

ASSEMBLY BILL NO. 563—COMMITTEE ON GOVERNMENT AFFAIRS

MARCH 26, 2001

Referred to Committee on Government Affairs

SUMMARY—Authorizes additional deferred compensation plan for state employees and employees of political subdivisions. (BDR 23-1345)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to public employees; authorizing an additional deferred compensation plan for state and employees of political subdivisions; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 287.270 is hereby amended to read as follows:
- 2 287.270 “Deferred compensation” means income which a state
- 3 employee or employee of the University and Community College System
- 4 of Nevada may legally set aside under 26 U.S.C. § *401(a)*, 401(k), 403(b)
- 5 or 457 and which, while invested under the program, is exempt from
- 6 federal income taxes on the employee’s contributions and interest,
- 7 dividends and capital gains.
- 8 **Sec. 2.** NRS 287.320 is hereby amended to read as follows:
- 9 287.320 1. The state may agree with any of its employees, and the
- 10 board of regents of the University of Nevada may agree with any of its
- 11 employees, to defer the compensation due to them in accordance with a
- 12 program approved by the committee and as authorized by 26 U.S.C. §
- 13 *401(a)*, 401(k), 403(b) or 457. The board of regents may agree with any of
- 14 its employees to defer the compensation due to them as authorized by 26
- 15 U.S.C. § 403(b) without submitting the program to the committee for its
- 16 approval.
- 17 2. The employer shall withhold the amount of compensation which an
- 18 employee has, by such an agreement, directed the employer to defer.
- 19 3. The employer may invest the withheld money in any investment
- 20 approved by the committee or, in the case of deferred compensation under
- 21 26 U.S.C. § 403(b) for employees of the University and Community
- 22 College System of Nevada , by the board of regents of the University of
- 23 Nevada.



1 4. The investments must be underwritten and offered in compliance
2 with all applicable federal and state laws and regulations, and may be
3 offered only by persons who are authorized and licensed under all
4 applicable state and federal regulations.

5 5. All amounts of compensation deferred pursuant to the program, all
6 property and all rights purchased with those amounts and all income
7 attributable to those amounts, property or rights must, in accordance with
8 26 U.S.C. § 401(a) or 457(g), be held in trust for the exclusive benefit of
9 the participants in the program and their beneficiaries.

10 **Sec. 3.** NRS 287.340 is hereby amended to read as follows:

11 287.340 1. Deferrals of compensation may be withheld as deductions
12 from the payroll in accordance with the agreement between the employer
13 and a participating employee.

14 2. The amount of deferred compensation set aside by the employer
15 under the program during any calendar year may not exceed the amount
16 authorized by 26 U.S.C. § 401(a), 401(k), 403(b) or 457.

17 **Sec. 4.** NRS 287.350 is hereby amended to read as follows:

18 287.350 1. No program becomes effective and no deferral may be
19 made until the program meets the requirements of 26 U.S.C. § 401(a),
20 401(k), 403(b) or 457 for eligibility.

21 2. Income deferred during a period in which no income tax is imposed
22 by the state or a political subdivision may not be taxed when paid to the
23 employee.

24 **Sec. 5.** NRS 287.401 is hereby amended to read as follows:

25 287.401 "Deferred compensation" means income which an employee
26 of a political subdivision may legally set aside under 26 U.S.C. § 401(a),
27 401(k) or 457 and which, while invested under the program, is exempt
28 from federal income taxes on the employee's contributions and interest,
29 dividends and capital gains.

30 **Sec. 6.** NRS 287.420 is hereby amended to read as follows:

31 287.420 1. A political subdivision may agree with any of its
32 employees to defer the compensation due to them in accordance with a
33 program approved by the committee and as authorized by 26 U.S.C. §
34 401(a) or 457.

35 2. The political subdivision shall withhold the amount of compensation
36 which an employee has, by such an agreement, directed the political
37 subdivision to defer.

38 3. The political subdivision may invest the withheld money in any
39 investment permitted by law and approved by the committee.

40 4. The investments must be underwritten and offered in compliance
41 with all applicable federal and state laws and regulations, and may be
42 offered only by persons who are authorized and licensed under all
43 applicable state and federal regulations.

44 **Sec. 7.** NRS 287.430 is hereby amended to read as follows:

45 287.430 1. The governing body of a political subdivision may create
46 an appropriate fund for administration of money and other assets resulting
47 from compensation deferred under the program.

48 2. All amounts of compensation deferred pursuant to the program, all
49 property and rights purchased with those amounts, and all income



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1 attributable to those amounts, property or rights must, in accordance with
2 26 U.S.C. § **401(a) or** 457(g), be held in trust for the exclusive benefit of
3 the participants in the program and their beneficiaries.

4 **Sec. 8.** NRS 287.450 is hereby amended to read as follows:

5 287.450 1. Deferrals of compensation may be withheld as payroll
6 deductions in accordance with the agreement between the political
7 subdivision and a participating employee.

8 2. The amount of deferred compensation set aside by the political
9 subdivision under the program during any calendar year may not exceed
10 the amount authorized by 26 U.S.C. § **401(a) or** 457.

11 **Sec. 9.** NRS 287.460 is hereby amended to read as follows:

12 287.460 1. No program becomes effective and no deferral may be
13 made until the program meets the requirements of 26 U.S.C. § **401(a) or**
14 457 for eligibility.

15 2. Income deferred during a period in which no income tax is imposed
16 by the state or a political subdivision may not be taxed when paid to the
17 employee.

18 **Sec. 10.** This act becomes effective upon passage and approval.

