

# Axos Advisor Services

## Withholding Information Federal and State Policies for Individual Retirement Accounts (IRAs)



This information summary addresses tax withholding for individual retirement accounts and does not apply to 401(k)s, 403(b)s or other qualified plans.

### **IRA Federal Withholding Policy**

Traditional IRA, Rollover IRA, SEP, SIMPLE, Beneficiary IRA, Roth IRA

- Federal withholding in the amount of 10% will be withheld unless:
  - another percentage or amount greater than 10% is designated on the distribution request form;
  - the 'I elect not to have federal income tax withheld' box is checked; or
  - this is a distribution from a Roth IRA where the 5-year holding period has been met and the account owner is over age 59 ½.

### **IRA State Withholding Policy**

Some states have mandatory withholding for IRAs.

- If a state requires state withholding and does not allow the account owner to opt out, Axos Advisor Services will process state withholding even if the 'I elect not to have state income tax withheld' box is checked on the distribution request form. State withholding of the required amount will be withheld unless a greater amount is designated.
- If a state requires state withholding and does allow an account owner to opt out, Axos Advisor Services will process state withholding in the required amount unless the 'I elect not to have state income tax withheld' box is checked on the distribution request form.
- If your state has mandatory withholding that allows you to opt out after certain conditions are met, please consult your tax advisor prior to checking the 'opt out' box on the distribution form to ensure that you have met the conditions.

Roth IRA distributions are subject to mandatory state withholding unless the 5-year holding period is met and the account owner is over age 59 ½.

Unless requested to do so on the distribution request form, Axos Advisor Services will not process state withholding for a state that has voluntary withholding. Axos Advisor Services cannot process state withholding for states that do not have state income tax.

Note: The state of residence determines the state withholding requirements and is determined by the account owner's legal address of record. All state withholding will be rounded to the nearest whole dollar. For example, withholding on a \$100 distribution with a 6.5% state withholding would be \$7.00 instead of \$6.50.

Withholding is mandatory for distributions to a foreign address and to an address that is not the address of record if Axos Advisor Services does not have the address on file. Mandatory withholding will be taken in these instances even if the 'opt out' box is checked.

To the best of our knowledge, this information is accurate as of July 2021. Consult with your tax advisor to obtain the most up-to-date information pertaining to your state.

## IRA State Withholding Requirements

State		IRA Withholding Requirements
<b>Mandatory</b>		
District of Columbia (DC)	8.95%	*Withholding is mandatory for full account distributions.
<b>Mandatory unless State W4-P provided to opt-out</b>		
Connecticut	6.99%	State withholding is mandatory unless a completed signed State form W4-P is provided
Michigan (MI)	4.25%	
<b>Mandatory with Federal Withholding</b>		
Arkansas (AR)	5%	State withholding is mandatory when federal withholding is taken, no exceptions.
Iowa (IA)	5%	
Kansas (KS)	5%	
Massachusetts (MA)	5%	
Nebraska (NE)	5%	
Oklahoma (OK)	5%	
Virginia (VA)	4%	
Vermont (VT)	See Note*	*Vermont is 30% of the federal withholding amount
<b>Mandatory with Federal Withholding unless Opted Out</b>		
California (CA)	See Note*	State withholding is mandatory when federal withholding is taken unless the 'opt out' box is checked on the distribution form. *California is 10% of the federal withholding amount
North Carolina (NC)	4%	
Maine (ME)	5%	
<b>Mandatory unless Opted Out</b>		
Oregon (OR)	8%	
<b>Voluntary</b>		
Alabama (AL) Arizona (AZ) Colorado (CO) Delaware (DE) Georgia (GA) Idaho (ID)   Illinois (IL) Indiana (IN) Kentucky (KY)	Louisiana (LA) Maryland (MD) Minnesota (MN) Mississippi (MS) Missouri (MO) Montana (MT) New Jersey (NJ) New Mexico (NM) New York (NY)	North Dakota (ND) Ohio (OH) Pennsylvania (PA) Rhode Island (RI) South Carolina (SC) Utah (UT) Virginia (VA) West Virginia (WV) Wisconsin (WI)
<b>No Withholding Option</b>		
Alaska (AK) Florida (FL) Hawaii (HI) Nevada (NV) New Hampshire (NH) South Dakota (SD) Tennessee (TN) Texas (TX) Washington (WA) Wyoming (WY)	States where withholding is not available for distributions.	

**How to Opt Out of State Withholding:** For states that allow an account owner to opt out of state withholding, check the 'I elect not to have state income tax withheld' box on the distribution form. Note: Even if this box is checked, state withholding will be processed for states that require state withholding and do not allow you to opt out.