



Credit Union Federal and State Tax Withholding Information and Disclosures

Generally, federal and/or state income tax withholding applies to the taxable portion of distributions made from IRAs. Your withholding election will remain in effect for any subsequent distributions unless you change or revoke it. Future IRA distributions may impact your current tax withholding election if a different election is selected on that instruction. If no withholding instructions are provided, Navy Federal is required to withhold the default rate of 10% of each distribution for federal tax and/or the minimum state withholding rate or the last known election on file. If you elected to waive federal and/or state tax withholding, you may be responsible for payment of estimated tax.

The new requested tax withholding election will apply to all subsequent IRA distributions, including any Required Minimum Distribution (RMD) instructions on file. Note: Any future or scheduled RMD payouts may be affected by the most recent maturity instructions entered. If you are waiving withholding for the states of Connecticut, Michigan, or Minnesota, you understand you must submit the required state withholding form, unless an existing one is on file with Navy Federal and it is your last election.

Federal Tax Withholding

Non-periodic Payments

Payments from IRAs that are payable upon demand are treated as non-periodic payments for federal income tax purposes. You may elect to waive federal tax withholding from a non-periodic IRA payment by making this election or filing Form W-4R or a substitute form with the Trustee or Custodian. Your election will remain in effect for any subsequent distribution unless you change or revoke it.

A US citizen or resident alien may not waive federal withholding on any distribution delivered outside of the US or its possessions. Distributions to a non-resident alien are generally subject to a tax-withholding rate of 30%. A reduced withholding rate, including exemption, may apply if there is a tax treaty between the non-resident alien's country of residence and the United States and the non-resident alien submits Form W8-BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, or satisfies the documentation requirements as provided under the regulations. For more information, Publication 515, *Withholding of Tax on Non-resident Aliens and Foreign Entities*, is available on the IRS website at www.irs.gov.

Caution: Penalties may be assessed for not paying enough tax during the year, through either withholding or estimated tax payments. New retirees should see Publication 505, *Tax Withholding and Estimated Tax*, for additional information on estimated tax requirements and penalties. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your IRA using Form W-4R or a substitute form (Tax selection above) with the Trustee or Custodian.

State Tax Withholding

This state tax information is not intended to provide you with complete withholding rules and regulations for state tax withholding. Navy Federal makes every effort to obtain information about state tax law from state revenue authorities, and every effort has been made to ensure its accuracy. Because state tax laws are subject to change, often without prior notice, the accuracy of the information cannot be guaranteed beyond the revision date of the form. Seek professional tax advice if you have questions regarding state withholding requirements that apply to your Traditional and/or SEP IRA distribution. State tax is not required for Roth IRA distributions.

IMPORTANT: Please review the below requirements for your state carefully before completing your state withholding election. Navy Federal can only withhold for the following listed states and District of Columbia. Navy Federal cannot withhold an amount less than the required minimum for your state. If no election is made, the minimum withholding will be taken based on your state on record with Navy Federal.

It is your responsibility to ensure your State Tax election is up to date with Navy Federal by submitting a new 603 form with election updates. Changing your address with Navy Federal will not change your State Tax election for IRA distributions.

Arkansas (AR): The minimum withholding rate is 3.00% of the distribution amount. Withholding is required if electing to have federal tax withheld. AR state tax can be waived or increased.

California (CA): The minimum withholding rate is 10.00% of the federal tax withheld amount. CA state tax can be waived or increased. The amount of withholding **cannot** be less than \$10.

Connecticut (CT): The minimum withholding rate is 6.99% of the distribution amount. Withholding is mandatory for lump sum distributions* and cannot be waived. For other than lump sum distributions,* CT state tax can be waived. CT tax rate can be increased. **CT requires completing and returning form CT-W4P to waive withholding.** **NOTE:** If you have a CT-W4P form requesting to waive on file with Navy Federal, and it is your last election, you do not need to submit a new CT-W4P form to waive withholding.

*CT defines Lump Sum Distributions as "any distribution greater than \$5,000 or more than 50% of the payee's entire IRA plan balance, whichever is less."

Delaware (DE): The minimum withholding rate is 5.00% of the distribution amount. Withholding is mandatory if electing to have federal tax withheld. DE state tax **cannot** be waived if federal tax is withheld. DE state tax can be increased.

District of Columbia (DC): Withholding is mandatory at a rate of 10.75% for lump sum distributions of the full IRA plan balance. This withholding **cannot** be waived. Withholding on partial IRA distributions is not allowed.

Iowa (IA): The minimum withholding rate is 3.80% of the distribution amount. IA state tax can be waived or increased.

State listing continued on next page.



Credit Union Federal and State Tax Withholding Information and Disclosures

Kansas (KS): The minimum withholding rate is 5.58% of the distribution. Withholding is required if electing to have federal tax withheld. KS state tax can be waived or increased.

Maine (ME): The minimum withholding rate is 5.00% of the distribution. Withholding is required if electing to have federal tax withheld. ME state tax can be waived or increased.

Massachusetts (MA): The minimum withholding rate is 5.00% of the distribution. Withholding is mandatory if electing to have federal tax withheld. MA state tax cannot be waived if federal tax is withheld. MA state tax can be increased.

Michigan (MI): The minimum withholding rate is 4.25% of the distribution. MI state tax can be waived or increased. **MI requires completing and returning form MI-W-4P to waive withholding.** **NOTE:** If you have a MI-W-4P form requesting to waive on file with Navy Federal, and it is your last withholding election, you do not need to submit a new MI-W-4P form to waive withholding.

Minnesota (MN): The minimum withholding rate is 6.25% of the distribution. MN state tax can be waived or increased. **MN requires completing and returning form W-4MNP to waive withholding.** **NOTE:** If you have a W-4MNP form requesting to waive on file with Navy Federal, and it is your last withholding election, you do not need to submit a new W-4MNP form to waive withholding.

Nebraska (NE): The minimum withholding rate is 5.00% of the distribution. Withholding on premature distributions is not allowed regardless of federal tax election. For other than premature distributions, NE state withholding is mandatory if federal tax is withheld and **cannot** be waived. NE state tax can be increased.

North Carolina (NC): The minimum withholding rate is 4.25% of the distribution. Withholding is required if electing to have federal tax withheld. NC state tax can be waived or increased.

Oklahoma (OK): The minimum withholding rate is 4.75% of the distribution. Withholding is mandatory if electing to have federal tax withheld. OK state tax **cannot** be waived if federal tax is withheld. OK state tax can be increased.

Oregon (OR): The minimum withholding rate is 8.00% of the distribution. Withholding is required if electing to have federal tax withheld. OR state tax can be waived or increased. The amount of withholding **cannot** be less than \$10.

Vermont (VT): The minimum withholding rate is 30.00% of the federal tax withheld amount. Withholding is mandatory if electing to have federal tax withheld. VT state tax **cannot** be waived if federal tax is withheld. VT state tax can be increased.

Virginia (VA): The minimum withholding rate is 4.00% of the distribution amount. VA state tax can be waived or increased.