

HOUSE BILL 776

Q3

71r1761

By: **Delegate O'Donnell**

Introduced and read first time: February 9, 2007

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Withholding – Distributions from Deferred Compensation Plans,**
3 **Retirement Plans, and Annuities**

4 FOR the purpose of defining a certain term for purposes of certain income tax
5 withholding provisions; providing for certain income tax withholding under
6 certain circumstances from certain distributions from certain deferred
7 compensation plans, retirement plans, and annuities; providing that income tax
8 is not required to be withheld from certain distributions from certain deferred
9 compensation plans, retirement plans, and annuities unless the payee requests
10 that income tax be withheld; and generally relating to income tax withholding
11 from certain distributions from deferred compensation plans, retirement plans,
12 and annuities.

13 BY repealing and reenacting, without amendments,
14 Article – Tax – General
15 Section 10–905(a) and (d)(1) and 10–908(f)
16 Annotated Code of Maryland
17 (2004 Replacement Volume and 2006 Supplement)

18 BY adding to
19 Article – Tax – General
20 Section 10–905(a–1)
21 Annotated Code of Maryland
22 (2004 Replacement Volume and 2006 Supplement)

23 BY repealing and reenacting, with amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Tax – General
2 Section 10–905(c), 10–907(b), and 10–908(c)
3 Annotated Code of Maryland
4 (2004 Replacement Volume and 2006 Supplement)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article – Tax General**

8 10–905.

9 (a) In this Part II of this subtitle the following words have the meanings
10 indicated.

11 **(A–1) “ANNUITY, SICK PAY, OR RETIREMENT DISTRIBUTION” MEANS:**

12 **(1) AN ANNUITY OR SICK PAY PAYMENT DESCRIBED IN § 3402(O)**
13 **OF THE INTERNAL REVENUE CODE; OR**

14 **(2) A DESIGNATED DISTRIBUTION AS DEFINED IN § 3405(E) OF**
15 **THE INTERNAL REVENUE CODE OTHER THAN AN ELIGIBLE ROLLOVER**
16 **DISTRIBUTION WITHIN THE MEANING OF § 3405(C) OF THE INTERNAL REVENUE**
17 **CODE.**

18 (c) “Payment subject to withholding” means:

19 (1) [an annuity or sick pay payment described in § 3402(o) of the
20 Internal Revenue Code] **AN ANNUITY, SICK PAY, OR RETIREMENT DISTRIBUTION;**

21 (2) income that is subject to the income tax and is distributed by a
22 fiduciary to a nonresident alien;

23 (3) a payment of winnings derived from wagering in the State if the
24 payment is subject to withholding under § 3402 of the Internal Revenue Code; and

25 (4) a payment of a death benefit by the Board of Trustees of the State
26 Retirement and Pension System.

27 (d) (1) “Payor” means a person responsible to make a payment subject to
28 withholding.

1 10-907.

2 (b) Unless the payee specifically asks that income tax be withheld from [a
3 sick pay or annuity payment] **AN ANNUITY, SICK PAY, OR RETIREMENT**
4 **DISTRIBUTION**, income tax is not required to be withheld from that payment.

5 10-908.

6 (c) A payor shall withhold the amount [of sick pay or annuity] **FROM AN**
7 **ANNUITY, SICK PAY, OR RETIREMENT DISTRIBUTION** that the payee requests.

8 (f) If a payment to a resident payee is a designated distribution that is an
9 eligible rollover distribution within the meaning of § 3405(c) of the Internal Revenue
10 Code and the payment is subject to mandatory withholding of federal income tax, the
11 payor shall withhold from the payment the sum of 3% and the top marginal State
12 income tax rate for individuals under § 10-105(a) of this title, applied to the payment.

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2007.