

# Withholding Certificate for Pension or Annuity Payments

North Carolina Department of Revenue

**PURPOSE.** Form NC-4P is for North Carolina residents who are recipients of income from pensions, annuities, and certain other deferred compensation plans. Use the form to tell payers whether you want any State income tax withheld and on what basis. You can also use the form to choose not to have State income tax withheld. However, you cannot make this choice for eligible rollover distributions. The method and rate of withholding depends on whether the payment you receive is a periodic payment or a nonperiodic distribution. This form is also to be used by a nonresident with a North Carolina address to indicate that no tax is to be withheld from pension payments.

**Caution:** There are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees, especially, should see Form NC-40, *Individual Estimated Income Tax*, for details on the estimated income tax requirements. You may be able to avoid quarterly estimated income tax payments by having enough tax withheld from your pension or annuity using Form NC-4P.

**PERIODIC PAYMENTS.** Withholding from periodic payments of a pension or annuity is figured in the same manner as withholding from wages. Periodic payments are made in

installments at regular intervals over a period of more than one year. They may be paid annually, quarterly, monthly, etc. If you want State income tax withheld, you should complete the **Personal Allowances Worksheet** below and enter the result on line 2 of Form NC-4P. You can designate an additional amount to be withheld on line 3. Submit the completed form to your payer. If you do not submit Form NC-4P to your payer, the payer must withhold on periodic payments as if you are married claiming three withholding allowances.

For periodic payments, your Form NC-4P stays in effect until you change or revoke it. Your payer must notify you each year of your right to choose not to have State income tax withheld or to revoke your election.

**NONPERIODIC DISTRIBUTIONS - 4% WITHHOLDING.** Your payer must withhold a flat 4% from a nonperiodic distribution unless you choose not to have income tax withheld. A nonperiodic distribution means any distribution which is not a periodic payment. (The 4% withholding is required on eligible rollover distributions and you cannot choose not to have income tax withheld from those distributions.) Distributions from an IRA that are payable on demand are treated as nonperiodic distributions. The election to withhold from

nonperiodic distributions applies on a distribution by distribution basis. If you choose not to have tax withheld from a nonperiodic distribution, you should check the box on line 1 of Form NC-4P and submit the completed form to your payer.

**MISSING OR INCORRECT TAXPAYER IDENTIFICATION NUMBER.** If you submit an NC-4P that does not contain the taxpayer identification number, or if the identification number is incorrect, the payer cannot honor your request not to have income tax withheld. The payer must withhold on periodic payments as if you are married claiming three withholding allowances. Withholding on nonperiodic distributions will be at the 4% rate.

**REVOKING YOUR "NO WITHHOLDING" CHOICE.** If you previously chose not to have State income tax withheld on either periodic or nonperiodic payments, complete another NC-4P and submit to your payer. Write "Revoked" next to the check box on line 1 of the form and tax will be withheld at the rate set by law.

**IMPORTANT.** Government retirees whose income is exempt from State tax as a result of the *Bailey Settlement* should choose no withholding by checking the box on line 1 of Form NC-4P.

## Personal Allowances Worksheet

- A. Enter "1" for yourself if no one else can claim you as a dependent ..... A. \_\_\_\_\_
- IN ADDITION TO A. ABOVE:**
- B. Enter "1" if you are married and you expect your spouse's pension or wages to be from \$1,000 to \$3,500. Enter "2" if you are married and your spouse has no income or expects to earn less than \$1,000 .... B. \_\_\_\_\_
- C. Enter "1" if you are a qualifying widow(er). ..... C. \_\_\_\_\_
- D. Enter the number of dependents (other than your spouse or yourself) you will claim on your tax return ..... D. \_\_\_\_\_
- E. If you plan to itemize, claim adjustments to income, or have allowable tax credits and want to reduce your withholding, complete the Deductions, Adjustments, and Tax Credits Worksheet on page 2 and enter number from line 14 ..... E. \_\_\_\_\_
- F. Add lines A through E and enter total here and on line 2 of Withholding Certificate for Pension or Annuity Payments ..... F. \_\_\_\_\_

..... Cut here and give this certificate to your employer. Keep the top portion for your records .....

North Carolina Department of Revenue

## **Form NC-4P Withholding Certificate for Pension or Annuity Payments**

Type or print your first name and middle initial	Lastname	Your social security number
Home address (number and street or rural route)	Claim or identification number (if any) of your pension or annuity contract	
City or town, state, and ZIP code		

### Complete the following applicable lines:

- 1 Check here if you do not want any State income tax withheld from your pension or annuity. (Do not complete lines 2 or 3.) ►
- 2 Total number of allowances and marital status you are claiming for withholding from each **periodic** pension or annuity payment. (You may also designate an additional dollar amount on line 3.) ..... ► \_\_\_\_\_  
Marital status:  Single     Married or Qualifying Widow(er)     Head of Household    (Enter number of allowances) \_\_\_\_\_
- 3 Additional amount, if any you want withheld from each pension or annuity payment. **Note:** For periodic payments you cannot enter an amount here without entering the number (including zero) of allowances on line 2 ..... ► \$ \_\_\_\_\_

Your Signature ►

Date ►

## Deductions, Adjustments, and Tax Credits Worksheet

1. Additional withholding allowances may be claimed if you expect to have allowable itemized deductions exceeding the standard deduction. Enter an estimate of the total itemized deductions to be claimed on your federal tax return less the amount of any State income tax included in your federal deductions ..... 1. \_\_\_\_\_
  2. Enter {
    - \$4,400 if head of household
    - \$3,000 if single
    - \$3,000 if married filing separately
    - \$6,000 if married filing jointly or qualifying widow(er) ..... 2. \_\_\_\_\_
  3. Subtract line 2 from line 1, enter the result here ..... 3. \_\_\_\_\_
  4. Enter an estimate of your federal adjustments to income and your State deductions from federal taxable income ..... 4. \_\_\_\_\_
  5. Add lines 3 and 4 ..... 5. \_\_\_\_\_
  6. Enter an estimate of your income not subject to withholding (such as dividends or interest) ..... 6. \_\_\_\_\_
  7. Enter an estimate of your State additions to federal taxable income (do not enter the addition for state income tax or the additions for the standard deduction and personal exemption inflation adjustment) ..... 7. \_\_\_\_\_
  8. Add lines 6 and 7 ..... 8. \_\_\_\_\_
  9. Subtract line 8 from line 5 ..... 9. \_\_\_\_\_
  10. Divide the amount on line 9 by \$2,500 (\$2,000 if you expect your income from all sources for the year to equal or exceed the following amounts for your filing status: \$60,000 - single; \$80,000 - head of household; \$50,000 - married or qualifying widow(er)) and enter the result here. Drop any fraction ..... 10. \_\_\_\_\_
  11. If you are entitled to tax credits, for each \$175 (\$140 if you expect your income from all sources for the year to equal or exceed the following amounts for your filing status: \$60,000 - single; \$80,000 - head of household; \$50,000 - married or qualifying widow(er) of tax credit, enter "1" additional allowance ..... 11. \_\_\_\_\_
  12. Add lines 10 and 11 and enter total here ..... 12. \_\_\_\_\_
  13. If you completed this worksheet on the basis of married filing jointly, enter the number from line 12 that your spouse will claim ..... 13. \_\_\_\_\_
  14. Subtract line 13 from line 12 and enter the total here and on line E of the Personal Allowances Worksheet ..... 14. \_\_\_\_\_

If you furnish a pension payer a **Withholding Certificate for Pension or Annuity Payments** that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had you furnished reasonable information, you are subject to a penalty of 50% of the amount not properly withheld.