

# Substantially equal periodic payments under section 72(t)/72(q) I.R.C.



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Section 72(t)/72(q) of the Internal Revenue Code imposes a 10% penalty tax on premature distributions made from tax deferred annuity Contracts. A premature distribution is a distribution made to a recipient who is younger than age 59 1/2. Section 72(t) imposes the tax on “qualified” annuities, including 403(b) and Individual Retirement Annuities (IRAs). 72(q) imposes the tax on non-qualified annuities.

72(t)/72(q) allows for a number of exceptions under which the 10% penalty tax will not be imposed. Among those exceptions are distributions which are part of a series of “substantially equal periodic payments.”

Several complex requirements must be observed in the establishment of a “substantially equal periodic payment” plan. IRS guidance indicates that “substantially equal periodic payments” must:

1. Be substantially equal as determined under 72(t)/72(q) of the Internal Revenue Code.
2. Be made **no less frequently than annually**;
3. Continue for the **longer** of five years, or until the recipient reaches age 59 1/2.
4. Be based on the life or life expectancy of the recipient.
5. Be calculated in a manner allowing for continuation of **payments for the duration** of the recipient’s life expectancy under “reasonable” mortality assumptions for the life or life expectancy of the individual, or the joint lives or joint life expectancy of the individual and his/her designated Beneficiary.
6. Be calculated in a manner which assumes **no more than a “reasonable” level of interest or investment return**.

As a service to you, Midland National® Life Insurance Company will perform calculations which will establish a schedule of periodic (monthly, quarterly, semi-annual, or annual) payments which are intended, **but not guaranteed**, to comply with the requirements identified above. If you would like Midland National to make these calculations for you or if you provide the payment amount based on your own calculations, read the following statements. If you agree with the statements, provide your signature in the space indicated and complete the remainder of the form.

I have consulted a tax or investment adviser, pursuant to which I am requesting that calculations be made in order to establish a schedule of “substantially equal periodic payments” which will be paid to me as contemplated under section 72(t)/72(q) of the Internal Revenue Code. In making this request, I understand and agree with the following statements.

- Midland National does not provide tax or legal advice. Midland National makes no guarantees that any interest rate or mortality assumption will be viewed as “reasonable” by the Internal Revenue Service.
- Any failure to observe the requirements associated with substantially equal periodic payments will result in imposition of the 10% penalty tax on all payments previously received, plus interest.
- Midland National will not be held liable for any additional tax, interest, or penalties, or any damages or losses of any kind, direct or indirect, arising as a result of my election to take “substantially equal periodic payments.”
- This election is in lieu of other payment and withdrawal options provided in the original Contract. As part of this election, no additional contributions can be made to this Contract.
- This election will remain in force and in effect for the longer of five years, or until the recipient reaches age 59 1/2; at which point the disbursements will be stopped automatically. Alternatively, the disbursement can also be stopped when written notice is provided to the company to change this election.
- Distributions will be reported to the Internal Revenue Service as required.
- Surrender charges will apply to all distributions according to the applicable Contract provisions.

Contract Owner signature	Date (mm/dd/yyyy)
Joint Owner signature (if applicable)	Date (mm/dd/yyyy)

## 1. Contract information

Annuity Policy/Contract number

Owner's name (first, middle initial, last)	Social Security number
Joint Owner's name (if applicable) (first, middle initial, last)	Social Security number

## 2. SEPP method election (choose number 1 or 2)

**For Pension Sharing Plans, and Tax Sheltered annuities, separation from service is required prior to election substantially equal periodic payments.**

**Choose only one option.**

<input type="checkbox"/> <b>1. Payment method calculated by Midland National</b> (This option is not available on single premium immediate annuities.) A. <b>Payment method</b> (choose one only) <input type="checkbox"/> Amortization method <input type="checkbox"/> Annuity method <input type="checkbox"/> RMD method B. <b>Payment calculation</b> (choose one only) <input type="checkbox"/> Single life expectancy <input type="checkbox"/> Joint life expectancy - Complete the following information: • The date of birth of the oldest Primary Beneficiary of my Policy is _____ (mm/dd/yyyy)
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<input type="checkbox"/> <b>2. Payment method calculated by my tax advisor/accountant</b> A. 72(t)/72(q) calculation was performed by my tax advisor/accountant, and has been determined to be consistent with the applicable IRS requirements. I wish to make a withdrawal of the following amount \$_____ each distribution.
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## 3. Distribution start date and frequency

<b>Distribution frequency:</b> <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-annual <input type="checkbox"/> Annual Distribution start date <sup>1</sup> : _____ (mm/dd/yyyy)
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<sup>1</sup>Select a day of month between the 1st and the 28th. If the elected start date has already passed, the first systematic withdrawal will be processed immediately, and the next systemic withdrawal will be processed one modal frequency from the elected start date. If a date after the 28th is chosen we will default to the 28th where applicable.

