



TaxNewsFlash

United States

No. 2024-409
October 18, 2024

Final regulations: Withholding under sections 3405(a) and (b) on certain payments and distributions from retirement plans

The U.S. Treasury Department and IRS today released [final regulations](#) (T.D. 10008) regarding income tax withholding under sections 3405(a) and (b) on certain periodic payments and nonperiodic distributions from employer deferred compensation plans, individual retirement plans, and commercial annuities that are not eligible rollover distributions, including on payments or distributions made to payees outside of the United States.

The regulations finalize proposed regulations issued in May 2019 with no substantive modifications except for the change in the applicability date to January 1, 2026.

Although the regulations apply to payments and distributions made on or after January 1, 2026, taxpayers may apply the rules to earlier payments and distributions.

In addition, under the regulations Notice 87-7 (which provides guidance regarding income tax withholding under section 3405(e)(13)(A) on designated distributions) is obsoleted with respect to payments and distributions made after December 31, 2025.

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