

MEMO# 30938

November 6, 2017

Connecticut Enacts New Income Tax Withholding Requirements for Pension and Annuity Payments

[30938]

November 6, 2017 TO: ICI Members
Bank, Trust and Retirement Advisory Committee
Broker/Dealer Advisory Committee
Operations Committee
Pension Committee
Pension Operations Advisory Committee
Transfer Agent Advisory Committee SUBJECTS: Pension
Tax RE: Connecticut Enacts New Income Tax Withholding Requirements for Pension and Annuity Payments

A new law in Connecticut requires that, effective January 1, 2018, payers maintaining an office or transacting business in Connecticut and making distributions of taxable pensions or annuities to a resident individual, must deduct and withhold income tax from such distributions.[\[1\]](#) Previously, no income tax withholding from these distributions was required in Connecticut unless the recipient requested it.[\[2\]](#)

Payers must calculate the amount withheld using the same method that employers use to calculate wage withholding in Connecticut, and must provide a copy of 2018 Form CT-W4P[\[3\]](#) to all Connecticut resident individual recipients of pension and annuity distributions before January 1, 2018. If the payee does not provide a properly completed 2018 Form CT-W4P, the payer must withhold at the highest marginal rate (6.99%). Withholding at the highest marginal rate also is required if the payment is a lump sum distribution of the entire account balance, unless any part of the distribution was previously taxed or the lump sum distribution is rolled over in a direct trustee transfer.

Elena Barone Chism
Associate General Counsel - Retirement Policy

endnotes

[1] Sections 6 – 8 of Public Act No. 17-147 (signed by the Governor on July 7, 2017), amending sections 12-705, 12-706, and 12-707 of the Connecticut general statutes. The Act is available here:

<https://www.cga.ct.gov/2017/act/pa/pdf/2017PA-00147-R00HB-07312-PA.pdf>. The statute describes “pension or annuity distributions” as including “distributions from an employer pension, an annuity, a profit-sharing plan, a stock bonus, a deferred compensation plan, an individual retirement arrangement, an endowment or a life insurance contract.” A Special Notice describing the new requirements (dated October 17, 2017) is available here: <http://www.ct.gov/drs/lib/drs/publications/pubssn/2017/sn2017-5.pdf>.

[2] The Institute’s 2016 surveys on state tax matters are available here:

https://www.ici.org/policy/tax/state/state_tax_2016. See ICI Memorandum No. 30459, dated December 6, 2016. Available at https://www.ici.org/my_ici/memorandum/memo30459

[3] 2018 Form CT-W4P is available here:

<http://www.ct.gov/drs/lib/drs/forms/1-2018/wth/2018-ct-w4p.pdf>.

Source URL: <https://icinew-stage.ici.org/memo-30938>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.