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**LECTE-**  
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 OCT 05 1993  
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Department of Defense  
**DIRECTIVE**  
**AD-A270 646**



*C. I. D.*  
*607-1370*

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October 22, 1985  
 NUMBER 1332.34

ASD(C)

SUBJECT: Voluntary State Tax Withholding from Retired Pay

- References: (a) Public Law 98-525, "Department of Defense Authorization Act for Fiscal Year 1985," October 19, 1984 (10 U.S.C. 1045)  
 (b) Title 32, Code of Federal Regulations, Part 78

A. PURPOSE

Under references (a) and (b), this Directive provides implementing guidance for voluntary State tax withholding from the retired pay of Uniformed Service members.

B. APPLICABILITY AND SCOPE

This Directive:

1. Applies to the Office of the Secretary of Defense, the Military Departments, the Coast Guard (under agreement with the Department of Transportation), the Public Health Service (PHS) (under agreement with the Department of Health and Human Services); and the National Oceanic and Atmospheric Administration (NOAA) (under agreement with the Department of Commerce). The term "Uniformed Services," as used herein, refers to the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned corps of the PHS, and the commissioned corps of the NOAA.
2. Covers members retired from the regular and reserve components of the Uniformed Services who are receiving retired pay.

C. DEFINITIONS

Terms used in this Directive are defined in enclosure 1.

D. POLICY

1. It is the policy of the Uniformed Services to accept written requests from members for voluntary income tax withholding from retired pay when the Department of Defense has an agreement for such withholding with the State named in the request.
2. The Department of Defense shall enter into an agreement for the voluntary withholding of State income taxes from retired pay with any State within 120 days of a request for agreement from the proper State official. The agreement shall provide that the Uniformed Services shall withhold State income tax from the monthly retired pay of any member who voluntarily requests such withholding in writing.

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- b. Navy:                   Commanding Officer  
Navy Finance Center (Code 301)  
Anthony J. Celebrezze Federal  
Building  
Cleveland, OH 44199  
(800) 321-1080
  
- c. Air Force:             Commander  
Air Force Accounting and Finance  
Center  
ATTN: RP  
Denver, CO 80279  
(800) 525-0104
  
- d. Marine Corps:         Commanding Officer (CPR)  
Marine Corps Finance Center  
Kansas City, MO 64197  
(816) 926-7130
  
- e. Coast Guard:         Commanding Officer (Retired)  
U.S. Coast Guard Pay and  
Personnel Center  
444 S.E. Quincy Street  
Topeka, KS 66683  
(913) 295-2657
  
- f. PHS:                   U.S. Public Health Service  
Compensation Branch  
5600 Fisher Lane, Room 4-50  
Rockville, MD 20857  
(800) 638-8744 (except AK & MD)  
(301) 443-6132 (AK & MD)
  
- g. NOAA:                 Commanding Officer  
Navy Finance Center (Code 301)  
Anthony J. Celebrezze Federal  
Building  
Cleveland, OH 44199  
(800) 321-1080

8. If a member's retired pay is not sufficient to satisfy a member's request for voluntary State tax withholding, then the withholding will cease. A member may initiate a new request when such member's retired pay is restored in an amount sufficient to satisfy the withholding request.

9. A State requesting an agreement for the voluntary withholding of State tax from the retired pay of members of the Uniformed Services shall indicate, in writing, its agreement to be bound by the provisions of this Directive and the Standard Agreement in enclosure 2. If the State proposes an agreement that varies from the Standard Agreement, the State shall indicate which provisions of the Standard Agreement are not acceptable and propose substitute provisions. The letter shall be addressed to the Assistant Secretary of Defense (Comptroller), The Pentagon, Washington, D.C. 20301. To be effective, the

letter must be signed by a State official authorized to bind the State under an agreement for tax withholding. Copies of applicable State laws that authorize employers to withhold State income tax and authorize the official to bind the State under an agreement for tax withholding shall be enclosed with the letter. The letter also shall indicate the title and address of the official whom the Uniformed Services may contact to obtain information necessary for implementing withholding.

10. Within 120 days of the receipt of a letter from a State, the Assistant Secretary of Defense (Comptroller), or designee, will notify the State, in writing, that DoD has either entered into the Standard Agreement or that an agreement cannot be entered into with the State and the reasons for that determination.

#### F. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Comptroller) shall establish policy and procedures, provide guidance, coordinate changes with the Uniformed Services, administer the agreements with States, and monitor the implementation of this Directive.

2. The Secretaries of the Military Departments and the Heads of the Other Uniformed Services shall implement this Directive.

#### G. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward one copy of the implementing documents to the Assistant Secretary of Defense (Comptroller) within 120 days.



William H. Taft, IV  
Deputy Secretary of Defense

#### Enclosures - 2

1. Definitions
2. Standard Agreement for Voluntary State Tax Withholding From the Retired Pay of Uniformed Service Members

DEFINITIONS

1. Income Tax. Any form of tax under a State statute where the collection of that tax either imposes on employers generally the duty of withholding sums from the compensation of employees and making returns of such sums to the State, or grants employers generally the authority to withhold sums from the compensation of employees if any employee voluntarily elects to have such sum withheld. And, the duty to withhold generally is imposed, or the authority to withhold generally is granted, with respect to the compensation of employees who are residents of such State.

2. Member. A person originally appointed or enlisted in, or conscripted into, a Uniformed Service who has retired from the regular or reserve component of the Uniformed Service concerned.

3. Retired pay. Pay and benefits received by a member based on conditions of the retirement law, pay grade, years of service, date of retirement, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, or disability. It also is known as retainer pay.

