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ALSO IN THIS ISSUE –

Part IX-Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs) IRS Instruction to Taxpayer, Page 2

Email Guidance – Missed 2021 RMD, Page 2

Not Helping a Customer – Sometimes it's the Right Thing to Do, Page 3

Email Guidance – When is a Deceased IRA Owner to be Furnished a Form 1099-R?, Page 5

Email Guidance – Any Problems if the 401(k) Plan makes the Direct Rollover to Customer's IRA by Making a Wire Transaction?, Page 5

IRS Creates New IRA Withholding Form, Page 6

Email Guidance – HSA Transfer Mistakes or Difficulties, Page 7

Email Guidance – Employers May Furnish Poor HSA Guidance, Page 8

Collin W. Fritz and Associates, Inc.,
“The Pension Specialists”



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Helping IRA Owners and Beneficiaries Who Missed Their 2021 RMD

Many times a person who missed taking their 2021 RMD by December 31, 2021 wants to understand what they need to do to be in compliance with the federal income tax laws. The main task - withdraw the missed RMD as soon as possible in 2022. The IRS uses the term “shortfall” and the term “excess accumulation.”

The tax rule is - a person pays tax on an IRA distribution for the year the person receives the distribution. The person will have two taxable distributions in 2022. There is no way to have the 2021 RMD amount taxed in 2021 if the December 31, 2021 deadline was missed. Backdating is tax fraud. A small problem could become a much bigger problem.

A person who failed to withdraw their 2021 RMD by December 31, 2021 owes the 50% excess accumulations tax unless the IRS would decide to waive the 50% tax.

How and why does the IRS waive the 50% tax?

A person is to attach a note of explanation why they believe the IRS should grant them relief. The IRS instructions for Form 5329 furnish no guidance when the IRS believes a person should be granted relief. We suggest that the reasons would be similar to those that apply when someone is granted relief and allowed to make a late rollover. That is, the missed RMD was the mistake of the IRA custodian/ trustee, there was a death in the family, a family member was seriously ill, the

distribution check was misplaced and never cashed, or a postal error occurred.

An IRA owner or beneficiary who has a missed RMD is required to file the 2021 Form 5329. The individual must complete Part IX (Additional Tax on Excess Accumulation in Qualified Retirement Plans (including IRAs). The individual wants to read the IRS instructions for Part IX.

Some IRA owners and beneficiaries will not contest the fact that they missed the December 31, 2021 deadline and that they are not entitled to have the IRS waive the 50% tax. They will complete Form 5329 to indicate that they owe the 50% tax. Line 55 is completed to show this additional tax. This amount is also to be reported on Schedule 2 (Form 1040). Schedule 2 reports Additional Taxes.

Other IRA owners and beneficiaries will submit their request to the IRS that the 50% tax will be waived. How do they do this? What are the IRS procedures?

The IRS has adopted a very taxpayer friendly approach for those persons who want the IRS to waive part or all of the 50% tax. The person enters “RC” and the amount of the shortfall to be waived in parentheses on the dotted line next to line 54 and then enters the result on line 54. Complete line 55 as applicable.

The initial waiver of the 50% tax is a tentative waiver. The IRS will review your request and decide if they will grant the waiver. It appears the IRS decision will

Continued on page 2

Missed RMD,
Continued from page 1

Form 5329 Department of the Treasury Internal Revenue Service (99)	Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form5329 for instructions and the latest information.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2021</div> Attachment Sequence No. 29
Name of individual subject to additional tax. If married filing jointly, see instructions.		Your social security number
Part IX Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs). Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.		
52	Minimum required distribution for 2021 (see instructions)	52
53	Amount actually distributed to you in 2021	53
54	Subtract line 53 from line 52. If zero or less, enter -0-	54
55	Additional tax. Enter 50% (0.50) of line 54. Include this amount on Schedule 2 (Form 1040), line 8	55
Sign Here Only if You Are Filing This Form by Itself and Not With Your Tax Return		
Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Your signature		Date
Paid Preparer Use Only	Print/Type preparer's name Preparer's signature Date	Check <input type="checkbox"/> if self-employed PTIN
	Firm's name ▶ Firm's address ▶	Firm's EIN ▶ Phone no.

Form 5329 (2021)

either be: waive 100% of the requested amount or waive 0%. It might be the IRS is more likely to grant a person's request for a waiver if the person doesn't request a 100% waiver.

