

Important Information About Federal Income Tax Withholding

The Internal Revenue Service (IRS) has made updates to the methods for federal tax withholding for annuity contract distributions and taxable life insurance policy disbursements, and to the form used to request federal income tax withholding:

- Changes to wage withholding methods for periodic payments (e.g., removal of allowances), and
- Changes to non-periodic payment withholding methods, removing the ability to request a specific dollar amount, and
- Splitting into two separate forms the 2021 IRS Form W-4P “Withholding Certificate for Pension and Annuity Payments” that was used to request federal income tax withholding for periodic and non-periodic payments:
 1. 2022 IRS Form W-4P, “Withholding Certificate for Periodic Pensions and Annuity Payments” (W-4P), and
 2. 2022 IRS Form W-4R, “Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions” (W-4R).

This material is general in nature, and is not intended to provide financial, legal, fiduciary, accounting or tax advice. Policy owners and plan participants should be advised to consult with their financial professionals regarding their situation.

Updated Federal Withholding Elections on Distribution Forms

We are prepared, on and after December 9, 2022, to accept initial and updated federal withholding elections when a current year’s IRS Form W-4R or IRS W-4P is submitted. All of our distribution forms (i.e., withdrawal forms, death claim forms, annuitization forms, etc.) have been updated to provide important tax disclosures and allow customers the option of electing one of the following federal income tax withholding options:

1. **Specific Withholding Instructions:** Election of specific federal income tax withholding, which will be included on an accompanying current year’s IRS Form W-4R or W-4P; both forms are available on www.irs.gov. To properly process federal income tax withholding election, the IRS Form W-4P **or** W-4R must be submitted at the same time as the distribution request form (i.e., withdrawal request, death claim request, annuitization request, life surrender request, etc.).
2. **Default:** Elect current default federal income tax withholding. A current year’s IRS Form W-4P or W-4R is not required to be submitted with the distribution form (i.e., withdrawal request, death claim request, annuitization request, life surrender request, etc.) to elect the default withholding. This option is available on all such distribution forms.
3. **Opt-out of Withholding:** Elect not to withhold any federal income taxes (unless mandated by law). A current year’s IRS Form W-4P or W-4R is not required to be submitted with the distribution form (i.e., withdrawal request, death claim request, annuitization request, life surrender request, etc.) to elect out of federal income tax withholding. This option is available on all such distribution forms.

Questions?

Please refer to the enclosed Frequently Asked Questions (FAQs) document for important information on how the changes outlines above impact federal withholding procedures and our processes.

Please consult your tax advisor if you have any questions after reviewing the FAQs.

Important Information About Federal Income Tax Withholding Frequently Asked Questions (FAQs)

While we cannot provide tax or legal advice—and this communication is not intended to be either tax or legal advice—we are providing you the following FAQs with important information on how the changes outlined above impact federal withholding procedures and our processes.

What are periodic payment types that require IRS Form W-4P?

Periodic payments are made in installments at regular intervals (annually, quarterly, or monthly) over a period of more than 1 year and follow wage-table methodology.

There are three payment types that are processed internally that are considered periodic payments: 1) annuitizations, 2) Substantially Equal Periodic Payments (SEPPs), and 3) income annuities such as a Single Premium Immediate Annuity (SPIA) or a Deferred Income Annuity (DIA).

The default federal withholding for periodic payments has been updated to single with no adjustments.

Instructions for federal income tax withholding for periodic payment types must be provided on a current year's IRS Form W-4P.

What are non-periodic payment types that require Form W-4R?

Non-periodic payments are distributions that are payable on demand.

All other payment types not described above are considered non-periodic payment types. Examples include the following: partial withdrawals, systematic withdrawals, surrenders, loans, lump sum death benefits, and Required Minimum Distribution (RMD) requests.

The default federal withholding for non-periodic payments is 10% (or 20% if taking an Eligible Rollover Distribution). Only a federal income tax withholding percentage can be provided; dollar amounts are no longer accepted.

Elections for federal income tax withholding for non-periodic payment types must be provided on a current year's IRS Form W-4R.

When will distribution forms be updated?

To ensure all distribution requests will include updated tax disclosures and updated federal withholding elections, we have made distribution forms available in advance of the required implementation date of January 1, 2023.

All electronic orders, sales kits, and form repositories will include updated distribution forms on and after December 9, 2022.

We are working on making the IRS updates on our SPIA and DIA annuity applications. Until that work is complete, specific withholding instructions cannot be provided by using the elections on the current applications. An insert will be included with all SPIA and DIA annuity applications instructing customers that if they are electing a specific withholding, they must complete and submit the current year's IRS Form W-4P with the annuity application. Otherwise, we will use the default of single with no adjustments.

What happens if an outdated distribution form is received on and after January 1, 2023?

On and after January 1, 2023, if an outdated distribution form is received (even if the form is signed prior to January 1, 2023) we will process the requested distribution using default federal income tax withholding (single with no adjustments for periodic payments or 10% for non-periodic payments).

Important Information About Federal Income Tax Withholding Frequently Asked Questions (FAQs)

What happens if an updated distribution form is received on and after December 9, 2022 but no federal withholding elections are provided?

On and after December 9, 2022, if an updated distribution form is received and no federal withholding election is provided, we will process the requested distribution using default federal income tax withholding (single with no adjustments for periodic payments or 10% for non-periodic payments).

What happens if an updated distribution form is received on and after December 9, 2022 and an opt-out election is made but a 2022 IRS Form W-4P or W-4R is also submitted?

On and after December 9, 2022, if an updated distribution form is received and the distribution form opt-out of federal withholding is elected but a completed IRS Form W-4P or W-4R is submitted, we will process the requested distribution using the election instructions provided in the IRS Form W-4P or W-4R.

Has the IRS made available the updated 2022 IRS Form W-4P or W-4R?

Yes, the updated 2022 IRS Forms can be obtained by visiting www.irs.gov.

What are the changes impacting state withholding elections?

State withholding is not impacted by these federal income tax withholding method changes. State withholding elections must be provided on the distribution form and, if applicable, the appropriate state-specific withholding form.

Annuity contracts and life insurance policies issued by **American General Life Insurance Company** (AGL), Houston, TX, except in New York, where issued by **The United States Life Insurance Company in the City of New York** (US Life). The Elite line of annuities is issued by The Variable Annuity Life Insurance Company (VALIC), Houston, TX in all states, except New York. Variable annuities are distributed by AIG Capital Services, Inc. (ACS), member FINRA.

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