

Public Law 104-95
104th Congress

An Act

To amend title 4 of the United States Code to limit State taxation of certain pension income.

Jan. 10, 1996

[H.R. 394]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. LIMITATION ON STATE INCOME TAXATION OF CERTAIN PENSION INCOME.

(a) IN GENERAL.—Chapter 4 of title 4, United States Code, is amended by adding at the end the following:

“§ 114. Limitation on State income taxation of certain pension income

“(a) No State may impose an income tax on any retirement income of an individual who is not a resident or domiciliary of such State (as determined under the laws of such State).

“(b) For purposes of this section—

“(1) The term ‘retirement income’ means any income from—

“(A) a qualified trust under section 401(a) of the Internal Revenue Code of 1986 that is exempt under section 501(a) from taxation;

“(B) a simplified employee pension as defined in section 408(k) of such Code;

“(C) an annuity plan described in section 403(a) of such Code;

“(D) an annuity contract described in section 403(b) of such Code;

“(E) an individual retirement plan described in section 7701(a)(37) of such Code;

“(F) an eligible deferred compensation plan (as defined in section 457 of such Code);

“(G) a governmental plan (as defined in section 414(d) of such Code);

“(H) a trust described in section 501(c)(18) of such Code; or

“(I) any plan, program, or arrangement described in section 3121(v)(2)(C) of such Code, if such income—

“(i) is part of a series of substantially equal periodic payments (not less frequently than annually) made for—

“(I) the life or life expectancy of the recipient (or the joint lives or joint life expectancies of the recipient and the designated beneficiary of the recipient), or

“(II) a period of not less than 10 years, or

“(ii) is a payment received after termination of employment and under a plan, program, or arrangement (to which such employment relates) maintained solely for the purpose of providing retirement benefits for employees in excess of the limitations imposed by 1 or more of sections 401(a)(17), 401(k), 401(m), 402(g), 403(b), 408(k), or 415 of such Code or any other limitation on contributions or benefits in such Code on plans to which any of such sections apply.

Such term includes any retired or retainer pay of a member or former member of a uniform service computed under chapter 71 of title 10, United States Code.

“(2) The term ‘income tax’ has the meaning given such term by section 110(c).

“(3) The term ‘State’ includes any political subdivision of a State, the District of Columbia, and the possessions of the United States.

“(e) Nothing in this section shall be construed as having any effect on the application of section 514 of the Employee Retirement Income Security Act of 1974.”.

(b) CONFORMING AMENDMENT.—The table of sections for chapter 4 of title 4, United States Code, is amended by adding at the end the following:

“114. Limitation on State income taxation of certain pension income”.

4 USC 114 note.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1995.

Approved January 10, 1996.

LEGISLATIVE HISTORY—H.R. 394:

HOUSE REPORTS: No. 104-389 (Comm. on the Judiciary).

CONGRESSIONAL RECORD, Vol. 141 (1995):

Dec. 18, considered and passed House.

Dec. 22, considered and passed Senate.