



SPECIAL BULLETIN

IRS Announces Optional Withholding Tables For Pension Distributions

The *American Recovery and Reinvestment Act of 2009 (ARRA)*, the recently passed "stimulus bill", reduced the IRS income tax withholding tables effective April 1, 2009 as part of the "Making Work Pay" tax credit ("February 2009 withholding tables"). While this was good news for some, as the average worker will see a slight increase in their take-home pay, it might have presented a problem for retirees who have taxes withheld from their benefit payments based on these tables. See [Benefit News Brief 2009-29](#) for a detailed explanation.

However, in response to comments about this possible tax problem for retirees drawing a pension, the Internal Revenue Service (IRS) announced optional withholding tables that pension plans may use in IR-2009-50. The announcement is available at: <http://www.irs.gov/newsroom/article/0,,id=208038,00.html> or by "[clicking here.](#)"

The optional adjustment procedure which may be used by those paying pensions is available in *Notice 1036-P, Additional Withholding for Pensions for 2009 (Optional Procedure for Those Making Pension Payments To Offset Withholding Reductions for the Making Work Pay Credit)*, available at: <http://www.irs.gov/pub/irs-pdf/n1036p.pdf> or by "[clicking here.](#)" According to the IRS, 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.

The IRS indicated that pension payors are not required to use this new procedure and may continue to use only the February 2009 withholding tables if they wish. The IRS is 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. If the pension plan switches to the new tables, the additional withholding may be unnecessary as the new tables approximately offset the withholding reduction included in the February 2009 withholding tables.

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