

CHAPTER 433

(House Bill 776)

AN ACT concerning

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

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

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

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

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

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

Article – Tax General

10-905.

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

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

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

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

(c) “Payment subject to withholding” means:

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

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

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

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

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

10-907.

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

10-908.

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

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

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

Approved by the Governor, May 8, 2007.