

AMENDED IN ASSEMBLY SEPTEMBER 11, 1995

AMENDED IN ASSEMBLY AUGUST 24, 1995

AMENDED IN ASSEMBLY APRIL 27, 1995

AMENDED IN ASSEMBLY APRIL 4, 1995

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

**ASSEMBLY BILL**

**No. 850**

**Introduced by Assembly Member Morrissey**

February 22, 1995

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An act to add Section 17952.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 850, as amended, Morrissey. Income taxes: exclusions: qualified retirement income.

The existing Personal Income Tax Law imposes a tax on the income of a nonresident that is derived from sources within this state.

This bill would enact the Retirement Income Protection Act to provide under that law that in the case of a nonresident, income from sources within this state shall not include "qualified retirement income," as defined, received by a nonresident individual, up to and including \$50,000 in the aggregate during the taxable year, from any deferred compensation arrangement, as specified. *The bill would require that the \$50,000 exclusion be adjusted annually based*

on the percentage change in the California Consumer Price Index, as specified.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. This act shall be known and may be cited
- 2 as the Retirement Income Protection Act.
- 3 SEC. 2. Section 17952.5 is added to the Revenue and
- 4 Taxation Code, to read:
- 5 17952.5. (a) In the case of a nonresident, income
- 6 from sources within this state shall not include “qualified
- 7 retirement income.”
- 8 (b) For purposes of this section, “qualified retirement
- 9 income” means income received by a nonresident
- 10 individual, up to and including fifty thousand dollars
- 11 (\$50,000) in the aggregate during the taxable year, from
- 12 any deferred compensation arrangement, including all of
- 13 the following:
- 14 (1) A pension, profit-sharing, or stock bonus plan
- 15 described in Section 401 of the Internal Revenue Code.
- 16 (2) An annuity plan described in Section 403 of the
- 17 Internal Revenue Code.
- 18 (3) A pension plan established for its employees by the
- 19 United States, a state, a political subdivision, or any
- 20 agency or instrumentality of the foregoing.
- 21 (4) A simplified employee pension described in
- 22 Section 408 of the Internal Revenue Code.
- 23 (5) An individual retirement account described in
- 24 Section 408 of the Internal Revenue Code.
- 25 (6) A deferred compensation plan described in
- 26 Section 457 of the Internal Revenue Code.
- 27 (7) A nonqualified deferred compensation
- 28 arrangement.
- 29 (8) An incentive stock option described in Section
- 30 422A of the Internal Revenue Code.
- 31 (9) A nonstatutory stock option plan.



1 (10) An employee stock purchase plan described in  
2 Section 423 of the Internal Revenue Code.

3 (c) For each taxable year beginning on or after  
4 January 1, 1996, the Franchise Tax Board shall recompute  
5 the maximum aggregate amount of qualified retirement  
6 income prescribed in subdivision (b). That computation  
7 shall be made as follows:

8 (1) The California Department of Industrial Relations  
9 shall transmit annually to the Franchise Tax Board the  
10 percentage change in the California Consumer Price  
11 Index for all items from June of the prior calendar year to  
12 June of the current calendar year, no later than August 1  
13 of the current calendar year.

14 (2) The Franchise Tax Board shall add 100 percent to  
15 the percentage change figure which is furnished  
16 pursuant to paragraph (1), and divide the result by 100.

17 (3) The Franchise Tax Board shall multiply the  
18 amounts for the immediately preceding taxable year for  
19 the maximum aggregate amount of qualified retirement  
20 income prescribed in subdivision (b) by the inflation  
21 adjustment factor provided in paragraph (2), and round  
22 off to the nearest one dollar (\$1).

23 SEC. 3. This act provides for a tax levy within the  
24 meaning of Article IV of the Constitution and shall go into  
25 immediate effect.

