

MEMO# 14265

December 20, 2001

JOINT LETTER TO CALIFORNIA LEGISLATURE URGING STATE LAW CONFORMITY WITH EGTRRA CHANGES

[14265] December 20, 2001 TO: PENSION COMMITTEE No. 75-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 75-01 RE: JOINT LETTER TO CALIFORNIA LEGISLATURE URGING STATE LAW CONFORMITY WITH EGTRRA CHANGES As you know, a number of states will require legislation to amend their state income tax codes in order to conform with the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).¹ The Institute has joined with other associations representing the retirement plan industry in urging the California state legislature to enact legislation that full conforms the California Revenue and Taxation Code with the savings provisions contained in EGTRRA as soon as possible. As noted in the attached letter, California's nonconformity with the EGTRRA changes raises a myriad of issues for California residents, financial institutions, and employers. For example, many California employers are considering not allowing their employees to make the higher contributions now permitted under federal law until the nonconformity issue is resolved. In addition, California residents may be faced with burdensome and long-term recordkeeping requirements if the state tax code does not conform with federal law. Kathy D. Ireland Associate Counsel Attachment (in .pdf format) 1 Similar state tax conformity issues arose after the creation of the Roth IRA. See, e.g., Institute Memorandum to Pension Members No. 10-98, dated February 4, 1998.

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