
DEPARTMENT OF STATE REVENUE
Information Bulletin #13
Income Tax
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SUBJECT: WITHHOLDING OF ADJUSTED GROSS INCOME TAX ON RETIREMENT PAY

EFFECTIVE DATE: January 1, 2009

REFERENCE: [IC 6-3-4-15.7](#)

Introduction

Indiana law requires the withholding of adjusted gross income tax and local option income tax from a pension distribution if the payee requests withholding.

Election to Have Withholding on a Pension Payment

The payer of a periodic or nonperiodic distribution under an annuity, a pension, a retirement, or other deferred compensation plan paid to an Indiana resident (payee) is required to withhold Indiana adjusted gross income tax and local option income tax if the payee makes such a request.

The request for withholding state and local tax must be made in writing. The request must list the payee's:

- Name,
- Current address, and
- Social Security number.

The request must also:

- Specify the flat whole-dollar amount of state and local tax to be withheld from each payment,
- List the payee's Indiana county of residence,
- List the contract, policy or account number to which the request applies, and
- Be dated.

The request for withholding remains valid until the payee changes or revokes the authorization in writing.

Amount to Be Withheld

The payer is not required to withhold state and local income tax from a payment if the amount to be withheld is less than ten dollars (\$10.00), or if the amount to be withheld would reduce the payment to less than ten dollars (\$10.00).

Requirements of the Withholding Agent

The withholding agent is responsible for custody of withheld funds, for reporting withheld funds to the State and to the payee, and for remitting withheld funds to the State in the same manner as is done for wage withholding under [IC 6-3-4-8](#).

John Eckart
Commissioner

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