



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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Dear

I apologize for the delay in responding to your inquiry dated March 17, 2004, on behalf of your constituent, Mr. . He wrote about the local government's taxation of his federal pension plan account and the authority of the city where he works to tax his account under federal laws.

The Internal Revenue Code (the Code) provides laws regulating the federal tax treatment of a variety of income items, including qualified retirement plan accounts. Although most states generally incorporate federal income tax rules into their own state income tax laws, neither they nor local governments are required, under federal laws, to parallel the provisions of the Code in exercising their taxing authority.

Because the IRS has jurisdiction only over federal tax laws and not state or local tax laws, the IRS cannot address questions about state and local governmental taxation of income, including pension plan accounts. Your constituent should address any question he has about local tax laws, including a city's authority to impose certain taxes under the laws of its state, to the proper state or city government authorities.

I hope this information is helpful. We would be pleased to answer any question about federal tax laws. Please contact at (if we can assist you further.

Sincerely,

Alan Tawshunsky
Assistant Chief Counsel, (Employee Benefits)
(Tax Exempt & Government Entities)