

SCS SB 310 -- WITHHOLDING TAXES ON RETIREMENT BENEFITS

SPONSOR: Champion (Dixon)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 15 to 0.

This substitute requires the withholding of state income taxes on retirement income including entities outside Missouri.

"Retirement income" is defined as any annuity, pension, or retirement allowance as defined in subsection 1 of Section 143.124, RSMo. A taxpayer can request additional withholding or, upon written notification, may elect to have nothing withheld from their retirement income. The administration, collection, and enforcement of the withholding tax will be done in the same manner as any employer withholds income taxes.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the bill mandates withholding of an income tax so that a Missouri resident with a retirement account in, for example, Pennsylvania can have taxes withheld on their pension.

Testifying for the bill was Senator Champion.

OPPOSERS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say retirement funds coming from other states may or may not have taxes withheld since Missouri does not require it. The taxpayer must do estimated payments if it is not done, and a tax liability is due at the end of the year to prevent penalties. The bill requires a taxpayer to fill out a form if they do not want taxes withheld on their retirement funds. This puts the power in the hands of the taxpayer.

Others testifying on the bill was Department of Revenue.

Karla Strobel, Legislative Analyst