

## Annuity and Tax

You can voluntarily elect to withhold both Federal and State Taxes from your monthly annuity check. You no longer will see Social Security (OASID) tax or Medicare tax taken out from your annuity payments.

### ***Federal Income Tax***

Generally, unless you specify a monthly withholding rate or amount, we withhold Federal income tax as if you are married and claiming three allowances. Use [Services Online](#) to start, change, or stop the Federal tax withheld from your annuity payment or specify the dollar amount withheld.

You can [Contact Us](#) to change your withholding amount. If you write, your letter should include your claim number and the monthly amount in dollars you want withheld. We will send you a Form W-4P-A, "Election of Federal Income Tax Withholding," and instructions for making the change. The change in your withholdings will be made after we receive your Form W-4P-A.

Use our [Federal income tax withholding calculator](#) to determine the amount that should be withheld from your annuity payment.

**Please note** that you may be penalized by the Internal Revenue Service (IRS) if you do not have at least 90 percent of your yearly tax liability either withheld from your salary or annuity or made via quarterly payments to the IRS. If you need more information or assistance in determining whether or you are not having the right amount of Federal income tax withheld, see the Internal Revenue Service website at [www.irs.gov](http://www.irs.gov) ([external link](#)).

Please refer to OPM's [Tax Tip FAQs](#) and [Tax Information FAQs](#) for more tax information.

### ***State Income Tax***

You must specify the dollar amount of State tax you want withheld from your monthly payments. The withholding must be in whole dollars. The minimum amount we can withhold for State income tax is \$5. Use [Services Online](#) to start, change, or stop the State tax withheld from your annuity payment.

You can [Contact Us](#) to change your withholding amount. If you write, your letter should include your claim number and the monthly amount in dollars you want withheld. If you do not know the monthly amount you want withheld, contact your State tax office for information or assistance. There are some states that do not require state income tax on annuity payments. Please contact your state's tax department for more information.