

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4215

To amend the Internal Revenue Code of 1986 to increase the deduction for retirement savings, to permit nonemployed spouses a full IRA deduction, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1994

Mr. BAKER of California (for himself, Mr. CRAPO, Mr. GALLEGLY, Mr. EMERSON, Mr. SOLOMON, Mr. STUMP, Mr. BARTLETT of Maryland, Mr. LEVY, Mr. LIPINSKI, Mr. DOOLITTLE, Mr. LIVINGSTON, Mr. COX, and Ms. ESHOO) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the deduction for retirement savings, to permit nonemployed spouses a full IRA deduction, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. MODIFICATIONS TO IRA DEDUCTION.**

4 (a) INCREASE IN MAXIMUM AMOUNT OF DEDUC-  
5 TION.—Subparagraph (A) of section 219(b)(1) of the In-  
6 ternal Revenue Code of 1986 (relating to maximum

1 amount of deduction) is amended by striking “\$2,000”  
2 and inserting “\$2,500”.

3 (b) INCREASE IN INCOME PHASEOUT LEVELS.—Sub-  
4 paragraph (B) of section 219(g)(3) of such Code is  
5 amended—

6 (1) by striking “\$40,000” and inserting  
7 “\$100,000”, and

8 (2) by striking “\$25,000” and inserting  
9 “\$50,000”.

10 (c) IRA DEDUCTION ALLOWED TO NONEMPLOYED  
11 SPOUSES.—Subsection (c) of section 219 of such Code is  
12 amended to read as follows:

13 “(c) SPECIAL RULES FOR CERTAIN MARRIED INDI-  
14 VIDUALS.—

15 “(1) IN GENERAL.—In the case of an individual  
16 to whom this paragraph applies for the taxable year,  
17 the limitation of paragraph (1) of subsection (b)  
18 shall be equal to the lesser of—

19 “(A) \$2,500, or

20 “(B) the sum of—

21 “(i) the compensation includible in  
22 such individual’s gross income for the tax-  
23 able year, plus

24 “(ii) the compensation includible in  
25 the gross income of such individual’s

1 spouse for the taxable year reduced by the  
2 amount allowable as a deduction under  
3 subsection (a) to such spouse for such tax-  
4 able year.

5 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)  
6 APPLIES.—Paragraph (1) shall apply to any individ-  
7 ual if—

8 “(A) such individual files a joint return for  
9 the taxable year, and

10 “(B) the amount of compensation (if any)  
11 includible in such individual’s gross income for  
12 the taxable year is less than the compensation  
13 includible in the gross income of such individ-  
14 ual’s spouse for the taxable year.”

15 (d) INFLATION ADJUSTMENTS.—Subsection (f) of  
16 section 219 of such Code is amended by adding at the  
17 end thereof the following new paragraph:

18 “(8) INFLATION ADJUSTMENTS.—In the case of  
19 a taxable year beginning in a calendar year after  
20 1994, each dollar amount set forth in subsections  
21 (b)(1)(A), (c)(1)(A), and (g)(3)(B) shall be in-  
22 creased by an amount equal to—

23 “(A) such dollar amount, multiplied by

24 “(B) the cost-of-living adjustment deter-  
25 mined under section 1(f)(3) for such calendar

1 year by substituting ‘calendar year 1993’ for  
2 ‘calendar year 1992’ in subparagraph (B)  
3 thereof.

4 If any increase determined under the preceding sen-  
5 tence is not a multiple of \$100, such increase shall  
6 be rounded to the nearest multiple of \$100.”

7 (e) CONFORMING AMENDMENTS.—

8 (1) Subsections (a)(1) and (b) of section 408(a)  
9 of such Code are each amended by striking  
10 “\$2,000” and inserting “the dollar limitation in ef-  
11 fect under section 219(b)(1)(A)”.

12 (2) Subparagraph (A) of section 408(d)(5) of  
13 such Code is amended by striking “\$2,250” and in-  
14 sserting “the dollar limitation in effect under section  
15 219(b)(1)(A)”.

16 (3) Subsection (j) of section 408 of such Code  
17 is amended by striking “the \$2,000 amounts con-  
18 tained” and inserting “the dollar limitations referred  
19 to”.

20 (f) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 1993.

1 **SEC. 2. REPAYABLE DISTRIBUTIONS FROM INDIVIDUAL RE-**  
2 **TIREMENT ACCOUNTS FOR EDUCATIONAL**  
3 **EXPENSES AND FIRST-TIME HOMEBUYERS.**

4 (a) GENERAL RULE.—Section 408 of the Internal  
5 Revenue Code of 1986 (relating to individual retirement  
6 accounts) is amended by redesignating subsection (p) as  
7 subsection (q) and by inserting after subsection (o) the  
8 following new subsection:

9 “(p) REPAYABLE DISTRIBUTIONS FROM INDIVIDUAL  
10 RETIREMENT ACCOUNTS FOR EDUCATIONAL EXPENSES  
11 AND FIRST-TIME HOMEBUYERS.—

12 “(1) IN GENERAL.—Notwithstanding any other  
13 provision of this section, gross income shall not in-  
14 clude any qualified distribution.

