

MEMO# 4002

August 17, 1992

VIRGINIA RULINGS ON PENSION WITHHOLDING

August 17, 1992 TO: PENSION COMMITTEE NO. 32-92 RE: VIRGINIA RULINGS ON PENSION WITHHOLDING _____ Attached are copies of two rulings by the Commissioner of the Virginia Department of Taxation relating to Virginia's recently enacted pension withholding provision. (See Institute Memorandum to Pension Committee No. 10-92, dated February 18, 1992.) As we previously advised, this provision was amended to exempt payments from individual retirement plans (IRAs) and simplified employee pensions (SEPs). (See Institute Memorandum to Pension Committee No. 16-92, dated April 22, 1992). Ruling P.D. 92-33 explains the options available to financial institutions that withheld from payments from IRAs and SEPs prior to this amendment. First, the institution may refund to the recipient the amount of tax withheld and claim a credit for the amount of the tax refunded on subsequent withholding returns or apply for a refund. Second, the institution may remit to the Department of Taxation amounts already withheld and show the amount on the recipient's Form 1099 at the year end. Third, the institution may offer voluntary withholding to recipients of IRA or SEP payments. Ruling P.D. 92-58 states that withholding is not required for retirement benefits when paid to individuals who no longer are domiciliary or actual residents of Virginia. We will keep you informed of further developments. Kathy D. Ireland Associate Counsel - Pension Attachments KDI:bmb