

# Income Tax Withholding Preference Certificate—Instructions

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**Read these instructions before completing this form. Print or type in dark ink. Initial all corrections. You also can elect your tax withholding preferences online using your *myCalSTRS* account at [my.CalSTRS.com](http://my.CalSTRS.com).**

**PURPOSE:** Use this form to tell CalSTRS the amount of federal and state income tax to withhold from your benefit payments. The method and rate of withholding depends on whether the payment is monthly, a lump sum or an eligible rollover distribution; whether the payment is delivered outside the U.S., or its commonwealths and possessions; and whether the recipient is a nonresident alien individual, a nonresident alien beneficiary or a foreign estate.

The elections you make will take effect within 60 days after CalSTRS receives your form. If valid, your income tax withholding preferences will remain in effect until you change or cancel them.

Complete the *Income Tax Withholding Preference Certificate* (form AD0908) and submit it to CalSTRS as soon as possible. Because your tax situation may change from year to year, you may want to recalculate your withholdings each year and submit a new form.

**COMPLETING THIS FORM:** To calculate the proper amount of tax withholding, use IRS Form W-4P (which has a worksheet and instructions) at [irs.gov](http://irs.gov) for your federal withholding, and EDD Form DE 4P at [edd.ca.gov](http://edd.ca.gov) for your state withholding. If you do not want any federal or state tax withheld, skip the worksheets and go directly to the *Income Tax Withholding Preference Certificate* (form AD 0908).

Under federal law, California cannot tax your benefit payment if you reside outside California. If you do not live in California but think you may be liable for California state income tax, you may request CalSTRS to withhold state income tax.

**CHOOSING NOT TO HAVE INCOME TAX WITHHELD:** You (or in the event of death, your beneficiary or estate) can choose not to have federal income tax withheld from your payments that are not eligible for rollover.

**CAUTION:** There are penalties for not paying enough federal and state tax during the year, either through withholding or estimated tax payments. See IRS Publication 505, *Tax Withholding and Estimated Tax*, at

[irs.gov](http://irs.gov). It explains your estimated tax requirements and describes penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your benefit payment.

## **SECTION 1: MEMBER/PAYEE INFORMATION**

Enter your full name, Client ID or Social Security Number, mailing address, and telephone number. For an estate, enter the estate's Employer Identification Number instead of the Social Security Number.

List the payments you want your withholding preferences applied to. You may complete a separate form if you want to elect different withholding amounts for different types of payments. Refer to your benefits application or warrant for account information.

## **SECTION 2: TAX WITHHOLDING FOR LIFETIME BENEFIT OR ANNUITY OF 10 YEARS**

If you are receiving a lifetime monthly benefit, or an annuity of 10 years, indicate your federal and state tax withholding preferences in this section. If you do not complete this section, CalSTRS must withhold federal and state income tax from your monthly benefit payments as married claiming three withholding allowances.

To withhold federal income tax, you must designate the number of withholding allowances and indicate your marital status by checking the appropriate box.

You cannot designate a specific dollar amount only to be withheld for federal tax. However, you may designate an *additional* dollar amount to be withheld. Use the IRS Form W-4P worksheet to calculate your federal tax withholding. If you do not want any federal income tax withheld, check the appropriate box.

If you want state income tax withheld, indicate the number of withholding allowances and your marital status by checking the appropriate box, and specify an additional flat dollar amount, if any. Use the EDD Form DE-4P at [edd.ca.gov/pdf\\_pub\\_ctr/de4p.pdf](http://edd.ca.gov/pdf_pub_ctr/de4p.pdf) to calculate state tax withholding. You may designate a dollar amount to withhold instead of claiming withholding allowances. If you do not want any state income tax withheld, check the appropriate box.

