



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 Section 12-705 of the general statutes is repealed and the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. The
33 amount to be withheld from] Such request and the determination of the
34 amount to be withheld shall be made in accordance with regulations
35 promulgated by the commissioner for pension payments and annuity
36 distributions.

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

48 entire account balance or more than five thousand dollars, whichever is
49 less, exclusive of any other tax withholding and any administrative
50 charges and fees.

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

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

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

81 to an employee by an employer maintaining an office or transacting
82 business within this state to the extent that such remuneration or wages
83 are paid or other payments are made during the period for which the
84 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

FIN *Joint Favorable*