

CHAPTER 3

STATE AND LOCAL TAXES

50301. Introduction

Taxing authorities of a member's legal residence may tax the member's retired pay.

50302 Withholding

a. A retiree may request voluntary state income tax withholding if the designated state has signed the standard written agreement with the Department of Defense.

b. The retiree's request must be in writing and is revocable at any time. The withholding amount requested must be an even dollar amount, at least \$10, or the state's minimum if higher.

50303. Payments and Reports

a. The Defense Finance and Accounting Service will disburse amounts withheld to the states in the month following each calendar quarter. Payment procedures shall follow the usual fiscal practices of the uniformed services.

b. The Defense Finance and Accounting Service will provide each retiree an IRS Form W-2P that indicates the total tax withheld for each state at the year's end.

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