

MEMO# 12392

July 26, 2000

NORTH CAROLINA RELEASES GUIDANCE ON NEW WITHHOLDING REQUIREMENTS FOR PENSION PAYMENTS

[12392] July 26, 2000 TO: PENSION COMMITTEE No. 54-00 PENSION OPERATIONS ADVISORY COMMITTEE No. 54-00 RE: NORTH CAROLINA RELEASES GUIDANCE ON NEW WITHHOLDING REQUIREMENTS FOR PENSION PAYMENTS The North Carolina Department of Revenue released a Directive (No. PD-00-2) regarding the new withholding law requiring State income tax to be withheld from pension payments to residents of North Carolina. The new withholding law is effective for tax years beginning on or after January 1, 2001. The Directive states that effective January 1, 2001, a pension payer required to withhold federal tax under section 3405 of the Code on a pension payment to a North Carolina resident must also withhold State income tax from the pension payment. If a payee has provided a North Carolina address to a pension payer, the payee is presumed to be a North Carolina resident and the payer is required to withhold State tax unless the payee elects not to have the tax withheld. A pension payer that either fails to withhold tax when required to do so or to remit tax that is withheld is liable for the tax. A pension payer must treat a pension payment paid to an individual as if it were an employer's payment of wages to an employee. If the pension payer has more than one arrangement under which distributions may be made to an individual, each arrangement must be treated separately. A pension payer that is required to withhold State tax from a pension payment beginning in 2001 but is not already registered with the Department of Revenue for wage withholding must register by completing Form AS/RP1, Registration Application for Sales and Use Tax or Income Tax Withholding. The Directive includes further information regarding such registration. A copy of the Directive is attached. Kathryn A. Ricard Associate Counsel Attachment Attachment (in .pdf format)