NATIONAL ASSOCIATION OF
UNCLAIMED PROPERTY ADMINISTRATORS

On January 1, 2020, The Internal Revenue Service's Revenue Ruling 2018-17 will go into effect concerning withholding and reporting taxes with respect to payments from Individual Retirement Accounts ("IRAs") to state unclaimed property programs. Holders reporting these properties should make use of the NAUPA Standard Deduction and Withholding code "TW" to represent "Income Tax Withheld."

The value "TW" should be recorded in the PROPERTY record in the PROP-DEDUCTION-TYPE field. The amount of Federal Tax Withheld should be stored in the PROP-DEDUCTION-AMOUNT field. This code should be used for any taxes withheld from remitted properties.

The value of the property before the deduction should be stored in the PROP-AMOUNT-REPORTED field. The amount remitted to the state after the Federal Tax Withholding should be stored in the PROP-AMOUNT-REMITTED field.

It is imperative that all withheld taxes are reflected in reports of unclaimed property, so that the claimants may be so advised and address this in conjunction with their tax reporting.

In the event of multiple deductions, the Tax Withholding code should take priority. Since only one deduction field is available, the state and federal withholdings should be totaled for inclusion. We hope that holders would consider providing additional information to the states for the detail of the deductions.

For more information related to the NAUPA reporting standard, please visit:
https://unclaimed.org/wp-content/uploads/NAUPAStandardElectronicFileFormat-11.20.19.pdf

Companies who withhold taxes should report and remit those taxes to the Internal Revenue Service or other taxing agency. Contact your legal or tax advisor for reporting and remittance instructions.
For more information on the Revenue Ruling 2018-17, visit:
https://www.irs.gov/pub/irs-drop/rr-18-17.pdf

In the scenario a security would be reported where part of the security was liquidated to pay the withholding tax and the remaining shares are transferred to the state. This is best reported through a single property when applicable, since there is a separation of cash and shares within the NAUPA Property record.

For example, it might look like this:

PROP-AMOUNT-REPORTED	10.00
PROP-DEDUCTION-TYPE	TW
PROP-DEDUCTION-AMOUNT	10.00
PROP-AMOUNT-REMITTED	0.00
PROP-NUMBER-OF-SHARES	100.0000
PROP-DEL-SHARES	10.0000
PROP-REM-SHARES	90.0000

The description field will indicate the sale:

PROP-DESCRIPTION	PARTIAL SALE OF SECURITIES FOR TAX WITHHOLDINGS

The advantage of one property is that it gives a complete picture of the transaction to the state, especially since there isn't an ability to relate two properties together in the report. Typically, most states instruct Holders to use separate properties for cash and securities, but this would be valid reason for an exception. If a state does not want/allow them to combine the securities and cash on the same property, then they will have to split it up into two different properties.