

Senate Bill No. 1689

CHAPTER 402

An act to amend Section 32425 of the Education Code, to add Section 17131.2 to the Revenue and Taxation Code, and to amend Section 2629.5 of the Unemployment Insurance Code, relating to settlements, and making an appropriation therefor.

[Filed with Secretary of State September 09, 2004. Approved
by Governor September 09, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1689, Poochigian. Settlements: **Armenian genocide**.

(1) Existing law establishes programs for education grants, priorities, and program enrollments, and state disability insurance benefits.

This bill would exclude settlement payments, as defined, received by an eligible individual, defined as a person persecuted by the regime that was in control of the Ottoman Turkish Empire from 1915 until 1923, or the individual's heirs or estate, and any excludable interest, as defined, from the determination of the individual's eligibility for state education grants, priorities, and program enrollments, and for state disability insurance benefits, to the extent permitted by federal law.

(2) The Personal Income Tax Law imposes a tax on individual taxpayers measured by the amount of the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax.

This bill would, for taxable years beginning on or after January 1, 2005, exclude from the determination of state personal income taxes excludable settlement payments, as defined, of eligible individuals, as defined.

(3) Under existing law, moneys in the Disability Fund, a special fund, are continuously appropriated to the Employment Development Department for purposes of paying disability benefits.

Because this bill would expand eligibility for disability benefits, it would constitute an appropriation.

DIGEST KEY

Appropriation: yes

BILL TEXT

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1.

Section 32425 of the Education Code is amended to read:

32425.

To the extent permitted by federal law, excludable restitution payments, as defined in Section 17131.1 of the Revenue and Taxation Code, and excludable settlement payments, as defined in Section 17131.2 of the Revenue and Taxation Code, are not included in the income or resources of an individual who is eligible for the exclusion under Section 17131.1 or 17131.2 of the Revenue and Taxation Code, for determining eligibility for any grant, enrollment, or priority for services in any program under this code.

SEC. 2.

Section 17131.2 is added to the Revenue and Taxation Code, to read:

17131.2.

(a) Gross income does not include any excludable settlement payments received by an eligible individual (or the individual's heirs or estate) and any excludable interest.

(b) For purposes of this section:

(1) The basis of any property received by an eligible individual (or the individual's heirs or estate) as part of an excludable settlement payment shall be the fair market value of that property as of the time of the receipt.

(2) "Eligible individual" means a person who was persecuted on the basis of race or religion by the regime that was in control of the Ottoman Turkish Empire from 1915 through 1923.

(3) "Excludable settlement payment" means any payment or distribution to an individual (or the individual's heirs or estate) that is any of the following:

(A) Is payable by reason of the individual's status as an eligible individual, including any amount payable by any foreign or domestic entity or a fund established by any entity, any amount payable as a result of a

final resolution of a legal action, and any amount payable under a law providing for payments or restitution of property.

(B) Constitutes compensation to the individual from 1915 until 1923, by reason of the individual's status as an eligible individual, including any proceeds of insurance under policies issued on eligible individuals immediately before 1915 and during the time period from 1915 until 1923.

(C) Consists of interest that is payable as part of any payment or distribution described in subparagraph (A) or (B).

(4) "Excludable interest" means any interest earned by any of the following:

(A) A fund to benefit eligible individuals or their heirs created by an international commission or an international organization.

(B) A fund subject to the administration of the United States courts created to provide excludable settlement payments to eligible individuals (or eligible individuals' heirs or estates).

(c) (1) This section applies to any amount received on or after January 1, 2005.

(2) This section may not be construed to create any inference with respect to the proper tax treatment of any amount received before January 1, 2005.

SEC. 3.

Section 2629.5 of the Unemployment Insurance Code is amended to read:

2629.5.

To the extent permitted by federal law, excludable restitution payments, as defined in Section 17131.1 of the Revenue and Taxation Code, and excludable settlement payments, as defined in Section 17131.2 of the Revenue and Taxation Code, may not be applied to reduce the amount of disability benefits to which an individual may otherwise be entitled under law.