Part IX-Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs) IRS Instruction to Taxpayer

You owe this tax if you don't receive the minimum required distribution from your qualified retirement plan, including an IRA or an eligible section 457 deferred compensation plan. The additional tax is 50% of the excess accumulation, which is the difference between the amount that was required to be distributed and the amount that was actually distributed. The tax is due for the tax year that includes the last day by which the minimum required distribution must be taken.

Waiver of tax for reasonable cause.

The IRS can waive part or all of this tax if you can show that any shortfall in the amount of distributions was due to reasonable error and you are taking reasonable steps to remedy the shortfall. If you believe you qualify for this relief, attach a statement of explanation and file Form 5329 as follows.

1. Complete lines 52 and 53 as instructed.
2. Enter "RC" and the amount of the shortfall you want

waived in parentheses on the dotted line next to line 54. Subtract this amount from the total shortfall you figured without regard to the waiver, and enter the result on line 54.

3. Complete line 55 as instructed. You must pay any tax due that is reported on line 55.

The IRS will review the information you provide and decide whether to grant your request for a waiver. If your request is not granted, the IRS will notify you regarding any additional tax you may owe on the shortfall.

Email Guidance – Missed 2021 RMD

Q-1. I have a client that did not take their 2021 RMD. They are now coming to us wanting us to fix it. They said that they signed up for an auto distribution but we do not have paperwork showing this. Is there anyway to still do a 2021 distribution. What is the best way to handle this?

A-1. There is no way to show that the distribution occurred in 2021 if it did not. It would be tax fraud to report a distribution occurring in 2021. The law does not depend upon whether the client or the bank or both were at fault.

The individual should withdraw their 2021 RMD as

Continued on page 3

**Missed 2021 RMD,
Continued from page 2**

soon as possible. The client will have two RMDs in 2021 because the person includes a distribution in their income in the year they receive the distribution.

The individual can ask the IRS to waive the 50% tax which applies when a person has an excess accumulation. That is, they failed to withdraw all of their RMD. The individual should read the instructions as set forth in the instructions for Form 5329. The individual is permitted to prepare this form showing that they do not owe the 50% tax amount because they are allowed to assume the IRS will waive the 50% penalty.

The individual must in writing request the waiver and explain why the IRS should grant the request. The individual if they truly believe it was the bank's mistake may make that argument. The IRS is not required to waive the 50% tax.

The bank may furnish a letter to your client admitting fault or partial fault if there is some evidence the bank made an error. The client would attach the bank's letter to their request for waiver.

Q-2. We have a situation that customers (husband and wife) of ours has IRA's with us and Ameritrade. The husband passed away on September 22, 2021 and the wife was the beneficiary and transferred his IRA to her own, the transfer was done on September 27, 2021. In the past they have had Ameritrade take the RMD for all of the IRA's so we have not done RMD's for them in the past. After his death they wanted to combine all of the IRA's into one place so they transferred his and her IRA's with Ameritrade to us on November 22, 2021 at that time we were told and they signed a form that Ameritrade was going to meet the RMD for both places that we did not need to. Now this morning I received a call from their daughter, she was gathering all the information getting ready to take to the accountant, and she had the distribution form from Ameritrade and thought that it seemed low compared to past years. She phoned Ameritrade and apparently, they did not do the RMD for all their IRA's just the ones for Ameritrade. So, they told her to call us and have us take the RMD for her and just make sure we adjust the May 31st forms.

A-1. She should withdraw the missed amount as soon as possible in 2022. The tax rule is - a person pays tax

for the year the distribution(s) occur. She is unable to include the missed amount on her/their 2021 tax return. Her 2022 distribution amount will be larger by the missed amount.

She has the right to ask that the IRS waive the 50% tax because of the error made by Ameritrade. She will want to file Form 5329 with her 2021 tax return. She should read the instructions for Form 5329 (Section IX) explaining how she can request the IRS waive the 50% tax. See the attached. She can complete the form to claim she does not owe the 50% tax.

She will want to attach a note of explanation and be sure to explain Ameritrade's error. The form she signed for you stating that it was to taken at Ameritrade should also be attached. The bank should not revise any 2021 IRS reporting forms. This would be tax fraud.