## 4. Method of payment

If no election is indicated, funds will be sent EFT to the banking information on file for a disbursement. If no banking information is on file a check will be mailed to you at the address of record.

- Send check out regular mail**
- Send funds Electronic Funds Transfer (EFT)** — I authorize Midland National to automatically deposit this withdrawal into the account that is currently on file. To add or update banking information, provide a voided check or a bank letter showing the Owner's name, bank account, and routing number, signed by the bank. A check may be mailed if the above requirements are not met. Should an inappropriate deposit be made, the financial institution is authorized to make a debit entry to your account and return the corrected amount to Midland National.

## 5. Federal election of withholding

**See the instructions on pages 4-5 and Marginal Rate Tables for additional information.**

Your withholding rate is determined by the type of payment you will receive.

- For non-periodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100%. Generally, you can't choose less than 10% for payments to be delivered outside the United States and its territories.
- For an eligible rollover distribution from an employer retirement plan, the default withholding rate is 20%. You can choose a rate greater than 20% but not less than 20%.

- I would like the default withholding rate.**
- I would like a rate of withholding that is different from the default withholding rate.**  
\_\_\_\_\_ % Enter the rate (percent) as a whole number (enter a rate between 0% and 100%, no decimals)

**6. State election of withholding**

Important state tax withholding information: If you reside in a state that requires tax withholding, we will withhold state income tax in accordance with the respective state's rules.

**Withhold state taxes - (select yes or no)**

No       Yes \_\_\_\_\_ %

**7. Acknowledgment and signature(s)**

CA Residents only: For your protection, California law requires the following to appear on this form: Any person who knowingly presents false or fraudulent information to obtain or amend insurance or to make a claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

**All Residents:** I have reviewed the Guidelines for Automatic Substantially Equal Periodic Payment Under Internal Revenue Code Section 72(t)/72(q). I elect to enroll in a Substantially Equal Periodic Payment Program and intend the periodic payments to satisfy the Internal Revenue Code requirements for exceptions to the premature distribution penalty. It is intended that these payments constitute distributions, which are part of a series of substantially equal periodic payments made over my life or life expectancy. I understand that payments must continue until the later of five years or age 59 1/2, and that any partial or systematic withdrawal(s) taken during the Contract year will reduce actual earned interest amount. I acknowledge and agree that Midland National is not certifying or implying that any distributions made pursuant to the Substantially Equal Periodic Payment Program satisfy IRS requirement for exception to the premature distribution penalty. I further acknowledge and agree than any taxes or penalties that may be imposed as a result of this distribution are exclusively my responsibility and Midland National has no liability for any such taxes or penalties whatsoever. I accept responsibility for any taxes or penalties due as a result of changing this election.

**Taxpayer certification under penalty of perjury, my signature certifies that:**

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me);
2. I am not subject to backup withholding because (a) I am exempt from backup withholding, (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding;
3. I am a U.S. citizen or U.S. resident alien; and
4. I am exempt from Foreign Account Tax Compliance Act (FATCA) reporting.

Contract Owner signature	Date (mm/dd/yyyy)
Joint Owner signature (if applicable)	Date (mm/dd/yyyy)
Spousal signature <sup>2</sup>	Date (mm/dd/yyyy)

<sup>2</sup> If this transaction is subject to a community property interest, we strongly recommend that you obtain your spouse's signature on the line above to document his/her consent to this transaction. States that recognize community property interests in property held by married persons include Alaska, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. You understand and agree that Midland National may presume that no community property interest exists if you have not obtained your spouse's signature above. Further, you understand and agree that Midland National has no duty to inquire further about any such community property interest. As a result, you agree to indemnify and hold Midland National harmless from any consequences relating to community property interests and this transaction.



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## General Instructions and Marginal Rate Tables for withholding for non-periodic payments and eligible rollover distributions.

Use the information provided on pages 4–5 to guide you in completing withholding section 5, page 2.

### General Instructions

Section references are to the Internal Revenue Code.

**Future developments** - For the latest information about any future developments related to Form W-4R, such as legislation enacted after it was published, go to [www.irs.gov/FormW4R](http://www.irs.gov/FormW4R).

