CHAPTER 26

STATE AND LOCAL TAXES

2601  INTRODUCTION

The taxing authorities of a member’s legal residence may tax the member’s retired pay.

2602  WITHHOLDING

260201.  A retiree may request voluntary state income tax withholding if the designated state has signed the standard written agreement with the Department of Defense.

260202.  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 that amount is higher.

2603  PAYMENTS AND REPORTS

260301.  The Uniformed Services will disburse amounts withheld to the states in the month following each calendar quarter. Payment procedures and state income tax withholding shall follow the usual fiscal practices of the Uniformed Services.

260302.  The Uniformed Services will provide each retiree an IRS Form W-2P that indicates the total tax withheld for each state at the year’s end.