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## **SECTION 3: TAX WITHHOLDING FOR ONE-TIME LUMP-SUM NON-ROLLOVER ELIGIBLE DISTRIBUTIONS**

If you are receiving a one-time lump-sum payment that is not eligible for a rollover distribution, indicate your federal and state tax withholding preferences. CalSTRS must withhold federal taxes at 10 percent of the taxable amount and withhold state taxes at 10 percent of your federal withholding rate. If you do not complete this section, CalSTRS will withhold federal and state income tax from your payment. If you do not want federal or state income tax withheld, check the appropriate box. See IRS Publication 575, *Pension and Annuity Income*, at [irs.gov](http://irs.gov).

## **SECTION 4: TAX WITHHOLDING FOR ROLLOVER ELIGIBLE DISTRIBUTIONS**

Distributions that are eligible for rollover but are not directly rolled over to another tax-qualified retirement plan or IRA are subject to a flat 20 percent federal withholding rate and 10 percent of the federal withholding rate for state tax withholding. CalSTRS is required to withhold the federal 20 percent—you *cannot* waive federal tax withholding—but the state tax withholding is optional. If you do not complete this section, CalSTRS will withhold state income tax from your payment. If you do not want state income tax withheld, check the appropriate box.

**IMPORTANT:** CalSTRS will not withhold the 20 percent federal income tax for eligible rollover distributions transferred directly into an IRA or other qualified plan.

Distributions that are not rollover eligible are not subject to the mandatory 20 percent federal income tax withholding. See IRS Publication 505 and the CalSTRS booklet, *Tax Considerations for Rollovers*, for details.

## **SECTION 5: REQUIRED SIGNATURE**

Sign and date your form before submitting it to CalSTRS. Your form will not be accepted without your signature and date.

## **IMPORTANT INFORMATION**

### **PAYMENTS TO FOREIGN PERSONS AND PAYMENTS DELIVERED OUTSIDE THE U.S.**

For U.S. citizens and residents, federal tax withholding is required on monthly or lump-sum payments delivered to you outside the U.S. or its possessions. You cannot waive federal income tax withholding in this situation. See IRS Publication 505 at [irs.gov](http://irs.gov) for details.

For nonresident aliens, nonresident alien beneficiaries, and foreign estates, in the absence of a tax treaty exemption, monthly or lump-sum payments generally are subject to a 30 percent federal withholding tax on the taxable portion of payments from U.S. sources. See IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, and IRS Publication 519, *U.S. Tax Guide for Aliens*, at [irs.gov](http://irs.gov).

If you are a foreign person, you should submit Form W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, to CalSTRS before receiving any payments.

## **ANNUAL STATEMENT OF FEDERAL INCOME TAX WITHHELD**

By January 31 of next year (and each following year), CalSTRS will furnish a statement to you on Form 1099-R showing the total amount of benefit payments and the total federal income tax withheld during the preceding year. If you are a foreign person who has provided CalSTRS with Form W-8BEN, CalSTRS instead will furnish a statement to you on Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, by March 15 of the following year.

## **QUESTIONS**

For information about federal tax withholding, contact the IRS at 800-829-1040 or visit [irs.gov](http://irs.gov). For information about state tax withholding, contact the California Franchise Tax Board at 888-792-4900 or visit [ftb.ca.gov](http://ftb.ca.gov).

For additional information, see *Tax Considerations for Rollovers*, available at [CalSTRS.com](http://CalSTRS.com) or by calling 800-228-5453.

Also read IRS Publication 575, *Pension and Annuity Income*, IRS Publication 919, *How Do I Adjust My Tax Withholding*, and FTB Publication 1005, *Pension and Annuity Guidelines*, or contact a qualified tax professional.

Find a tax withholding calculator at [irs.gov/individuals](http://irs.gov/individuals) to help determine your withholding allowances. Also see the allowance worksheets at [irs.gov/pub/irs-pdf/fw4p.pdf](http://irs.gov/pub/irs-pdf/fw4p.pdf) and [edd.ca.gov/pdf/pub\\_ctr/de4p.pdf](http://edd.ca.gov/pdf/pub_ctr/de4p.pdf).

