

104TH CONGRESS
1ST SESSION

H. R. 682

To amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 25, 1995

Mr. THOMAS of California (for himself and Mr. NEAL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, 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. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Savings and Investment Incentive Act of 1995”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 **TITLE I—RETIREMENT SAVINGS**
4 **INCENTIVES**
5 **Subtitle A—Restoration of IRA**
6 **Deduction**

7 **SEC. 101. RESTORATION OF IRA DEDUCTION.**

8 (a) PHASE-UP OF INCOME LIMITS.—

9 (1) IN GENERAL.—Subparagraph (B) of section
10 219(g)(3) (relating to applicable dollar amount) is
11 amended to read as follows:

12 “(B) APPLICABLE DOLLAR AMOUNT.—The
13 term ‘applicable dollar amount’ means the fol-
14 lowing:

15 “(i) In the case of a taxpayer filing a
16 joint return:

“For taxable years beginning in:	The applicable dollar amount is:
1995	\$65,000
1996	\$90,000
1997	\$115,000
1998	\$140,000.

17 “(ii) In the case of any other taxpayer
18 (other than a married individual filing a
19 separate return):

“For taxable years beginning in:	The applicable dollar amount is:
1995	\$50,000
1996	\$75,000
1997	\$100,000
1998	\$125,000.

1 “(iii) In the case of a married individ-
2 ual filing a separate return, zero.”.

3 (2) UNLINKING OF SPOUSAL RULE.—Paragraph
4 (1) of section 219(g) (relating to limitation on de-
5 duction for active participants in certain pension
6 plans) is amended by striking “or the individual’s
7 spouse”.

8 (b) TERMINATION OF INCOME LIMITS.—

9 (1) IN GENERAL.—Section 219 (relating to de-
10 duction for retirement savings), as amended by sec-
11 tion 102, is amended by striking subsection (g) and
12 by redesignating subsections (h) and (i) as sub-
13 section (g) and (h), respectively.

14 (2) TECHNICAL AND CONFORMING AMEND-
15 MENTS.—

16 (A) Subsection (f) of section 219 is amend-
17 ed by striking paragraph (7).

18 (B) Paragraph (5) of section 408(d) is
19 amended by striking the last sentence.

20 (C) Section 408(o) is amended by adding
21 at the end the following new paragraph:

22 “(5) TERMINATION.—This subsection shall not
23 apply to any designated nondeductible contribution
24 for any taxable year beginning after December 31,
25 1998.”.

1 (D) Section 408A(c)(2)(A), as added by
2 section 111, is amended by striking “(computed
3 without regard to subsections (b)(4) and (g) of
4 such section)” and inserting “(computed with-
5 out regard to section 219(b)(4))”.

6 (E) Subsection (b) of section 4973 is
7 amended by striking the last sentence.

8 (c) EFFECTIVE DATES.—

9 (1) PHASE-UP.—The amendments made by
10 subsection (a) shall apply to taxable years beginning
11 after December 31, 1994.

12 (2) TERMINATION.—The amendments made by
13 subsection (b) shall apply to taxable years beginning
14 after December 31, 1998.

15 **SEC. 102. INFLATION ADJUSTMENT FOR DEDUCTIBLE**
16 **AMOUNT.**

17 (a) IN GENERAL.—Section 219, as amended by sec-
18 tion 101(a), is amended by redesignating subsection (h)
19 as subsection (i) and by inserting after subsection (g) the
20 following new subsection:

21 “(h) COST-OF-LIVING ADJUSTMENTS.—

22 “(1) DEDUCTION AMOUNT.—

23 “(A) IN GENERAL.—In the case of any
24 taxable year beginning in a calendar year after
25 1995, the \$2,000 amount under subsection

1 (b)(1)(A) shall be increased by an amount equal
2 to the product of \$2,000 and the cost-of-living
3 adjustment for the calendar year.

4 “(B) ROUNDING TO NEXT LOWEST \$500.—
5 If the amount to which \$2,000 would be in-
6 creased under subparagraph (A) is not a mul-
7 tiple of \$500, such amount shall be rounded to
8 the next lowest multiple of \$500.

