Schneider (HB 120) **Act No. 61**

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

Existing 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.

New law allows withdrawal of up to $100,000 dollars of all or part of the funds from DROP accounts by active employees under specified circumstances, as follows:

(1) The employee's principal domicile on Sept. 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. (For Hurricane Rita this means 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 Sept. 19, 2005, and on or before Dec. 31, 2006.

New law provides that if, pursuant to new 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. Further requires each retirement system to advise an individual receiving a Hurricane Rita distribution of possible state and federal tax consequences.

New law further requires each public retirement system to which new law applies to promulgate any rules necessary to implement the provisions of new law.

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

Effective upon signature of governor (December 6, 2005).

(Adds R.S. 11:321)