# Income Tax Withholding Preference Certificate

AD 0908 (06/11)



California State Teachers' Retirement System  
 P.O. Box 15275, MS 85  
 Sacramento, CA 95851-0275  
 800-228-5453  
 CalSTRS.com

Use this form to indicate how you would like income tax withheld from your CalSTRS benefit payments.  
**Please read the instructions carefully before completing this form.**

## Section 1: Member / Payee Information

PAYEE NAME (LAST, FIRST, INITIAL)		PAYEE CLIENT ID OR SOCIAL SECURITY NUMBER
MEMBER NAME (LAST, FIRST, INITIAL)		MEMBER CLIENT ID OR SOCIAL SECURITY NUMBER
PAYEE ADDRESS		PAYEE PHONE NUMBER ( )
CITY	STATE	ZIP CODE

Payments you want these withholding preferences applied to:

## Section 2: Tax Withholding for Lifetime Benefit or 10 Year Annuity

Unless you elect otherwise, the law requires that income tax be withheld from payments based on rates for a married person claiming three withholding allowances.

<p align="center"><b>CALIFORNIA STATE INCOME TAX WITHHOLDING</b> ** Select only one. **</p> <p><input type="checkbox"/> Do not withhold California income tax.</p> <p><input type="checkbox"/> Withhold California income tax: The amount I want withheld is \$ _____ monthly.</p> <p><input type="checkbox"/> Withhold California income tax based on the tax tables for:</p> <p><input type="checkbox"/> MARRIED with _____ allowances (enter 0 or number of allowances)</p> <p><input type="checkbox"/> SINGLE with _____ allowances (enter 0 or number of allowances)</p> <p><input type="checkbox"/> HEAD OF HOUSEHOLD with _____ allowances (enter 0 or number of allowances)</p> <p>In <b>addition</b> to my election above, withhold \$ _____ monthly.</p>	<p align="center"><b>FEDERAL INCOME TAX WITHHOLDING</b> ** Select only one. **</p> <p><input type="checkbox"/> Do not withhold federal income tax.</p> <p><input type="checkbox"/> Withhold federal income tax based on the tax tables for:</p> <p><input type="checkbox"/> MARRIED with _____ allowances (enter 0 or number of allowances)</p> <p><input type="checkbox"/> SINGLE with _____ allowances (enter 0 or number of allowances)</p> <p>In <b>addition</b> to my election above, withhold \$ _____ monthly.</p> <p>You can designate a specific dollar amount to be withheld <b>only</b> if you are <b>also</b> withholding based on the tax tables.</p>
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## Section 3: Tax Withholding for One-Time Lump-Sum Non-Rollover Eligible Distributions

If you do not specify, state and federal income tax will be withheld.

<p align="center"><b>CALIFORNIA STATE INCOME TAX WITHHOLDING</b> State income tax withholding is 10% of your federal tax withholding rate.</p> <p><input type="checkbox"/> Withhold California income tax</p> <p><input type="checkbox"/> Do not withhold California income tax</p>	<p align="center"><b>FEDERAL INCOME TAX WITHHOLDING</b> Federal income tax withholding is 10% of the total taxable amount.</p> <p><input type="checkbox"/> Withhold federal income tax</p> <p><input type="checkbox"/> Do not withhold federal income tax</p>
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## Section 4: Tax Withholding for Rollover Eligible Distributions

If you do not specify, state and federal income tax will be withheld.

<p align="center"><b>CALIFORNIA STATE INCOME TAX WITHHOLDING</b> State income tax withholding is 10% of your federal tax withholding rate.</p> <p><input type="checkbox"/> Withhold California income tax</p> <p><input type="checkbox"/> Do not withhold California income tax</p>	<p align="center"><b>FEDERAL INCOME TAX WITHHOLDING</b></p> <p>CalSTRS will withhold federal income tax at 20% of the taxable amount for rollover eligible distributions paid directly to you.</p>
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## Section 5: Payee Signature

PAYEE SIGNATURE 	DATE
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