Not Helping a Customer – Sometimes it's the Right Thing to Do

Normally a business, including a bank, wants to help its customer. But there are limits. The following email guidance discusses an unfortunate situation. An IRA beneficiary closed out their inherited IRA at institution #1 because he wanted to move his inherited IRA to institution #2. The beneficiary thought he could take a distribution and do a rollover into institution #2. He took his check from institution #1 and went to institution #2, but institution #2 would not accept the check since he was the payee of the check. A non-spouse beneficiary is ineligible to make a rollover contribution. Institution #2 told him to go back to institution #1 and return the first check and have a second check made payable to institution #2. He did that. Presumably Institution #2 processed the contribution transaction as a transfer. However, institution #1 prepared a 2021 Form 1099-R showing a distribution to him for the first check. He has come to Institution #1 and requested that he be furnished a corrected 2021 Form 1099-R showing no distribution. What should Institution #1 do? What should institution #2 do?

See our email guidance as set forth on page 4. A bank doesn't want its customer's problem to become its problem.

Continued on page 4

Right Thing,
Continued from page 3

Q-1. I have a customer that is deceased, and she left her IRA to her 2 sons. One of the sons took a check for his portion so it was coded on our end as a Death distribution and he received a 1099R. Now the son is contacting us saying he should not have gotten the 1099R because he took that check and put it into an Inherited IRA at another bank. How would we rectify this situation?

A-1. Who was the payee of your check? The son or the other bank? I presume the son beneficiary was the payee and not the other bank.

Sometimes we all learn tax lessons the hard way. There is express law that a non-spouse beneficiary who takes a distribution from an inherited IRA is ineligible to make a rollover contribution.

The son beneficiary has learned a tax lesson the hard way. He will have to include the distribution in his income. There is no way under current law to rectify his mistake. I realize that he did not intend to make this mistake, but he did and unfortunately he must bear the tax consequences.

An inherited IRA can be transferred (institution to institution for his benefit) but it can not be withdrawn from institution #1 and then the beneficiary re-contributes it to institution #2.

It is not the bank's error. It is the son's error. Under current law even it had been the IRA custodian's mistake he is not allowed to make the rollover contribution. Because he received a distribution he was required to prepare his Form 1099-R and it would be tax fraud if the bank would revise/void his Form 1099-R.

CWF's standard IRA distribution form has an express statement that a beneficiary cannot rollover a beneficiary distribution.

There have been tax law proposals in Congress which would allow a beneficiary to make a rollover if the distribution was mistakenly made by the IRA custodian.

He will want to contact the other bank because that bank never should have accepted his ineligible rollover contribution. It is an excess contribution and he will owe the 6% excess contribution tax unless he corrects the situation by withdrawing it.

If the payee on the check was the other bank, then the bank most likely should have handled this transaction

as a transfer and the bank will need to correct the issued Form 1099-R. In a transfer there should be a transfer form signed by the two institutions.

Q-1A. I looked up the check and the first one below is the one that was issued when the IRA was distributed on 6/23/2021. It looks like the son brought that check back in on 7/6/2021 and used it to purchase the second check made out the other bank.

A-1A. The first check was issued to him. There was/is no way to undo that fact unless the bank is willing to participate in tax fraud.

The other bank probably told him it could not accept the check if it was payable to him so he had it changed. He may not realize it, but he is committing tax fraud by trying to claim he was entitled to transfer the funds and not be required to include the distribution amount in his income.

Tax laws are tax laws.

Note that institution #2 by accepting his transfer check (it does not qualify) has itself participated in a tax fraud transaction and this contribution is an excess contribution at Institution #2.

Email Guidance – When is a Deceased IRA Owner to be Furnished a Form 1099-R?

A Form 1099-R is required to be prepared for a deceased IRA owner who withdrew IRA funds prior to their death. A Form 1099-R is not prepared to report when the decedent's IRA is closed and the funds are internally transferred to on or more inherited IRAs.

Q1. A customer died and I paid out her IRA to her 2 children, coded as 4. Each child received a 1099R for what they received (\$1050.35 each) and their deceased mother also received a 1099R. Should the mother have received one too?

Is this how it's always done and it's just the first time I've had a customer question it?

A-1. Did the mother receive a distribution prior to her death in 2021? If she did not, then it is incorrect if a Form 1099-R was prepared for her. A person is to be furnished a Form 1099-R only if they actually received an IRA distribution.

If both daughters were paid a distribution, then each daughter is to get a Form 1099-R for the amount each received.

I get the idea that the personnel of some core vendors have the idea that there needs to be a final 1099-R form prepared when someone dies. This is incorrect, but some think it is required.

Q-1A. The daughter questioned it. The mother had not taken her RMD before her death. I loaded the 2 1099R's for the 2 children so I don't understand why the mother got one. FISERV was no help with my question.

So should I send in a correction on the mother's 1099R and change it to zero?

