

Revenue Ruling No. 08-007
June 13, 2008
Individual Income Tax

Taxability of Money Transferred from the Teachers' Retirement System of Louisiana Account into an Individual Retirement Account (IRA)

Purpose

The purpose of this Revenue Ruling is to address whether or not money transferred from a Teachers' Retirement System of Louisiana account into an individual retirement account (IRA) will be taxable for Louisiana individual income tax purposes and whether these amounts will be taxable for Louisiana income tax purposes when subsequently withdrawn from the IRA.

Background/Analysis

Louisiana Revised Statute 11:704 provides for a state tax exemption for benefits paid out under the provisions of Chapter 2, Subtitle II, of Title 11.

The right of a person to a pension, an annuity, or a retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or any other right accrued or accruing to any person under the provisions of this Chapter, and the monies in various funds created by this Chapter are exempt from any state or municipal tax, all state income tax, and exempt from levy and sale, garnishment, attachment, or any other process whatsoever, except as provided in R.S. 11:291 and 292 and shall be unassignable except as otherwise specifically provided in this Chapter. The exemption provided herein is also applicable to cases filed under any operative chapter of the United States Bankruptcy Code (11 U.S.C.).

Monies in Teachers' Retirement System of Louisiana accounts qualify as retirement benefits or allowances under the statute and are exempt from Louisiana individual income tax when withdrawn from the account. However, disbursements from other retirement accounts such as IRAs are not benefits paid under the provisions of Chapter 2, Subtitle II, of Title 11 of the Revised Statutes, and the Louisiana Revised Statutes do not otherwise provide an exemption for disbursements from IRAs.

Ruling

For Louisiana individual income tax purposes, retirement benefits paid under the provisions of Chapter 2, Subtitle II, of Title 11 of the Louisiana Revised Statutes, including disbursements of money from Teachers' Retirement System of Louisiana accounts, are exempt from state taxation. However, once funds are transferred to an IRA, any payments from the IRA are not exempt under the provisions of Chapter 2, Subtitle II, of Title 11.

Cynthia Bridges

Secretary

A Revenue Ruling is issued under the authority of LAC 61:III.101.C. A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.