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## **Internal Revenue Code Section 3405(c)**

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

(a) Periodic payments.

(1) Withholding as if payment were wages.

The payor of any periodic payment (as defined in subsection (e)(2) ) shall withhold from such payment the amount which would be required to be withheld from such payment if such payment were a payment of wages by an employer to an employee for the appropriate payroll period.

(2) Election of no withholding.

An individual may elect to have paragraph (1) not apply with respect to periodic payments made to such individual. Such an election shall remain in effect until revoked by such individual.

(3) When election takes effect.

Any election under this subsection (and any revocation of such an election) shall take effect as provided by subsection (f)(3) of section 3402 for withholding allowance certificates.

(4) Amount withheld where no withholding allowance certificate in effect.

In the case of any payment with respect to which a withholding allowance certificate is not in effect, the amount withheld under paragraph (1) shall be determined under rules prescribed by the Secretary.

(b) Nonperiodic distribution.

(1) Withholding.

The payor of any nonperiodic distribution (as defined in subsection (e)(3) ) shall withhold from such distribution an amount equal to 10 percent of such distribution.

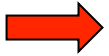
(2) Election of no withholding.

(A) In general. An individual may elect not to have paragraph (1) apply with respect to any nonperiodic distribution.

(B) Scope of election. An election under subparagraph (A) -

(i) except as provided in clause (ii) , shall be on a distribution-by-distribution basis, or

(ii) to the extent provided in regulations, may apply to subsequent nonperiodic distributions made by the payor to the payee under the same arrangement.



(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.

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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