A-1A. Yes, correct the mother's Form 1099-R by showing a 0.00.

FISERV may be one of the core vendors where their personnel think that closing out the mother's IRA means she should get a Form 1099-R. Does FISERV have a

code for a transfer to an inherited IRA? The transaction is a non-reportable transfer. Would someone else at the bank have used a non-transfer distribution code?

Q-1B. I determined another person here at the bank made the coding error and it was not due to FISERV.

A-1B. This is a common mistake.

Email Guidance – Any Problems if the 401(k) Plan makes the Direct Rollover to Customer's IRA by Making a Wire Transaction?

Q-1. What are your feelings on receiving direct rollover money from a 401 K to an IRA via a wire transfer? Is this allowed? I have always asked for a check and have never had to deal with a wire. I have just been informed that a wire will be coming in the next few days for a direct rollover to an IRA and am just wondering if this is allowed.

A-1. Technically, it should not be done because there is a prohibited transaction concern. The IRA funds are not totally separated from regular bank assets. From a practical viewpoint I don't think it is necessary that the bank not accept the wire transfer if that is possible. The bank wants to deposit the direct rollover funds as soon as possible into the person's IRA.

I suggest you continue with your policy of requesting a check when that is possible.

Legally, a direct rollover has an interesting approach. Funds are being sent from a 401(k) plan to a person's IRA and it is assumed the IRA custodian/trustee will accept such direct rollover. One would think there should be the concept that the 401 (k) plan should determine that the IRA custodian is agreeing to accept the direct rollover.

As with many things the IRS should issue guidance on this subject, but it hasn't.

Form W-4R		Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		2022			
1a First name and middle initial		Last name		1b Social security number	
Address					
City or town, state, and ZIP code					
Your withholding rate is determined by the type of payment you will receive.					
<ul style="list-style-type: none"> For nonperiodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% on line 2. Generally, you can't choose less than 10% for payments to be delivered outside the United States and its possessions. For an eligible rollover distribution, the default withholding rate is 20%. You can choose a rate greater than 20% by entering the rate on line 2. You may not choose a rate less than 20%. 					
See page 2 for more information.					
2 Complete this line if you would like a rate of withholding that is different from the default withholding rate. See the instructions on page 2 and the Marginal Rate Tables below for additional information. Enter the rate as a whole number (no decimals)				2 %	
Sign Here		Your signature (This form is not valid unless you sign it.)		Date	
General Instructions					
<p>Section references are to the Internal Revenue Code.</p> <p>Future developments. For the latest information about any future developments related to Form W-4R, such as legislation enacted after it was published, go to www.irs.gov/FormW4R.</p> <p>Purpose of form. Complete Form W-4R to have payers withhold the correct amount of federal income tax from your nonperiodic payment or eligible rollover distribution from an employer retirement plan, annuity (including a commercial annuity), or individual retirement arrangement (IRA). See page 2 for the rules and options that are available for each type of payment. Don't use Form W-4R for periodic payments (payments made in installments at regular intervals over a period of more than 1 year) from these plans or arrangements. Instead, use Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments. For more information on withholding, see Pub. 505, Tax Withholding and Estimated Tax.</p> <p>Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a nonperiodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new Form W-4R if you want to change your election.</p>					
2022 Marginal Rate Tables					
You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See page 2 for more information on how to use this table.					
Single or Married filing separately		Married filing jointly or Qualifying widow(er)		Head of household	
Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more
\$0	0%	\$0	0%	\$0	0%
12,950	10%	25,900	10%	19,400	10%
23,225	12%	46,450	12%	34,050	12%
54,725	22%	109,450	22%	75,300	22%
102,025	24%	204,050	24%	108,450	24%
183,000	32%	366,000	32%	189,450	32%
228,900	35%	457,800	35%	235,350	35%
552,850*	37%	673,750	37%	559,300	37%
*If married filing separately, use \$336,875 instead for this 37% rate.					
For Privacy Act and Paperwork Reduction Act Notice, see page 3.		Cat. No. 75085T		Form W-4R (2022)	

IRS Creates New IRA Withholding Form

The IRS released the first week of January a new tax withholding form. It is Form W-4R, Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions. This form is set forth on page 6. CWF modifies the IRS form and incorporates it into our IRA distribution forms. Use of the new form is optional for 2022 but mandatory for 2023. We recommend you use an updated form immediately because the IRS would like you to do so.

