

AN ACT

relating to the authority of political subdivisions to offer certain deferred compensation plans to employees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsection (a), Section 609.006, Government Code, is amended to read as follows:

(a) A deferred compensation plan must conform to federal law to provide that deferred amounts and investment income are not includable, for federal income tax purposes, in the gross income of a participating employee until distributed to the employee, subject to the employee's option to designate or convert all or a portion of deferred amounts as or to Roth contributions under Section 609.1025 or 609.5021, as applicable, the federal income tax treatment of which is governed by Section 402A, Internal Revenue Code of 1986.

SECTION 2. Subchapter B, Chapter 609, Government Code, is amended by adding Section 609.1025 to read as follows:

Sec. 609.1025. ROTH CONTRIBUTION PROGRAMS. A political subdivision may:

(1) establish a qualified Roth contribution program in accordance with Section 402A, Internal Revenue Code of 1986, under which an employee may:

(A) designate all or a portion of the employee's contribution under a 401(k) plan as a Roth contribution at the time the contribution is made; or

1 (B) convert all or a portion of the employee's
2 previous contribution under the plan to a Roth contribution; and

3 (2) if authorized by federal law, establish a program
4 in accordance with the applicable federal law under which an
5 employee may:

6 (A) designate all or a portion of the employee's
7 contribution under a 457 plan as a Roth contribution at the time the
8 contribution is made; or

9 (B) convert all or a portion of the employee's
10 previous contribution under the plan to a Roth contribution.

11 SECTION 3. Subchapter B, Chapter 609, Government Code, is
12 amended by adding Section 609.1175 to read as follows:

13 Sec. 609.1175. LOANS UNDER 457 PLAN. The plan
14 administrator of a 457 plan may develop and implement procedures to
15 efficiently administer a program under the plan that allows a
16 qualified vendor to lend money to a participating employee.

17 SECTION 4. (a) The legislature validates an act taken
18 before the effective date of this Act by a political subdivision to
19 establish and administer:

20 (1) a qualified Roth contribution program in
21 accordance with Section 402A, Internal Revenue Code of 1986;

22 (2) a program in accordance with federal law under
23 which an employee may designate or convert all or a portion of the
24 employee's contribution under a 457 plan as or to a Roth
25 contribution at the time the contribution is made; or

26 (3) a loan program under a 457 plan.

27 (b) Subsection (a) of this section does not apply to a

1 matter that on the effective date of this Act:

2 (1) is involved in litigation, if the litigation
3 ultimately results in the matter being held invalid by a final court
4 judgment; or

5 (2) has been held invalid by a final court judgment.

6 SECTION 5. This Act takes effect immediately if it receives
7 a vote of two-thirds of all the members elected to each house, as
8 provided by Section 39, Article III, Texas Constitution. If this
9 Act does not receive the vote necessary for immediate effect, this
10 Act takes effect September 1, 2013.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 366 passed the Senate on March 27, 2013, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 366 passed the House on May 2, 2013, by the following vote: Yeas 147, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor