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STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
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ARNOLD SCHWARZENEGGER
GOVERNOR

April 7, 2009

ALL COUNTY INFORMATION NOTICE NO. I-28-09

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by
One or More Counties
- Initiated by CDSS

TO: ALL COUNTY WELFARE DIRECTORS
ALL FOOD STAMP PROGRAM COORDINATORS
ALL CONSORTIUM PROJECT MANAGERS

SUBJECT: CLARIFICATION OF TAX PREFERRED RETIREMENT
ACCOUNTS DUE TO CHANGES IN THE FOOD,
CONSERVATION, AND ENERGY ACT OF 2008 (P.L. 110-246)
CERTIFICATION PROVISIONS (FARM BILL OF 2008).

REFERENCE: FOOD AND NUTRITION SERVICE, ADMINISTRATIVE NOTICE
08-32; ALL COUNTY LETTER 08-37; ALL COUNTY
INFORMATION NOTICE I-55-08.

The purpose of this letter is to provide more detailed information regarding tax-preferred excluded resources as a result of changes in the Farm Bill of 2008.

Tax-Preferred Retirement Plans, Contracts and Accounts

Attached is a chart which gives a listing of tax-preferred retirement savings vehicles which are now excluded as resources in the Food Stamp Program. The chart also includes a description of each account and its source of investment. Several specific types of retirement plans, contracts and accounts are described, such as those in Sections 401(a), 403(a) and (b), 408(k) and (p), 457(b), 501(c)(18) of the Internal Revenue Code (Title 26 of the United States Code), and accounts offered by the federal government to its employees under Section 8439 of Title 5 of the United States Code. Other retirement programs or accounts are excluded if the county welfare department considers the account to be exempt from tax under the Internal Revenue Code.

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If you have any questions regarding this letter, please contact Alicia Thomason of the Food Stamp Policy Implementation Unit, at (916) 657-2630, or via email at: alicia.thomason@dss.ca.gov.

Sincerely,

Original Document Signed By:

CHRISTINE WEBB-CURTIS, Chief
Food Stamp Branch

Attachments

**Summary of Exempt Tax-Preferred Saving Vehicles
That are Exempt for Food Stamp Purposes**

Authorized	Plan/Account	What Is it?
26 USC Section 401 IRC Section 401	Traditional Defined-Benefit Plan	Employer-based retirement plan that promises retirees a certain benefit upon retirement, regardless of investment performance.
26 USC Section 401(a) IRC Section 401(a)	Cash Balance Plan	Employer-based "hybrid" plan that combines features of defined benefit and defined contribution plans. Each employee is allocated a hypothetical account, but account balances accrue at a specified rate, rather than depending on investment performance.
26 USC Section 401(a) IRC Section 401(a)	Employee Stock Ownership Plan	Similar to a profit-sharing plan that must be primarily invested in the employer's stock and under which distributed benefits must be offered in the form of the employer's stock.
26 USC Section 401(a) IRC Section 401(a)	Keogh Plan	"Informal" term for retirement plans available to self-employed people.
26 USC Section 401(a) IRC Section 401(a)	Money Purchase Pension Plan	Employer-based defined contribution plan under which annual contributions are fixed by a set formula.
26 USC Section 401(a) IRC Section 401(a)	Profit-Sharing Plan	Employer-based defined contribution plan under which employer contributions may, but need not be, linked to profits. Usually refers to non-matching employer contributions.

Summary of Exempt Tax-Preferred Saving Vehicles
That are Exempt for Food Stamp Purposes

Authorized	Plan/Account	What Is it?
26 USC Section 401(a) IRC Section 401(a)	Simple 401(k)	401(k)-type plans available only to small businesses: exempt from certain restrictions and subject to some limitations on employer contributions.
26 USC Section 401(a) IRC Section 401(a)	401(k)	Defined contribution plan that allows employees to defer receiving compensation in order to have the amount contributed to the plan. Commonly referred to as a “cash or deferred arrangement” (CODA). Some 401(k) plans allow after-tax Roth 401(k) contributions.
26 USC Section 403(a) IRC Section 403(a)	403(a)	Plans that are similar to 401(a) plans but are funded through annuity insurance.
26 USC Section 403(b) IRC Section 403(b)	403(b)	Tax-sheltered annuity or custodial account plan offered by tax-exempt section 501(c) organizations or public schools. Many are funded by employee contributions that resemble 401(k)s.
26 USC Section 408 IRC Section 408	IRA	Vehicle for tax-deferred retirement savings controlled by individuals rather than employers.
26 USC Section 408(p) IRC Section 408(p)	Simple retirement account IRA	Employer-based IRA (to which employers and employees contribute) available only to small businesses.

**Summary of Exempt Tax-Preferred Saving Vehicles
That are Exempt for Food Stamp Purposes**

Authorized	Plan/Account	What Is it?
26 USC Section 408(k) IRC Section 408(k)	Simplified Employee Pension Plan (SEP)	Employer-sponsored plan available only to small businesses; allows employer to contribute to employee accounts that function as IRAs and are subject mostly to IRA rules. Generally ceased to apply in 1996.
26 USC Section 408A IRC Section 408A	Roth IRA	Same as IRA, except that qualified distributions are tax exempt.
26 USC Section 457(b) IRC Section 457(b)	Eligible 457(b) Plan	Funded plan offered by state and local governments or unfunded plan offered by nonprofit organizations.
26 USC Section 501(c)(18) IRC Section 501(c)(18)	501(c)18 Plan	Plan offered mostly by unions. Had to be set by June 1959 and are now largely obsolete.
Title 5 USC Section 8439	Federal Thrift Savings Plan	A 401(k)-type plan offered by the federal government to its employees.
Title 26 USC IRC	Any successor or similar provision that may be enacted and determined to be exempt from tax.	Tax-preferred retirement plans, contracts or accounts.