A payer such as an IRA custodian/trustee must comply with two tax withholding requirements. It must furnish a “notice” form explaining the tax laws applying when a person withdraws IRA or pension funds and then an “election/instruction” form.

The primary reason the IRS exists is - collect the tax

Form W-4R (2022)		Page 2
General Instructions (continued)		
<p>Nonperiodic payments—10% withholding. Your payer must withhold at a default 10% rate from the taxable amount of nonperiodic payments unless you enter a different rate on line 2. Distributions from an IRA that are payable on demand are treated as nonperiodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering “-0-” on line 2. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including “-0-”) on any payments to be delivered outside the United States and its possessions.</p> <p>Note: If you don't give Form W-4R to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2022, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.</p> <p>Eligible rollover distributions—20% withholding. Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including “-0-”). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on line 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.</p> <p>Note that the following payments are not eligible rollover distributions: (a) qualifying “hardship” distributions, and (b) distributions required by federal law, such as required minimum distributions. See Pub. 505 for details. See also Nonperiodic payments—10% withholding above.</p> <p>Payments to nonresident aliens and foreign estates. Do not use Form W-4R. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Estates, and Pub. 519, U.S. Tax Guide for Aliens, for more information.</p> <p>Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter “-0-” on line 2. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.</p>		
Specific Instructions		
Line 1b		
For an estate, enter the estate's employer identification number (EIN) in the area reserved for “Social security number.”		
Line 2		
<p>More withholding. If you want more than the default rate withheld from your payment, you may enter a higher rate on line 2.</p> <p>Less withholding (nonperiodic payments only). If permitted, you may enter a lower rate on line 2 (including “-0-”) if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter “-0-”.</p>		
<p>Suggestion for determining withholding. Consider using the Marginal Rate Tables on page 1 to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.</p> <p>The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.</p> <p>To determine the appropriate rate of withholding from the table, do the following: Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.</p> <p>If these two rates are the same, enter that rate on line 2. (See Example 1 below.)</p> <p>If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate on line 2. (See Example 2 below.)</p> <p>If you prefer a simpler approach (but one that may lead to overwithholding), find the rate that corresponds to your total income including the payment and enter that rate on line 2.</p> <p>Examples. Assume the following facts for Examples 1 and 2. Your filing status is single. You expect the taxable amount of your payment to be \$20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.</p> <p>Example 1. You expect your total income to be \$60,000 without the payment. Step 1: Because your total income without the payment, \$60,000, is greater than \$54,725 but less than \$102,025, the corresponding rate is 22%. Step 2: Because your total income with the payment, \$80,000, is greater than \$54,725 but less than \$102,025, the corresponding rate is 22%. Because these two rates are the same, enter “22” on line 2.</p> <p>Example 2. You expect your total income to be \$42,500 without the payment. Step 1: Because your total income without the payment, \$42,500, is greater than \$23,225 but less than \$54,725, the corresponding rate is 12%. Step 2: Because your total income with the payment, \$62,500, is greater than \$54,725 but less than \$102,025, the corresponding rate is 22%. The two rates differ. \$12,225 of the \$20,000 payment is in the lower bracket (\$54,725 less your total income of \$42,500 without the payment), and \$7,775 is in the higher bracket (\$20,000 less the \$12,225 that is in the lower bracket). Multiply \$12,225 by 12% to get \$1,467. Multiply \$7,775 by 22% to get \$1,710.50. The sum of these two amounts is \$3,177.50. This is the estimated tax on your payment. This amount corresponds to 15.9% of the \$20,000 payment (\$3,177.50 divided by \$20,000). Rounding up to the next whole number, enter “16” on line 2.</p>		

revenues needed to operate the federal government. One of the main tools for collecting revenue is - there are laws mandating that federal income taxes be withheld at the time a person or a business realizes income whether that income be wage income or income on account of withdrawing money from a pension plan or an IRA. Wage withholding is mandatory and there are prescribed withholding tables. Withholding is mandatory at the rate of 20% when someone withdraws funds from a 401(k) plan when they are eligible to directly rollover the distribution but they elect not to do the direct rollover. Withholding is mandatory at the rate of 10% when someone withdraws funds from an IRA unless the individual elects to have no withholding or to have more withheld.

