

MEMO# 21587

September 13, 2007

Maryland Withholding Law on Pension, IRA, and Annuity Distributions

[21587]

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TO: PENSION MEMBERS No. 52-07

TAX MEMBERS No. 39-07

VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 16-07 RE: MARYLAND
WITHHOLDING LAW ON PENSION, IRA, AND ANNUITY DISTRIBUTIONS

We wanted to be sure you are aware of a new Maryland law that went into effect on July 1, 2007. [\[1\]](#) Prior to enactment of House Bill 776, Maryland law was silent on whether an individual can elect voluntarily withholding for distributions described in Section 3405(e) of the Internal Revenue Code, which includes pension, annuity, stock bonus and profit sharing plans, IRAs described in Section 7701(a)(37), and commercial annuities. Effective July 1, an individual may, but is not required to, elect Maryland state withholding on these payments.

The new law does not alter Maryland rules requiring 7.75% withholding on lump sum distributions not rolled over into another eligible retirement plan.

We understand one member has been contacted by the Attorney General of Maryland to confirm compliance with the law.

Michael L. Hadley
Assistant Counsel

endnotes

[1] Information on the bill can be found here:
<http://mlis.state.md.us/2007rs/billfile/HB0776.htm>. An analysis of the bill can be found here: http://mlis.state.md.us/2007RS/fnotes/bil_0006/hb0776.pdf.

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