use your 1989 tax return as a guide in figuring your estimated taxes, but be sure to consider the tax law changes noted in this section.

Supplemental Medicare Premium

The premium has been repealed by Congress.

Itemized Deductions

For 1990, only 10% of personal interest (such as interest on car loans or credit card balances) is deductible (lines 12a and 12b on Schedule A (Form 1040)).

Standard Deduction

The standard deduction has been increased for all taxpayers for inflation. For 1990, the amounts are:

Filing Status	Standard Deduction
Married filing joint return and qualifying widow(er)	$5,450*
Head of household	$4,750*
Single	$3,250*
Married filing separately	$2,725*

*To this amount, add the Additional Amount below if you are elderly or blind.

Additional Amount for the Elderly or the Blind.—An additional standard deduction amount of $650 is allowed for a married individual (whether filing jointly or separately) or for a qualifying widow(er) who is 65 or over or blind ($1,300 if the individual is both 65 or over and blind, $2,600 on a joint return if both spouses are 65 or over and blind). An additional standard deduction amount of $800 is allowed for an unmarried individual (single or head of household) who is 65 or over or blind ($1,600 if both 65 or over and blind).

Personal Exemption

The amount of the personal exemption has been increased to $2,050 for the individual, the spouse, and for each dependent.

Tax Rates

For 1990, the two-rate system remains. The tax rates are 15% and 28%, with the 15% rate being phased out for certain high income filers. The brackets have been adjusted so that inflation will not result in tax increases.

Withholding From Pensions and Annuities

Generally, withholding applies to payments made from pension, profit-sharing, stock bonus, annuity, and certain deferred compensation plans, from individual retirement arrangements (IRAs), and from commercial annuities. The method and rate of withholding depends upon the kind of payment you receive.

Periodic payments from all of the items above are treated as wages for the purpose of withholding. A periodic payment is one that is includible in your income for tax purposes and that you receive in installments at regular intervals over a period of more than one full year from the starting date of the pension or annuity. The intervals can be annual, quarterly, monthly, etc.

You can use Form W-4P to change the amount of tax to be withheld by using lines 2 and 3 of the form or to exempt the payments from withholding by using line 1 of the form. This exemption from withholding does not apply to certain recipients who have payments delivered outside the United States or its possessions. See *Exemption From Income Tax Withholding* later.

Caution: *Remember that there are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees, especially, should see Pub. 505. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your pension or annuity using Form W-4P.*

Unless you tell your payer otherwise, tax must be withheld on **periodic** payments as if you are married and claiming three withholding allowances. This means that tax will be withheld if your pension or annuity is more than $796 a month ($9,550 a year).

There are some kinds of periodic payments for which you **cannot** use Form W-4P since they are already defined as wages subject to income tax withholding. Retirement pay for service in the Armed Forces of the U.S. generally falls into this category. Certain deferred compensation plans also fall into this category. Your payer should be able to tell you whether Form W-4P will apply. Social security payments are not subject to withholding but may be includible in income.

For periodic payments, your certificate stays in effect until you change or revoke it. Your payer must notify you each year of your right to elect to have no tax withheld or to revoke your election.

Nonperiodic payments will have income tax withheld at a flat 10% rate unless the payment is a qualified total distribution. Tax will be withheld from a qualified total distribution using tables furnished payers and prescribed by the Treasury Department. Distributions from an IRA that are payable upon demand are treated as nonperiodic payments. You can elect to have no income tax withheld from a nonperiodic payment by filing Form W-4P with the payer and checking the box on line 1. Generally, your election to have no tax withheld will apply to any later payment from the same plan. You cannot use line 2 to change the way tax is withheld. But you may use line 3 to specify that an additional amount be withheld.

Exemption From Income Tax Withholding

The election to be exempt from income tax withholding does not apply to any periodic payment or nonperiodic distribution which is delivered outside the United States or its possessions to a U.S. citizen or resident alien.

Other recipients who have these payments delivered outside the U.S. or its possessions can elect exemption only if an individual certifies to the payer that the individual is not: (1) a U.S. citizen or resident alien or (2) an individual to whom section 877 of the Internal Revenue Code applies (concerning expatriation to avoid tax). The certification can be made in a statement to the payer under the penalties of perjury.

Revoking the Exemption From Withholding

If you want to revoke your previously filed exemption from withholding for periodic payments, file another Form W-4P with the payer. If you want tax withheld at the rate set by law (married with three allowances), write the word "Revoked" by the checkbox on line 1 of the form. If you want tax withheld at any different rate, complete line 2 on the form.

If you want to revoke your previously filed exemption for nonperiodic payments, write the word "Revoked" by the checkbox on line 1 and file Form W-4P with the payer.

Statement of Income Tax Withheld From Your Pension or Annuity

By January 31 of next year, you will receive a statement from your payer showing the total amount of your pension or annuity payments and the total income tax withheld during the year.

Copies of Form W-4P will not be sent to IRS by the payer, regardless of the number of allowances claimed on line 2 of Form W-4P.