

AMENDED IN ASSEMBLY JANUARY 3, 1996
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

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 *qualified* nonresident, *as specified*, 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 certain deferred compensation arrangement arrangements~~, 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 *qualified* nonresident,
6 income from sources within this state shall not include
7 “qualified retirement income.”

8 (b) For purposes of this section, ~~“qualified section:~~

9 (1) *“Qualified nonresident” means a nonresident*
10 *individual who is retired from employment and who does*
11 *not perform any services for compensation in this state*
12 *during the taxable year in which the individual receives*
13 *qualified retirement income.*

14 (2) *“Qualified retirement income” means income*
15 *received by a ~~nonresident individual~~ qualified*
16 *nonresident, up to and including fifty thousand dollars*
17 *(\$50,000) in the aggregate during the taxable year, from*
18 *any ~~deferred compensation arrangement, including all of~~*
19 *the following:*

20 ~~(1) any of the following deferred compensation~~
21 ~~arrangements:~~

22 (A) A pension, profit-sharing, or stock bonus plan
23 described in Section 401 of the Internal Revenue Code.

24 ~~(2)~~

25 (B) An annuity plan described in Section 403 of the
26 Internal Revenue Code.

27 ~~(3)~~

28 (C) A pension plan established for its employees by
29 the United States, a state, a political subdivision, or any
30 agency or instrumentality of the foregoing.

31 ~~(4)~~



1 (D) A simplified employee pension described in
2 Section 408 of the Internal Revenue Code.

3 ~~(5)~~

4 (E) An individual retirement account described in
5 Section 408 of the Internal Revenue Code.

6 ~~(6)~~

7 (F) A deferred compensation plan described in
8 Section 457 of the Internal Revenue Code.

9 ~~(7) A nonqualified deferred compensation~~
10 ~~arrangement.~~

11 ~~(8) An incentive stock option described in Section~~
12 ~~422A of the Internal Revenue Code.~~

13 ~~(9) A nonstatutory stock option plan.~~

14 ~~(10) An employee stock purchase plan described in~~
15 ~~Section 423 of the Internal Revenue Code.~~

16 (c) For each taxable year beginning on or after
17 January 1, ~~1996~~ 1997, the Franchise Tax Board shall
18 recompute the maximum aggregate amount of qualified
19 retirement income prescribed in subdivision (b). That
20 computation shall be made as follows:

21 (1) The California Department of Industrial Relations
22 shall transmit annually to the Franchise Tax Board the
23 percentage change in the California Consumer Price
24 Index for all items from June of the prior calendar year to
25 June of the current calendar year, no later than August 1
26 of the current calendar year.

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

30 (3) The Franchise Tax Board shall multiply the
31 amounts for the immediately preceding taxable year for
32 the maximum aggregate amount of qualified retirement
33 income prescribed in subdivision (b) by the inflation
34 adjustment factor provided in paragraph (2), and round
35 off to the nearest one dollar (\$1).

36 SEC. 3. This act provides for a tax levy within the
37 meaning of Article IV of the Constitution and shall go into
38 immediate effect.

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