



TaxNewsFlash

United States



No. 2019-602
December 18, 2019

Notice 2020-3: Default rate of withholding, periodic payments including retirement and annuity distributions

The IRS today released an advance version of Notice 2020-3 as interim guidance for the 2020 calendar year on tax withholding from periodic payments for pensions, annuities, and certain other deferred income.

[Notice 2020-3](#) [PDF 52 KB] also includes rules for withholding from periodic payments when no withholding certificate has been furnished (the “default rate of withholding”). According to the notice, the IRS and Treasury Department are considering whether the 2020 default rate of withholding will continue to be appropriate for calendar years after 2020, and comments are requested relating to the potential adoption of a new default rate of withholding.

Notice 2020-3

The U.S. tax law enacted in December 2017 (Pub. L. No. 115-97)—the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA)—amended section 3405(a)(4) to provide that the withholding rate for periodic payments when no withholding certificate has been furnished will be determined “under rules prescribed by the Secretary.” Temporary regulations that were issued before the 2017 tax law provide (and continue to provide) that if no withholding certificate has been furnished with respect to periodic payments, then the payor must base the withholding on the rates for a married person claiming three withholding allowances.

With the TCJA, the IRS issued notices that generally continued the default rate of withholding for 2018 and 2019. Read [TaxNewsFlash](#)

Notice 2020-3 states that when no withholding certificate has been furnished with respect to periodic payments, the rules will “continue to parallel the rules for prior years.” Again, the IRS and Treasury intend to consider whether the default rate of withholding from periodic payments will continue to be appropriate for calendar years after 2020. Comments are requested concerning whether a new default

rate of withholding from period payments would “present any administrative challenges.” Comments are due by February 17, 2020.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)