4. State. Any State, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

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DTIC QUALITY CONTROL

STANDARD AGREEMENT FOR VOLUNTARY STATE TAX WITHHOLDING FROM THE  
RETIRED PAY OF UNIFORMED SERVICE MEMBERS

Article I  
Purpose

This agreement, hereafter referred to as the "Standard Agreement," establishes administrative procedures and assigns responsibilities for voluntary State tax withholding from the retired pay of Uniformed Service members consistent with 10 U.S.C. 1045 (reference (a)).

Article II  
Parties

The parties to this agreement are the Department of Defense on behalf of the Uniformed Services and the State that has entered into this agreement pursuant to 10 U.S.C. 1045 (reference (a)).

Article III  
Procedures

The parties to the Standard Agreement are bound by the provisions in Title 32, Code of Federal Regulations, Part 78 (reference (b)). The Secretary of Defense may amend, modify, supplement, or change the procedures for voluntary State tax withholding from the retired pay of Uniformed Service members after giving notice in the Federal Register. In the event of any such changes, the State will be given 45 days to terminate this agreement.

Article IV  
Reporting

Copies of Internal Revenue Service Form W-2P, "Statement for Recipients of Annuities, Pensions, Retired Pay or IRA Payments," may be used for reporting withheld taxes to the State. The media for reporting (paper copy, magnetic tape, etc.) will comply with State reporting standards that apply to employers in general.

Article V  
Other Provisions

A. This agreement shall be subject to any amendment of 10 U.S.C. 1045 (reference (a)) and any regulations issued pursuant to such statutory change.

B. In addition to the provisions of Article III, the agreement may be terminated by a party to the Standard Agreement by providing the other party with written notice to that effect at least 90 days before the proposed termination.

C. Nothing in this agreement shall be deemed to:

1. Require the collection of delinquent tax liabilities of retired members of the Uniformed Services;

2. Consent to the application of any provision of State law that has the effect of imposing more burdensome requirements upon the United States than the State imposes on other employers, or subjecting the United States or any member to any penalty or liability;

3. Consent to procedures for withholding, filing of returns, and payment of the withheld taxes to States that do not conform to the usual fiscal practices of the Uniformed Services;

4. Allow the Uniformed Services to accept payment from a State for any services performed with regard to State income tax withholding from the retired pay of Uniformed Service members.

# DEPARTMENT OF DEFENSE

## DIRECTIVES SYSTEM TRANSMITTAL

C, D & D  
607-1370

NUMBER	DATE	DISTRIBUTION
1332.34, Change 1	October 14, 1991	1000 Series

ATTACHMENTS

None

### INSTRUCTIONS FOR RECIPIENTS

The following pen changes to DoD Directive 1332.34, "Voluntary State Tax Withholding from Retired Pay," October 22, 1985, are authorized:

#### PEN CHANGES

##### Page 2

Paragraph E.7.a., Army:

Lines 1 through 4. Change to "Director, Defense Finance and Accounting Service, ATTN: DFAS-IN-RE, Indianapolis, IN 46249-1536"

##### Page 3

Paragraph E.7.b. Navy:

Lines 1 and 2. Change to "Director, Defense Finance and Accounting Service, ATTN: DFAS-CL-JRE"

Line 5. After "44199" add "-2058"

Paragraph E.7.c. Air Force:

Lines 1 through 4. Change to "Director, Defense Finance and Accounting Service, ATTN: DFAS-DE-R"

Line 5. After "80279" add "-5000"

Paragraph E.7.d. Marine Corps:

Lines 1 and 2. Change to "Director, Defense Finance and Accounting Service, ATTN: DFAS-KC-JR"

Line 3. After "64197" add "-0001"

Paragraph E.7.e. Coast Guard:

Line 1. Change "Retired" to "RPB"

Line 5. After "66683," add "-3591"

Paragraph E.7.f. PHS:

Line 3. Change "Fisher" to "Fishers"

WHEN PRESCRIBED ACTION HAS BEEN TAKEN, THIS TRANSMITTAL SHOULD BE FILED WITH THE BASIC DOCUMENT

NUMBER	DATE	DEPARTMENT OF DEFENSE DIRECTIVES SYSTEM TRANSMITTAL
1332.34, Change 1	October 14, 1991	

INSTRUCTIONS FOR RECIPIENTS (continued)

Paragraph E.7.g. NOAA:

Lines 1 through 6. Change to "Commanding Officer (RPB), U. S. Coast Guard Pay and Personnel Center, 444 S. E. Quincy Street, Topeka, KS 66683-3591, (913) 295-2657"

Subsection E.9.

Lines 7 and 8. Change "Assistant Secretary of Defense (Comptroller), the Pentagon" to "Director, Defense Finance and Accounting Service" and "20301" to "20376-5001"

Page 4.

Subsection E.10., lines 1 and 2. Change "Assistant Secretary of Defense (Comptroller), or designee," to "Director, Defense Finance and Accounting Service"

Subsection F.1.

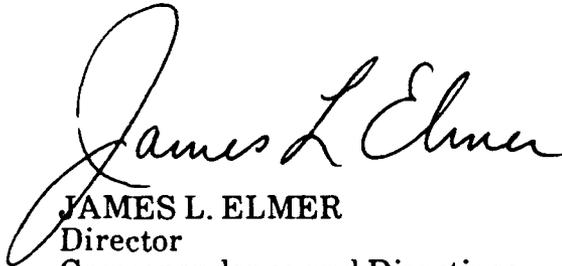
line 1. Change "Assistant Secretary of Defense (Comptroller)" to "Comptroller of the Department of Defense"

line 4. Add "This authority may be redelegated."

Section G., line 3. Change "Assistant Secretary of Defense (Comptroller)" to "Comptroller of the Department of Defense"

EFFECTIVE DATE

The above changes are effective immediately.

  
JAMES L. ELMER  
Director  
Correspondence and Directives