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SB 1358: income tax withholding; retirement distributions

Sponsor: Senator Mesnard, LD 13

Committee on Ways & Means

Overview

Allows an individual receiving distributions from a pension or retirement account to request to withhold Arizona income tax.

History

Any payment of an amount as retired or retainer pay for service in the military or naval forces of the U.S., or payments received under the U.S. civil service retirement system from the U.S. government service retirement disability fund or a payment of any other annuity to an individual may be requested by the individual for the payment to be subject to withholding from Arizona income tax. This payment must be treated as if it were a payment of wages by an employer to an employee for a payroll period ([A.R.S. § 43-404](#)).

Every employer at the time of the payment of wages, salary, bonus or other emolument to any employee whose compensation is for services performed in Arizona must deduct and retain from the compensation amount prescribed by tables adopted by the Department of Revenue (DOR). An employer may voluntarily elect to not withhold tax during December by notifying DOR on a DOR-prescribed form and the employer's employees in writing in a manner prescribed by DOR. An employer cannot withhold tax on the wages of the employer's nonresident employees in Arizona on a temporary basis for the purpose of performing disaster recovery from a declared disaster during a disaster period ([A.R.S. § 43-401](#)).

Provisions

1. States that a distribution from a pension or retirement account may be subject to Arizona income tax withholding, and is treated as if it were a payment of wages by an employer to an employee for a payroll period. (Sec. 1)
2. Requires a request for the income tax withholding to be made by the payee to the person making the distributions. (Sec. 1)
3. Allows the person making the payment or distribution to deny or terminate the request with a written statement. (Sec. 1)
4. Limits the withholding amount to the extent that amount is includable in the Arizona gross income of the individual who receives the distribution. (Sec. 1)
5. Instructs any request to initiate, adjust or terminate withholding to be executed in writing by paper or electronic form prescribed by DOR. (Sec. 1)
6. Defines *pension* and *retirement account*, and modifies the definition of *annuity*. (Sec. 1)

<input type="checkbox"/> Prop 105 (45 votes) <input type="checkbox"/> Prop 108 (40 votes) <input type="checkbox"/> Emergency (40 votes) <input type="checkbox"/> Fiscal Note
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