15 “(2) REPAYMENT REQUIREMENT.—

16 “(A) ADDITION TO TAX.—If the required  
17 recontributions made by the taxpayer during  
18 the repayment period are less than the total re-  
19 quired repayment, the tax imposed by this  
20 chapter for the last taxable year in the repay-  
21 ment period shall be increased by the amount  
22 determined under subparagraph (B).

23 “(B) DETERMINATION OF AMOUNT.—The  
24 amount determined under this subparagraph  
25 shall be an amount which bears the same ratio  
26 to the adjusted tax amount as—

1           “(i) the required recontributions dur-  
2           ing the repayment period, bear to

3           “(ii) the total required repayment.

4           “(C) TOTAL REQUIRED REPAYMENT.—For  
5           purposes of this paragraph, the term ‘total re-  
6           quired repayment’ means the sum of—

7           “(i) the qualified distribution, plus

8           “(ii) interest on the non-recontributed  
9           balance of such distribution for the repay-  
10          ment period computed at the prime rate  
11          and compounded annually.

12          “(D) REPAYMENT PERIOD.—For purposes  
13          of this paragraph, the term ‘repayment period’  
14          means, with respect to any qualified distribu-  
15          tion, the taxable year in which such distribution  
16          is received and the 15 succeeding taxable years  
17          (10 succeeding taxable years in the case of a  
18          qualified distribution described in paragraph  
19          (3)(B)).

20          “(E) ADJUSTED TAX AMOUNT.—For pur-  
21          poses of this paragraph, the term ‘adjusted tax  
22          amount’ means, with respect to any qualified  
23          distribution, the sum of—

24          “(i) the aggregate reduction in the tax  
25          imposed by this chapter for the taxable

1 year in which such distribution is received  
2 by reason of the exclusion under paragraph  
3 (1), and

4 “(ii) interest on the amount of such  
5 reduction for the repayment period com-  
6 puted at the prime rate and compounded  
7 annually.

8 “(F) PRIME RATE.—For purposes of this  
9 paragraph, the term ‘prime rate’ means the av-  
10 erage predominant prime rate quoted by com-  
11 mercial banks to large business, as determined  
12 by the Board of Governors of the Federal Re-  
13 serve System.

14 “(3) QUALIFIED DISTRIBUTION.—For purposes  
15 of this paragraph, the term ‘qualified distribution’  
16 means any distributions to an individual from an in-  
17 dividual retirement plan—

18 “(A) if such distributions are qualified  
19 first-time homebuyer distributions, or

20 “(B) to the extent such distributions do  
21 not exceed the qualified higher education ex-  
22 penses of the taxpayer for the taxable year in  
23 which received.

24 The term ‘qualified distribution’ shall not include  
25 any distribution to the extent such distribution re-

1       duces the balance of the amounts in individual re-  
2       tirement plans of the taxpayer below \$1,000.

3               “(4) QUALIFIED FIRST-TIME HOMEBUYER DIS-  
4       TRIBUTIONS.—For purposes of this subsection—

5                       “(A) IN GENERAL.—The term ‘qualified  
6       first-time homebuyer distribution’ means any  
7       payment or distribution received by an individ-  
8       ual to the extent such payment or distribution  
9       is used by the individual before the close of the  
10      60th day after the day on which such payment  
11      or distribution is received to pay qualified ac-  
12      quisition costs with respect to a principal resi-  
13      dence of a first-time homebuyer who is such in-  
14      dividual or the spouse, child, or grandchild of  
15      such individual.

16                      “(B) QUALIFIED ACQUISITION COSTS.—  
17      For purposes of this paragraph, the term  
18      ‘qualified acquisition costs’ means the costs of  
19      acquiring, constructing, or reconstructing a res-  
20      idence. Such term includes any usual or reason-  
21      able settlement, financing, or other closing  
22      costs.

23                      “(C) FIRST-TIME HOMEBUYER; OTHER  
24      DEFINITIONS.—For purposes of this paragraph:

1           “(i) FIRST-TIME HOMEBUYER.—The  
2 term ‘first-time homebuyer’ means any in-  
3 dividual if—

4           “(I) such individual (and if mar-  
5 ried, such individual’s spouse) had no  
6 present ownership interest in a prin-  
7 cipal residence during the 3-year pe-  
8 riod ending on the date of acquisition  
9 of the principal residence to which  
10 this paragraph applies, and

11           “(II) subsection (a)(6), (h), or  
12 (k) of section 1034 did not suspend  
13 the running of any period of time  
14 specified in section 1034 with respect  
15 to such individual on the day before  
16 the date the distribution is applied  
17 pursuant to subparagraph (A)(ii).

