BILL ANALYSIS

H.B. 2341
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Pensions & Investments
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In November 2004, the U.S. Department of the Treasury, Internal Revenue Service (IRS) proposed regulations that would increase the responsibility of public school districts and other employers for retirement plans offered under Section 403(b) of the Internal Revenue Code. Some Texas school districts offer 403(b) plans to their employees as the primary vehicle for voluntary tax-deferred payroll savings.

Current Texas law prohibits public school districts and other educational institutions from imposing restrictions on companies offering 403(b) accounts in these plans. Thus, school districts face the possibility that they will be required, under federal law, to take more responsibility for their plans beginning January 1, 2007, but will be prohibited by Texas law from implementing the controls necessary to comply.

This bill removes a potential conflict between federal and state law by allowing a school district or other educational institution to refuse to accept a 403(b) plan payroll reduction request under certain circumstances.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

This bill allows an educational institution to refuse to enter into a salary reduction agreement with an employee if the eligible qualified instrument that is the subject of the agreement is offered by a company and does not comply with the educational institution's administrative requirements so long as those administrative requirements are imposed uniformly on all companies that offer eligible qualified investment products and are necessary to comply with employer responsibilities imposed by Section 403(b), Internal Revenue Code of 1986, or any other provisions of the IRS Code.

EFFECTIVE DATE

September 1, 2007.