
DIGEST

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Schneider

HB No. 120

Abstract: Allows an active public employee who has or is participating in a Deferred Retirement Option Plan (DROP) of a public retirement system to withdraw funds from his account without leaving employment under specific circumstances.

Present law generally provides that no disbursements from a public employee's retirement system DROP account may be made until the employee terminates employment making him eligible for system membership.

Proposed law allows withdrawal of funds from DROP accounts by active employees under specified circumstances, as follows:

- (1) The employee's principal domicile on September 22, 2005, was located in a parish designated under the Robert T. Stafford Disaster Relief and Emergency Assistance Act as eligible for individual assistance or individual assistance and public assistance, namely the parishes of Acadia, Allen, Ascension, Calcasieu, Cameron, Beauregard, Evangeline, Iberia, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Plaquemines, Sabine, St. Landry, St. Martin, St. Mary, St. Tammany, Terrebonne, Vermilion, Vernon, and West Baton Rouge.
- (2) The employee sustained an economic loss by reason of Hurricane Rita.
- (3) The aggregate amount of such distributions from the account does not exceed \$100,000.
- (4) Any distribution is made on or after September 19, 2005, and on or before December 31, 2006.

Proposed law provides that if, pursuant to proposed law, an individual receives a qualified Hurricane Rita distribution, the amount of such distribution shall be included in income by the retirement system, generally ratable over the year of distribution and the following two years, unless the individual elects in writing not to have the ratable distribution apply for any taxable year. Further provides that the individual shall be responsible for filing an amended tax return(s) to claim a refund of the tax attributable to the amount previously included in income if the individual so qualifies.

Proposed law further provides that each public retirement system to which proposed law applies shall promulgate any rules necessary to implement the provisions of proposed law.

Proposed law provides that it supersedes any provision of present law to the contrary, including but not limited to specified provisions.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 11:321)