

## Assembly Bill No. 131

### CHAPTER 30

An act to add Sections 17501.5 and 17501.7 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor April 25, 2002. Filed with  
Secretary of State April 26, 2002.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 131, Corbett. Personal income and bank and corporation tax laws: federal conformity.

Existing state income and corporation tax laws, in modified conformity with federal income tax laws, provide for tax benefits and other specified treatment in connection with retirement plans.

This bill would provide additional state income and corporation tax law conformity with federal income tax laws with respect to rollovers allowed among various types of plans, and purchase of service credit in government defined benefit plans.

This bill would take effect immediately as a tax levy.

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

SECTION 1. Section 17501.5 is added to the Revenue and Taxation Code, to read:

17501.5. The amendments made by Section 641 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) to the following provisions of the Internal Revenue Code or other federal law shall apply for purposes of this part, Part 10.2 (commencing with Section 18401), and Part 11 (commencing with Section 23001), with respect to distributions after December 31, 2001, except as otherwise provided:

- (a) Section 72, relating to annuities and certain proceeds of endowment and life insurance contracts.
- (b) Section 219, relating to retirement savings.
- (c) Section 401, relating to qualified pension, profit-sharing, and stock bonus plans.
- (d) Section 402, relating to taxability of beneficiary of employees' trust.
- (e) Section 403, relating to taxation of employee annuities.
- (f) Section 408, relating to individual retirement accounts.



(g) Section 415, relating to limitations on benefits and contribution under qualified plans.

(h) Section 457, relating to deferred compensation plans of state and local governments and tax-exempt organizations.

(i) Subsections (h)(3) and (h)(5) of Section 1122 of the Tax Reform Act of 1986.

SEC. 2. Section 17501.7 is added to the Revenue and Taxation Code, to read:

17501.7. The amendments made by Section 647 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) to the following provisions of the Internal Revenue Code shall apply for purposes of this part, Part 10.2 (commencing with Section 18401), and Part 11 (commencing with Section 23001), with respect to trustee-to-trustee transfers after December 31, 2001, except as otherwise provided:

(a) Section 403, relating to taxation of employee annuities.

(b) Section 457, relating to deferred compensation plans of state and local governments and tax-exempt organizations.

SEC. 3. Notwithstanding any provision of state or local law, regulation, rule, ordinance, or plan requirement to the contrary, including, but not limited to, Part 13 (commencing with Section 22000) of the Education Code, and Title 2 (commencing with Section 8000), Title 3 (commencing with Section 23000), Title 4 (commencing with Section 34000), Title 5 (commencing with Section 50001), and Title 8 (commencing with Section 68070) of the Government Code, any member or plan participant who retired on or after January 1, 2002, and prior to the date that is 120 days after the effective date of legislation that conforms to or otherwise adopts the amendments made to the Internal Revenue Code by Sections 641 and 647 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), may purchase permissive service credit under the system or plan or redeposit previously withdrawn contributions under the system or plan, or both, prior to January 1, 2003, if (a) the payment made to the system or plan to purchase the permissive service credit or redeposit the contributions, or both, are paid for with funds that were eligible for rollover into the system or plan under the provisions of Section 641 or 647 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), and (b) all payments intended to qualify under this section for the purchase of permissive service credit and redeposit of contributions are received by the system or plan no later than the date that is 180 days after the effective date of legislation that conforms to or otherwise adopts the amendments made to the Internal Revenue Code



by Sections 641 and 647 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16).

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect. Sections 1 and 2 of this act conform to federal law, in whole or in part, and shall be operative with respect to the same period and the same transactions as the federal law provisions to which those sections conform.