The IRS has recently created a new form (Form W-4R) to handle the withholding topic for nonperiodic distributions. The IRS purpose - the new form explains to a

Continued on page 7

Substitute FORM W-4R
Department of the Treasury (IRS)

Custodian/Trustee (Payer)
Name _____
Address _____ State _____ Zip _____
City _____
Attn: _____

Accountholder (Payee)
Name _____ Date of Birth: _____
SSN _____ IRA Acct #: _____

Beneficiary (Other Payee) (Complete only if the distribution is made to the beneficiary. Use separate form for each beneficiary.)
Name _____
Address _____ State _____ Zip _____
City _____ State _____ Zip _____
SSN _____ or TIN _____

A beneficiary may use Form 204 or Form 206 to make his or her election as to how the funds will be paid out to comply with the Required Distribution rules of IRC 408(a)(6).

Reason for Withdrawal/Distribution (Check One)
I certify the reason for my distribution by checking the appropriate box below which best describes the reason for this withdrawal.

- ☐ **Before Age 59 1/2 and No Known Exception** or on account of a distribution to a qualified military reservist, certain medical expenses, education expenses, payment of health insurance premiums, first-time home buyer expenses, certain birth and adoption expenses or one-time transfer/direct rollover to an HSA.
- ☐ **Before Age 59 1/2 but an Exception Applies** (check one)
 - ☐ Conversion/Rollover to a Roth IRA ☐ IRS Levy
 - ☐ Substantially Equal Schedule (certification to be furnished)
 - ☐ Disaster Distribution
- ☐ **Disability** (certification to be furnished)
- ☐ **Death** (payment to beneficiary from beneficiary IRA) _____ (initials)
If I am a nonspouse beneficiary of an inherited IRA, I acknowledge that I will never be eligible to roll over any IRA distribution, but a transfer to another inherited IRA may be permissible.
- ☐ **On or After Age 59 1/2** (a normal distribution)
 - ☐ Conversion/Rollover to a Roth IRA ☐ Qualified Charitable Distribution
 - ☐ **One Lifetime Transfer/Direct Rollover** to an HSA (use certification form 66-HSA)
- ☐ **Transfer to Other Custodian/Trustee** (Name): _____
- ☐ **Transfer to the IRA of the Accountholder's Spouse** Due to Divorce/Legal Separation
- ☐ **Transfer to the IRA of the Accountholder's Spouse** Due to Election to Treat as Own
- ☐ **Transfer to Inherited IRA of Beneficiary**
- ☐ **Other Special Code** _____ Choose from S, B, G, K, N, P or R as described on the reverse side. Complete below if applicable.
Current-Year Contribution including an excess contribution for the current year. On _____ I made a contribution of \$ _____ and the allocable earnings are \$ _____. Such income is taxable on my tax return for the year in which the contribution was made.
Also complete this section if your distribution relates to your decision to revoke your new IRA. Check ☐
- ☐ **From SIMPLE IRA** and 2-year rule not met. Use code(S).
- ☐ **Other**

IRA Distribution Form
(Traditional, SEP or SIMPLE IRA) OMB No. 1545-0074

Notice of Rollover Rights – You will not be required to include your distribution in your income if you rollover your IRA distribution. You are authorized to only rollover one IRA distribution within a one-year period commencing on the date of the distribution regardless of the number or types of IRAs you have. Many distributions from a traditional IRA, SEP-IRA or SIMPLE IRA are eligible to be rolled over. One must comply with the one-year rule and the 60-day rule. However, some distributions are ineligible to be rolled over. A required distribution is ineligible to be rolled over. You must determine if you are eligible to rollover this distribution. You should discuss with your tax adviser before taking the distribution. The tax laws do not authorize a nonspouse beneficiary to rollover funds distributed from an inherited IRA. See the reverse for an additional discussion of what rules must be met in order to roll over the distribution.

Status of Payee (Do not use this form for a distribution to a nonresident alien)
☐ U.S. Citizen, or ☐ Resident Alien

Financial Information
Date of Distribution: _____
Type of Distribution:
☐ Nonperiodic or
☐ Periodic (I hereby instruct you to pay my IRA account balance to me as follows): _____

I certify that these payments satisfy, or will satisfy, the minimum distribution requirements of Code section 408(a)(6) if applicable. I understand my election is irrevocable.

☐ Multiple distributions, but not periodic. I will complete my initial IRA distribution form to indicate the applicable reason code and I must instruct whether or not any federal income tax or state income tax is to be withheld from all such distributions. I understand all further distributions will be processed in the same manner until I furnish you written notification that I am changing in my previous instruction.