**Purpose of form** - Complete section 5, page 2 to have payers withhold the correct amount of federal income tax from your non-periodic payment or eligible rollover distribution from an employer retirement plan, annuity (including a commercial annuity), or individual retirement arrangement (IRA). See pages 4-5 for the rules and options that are available for each type of payment.

**Caution** - If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a non-periodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new Form W-4R if you want to change your election.

### 2024 Marginal Rate Tables

You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See the following page for more information on how to use this table.

Single or married filing separately		Married filing jointly or Qualifying widow(er)		Head of household	
Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more
\$0	0%	\$0	0%	\$0	0%
14,600	10%	29,200	10%	21,900	10%
26,200	12%	52,400	12%	38,450	12%
61,750	22%	123,500	22%	85,000	22%
115,125	24%	230,250	24%	122,400	24%
206,550	32%	413,100	32%	213,850	32%
258,325	35%	516,650	35%	265,600	35%
623,950*	37%	760,400	37%	631,250	37%

\* If married filing separately, use \$380,200 instead for this 37% rate.

For Privacy Act and Paperwork Reduction Act Notice, see page 5.

**Non-periodic payments—10% withholding** - Your payer must withhold at a default 10% rate from the taxable amount of non-periodic payments unless you enter a different rate in section 5, page 2. Distributions from an IRA that are payable on demand are treated as non-periodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering “-0-” in section 5, page 2. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including “-0-”) on any payments to be delivered outside the United States and its territories.

**Note:** If you don't give Form W-4R to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2024, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.

**Eligible rollover distributions—20% withholding** - Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including “-0-”). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% in section 5, page 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are **not** eligible rollover distributions: (a) qualifying “hardship” distributions, and (b) distributions required by federal law, such as required minimum distributions. See Pub. 505 for details. See also *Non-periodic payments—10% withholding above*.

**Payments to nonresident aliens and foreign estates** - Do not use Form W-4R. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

**Tax relief for victims of terrorist attacks** - If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter “-0-” in section 5, page 2. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

### Specific Instructions

For an estate, enter the estate’s employer identification number (EIN) in the area reserved for “Social security number.”

**More withholding** - If you want more than the default rate withheld from your payment, you may enter a higher rate in section 5, page 2.

**Less withholding (non-periodic payments only)** - If permitted, you may enter a lower rate in section 5, page 2 (including “-0-”) if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter “-0-”.

**Suggestion for determining withholding** - Consider using the Marginal Rate Tables on page 4 to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

If these two rates are the same, enter that rate in section 5, page 2. (*See Example 1 below.*)

If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate in section 5, page 2. (*See Example 2 below.*)

If you prefer a simpler approach (but one that may lead to over withholding), find the rate that corresponds to your total income including the payment and enter that rate in section 5, page 2.

**Examples** - Assume the following facts for Examples 1 and 2. Your filing status is single. You expect the taxable amount of your payment to be \$20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.

**Example 1** - You expect your total income to be \$62,000 without the payment. Step 1: Because your total income without the payment, \$62,000, is greater than \$61,750 but less than \$115,125, the corresponding rate is 22%. Step 2: Because your total income with the payment, \$82,000, is greater than \$61,750 but less than \$115,125, the corresponding rate is 22%. Because these two rates are the same, enter “22” in section 5, page 2.

**Example 2** - You expect your total income to be \$43,700 without the payment. Step 1: Because your total income without the payment, \$43,700, is greater than \$26,200 but less than \$61,750, the corresponding rate is 12%. Step 2: Because your total income with the payment, \$63,700, is greater than \$61,750 but less than \$115,125, the corresponding rate is 22%. The two rates differ. \$18,050 of the \$20,000 payment is in the lower bracket (\$61,750 less your total income of \$43,700 without the payment), and \$1,950 is in the higher bracket (\$20,000 less the \$18,050 that is in the lower bracket). Multiply \$18,050 by 12% to get \$2,166. Multiply \$1,950 by 22% to get \$429. The sum of these two amounts is \$2,595. This is the estimated tax on your payment. This amount corresponds to 13% of the \$20,000 payment (\$2,595 divided by \$20,000). Enter “13” in section 5, page 2.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request additional federal income tax withholding from your non-periodic payment(s) or eligible rollover distribution(s); (b) choose not to have federal income tax withheld from your non-periodic payment(s), when permitted; or (c) change a previous Form W-4R (or a previous Form W-4P that you completed with respect to your non-periodic payments or eligible rollover distributions). To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payment(s). Failure to provide a properly completed form will result in your payment(s) being subject to the default rate; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.