

# HOUSE BILL 776

Q3

71r1761

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By: **Delegate O'Donnell**

Introduced and read first time: February 9, 2007

Assigned to: Ways and Means

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Committee Report: Favorable

House action: Adopted

Read second time: March 19, 2007

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## CHAPTER \_\_\_\_\_

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

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### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Section 10-905(a-1)  
2 Annotated Code of Maryland  
3 (2004 Replacement Volume and 2006 Supplement)

4 BY repealing and reenacting, with amendments,  
5 Article – Tax – General  
6 Section 10-905(c), 10-907(b), and 10-908(c)  
7 Annotated Code of Maryland  
8 (2004 Replacement Volume and 2006 Supplement)

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

11 **Article – Tax General**

12 10-905.

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

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

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

18 **(2) A DESIGNATED DISTRIBUTION AS DEFINED IN § 3405(E) OF**  
19 **THE INTERNAL REVENUE CODE OTHER THAN AN ELIGIBLE ROLLOVER**  
20 **DISTRIBUTION WITHIN THE MEANING OF § 3405(C) OF THE INTERNAL REVENUE**  
21 **CODE.**

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

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

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

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

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

3 (d) (1) "Payor" means a person responsible to make a payment subject to  
4 withholding.

5 10-907.

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

9 10-908.

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

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

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

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.