

The Commonwealth of Massachusetts



L. JOYCE HAMPERS
COMMISSIONER

Department of Revenue

Lexington Saltonstall Building,

100 Cambridge Street, Boston 02204

February 8, 1982

You inquire whether payments by ("Company") to its employees' designated Individual Retirement Account ("IRA") custodian are subject to Massachusetts income tax withholding. The Company has initiated an employee benefit plan under which eligible employees may elect to receive additional cash payments or may designate all or part of such payment to their IRA custodian up to the federal limit for deductible contributions to an IRA.

Under Internal Revenue Code Section 3401(a)(12)(D), remuneration paid to or on behalf of an employee or his beneficiary for payment to an IRA are not "wages" subject to federal income tax withholding if it is reasonable to believe that the employee will be able to deduct such amounts under Code Section 219(a).

Wages are subject to Massachusetts income tax withholding if they are taxable under General Laws Chapter 62 and if they are subject to federal income tax withholding (G.L. c. 62B, ss. 1, 2).

Based on the foregoing, payments by the Company to the employees' designated IRA custodian which are not subject to federal income tax withholding are not subject to Massachusetts income tax withholding.

Very truly yours

A handwritten signature in cursive script, appearing to read "L. Joyce Hampers".

Commissioner of Revenue

LJH:JD:mf

LR 82-11