



Revised Withholding Requirements on Distributions from Retirement Plans or Accounts

OTR Tax Notice 2012 - 02

February 24, 2012

Pursuant to emergency legislation enacted effective February 24, 2012, and applicable within five days of the effective date, the requirement to withhold District of Columbia income taxes from periodic and non lump-sum retirement plan or retirement account payments has been repealed. The requirement to withhold is now limited to lump-sum distributions, but not including:

- (A) Any portion of a lump-sum payment that was previously subject to tax;
- (B) An eligible rollover distribution that is effected as a direct trustee to trustee transfer;
and
- (C) A rollover from an individual retirement account to a traditional or Roth individual retirement account that is effected as a direct trustee to trustee transfer.

A “lump-sum distribution” is defined to mean a payment from a payor to a District resident of the resident payee’s entire account balance, exclusive of any other tax withholding and any administrative charges and fees.

A “retirement plan or retirement account” means:

- A qualified employee plan
- A qualified employee annuity plan
- A defined contribution plan
- A defined benefit plan
- A tax sheltered Annuity plan
- An individual retirement account
- Any combination of the plans and accounts listed above; or
- Any similarly situated account or plan as defined by the Internal Revenue Code

Where withholding is required, it shall be at the highest District individual income tax rate which is in effect at the time of distribution. As of the date of this notice, the highest DC income tax rate is 8.95 percent.

For additional information, please contact the Office of Tax and Revenue’s Customer Service Administration at (202) 727-4TAX(4829).