

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 334

To amend the Internal Revenue Code of 1986 to encourage savings by increasing the amount of deductible contributions which may be made to an individual retirement account.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

Mr. NEAL of Massachusetts 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 encourage savings by increasing the amount of deductible contributions which may be made to an individual retirement account.

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. SHORT TITLE.**

4 This Act may be cited as the “Individual Retirement  
5 Improvement Act of 1995”.

1 **SEC. 2. ACTIVE PARTICIPANTS ALLOWED DEDUCTIONS FOR**  
2 **50 PERCENT OF CONTRIBUTIONS.**

3 (a) GENERAL RULE.—Paragraph (1) of section  
4 219(g) of the Internal Revenue Code of 1986 (relating to  
5 limitation on deduction of active participants in certain  
6 pension plans) is amended to read as follows:

7 “(1) IN GENERAL.—If (for any part of any plan  
8 year ending with or within a taxable year) an indi-  
9 vidual or the individual’s spouse is an active partici-  
10 pant, the amount allowed as a deduction under sub-  
11 section (a) for such taxable year shall be the sum  
12 of—

13 “(A) 100 percent of the amount which  
14 would have been allowable for such taxable year  
15 if each of the dollar limitations contained in  
16 subsections (b)(1)(A) and (c)(2) were reduced  
17 (but not below zero) by the amount determined  
18 under paragraph (2), plus

19 “(B) 50 percent of the excess of—

20 “(i) the amount which would have  
21 been allowable for such taxable year with-  
22 out regard to this subsection, over

23 “(ii) the amount determined under  
24 subparagraph (A).

25 The percentage in subparagraph (B) shall be re-  
26 duced (but not below 25 percent) by 1 percentage

1 point for each \$1,000 (or fraction thereof) by which  
2 the adjusted gross income of the taxpayer for the  
3 taxable year exceeds \$200,000.”

4 (b) EFFECTIVE DATE.—The amendment made by  
5 this section shall apply to contributions for taxable years  
6 beginning after December 31, 1994.

7 **SEC. 3. HOMEMAKERS ELIGIBLE FOR FULL IRA DEDUC-**  
8 **TION.**

9 (a) SPOUSAL IRA COMPUTED ON BASIS OF COM-  
10 PENSATION OF BOTH SPOUSES.—Subsection (c) of section  
11 219 of the Internal Revenue Code of 1986 (relating to  
12 special rules for certain married individuals) is amended  
13 to read as follows:

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

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

20 “(A) \$2,000, or

21 “(B) the sum of—

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

1           “(ii) the compensation includible in  
2           the gross income of such individual’s  
3           spouse for the taxable year reduced by the  
4           amount allowable as a deduction under  
5           subsection (a) to such spouse for such tax-  
6           able year.

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

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

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

17           (b) IRA ALLOWED FOR SPOUSES WHO ARE NOT AC-  
18           TIVE PLAN PARTICIPANTS.—Section 219(g)(1) of the In-  
19           ternal Revenue Code of 1986 is amended by striking “or  
20           the individual’s spouse”.

21           (c) CONFORMING AMENDMENTS.—

22           (1) Paragraph (2) of section 219(f) of the In-  
23           ternal Revenue Code of 1986 (relating to other defi-  
24           nitions and special rules) is amended by striking

1 “subsections (b) and (c)” and inserting “subsection  
2 (b)”.

3 (2) Section 408(d)(5) of such Code is amended  
4 by striking “\$2,250” and inserting “\$2,000”.

5 (d) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 1994.

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