

MEMO# 26255

June 21, 2012

DC Targeted Retirement Distribution Withholding Temporary Act of 2012 -- Effective May 31, 2012

[26255]

June 21, 2012

TO: BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 28-12
BROKER/DEALER ADVISORY COMMITTEE No. 31-12
TAX COMMITTEE No. 33-12
TRANSFER AGENT ADVISORY COMMITTEE No. 39-12
PENSION MEMBERS No. 25-12 RE: DC TARGETED RETIREMENT DISTRIBUTION WITHHOLDING
TEMPORARY ACT OF 2012 -- EFFECTIVE MAY 31, 2012

We want to update you on an additional development regarding the new District of Columbia mandatory retirement distribution withholding law. [\[1\]](#) The DC Council has updated its legislative information management system website [\[2\]](#) to state that the required 30-day congressional review period applicable to the "Targeted Retirement Distribution Withholding Temporary Act of 2012" (Temporary Act) has expired without adverse congressional action. As a result, the Temporary Act became law effective May 31, 2012. [\[3\]](#) Because the law was enacted as temporary legislation, it expires on January 11, 2013 – 225 days after its effective date. However, the law is included within the DC Fiscal Year 2013 Budget Support Act of 2012 and we understand, based on telephone conversations with an attorney in the DC Office of the Chief Financial Officer, that the law will likely become permanent prior to the January 11, 2013 expiration date of the Temporary Act.

As we have previously advised, the Temporary Act amends the prior DC withholding law to provide that DC mandatory withholding only applies to a "lump-sum distribution." The amendment defines "lump-sum distribution" as "a payment from a payor to a resident payee of the resident payee's entire account balance, exclusive of any other tax withholding and any administrative fees and charges." The amendment specifically excludes the following from mandatory withholding:

1. Any portion of a lump-sum payment that was previously subject to tax;
 2. An eligible rollover distribution that is effected as a direct trustee to trustee transfer;
- or

3. A rollover from an individual retirement account to a traditional or Roth individual retirement account that is effected as a direct trustee to trustee transfer.

Howard Bard
Associate Counsel

endnotes

[1] See [Memorandum](#) to Bank Trust and Retirement Advisory Committee No. 8-12, Broker/Dealer Advisory Committee No. 11-12, Transfer Agent Advisory Committee No. 11-12, Pension Member No. 8-12, Tax Members No. 11-12 [25939], dated February 28, 2012.

[2] The legislative information management system website page update is available here:

[http://dcclims1.dccouncil.us/lims/legislation.aspx?LegNo=B19-0699&Description="TARGETED+RETIREMENT+DISTRIBUTION+WITHHOLDING+TEMPORARY+ACT+OF+2012"](http://dcclims1.dccouncil.us/lims/legislation.aspx?LegNo=B19-0699&Description=).

[3] A copy of the Act is available here:

<http://www.dcregs.dc.gov/Gateway/NoticeHome.aspx?noticeid=2192508>

Source URL: <https://icinew-stage.ici.org/memo-26255>

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