



Tax Reduction Letter

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Internal Revenue Code Section 3405(c)

Special rules for pensions, annuities, and certain other deferred income.

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(c) Eligible rollover distributions.

(1) In general. In the case of any designated distribution which is an eligible rollover distribution--

(A) subsections (a) and (b) shall not apply, and

(B) the payor of such distribution shall withhold from such distribution an amount equal to 20 percent of such distribution.

(2) Exception. Paragraph (1)(B) shall not apply to any distribution if the distributee elects under section 401(a)(31)(A) to have such distribution paid directly to an eligible retirement plan.

(3) Eligible rollover distribution [Caution: For provisions applicable to distributions on or before December 31, 2001, see note below relating to amendments made by § 641(a)(1)(D) of P.L. 107-16.]. For purposes of this subsection, the term "eligible rollover distribution" has the meaning given such term by section 402(f)(2)(A).

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