



Week of March 5, 2021

State Withholding and Reporting – Table Updates

IRS Releases Draft 2022 Forms W-4P and W-4R

Recently, the IRS published an updated draft of Form W-4P, *Withholding Certificate for Periodic Pension or Annuity Payments*, and a draft of new Form W-4R, *Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions*, for the 2022 calendar year. Form W-4P was previously titled *Withholding Certificate for Pension or Annuity Payments*. The IRS explains in a cover letter that the 2022 Form W-4P has been split into two forms, Form W-4P for periodic pensions and annuities, and new Form W-4R.

The instructions to the draft Form W-4R indicate that payors should use the form to withhold the correct amount of federal income tax from a payee's nonperiodic payment or eligible rollover distribution from an employer retirement plan, annuity (including a commercial annuity), or individual retirement arrangement (IRA). Form W-4P, and not Form W-4R, should be used for periodic payments (payments made in installments at regular intervals over a period of more than 1 year) from these plans or arrangements.

KPMG Comments

The draft 2022 Form W-4P contains significant updates when compared to the 2021 version, removing personal allowances and aligning the form with Form W-4. The IRS updated Form W-4 in 2019 to incorporate changes due to the Tax Cuts and Jobs Act of 2017 (TCJA), notably removing personal allowances. Although Form W-4P had largely mirrored Form W-4 in the past, there were no equivalent updates to Form W-4P, resulting in disparate information required between the forms. This resulted in uncertainty for some taxpayers, notably those reporting to states that permit taxpayers to submit the federal Form W-4 for state purposes. As a result, some states quickly issued state specific withholding certificates, allowing taxpayers to claim personal allowances as specified by state law.

When finalized, the new updates to Form W-4P, along with the release of new Form W-4R, should have ripple effects across many states. KPMG will continue to monitor for updates to the draft forms and review for changes at both the federal and state levels.

The draft 2022 Forms W-4P and W-4R can be found [here](#) and [here](#).



For Your Reference

KPMG State IRP Alert subscribers are invited to direct any questions relating to the above-mentioned topics, as well as any other related issues or subscription inquiries, to US-TaxIRWStateAlerts@KPMG.com.

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