

Senate Engrossed

income tax withholding; retirement distributions

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SENATE BILL 1358

AN ACT

AMENDING SECTION 43-404, ARIZONA REVISED STATUTES; RELATING TO INCOME TAX WITHHOLDING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-404, Arizona Revised Statutes, is amended to
3 read:

4 43-404. Extension of withholding to pensions, annuities,
5 retirement accounts; definitions

6 A. For the purposes of this title, ~~any payment of an amount as~~
7 ~~retired or retainer pay for service in the military or naval forces of the~~
8 ~~United States, or payments received under the United States civil service~~
9 ~~retirement system from the United States government service retirement and~~
10 ~~disability fund, if at the time the payment is made a request by the~~
11 ~~individual that such pay be subject to withholding under this section is~~
12 ~~in effect, shall be treated as if it were a payment of wages by an~~
13 ~~employer to an employee for a payroll period. In addition, a payment of~~
14 ~~any other~~ FROM A PENSION OR annuity OR A DISTRIBUTION FROM A RETIREMENT
15 ACCOUNT to an individual, if at the time the payment OR DISTRIBUTION is
16 made a request by the individual that such PENSION, annuity, RETIREMENT
17 ACCOUNT be subject to withholding under this section is in effect, shall
18 be treated as if it were a payment of wages by an employer to an employee
19 for a payroll period.

20 B. A request that ~~retired or retainer pay or an~~ PAYMENT FROM A
21 PENSION OR annuity OR DISTRIBUTION FROM A RETIREMENT ACCOUNT be subject to
22 withholding under this section shall be made by the payee in writing to
23 the person THAT IS making the PENSION OR annuity payments OR RETIREMENT
24 ACCOUNT DISTRIBUTIONS and shall be accompanied by a form, prescribed by
25 the department, executed in accordance with section 43-401, subsection E.
26 Such a request may be DENIED OR terminated by furnishing to the person
27 making the payment OR DISTRIBUTION a written statement of DENIAL OR
28 termination.

29 C. DISTRIBUTIONS FROM A RETIREMENT ACCOUNT ARE ELIGIBLE FOR
30 WITHHOLDING, BUT ONLY TO THE EXTENT THAT AMOUNT IS INCLUDABLE IN THE
31 ARIZONA GROSS INCOME OF THE INDIVIDUAL WHO RECEIVES THE DISTRIBUTION.

32 D. A REQUEST TO INITIATE, ADJUST OR TERMINATE WITHHOLDING UNDER
33 THIS SECTION MAY BE EXECUTED IN WRITING BY PAPER OR ELECTRONIC MEANS ON
34 EITHER A PAPER FORM PRESCRIBED BY THE DEPARTMENT OR THE FORM'S ELECTRONIC
35 EQUIVALENT.

36 ~~E.~~ E. For the purposes of this section: ~~—~~

37 1. "Annuity" means ~~any amount paid to an individual as a pension or~~
38 ~~annuity~~ EITHER OF THE FOLLOWING:

39 (a) AN EMPLOYEE ANNUITY AUTHORIZED UNDER THE INTERNAL REVENUE CODE
40 PAID TO AN INDIVIDUAL, but only to the extent that the amount is
41 ~~includible~~ INCLUDABLE in the Arizona gross income of such individual.

42 (b) SPECIFIED INCOME PAYABLE AT STATED INTERVALS TO AN INDIVIDUAL
43 FOR A FIXED OR CONTINGENT PERIOD, OFTEN FOR THAT INDIVIDUAL'S LIFE, BUT
44 ONLY TO THE EXTENT THAT THE AMOUNT IS INCLUDABLE IN THE ARIZONA GROSS
45 INCOME OF SUCH INDIVIDUAL.

- 1 2. "PENSION" MEANS EITHER OF THE FOLLOWING:
2 (a) A DEFINED BENEFIT PLAN AUTHORIZED UNDER THE INTERNAL REVENUE
3 CODE PAID TO AN INDIVIDUAL, BUT ONLY TO THE EXTENT THAT AMOUNT IS
4 INCLUDABLE IN THE ARIZONA GROSS INCOME FOR SUCH INDIVIDUAL.
5 (b) PERIODIC, FIXED AMOUNT RETIREMENT PAYMENTS MADE BY THE UNITED
6 STATES MILITARY, THE UNITED STATES CIVIL SERVICE OR A STATE OR LOCAL
7 GOVERNMENT OR A PRIVATE EMPLOYER TO FORMER EMPLOYEES AND SURVIVING SPOUSES
8 OF FORMER EMPLOYEES FOR PRIOR SERVICES PERFORMED, BUT ONLY TO THE EXTENT
9 THAT AMOUNT IS INCLUDABLE IN THE ARIZONA GROSS INCOME OF SUCH INDIVIDUALS.
10 3. "RETIREMENT ACCOUNT" INCLUDES:
11 (a) A QUALIFIED RETIREMENT PLAN UNDER SECTIONS 401, 403 AND 457 OF
12 THE INTERNAL REVENUE CODE.
13 (b) AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408 OF THE
14 INTERNAL REVENUE CODE, INCLUDING A SIMPLIFIED EMPLOYEE PENSION FUND AS
15 DEFINED IN SECTION 408(k) OF THE INTERNAL REVENUE CODE AND A SIMPLE
16 RETIREMENT ACCOUNT AS DEFINED IN SECTION 408(p) OF THE INTERNAL REVENUE
17 CODE.