Taxes on One-Time Distributions

Please read this fact sheet prior to completing the IRS Form W-4R, Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions. The Form W-4R will need to be completed if you will receive a one-time, lump-sum distribution from your own Colorado PERA DB Plan account(s) in the form of a refund or partial refund/rollover or as a beneficiary due to the death of a PERA member or retiree. PERA representatives are not qualified to give tax advice. Please seek advice from a tax professional to ensure you are withholding correctly from your distribution.

Overview

- One-time distributions may include both tax-paid and tax-deferred contributions. If tax-deferred contributions are included, you must pay federal income tax on those funds.
- Form W-4R is to be used for nonperiodic payments and rollover-eligible distributions. Your withholding rate is determined by the type of payment you will receive.
- For nonperiodic payments, the default withholding rate is 10%. Nonperiodic distributions such as those listed below are subject to a 10% withholding rate unless a different rate is elected (no federal withholding is an option).
  - Distributions to a deceased member or retiree’s estate
  - Distributions to an entity such as a nonprofit organization/foundation
  - Distributions to a named beneficiary that occur outside the 5-year rollover window
- For eligible rollover distributions, which includes your own refund or a rollover-eligible refund to a named beneficiary on a deceased member or retiree’s DB Plan account, the default withholding rate is 20%. These distributions are subject to a 20% withholding rate on the taxable amount of the distribution unless a higher rate is elected.
  - You may not choose any withholding percentage below 20%. There is no option for no withholding on a distribution that is rollover eligible.
- Any portion of the account balance that is rolled over to another qualified plan is not subject to tax withholding (except for distributions to a Roth eligible plan).

Your signature is required to validate this form.

Section 2 is optional for extra withholding.

You must complete Section 1a and 1b.

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Your PERA membership rights, benefits, and obligations are governed by Title 24, Article 51, of the Colorado Revised Statutes, PERA Rules, and other governing laws, which prevail over any interpretations in this fact sheet.

Colorado Public Employees’ Retirement Association
1301 Pennsylvania Street, Denver, Colorado 80203 • 800-759-PERA (7372) • copera.org
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