

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

**PURPOSE** - Form NC-4P is for North Carolina residents who are recipients of income from pensions, annuities, and certain other deferred compensation plans. Use this 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. 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 State income tax is to be withheld from pension payments.

**Caution:** If you furnish a pension payer a **Withholding Allowance 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. You may be subject to interest on the underpayment of estimated income tax, that applies for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees 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 State income 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 **NC-4P Allowance Worksheet**. You can designate an additional amount to be withheld on Line 3 of Form NC-4P. Submit the completed form to your payer. If you do not submit Form NC-4P to your payer, your payer must withhold on periodic payments as if your filing status is "Single" with no 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 State income tax withheld. A nonperiodic distribution means any distribution which is not a periodic payment. 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 State income 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.

**Exception:** If the nonperiodic distribution is an eligible rollover distribution, State income tax withheld is not required on a distribution paid in a direct rollover to an eligible retirement plan, including an IRA. Otherwise, the recipient cannot elect not to have State income tax withheld from an eligible rollover distribution.

**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 State income tax withheld. The payer must withhold on periodic payments as if your filing status is "Single" with no 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 State income tax will be withheld at the rate set by law.

**IMPORTANT** - If you are a government retiree whose income is exempt from State income tax as a result of the *Bailey Settlement* or if you are a qualifying retiree of the uniformed services of the United States, you should choose no withholding by checking the box on Line 1 of Form NC-4P. (See *Publication NC-30, Income Tax Withholding Tables and Instructions for Employers*, for more information.)

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

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

Type or print your first name and middle initial	Last name	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 you are claiming for withholding from each **periodic** pension or annuity payment. (You may also designate an additional dollar amount on Line 3.)    
 Filing status:  Single or Married Filing Separately  Married Filing Jointly or Surviving Spouse  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