Compliance Bulletin

ANNUITIES

Effective: January 1, 2023

corebridge financial

Updates: 72(t)/(q) Substantially Equal Periodic Payments

Internal Revenue Code Sections 72(t) for qualified annuities and 72(q) for non-qualified annuities impose a 10% additional tax (also referred to as "premature distribution penalty") when a withdrawal is taken from an annuity contract. There are various exceptions to this tax being realized, including but not limited to:

- Taking a withdrawal after age 59½
- Beneficiary claiming a death benefit
- The contract owner being disabled

There is another exception, referred to as "72(t)/(q) SEPP," to the 10% additional tax if the contract owner takes withdrawals prior to age 59½, which are:

- Part of a series of Substantially Equal Periodic Payments (SEPP),
- Taken not less frequently than annually, and
- Made for the life (or life expectancy) of the owner or the joint lives (or joint life expectancies) of the owner and their designated beneficiary.

What is changing for 72(t)/(q) SEPP?

- **Interest Rate:** The Internal Revenue Service (IRS) has changed the interest rate used to calculate the 72(t)/(q) SEPP maximum annual distribution amount. The interest rate maximum had been 120% of the Applicable Federal Rate's (AFR) mid-term rate. In January 2022, the IRS's new rule allows for the interest rate maximum to be the greater of 5% or 120% of the AFR's mid-term rate, which can be implemented earlier than the compliance date of January 1, 2023.
- **72(t)/(q) Calculator:** The tool we use to calculate 72(t)/(q) SEPP amount was updated to reflect the new interest rate range in April 2022.
- **72(t)/(q) SEPP Election Form:** The "Election For Substantially Equal Periodic Payments (SEPP) Under Internal Revenue Code Sections 72(t) And 72(q)" election form was updated on December 9, 2022 to remove the reference of the previous maximum rate of 120% of the AFR's mid-term rate.

Questions? We're here to help.

Please contact the Corebridge Financial Annuity Sales Desk at (888) 502-2900 or your broker-dealer's home office. For IMOs/BGSs, please contact the Corebridge Annuity Sales Desk at (888) 438-6933, option 2 or your agency's back office.