

MEMO# 3499

February 18, 1992

VIRGINIA BEGINS WITHHOLDING ON CERTAIN PENSION DISTRIBUTIONS

February 18, 1992 TO: PENSION COMMITTEE NO. 10-92 RE: VIRGINIA BEGINS WITHHOLDING ON CERTAIN PENSION DISTRIBUTIONS

In 1991, Virginia enacted legislation, SB-765 and HB-1734, attached, which amends Virginia withholding requirements relating to pensions, annuities and certain deferred income to conform to the federal withholding requirements. The new requirements became effective January 1, 1992. A copy of Virginia Tax Bulletin 91-9, explaining these changes, is also attached. Previously, Virginia withholding on pension and annuity distributions had been totally voluntary. Under Internal Revenue Code section 3045, however, federal withholding is required on periodic pension and annuity payments unless the recipient makes a "no withholding" election on Internal Revenue Service Form W-4P. Effective January 1, 1992, payers of pensions and annuities were required to withhold Virginia income tax for all Virginia residents subject to federal withholding on those payments. Any voluntary Virginia withholding agreement between a payer and a recipient in effect on that date will continue in effect unless terminated by either party. Upon termination of the voluntary agreement, the new withholding requirements will take effect. Payers must use the standard Virginia withholding tables to determine the amounts required to be withheld on periodic pension and annuity payments. In order to determine the proper number of withholding exemptions, each Virginia resident receiving payments and any person receiving payments from a Virginia payer are required to provide the payer with a completed Virginia Form VA-4P, Withholding Exemption Certificate for Recipients of Pension and Annuity Benefits. If no such form is filed, withholding must be applied as if the recipient had no exemptions. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax DJM:bmb Attachment