18           “(ii) PRINCIPAL RESIDENCE.—The  
19 term ‘principal residence’ has the same  
20 meaning as when used in section 1034.

21           “(iii) DATE OF ACQUISITION.—The  
22 term ‘date of acquisition’ means the date—

23           “(I) on which a binding contract  
24 to acquire the principal residence to

1           which subparagraph (A) applies is en-  
2           tered into, or

3                   “(II) on which construction or re-  
4                   construction of such a principal resi-  
5                   dence is commenced.

6                   “(D) SPECIAL RULE WHERE DELAY IN AC-  
7                   QUISITION.—If any distribution from any indi-  
8                   vidual retirement plan fails to meet the require-  
9                   ments of subparagraph (A) solely by reason of  
10                  a delay or cancellation of the purchase or con-  
11                  struction of the residence, the amount of the  
12                  distribution may be contributed to an individual  
13                  retirement plan as provided in subsection  
14                  (d)(3)(A)(i) (determined by substituting ‘120  
15                  days’ for ‘60 days’ in such section), except  
16                  that—

17                   “(i) subsection (d)(3)(B) shall not be  
18                   applied to such contribution, and

19                   “(ii) such amount shall not be taken  
20                   into account in determining whether sub-  
21                   section (d)(3)(A)(i) applies to any other  
22                   amount.

23                   “(5) QUALIFIED HIGHER EDUCATION EX-  
24                   PENSES.—For purposes of this subsection:

1           “(A) IN GENERAL.—The term ‘qualified  
2 higher education expenses’ means tuition, fees,  
3 books, supplies, and equipment required for the  
4 enrollment or attendance of—

5                   “(i) the taxpayer,

6                   “(ii) the taxpayer’s spouse, or

7                   “(iii) the taxpayer’s child (as defined  
8 in section 151(c)(3)) or grandchild,  
9 at an eligible educational institution (as defined  
10 in section 135(c)(3)).

11           “(B) COORDINATION WITH SAVINGS BOND  
12 PROVISIONS.—The amount of qualified higher  
13 education expenses for any taxable year shall be  
14 reduced by any amount excludable from gross  
15 income under section 135.

16           “(6) RECONTRIBUTION OF QUALIFIED DIS-  
17 TRIBUTIONS.—

18           “(A) IN GENERAL.—If an individual re-  
19 ceived a qualified distribution, such individual  
20 shall make required recontributions to an indi-  
21 vidual retirement plan in the manner provided  
22 in this paragraph.

23           “(B) METHOD OF MAKING RECON-  
24 TRIBUTION.—Any required retribution—

1           “(i) shall be made during the repay-  
2           ment period for the qualified distribution,

3           “(ii) shall not exceed the required re-  
4           payment amount reduced by any prior  
5           recontribution under this paragraph with  
6           respect to such distribution, and

7           “(iii) shall be made by making a pay-  
8           ment in cash for the benefit of such indi-  
9           vidual to an individual retirement plan.

10           An individual making a required recontribution  
11           under this paragraph shall designate (in the  
12           manner prescribed by the Secretary) such con-  
13           tribution as a required recontribution under  
14           this paragraph and shall specify the qualified  
15           distribution in respect of which such  
16           recontribution is being made.

17           “(C) TREATED AS ROLLOVER CONTRIBU-  
18           TION.—For purposes of this title, any required  
19           recontribution under this paragraph shall be  
20           treated as a rollover contribution described in  
21           subsection (d)(3).

22           “(7) OTHER SPECIAL RULES.—

23           “(A) BASIS RULES NOT AFFECTED.—The  
24           tax treatment under this chapter of any dis-  
25           tribution (other than a qualified distribution)

1 shall be determined as if this subsection had  
2 not been enacted.

3 “(B) AGGREGATION RULES.—For purposes  
4 of this subsection—

5 “(i) all qualified distributions de-  
6 scribed in paragraph (3)(A) received by an  
7 individual during a taxable year shall be  
8 treated as a single distribution so de-  
9 scribed, and

10 “(ii) all qualified distributions de-  
11 scribed in paragraph (3)(B) received by an  
12 individual during a taxable year shall be  
13 treated as a single distribution so de-  
14 scribed.”

15 (b) EFFECTIVE DATE.—The amendment made by  
16 this subsection shall apply to distributions received in tax-  
17 able years beginning after December 31, 1993.

○