9 “(2) RELATED AMOUNTS.—Each of the dollar
10 amounts contained in subsection (c)(2) shall be in-
11 creased at the same time, and by the same amount,
12 as the increase under paragraph (1).

13 “(3) COST-OF-LIVING ADJUSTMENT.—For pur-
14 poses of this subsection:

15 “(A) IN GENERAL.—The cost-of-living ad-
16 justment for any calendar year is the percent-
17 age (if any) by which—

18 “(i) the CPI for such calendar year,
19 exceeds

20 “(ii) the CPI for 1994.

21 “(B) CPI FOR ANY CALENDAR YEAR.—The
22 CPI for any calendar year shall be determined
23 in the same manner as under section 1(f)(4).”.

24 (b) CONFORMING AMENDMENTS.—

1 “(i) the compensation includible in
2 such individual’s gross income for the tax-
3 able year, plus

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

10 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)
11 APPLIES.—Paragraph (1) shall apply to any individ-
12 ual if—

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

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

20 (b) CONFORMING AMENDMENTS.—

21 (1) Paragraph (2) of section 219(f) (relating to
22 other definitions and special rules) is amended by
23 striking “subsections (b) and (c)” and inserting
24 “subsection (b)”.

1 “(A) the maximum amount of elective de-
2 ferrals of the individual which are excludable
3 from gross income for the taxable year under
4 section 402(g)(1), over

5 “(B) the amount so excluded.”.

6 (b) CONFORMING AMENDMENT.—Section 219(c), as
7 amended by section 104, is amended by adding at the end
8 the following new paragraph:

9 “(3) CROSS REFERENCE.—

**“For reduction in paragraph (1) amount, see sub-
 section (b)(4).”.**

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 1994.

13 **Subtitle B—Nondeductible Tax-**
14 **Free IRAs**

15 **SEC. 111. ESTABLISHMENT OF NONDEDUCTIBLE TAX-FREE**
16 **INDIVIDUAL RETIREMENT ACCOUNTS.**

17 (a) IN GENERAL.—Subpart A of part I of subchapter
18 D of chapter 1 (relating to pension, profit-sharing, stock
19 bonus plans, etc.) is amended by inserting after section
20 408 the following new section:

21 **“SEC. 408A. IRA PLUS ACCOUNTS.**

22 “(a) GENERAL RULE.—Except as provided in this
23 section, an IRA Plus account shall be treated for purposes

1 of this title in the same manner as an individual retire-
2 ment plan.

3 “(b) IRA PLUS ACCOUNT.—For purposes of this
4 title, the term ‘IRA Plus account’ means an individual re-
5 tirement plan which is designated at the time of establish-
6 ment of the plan as an IRA Plus account.

7 “(c) TREATMENT OF CONTRIBUTIONS.—

8 “(1) NO DEDUCTION ALLOWED.—No deduction
9 shall be allowed under section 219 for a contribution
10 to an IRA Plus account.

11 “(2) CONTRIBUTION LIMIT.—The aggregate
12 amount of contributions for any taxable year to all
13 IRA Plus accounts maintained for the benefit of an
14 individual shall not exceed the excess (if any) of—

15 “(A) the maximum amount allowable as a
16 deduction under section 219 with respect to
17 such individual for such taxable year (computed
18 without regard to subsections (b)(4) and (g) of
19 such section), over

20 “(B) the amount so allowed.

21 “(3) ROLLOVER CONTRIBUTIONS.—

22 “(A) IN GENERAL.—No rollover contribu-
23 tion may be made to an IRA Plus account un-
24 less it is a qualified transfer.

1 “(B) COORDINATION WITH LIMIT.—A roll-
2 over contribution shall not be taken into ac-
3 count for purposes of paragraph (2).

4 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

5 “(1) IN GENERAL.—Except as provided in this
6 subsection, any amount paid or distributed out of an
7 IRA Plus account shall not be included in the gross
8 income of the distributee.

