



General Assembly

February Session, 2024

Raised Bill No. 5513

LCO No. 3183



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING THE DEDUCTION AND WITHHOLDING OF PERSONAL INCOME TAX FROM CERTAIN PAYMENTS AND DISTRIBUTIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-705 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective January 1, 2025, and*
3 *applicable to taxable years commencing on or after January 1, 2025*):

4 (a) (1) Each employer, as defined in section 12-707, maintaining an
5 office or transacting business within this state and making payment of
6 any wages taxable under this chapter to a resident or nonresident
7 individual shall deduct and withhold from such wages for each payroll
8 period a tax computed in such manner as to result, so far as practicable,
9 in withholding from the employee's wages during each calendar year
10 an amount substantially equivalent to the tax reasonably estimated to
11 be due from the employee under this chapter with respect to the amount
12 of such wages during the calendar year. The method of determining the
13 amount to be withheld shall be prescribed by regulations of the

14 Commissioner of Revenue Services adopted in accordance with chapter
15 54.

16 (2) [Each] (A) Except as provided in subparagraph (B) of this
17 subdivision, each payer, as defined in section 12-707, of distributions
18 from a profit-sharing plan, a stock bonus, a deferred compensation plan,
19 an individual retirement arrangement, an endowment or a life
20 insurance contract, or of pension payments or annuity distributions,
21 that [(A)] maintains an office or transacts business within this state []
22 and [(B)] makes payment of any amounts taxable under this chapter to
23 a resident individual, shall, upon request by such individual, deduct
24 and withhold an amount from the taxable portion of any such
25 distribution. [a tax computed in such manner as to result, so far as
26 practicable, in withholding from the distributions paid during each
27 calendar year an amount substantially equivalent to the tax reasonably
28 estimated to be due from the payee, as defined in section 12-707, under
29 this chapter with respect to such distributions during the calendar year.
30 The method of determining the amount to be withheld from taxable
31 payments, other than lump sum distributions, shall be determined in
32 accordance with instructions provided by the commissioner.] Such
33 request and the determination of the amount to be withheld shall be
34 made in accordance with regulations promulgated by the commissioner
35 for pension payments and annuity distributions.

36 [The amount to be withheld from] (B) With respect to a lump sum
37 distribution, [shall be equal to] if a payee does not make a request to
38 have an amount withheld from such distribution, the payer shall
39 withhold from the taxable portion of the distribution [multiplied by] at
40 the highest marginal rate, except that no withholding shall be required
41 if (i) any portion of the lump sum distribution was previously subject to
42 tax, or (ii) the lump sum distribution is a rollover that is effected as a
43 direct trustee-to-trustee transfer or as a direct rollover in the form of a
44 check made payable to another qualified account. For purposes of this
45 [section] subdivision, "lump sum distribution" means a payment from a
46 payer to a resident payee of an amount exceeding fifty per cent of such
47 resident payee's entire account balance or more than five thousand

48 dollars, whichever is less, exclusive of any other tax withholding and
49 any administrative charges and fees.

50 (3) In no event shall the requirements of this subsection result in
51 nonpayment of any distribution to a resident individual. For the
52 calendar year ending December 31, 2018, no taxpayer shall be assessed
53 interest by the commissioner pursuant to section 12-722 solely on the
54 basis of a payer's failure to comply with the provisions of this
55 subsection.

56 (b) The commissioner may, if such action is deemed necessary for the
57 protection of the revenue and under such regulations as the
58 commissioner may adopt in accordance with the provisions of chapter
59 54, require persons other than employers and payers (1) to deduct and
60 withhold taxes from payments made by such persons to residents of this
61 state, nonresidents and part-year residents, (2) to file a withholding
62 return as prescribed by the commissioner, and (3) to pay over to the
63 commissioner, or to a depository designated by the commissioner, the
64 taxes so required to be deducted and withheld, in accordance with a
65 schedule established in such regulations.

66 (c) The commissioner may adopt regulations providing for
67 withholding from (1) remuneration for services performed by an
68 employee for his or her employer that does not constitute wages, (2)
69 wages paid to an employee by an employer not maintaining an office or
70 transacting business within this state, or (3) any other type of payment
71 with respect to which the commissioner finds that withholding would
72 be appropriate under the provisions of this chapter if the employer and
73 the employee, or, in the case of any other type of payment, the person
74 making and the person receiving such payment, agree to such
75 withholding. Such agreement shall be made in such form and manner
76 as the commissioner may prescribe by regulations adopted in
77 accordance with the provisions of chapter 54. For purposes of this
78 chapter, remuneration, wages or other payments with respect to which
79 such an agreement is made shall be regarded as if they were wages paid
80 to an employee by an employer maintaining an office or transacting

81 business within this state to the extent that such remuneration or wages
82 are paid or other payments are made during the period for which the
83 agreement is in effect.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2025, and applicable to taxable years commencing on or after January 1, 2025</i>	12-705

Statement of Purpose:

To (1) specify that payees of certain payments and distributions may request that an amount be deducted and withheld from such payments and distributions, and (2) provide that if a lump sum payee does not make such request, the amount to be withheld shall be at the highest marginal rate.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]