



AFRF
AUSTIN FIREFIGHTERS
RETIREMENT FUND

FAQs Regarding New IRS Withholding Forms W-4P and W-4R

The IRS released a revised Form W-4P (*Withholding Certificate for Periodic Pension or Annuity Payments*) and a new Form W-4R (*Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions*) that include changes to the federal tax withholding elections available, as well as changes to the calculation the Austin Firefighters Retirement Fund (the “Fund”) performs to determine the amount to be withheld from the Fund’s benefit payments. These forms became effective as of January 1, 2023.

A significant change to the W-4P form is that filers will no longer be able to withhold a flat amount. The IRS now offers new input fields for increasing or decreasing the amount to withhold, including fields for tax credits and deductions.

IMPORTANT NOTE: Annuitants who already receive ongoing payments that began prior to 2023 and who do not wish to make changes to their federal tax withholding elections are not required to file a new form.

1. Why is the Fund changing its withholding form?

The federal Tax Cuts and Jobs Act of 2017 changed the way income tax is calculated, including an increased standard deduction and removal of the dependent exemption. Because withholding allowances previously were tied to the dependent exemption, the IRS changed its procedures for calculating federal income tax withholding following removal of the dependent exemption.

The Fund is required by federal law to implement the new, IRS-issued withholding forms beginning on January 1, 2023.

2. How is withholding calculated for annuities using the new form?

Previously, federal tax withholding for non-rollover eligible periodic payments were based on flat amounts specified by annuitants. The new calculation allows the filing status (married, single, or head of household) and fields for adjusting the amount to be withheld by incorporating other income, deductions, and tax credits into the calculation.

While the new form and calculation are more complex, they are intended to approximate the amount of tax due more accurately at the end of the year when completed correctly.

3. How is withholding calculated for non-periodic (lump-sum) and rollover eligible periodic payments using the new form?

The default federal tax withholding for these payments is not changing. As in previous years, default federal tax withholding is 20% for all rollover eligible payments, whether periodic or non-periodic (withholding mandatory). However, annuitants who choose a withholding rate greater than 20% are required to complete a new Form W-4R to designate a specific percentage.

4. Am I required to file a new tax withholding election form even if I do not intend to change my tax withholding elections?

No, if you are receiving ongoing benefits and you do not wish to change your withholding elections, you are not required to submit a new tax withholding election form. The Fund will continue to withhold federal income tax from your benefit payments based on the election we have on file.

If you elect to receive a distribution from your DROP account (a non-periodic payment), the default withholding will apply. However, if you wish to change your withholding election to a percentage greater than 20% for a non-rollover DROP payment, you should submit a new IRS Form W-4R.

5. What happens if I don't submit an IRS Form W-4P?

- For new monthly payments (benefits starting January 1, 2023, or later): If you do not complete and return the Form W-4P, the Fund will withhold federal income tax from your monthly payments as if your filing status is single with no adjustments. Also, if the Form W-4P that you submit does not have your SSN or has an incorrect SSN, the Fund will withhold federal income tax from your monthly payments as if your filing status is single with no adjustments. If the Form W-4P you submit is incomplete or unclear, it may be necessary for the Fund to withhold federal income tax from your monthly payments as if your filing status is single with no adjustments until you submit a compliant Form W-4P and the Fund has a reasonable time to implement your requested withholding changes.
- If you are already receiving monthly benefits prior to January 1, 2023: Your current withholding election remains in effect unless you submit a new, complete Form W-4P to advise us of any requested federal tax withholding changes.

6. If I make no changes to my federal tax withholding election, will my federal tax withholding amount stay the same?

If you make no changes to your federal tax withholding election, the Fund will continue to withhold federal income tax from your benefit payments based on the election we have on file.

7. Am I allowed to update my filing status or additional amount to be withheld without changing the number of withholding allowances I claim for my annuity payments?

Beginning January 1, 2023, any update to your federal tax withholding election for annuity payments must be on the new IRS Form W-4P. Therefore, when you file a new federal income tax withholding election form, any existing withholding allowances will cease to be used, and your federal tax withholding will be calculated using the new method. Use the instructions and worksheets on IRS Form W-4P available at [irs.gov](https://www.irs.gov).

8. When will the new forms and calculation take effect?

Any new benefits beginning on or after January 1, 2023, are subject to the new forms and calculation. Also, any changes in federal tax withholding elections that take effect on or after that date must use the new form fields and calculation method.

The IRS Forms W-4P and W-4R are available at [irs.gov](https://www.irs.gov). The Form W-4P is available on the Fund's website at [AFRFund.org](https://www.AFRFund.org).

9. How long will my election remain in effect?

For your ongoing monthly benefit payments, your income tax withholding preferences will remain in effect until you change them. If you elect to receive a non-periodic payment, such as a partial DROP distribution, and wish to elect withholding other than the default rate, then a new Form W-4R is required for each distribution.

11. How do I know if I need to have federal income tax withheld from my monthly benefits?

That depends on your personal financial situation. The Fund cannot give you tax advice. We recommend that you speak with your tax professional or the IRS to determine the tax withholding strategy best for you. The instructions included with the IRS Form W-4P also include information that may help you make this determination.

12. I made a mistake when completing the Form W-4P and withheld more than I was expecting. Can I have some of what was withheld returned to me?

The Fund is not able to refund income tax withholding once the payment is issued. You can update your withholding for future payments by submitting a new IRS Form W-4P to the Fund.

13. Where can I find more information about these changes and about tax withholding?

See IRS Publication 15-T and Publication 505, Tax Withholding and Estimated Tax at [irs.gov](https://www.irs.gov) for more information. Annuitants are may also contact the Fund at 512-454-9567 or email staff@AFRFund.org.