Method of Payment:
☐ Issue check for me
☐ Issue check for _____ to charity:
☐ Deposit to my checking or savings account # _____
☐ Other _____

	Investment Account #	Investment Account #
Amount Requested	(+)	_____
Earnings Not Yet Reported to DP	(+)	_____
Early Surrender Fee	(-)	_____
Net Amount	(=)	_____
Fed. With.	(-)	_____
State With.	(-)	_____
Actual Amount Received or Transferred	(=)	_____

Read – Important Distribution and Withholding Information –
I understand this distribution has income tax consequences and I should consult a tax advisor as necessary. I understand this information will be used by the custodian/trustee, if required, to prepare the IRS information return Form 1099-R, which will be furnished to me on or before January 31 of the next year. I will be required to determine what portion of this distribution, if any, must be included in my income for income tax purposes. If I have not attained age 59½, then I will be required to pay an additional tax of 10% of the amount I must include in my income, unless an exception would apply. The 10% additional tax is not owing if the distribution is due to disability or death. See reverse side for an additional discussion of withholding a current-year, excess contribution or a recharacterization.

Withholding Notice – I understand that 10% will be withheld from my distribution unless I elect to not have any withholding by completing line 2 below with 0, unless my distribution is a transfer, or I instruct you below to withhold more than 10% by completing line 2 with the applicable percentage. If I do not have a sufficient amount withheld, then I understand I may have to pay additional tax penalties under the withholding and estimated tax payment rules. See reverse side for an explanation.

Certification – I expressly assume full responsibility for this distribution as evidenced by my signature below.

Substitute FORM W-4R
Department of the Treasury (Internal Revenue Service)

The instructions to this substitute Form W-4R are on the reverse side as well as additional discussion of special withholding topics. For nonperiodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% on line 2 below. Generally, you can't choose less than 10% for pay amounts to be delivered outside the United States and its possessions. This form is not valid unless you sign it.

Complete line 2 if you would like a rate of withholding that is different from the default withholding rate of 10%. See the line 2 instructions on the reverse side and the Marginal Rate Tables for additional information. Enter the rate as a whole number (no decimals).

Signature of Payee/Recipient _____ Date _____

IRA #57 (1/22)* White – Custodian/Trustee Yellow – Accountholder Pink – Administration © 2022 Colin W. Fritz & Associates, Ltd.

Withholding Certificate for Nonperiodic Payments OMB No. 1545-0074

Line 2 _____ %

Signature of Custodian/Trustee _____ Date _____

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New Form, Continued from page 6

person that they can and should elect to have more than 10% or 20% withheld when they are subject to a higher tax rate such as 22% 25% 27%, etc.

Prior to 2022 the IRS had created Form W-4P to handle the withholding duties for distributions from pension plans and IRAs. Periodic distributions from a pension plan were and are subject to the withholding rule which applied to IRA distributions. 10% was and is to be withheld but the person does have the right to instruct to have no withholding. All IRA distributions including periodic and nonperiodic distributions are treated as nonperiodic as long as the IRA is payable upon demand.

General Instructions

Section references are to the Internal Revenue Code.

Future developments. For the latest information about any future developments related to Form W-4R, such as legislation enacted after it was published, go to www.irs.gov/FormW4R.

Purpose of form. Complete Form W-4R to have payers withhold the correct amount of federal income tax from your nonperiodic IRA payment. Don't use Form W-4R for periodic payments (payments made in installments at regular intervals over a period of more than 1 year) from these plans or arrangements. Instead, use Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments. For more information on withholding, see Pub. 505, Tax Withholding and Estimated Tax.

Nonperiodic payments – 10% withholding. Your payer must withhold at a default 10% rate from the taxable amount of nonperiodic payments unless you elect a different rate on line 2. Distributions from an IRA that are payable on demand are treated as nonperiodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering "0-" on line 2. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including "0-") on any payments to be delivered outside the United States and its possessions.

Note: If you don't give Form W-4R to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2022, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.

Payments to nonresident aliens and foreign estates. Do not use Form W-4R. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Estates, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter "0-" on line 2. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a nonperiodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new Form W-4R if you want to change your election.

Suggestion for determining withholding. Consider using the Marginal Rate Tables (next column) to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of withholding on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

2022 Marginal Rate Tables
You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the resulting total to find the corresponding rate of withholding. See page 2 for more information on how to use the tables.

