



DISTRIBUTIONS MADE SIMPLE



distribution trivia

Which of the following statements about severance distributions is FALSE?

1. Severance distributions are generally “Eligible Rollovers”
2. Severance distributions are generally subject to the 10% early distribution penalty
3. Mandatory 20% Federal Withholding rules generally apply to severance distributions
4. Severance Distributions are always taxable in the calendar year of distribution
5. If a terminated employee elects a cash distribution, the mandatory 20% Fed withholding is meant to cover all of the federal income taxes due on the taxable distribution

Scroll down for the Answer...

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Trivia Answer:

If a terminated employee elects a cash distribution, the mandatory 20% Fed withholding is meant to cover all of the federal income taxes due on the taxable distribution (5)

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