

May 12, 1999

**H 1466. PENSION TAX WITHHOLDING. TO PROVIDE FOR WITHHOLDING OF NORTH CAROLINA INCOME TAXES FROM TAXABLE PENSIONS, ANNUITIES, AND DEFERRED COMPENSATION.** Adds new GS 105-163.1(11a) to define "pension payer" as payer or plan administrator with respect to pension payment under section 3405 of Internal Revenue Code (IRC), and adds new GS 105-163.1(11b) to define pension payment as periodic payment or nonperiodic distribution that is not an eligible rollover distribution as defined in section 3405 of IRC. Makes conforming amendment to GS 105-163.1(14). Adds new GS 105-163.2A to provide that pension payer required to withhold federal taxes on a pension payment to a resident of North Carolina must deduct and withhold from the payment the State income taxes payable on the payment. Provisions of Article apply to payment as if it were an employer's payment of wages to an employee. Payer must withhold pension payment amount that would be required if payment were wages. If recipient of periodic payments fails to file an exemption certificate under GS 105-163.5, payer must compute amount to be withheld as if recipient were married individual claiming three exemptions. Nonperiodic distributions are taxed at 4%. Recipient may elect not to have taxes withheld, with election in effect until revoked by recipient. In case on nonperiodic distribution, election applies on a distribution-by-distribution basis unless it meets conditions prescribed by Secretary. Pension payer to notify recipient of right to elect not to have taxes withheld. Exempts wages, any portion of pension payment that is not a distribution or payment from an individual retirement plan and the pension payer reasonably believes it is not taxable to recipient, distribution under Section 404(k)(2) of IRC, or a pension payment consisting only of securities of recipient's employer corporation plus cash not in excess of \$200 in lieu of securities of the employer corporation. Effective Jan. 1, 2001.

**Intro. by Cansler.**

Ref. to Finance

GS 105

July 7, 1999

**H 1466. PENSION TAX WITHHOLDING.** Intro. 5/12/99. House committee substitute makes the following changes to 1st edition. Makes no substantive change.