

**Robinson+Cole**

## Employee Benefits and Compensation

EMPLOYEE  
HANDBOOK

December 2017

### Connecticut Department of Revenue Services Issues Additional Guidance on the New Mandatory Income Tax Withholding Requirements for Pension and Annuity Payments

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On December 7, 2017, the Connecticut Department of Revenue Services (DRS) issued additional guidance regarding the [new statutory withholding requirements](#) for certain payors of pension and annuity payments set to take effect January 1, 2018.

#### **DELAYED ENFORCEMENT**

In response to several payors voicing concerns about administrative difficulties implementing the new withholding requirement by the effective date, the DRS guidance states that payors who make a good faith effort to implement the withholding requirement during 2018 will not incur taxes, interest, or penalties due to any noncompliance during 2018.

#### **ADDITIONAL CLARIFICATIONS**

The guidance states that payors will still be required to send or provide electronically the CT-W4P form to Connecticut residents receiving periodic payments from covered retirement plans. For nonperiodic payments, the payor will only be required to collect a CT-W4P at the time of distribution if the recipient of the payments wants to claim an exemption (see below for more information). When determining whether a distribution is being made to a Connecticut resident, the DRS states that payors are permitted to rely on the address of record on the recipient's account. Alternatively, payors may rely on a written statement that the recipient submits with a CT-W4P, signed under penalties of perjury regarding the recipient's residency.

The DRS clarifies that recipients are permitted to request withholding at an amount that would exceed the highest marginal rate (6.99 percent). Additionally, the DRS clarifies that no withholding is required with respect to any payments that are not taxable, such as, direct rollovers or distributions from a Roth IRA.

#### **LOOKING FORWARD**

The DRS states that it will continue to work with industry representatives and will provide additional administrative guidance as necessary. It has also stated its intention to submit a technical amendment for the 2018 legislative session (scheduled to begin in February 2018), which clarifies that nonperiodic payments are generally subject to withholding at the highest marginal rate, provided

the recipient does not claim an exemption. It also intends to issue a revised CT-W4P with more instructions and clarity for the recipient regarding the exemption for nonperiodic payments.

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For more information or if you have questions about how the issues raised in this legal update affect your policies, practices, or other compliance efforts, please contact one of the lawyers listed below:

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