Single		Married filing jointly		Head of household	
Taxable income	Rate	Taxable income	Rate	Taxable income	Rate
0	10%	0	10%	0	10%
12,950	10%	25,900	10%	19,400	10%
22,225	12%	45,450	12%	34,000	12%
34,725	22%	69,450	22%	51,300	22%
103,000	24%	206,000	24%	156,450	24%
183,000	26%	366,000	26%	284,450	26%
238,000	28%	476,000	28%	358,450	28%
303,000	30%	613,000	30%	458,450	30%

* If married filing separately, use \$103,075 instead for the 30% rate. © 2022 Colin W. Fritz & Associates, Ltd.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request additional federal income tax withholding from your nonperiodic payment(s) or eligible rollover distribution(s); (b) choose not to have federal income tax withheld from your nonperiodic payment(s), when permitted; or (c) change a previous Form W-4R (or a previous Form W-4P that you completed with respect to your nonperiodic payments or eligible rollover distributions). To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payments(s). Failure to provide a properly completed form will result in your payment(s) being subject to the default rate; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Email Guidance – HSA Transfer Mistakes or Difficulties

Q-1. I have two HSA customers that we opened their HSA accounts in July of 2021 with a HSA transfer check from their prior HSA custodian BASC. This was coded as a transfer and they have had access to this money since July 2021. Both customers said that this now zeroed out their HSA accounts with BASC.

On Tuesday, I received two checks from BASC. The checks are made out to First State Bank and then the customer's name. The transfer paperwork that was signed at the end of June 2021 to transfer this money was included with both checks. Clearly they have made an error and paid these accounts out twice. I have called BASC twice and have gotten nowhere as they say they cannot release any information to me. The one customer has, also,

**HSA Transfer,
Continued from page 7**

called them twice and has been told both times that we (First State Bank) need to deposit these checks in their HSA accounts and code them as a transfer or they will be taxed. BASC indicated to her that they made an error and this transfer never occurred in July 2021. Obviously that is not true as we have had the money since July 2021.

What would you suggest I do? Should I deposit these checks, code them as a transfer and wait until they discover their error? Should I send the checks back? I do have a copy of the checks they sent in July that opened these accounts as proof that we did receive this money. I'm just not quite sure how to proceed in the best way for both of them.

A-1. A transfer requires the consent of both HSA custodians. There is no requirement that FSB endorse the checks.

Was a transfer form furnished - twice, once or not all?

You could return them and explain why in writing. BASC has no right to adopt the position that if FSB fails to sign the checks that the individuals will be treated as having received a taxable distribution.

What do your customers want done?

If the customers believe they are entitled to these funds I believe you could process these transactions as a transfer. FSB could adopt the approach - the customer must assume full responsibility for these transfers and if he or she later comes to FSB and informs you that these contributions must be treated as an excess contribution and that then they agree to pay a ??? fee (\$50.00) for all the work related to correcting the excess.

The more conservative approach is - return the checks unsigned.

Email Guidance – Employers May Furnish Poor HSA Guidance

Q-1. We have a client that has an individual plan HSA with us. Her insurance at her job is a HD insurance plan. She also has a secondary insurance through her husband and that is not a HD insurance plan. She got the email below from her HR person at her job and

wanted to check with us about how to handle her HSA this year.

She doesn't have to take the money out, but per IRS regulations she is not able to contribute pre-tax dollars to an HSA account while having secondary coverage (traditional insurance plan) If she chooses to leave it there and is audited, she will be subject to a penalty. The penalty may not be large, since we are not talking a lot of money, but just wanted to let her know what she is able to do.

A-1. A person is ineligible to make an annual HSA contribution (or have one made on her behalf) if she is covered by any low deductible health plan.

Are you asking about prior HSA contributions or HSA contributions to be made in 2022? I would think the employer would know that it should not be making any HSA contributions in 2022 for her. A contribution which is made for someone who is ineligible is an excess contribution and is subject to the 6% excess contributions tax.

I don't believe there is any benefit to leaving an excess contribution in an HSA whether it be related to 2021 or 2022.

Actually, a person could pay additional taxes if she leaves the excess in the HSA. If not corrected by her deadline, she must include the distribution in income and she owes the 20% penalty tax unless she is age 65 or disabled.

Her employer is not doing the correct thing if it contributes funds to her HSA when the employer knows she is ineligible and there will be tax issues for both the employer and her. But if this is the employer's procedure your HSA owner should withdraw the funds as an excess contribution.

Illustration. A business has 10 employees and it wants to contribute \$100 for each month for each employee. For the 8 employees who are HSA eligible the \$100 is contributed to their HSAs. These \$100 contributions are not subject to income tax or FICA tax, etc. The \$100 payments for the two employees who are not HSA eligible should be added to their regular payroll and will be subject to income tax and FICA.