9 “(2) EXCEPTION FOR EARNINGS ON CONTRIBU-
10 TIONS HELD LESS THAN 5 YEARS.—

11 “(A) IN GENERAL.—Any amount distrib-
12 uted out of an IRA Plus account which consists
13 of earnings allocable to contributions made to
14 the account during the 5-year period ending on
15 the day before such distribution shall be in-
16 cluded in the gross income of the distributee for
17 the taxable year in which the distribution oc-
18 curs.

19 “(B) CROSS REFERENCE.—

**“For additional tax for early withdrawal, see sec-
 tion 72(t).**

20 “(C) ORDERING RULE.—

21 “(i) FIRST-IN, FIRST-OUT RULE.—
22 Distributions from an IRA Plus account
23 shall be treated as having been made—

1 “(I) first from the earliest con-
2 tribution (and earnings allocable
3 thereto) remaining in the account at
4 the time of the distribution, and

5 “(II) then from other contribu-
6 tions (and earnings allocable thereto)
7 in the order in which made.

8 “(ii) ALLOCATIONS BETWEEN CON-
9 TRIBUTIONS AND EARNINGS.—Any portion
10 of a distribution allocated to a contribution
11 (and earnings allocable thereto) shall be
12 treated as allocated first to the earnings
13 and then to the contribution.

14 “(iii) ALLOCATION OF EARNINGS.—
15 Earnings shall be allocated to a contribu-
16 tion in such manner as the Secretary may
17 by regulations prescribe.

18 “(iv) CONTRIBUTIONS IN SAME
19 YEAR.—Except as provided in regulations,
20 all contributions made during the same
21 taxable year may be treated as 1 contribu-
22 tion for purposes of this subparagraph.

23 “(3) ROLLOVERS.—

24 “(A) IN GENERAL.—Paragraph (2) shall
25 not apply to any distribution which is trans-

1 ferred in a qualified transfer to another IRA
2 Plus account.

3 “(B) CONTRIBUTION PERIOD.—For pur-
4 poses of paragraph (2), the IRA Plus account
5 to which any contributions are transferred from
6 another IRA Plus account shall be treated as
7 having held such contributions during any pe-
8 riod such contributions were held (or are treat-
9 ed as held under this subparagraph) by the ac-
10 count from which transferred.

11 “(4) SPECIAL RULES RELATING TO CERTAIN
12 TRANSFERS.—

13 “(A) IN GENERAL.—Notwithstanding any
14 other provision of law, in the case of a qualified
15 transfer to an IRA Plus account from an indi-
16 vidual retirement plan which is not an IRA
17 Plus account—

18 “(i) there shall be included in gross
19 income any amount which, but for the
20 qualified transfer, would be includible in
21 gross income, but

22 “(ii) section 72(t) shall not apply to
23 such amount.

24 “(B) TIME FOR INCLUSION.—In the case
25 of any qualified transfer which occurs before

1 January 1, 1997, any amount includible in
2 gross income under subparagraph (A) with re-
3 spect to such contribution shall be includible
4 ratably over the 4-taxable year period beginning
5 in the taxable year in which the amount was
6 paid or distributed out of the individual retire-
7 ment plan.

8 “(e) QUALIFIED TRANSFER.—For purposes of this
9 section, the term ‘qualified transfer’ means a transfer to
10 an IRA Plus account from another such account or from
11 an individual retirement plan but only if such transfer
12 meets the requirements of section 408(d)(3).”.

13 (b) EARLY WITHDRAWAL PENALTY.—Section 72(t),
14 as amended by section 201(c), is amended by adding at
15 the end the following new paragraph:

16 “(8) RULES RELATING TO IRA PLUS AC-
17 COUNTS.—In the case of an IRA Plus account under
18 section 408A—

19 “(A) this subsection shall only apply to
20 distributions out of such account which consist
21 of earnings allocable to contributions made to
22 the account during the 5-year period ending on
23 the day before such distribution, and

1 “(B) paragraph (2)(A)(i) shall not apply to
2 any distribution described in subparagraph
3 (A).”.

4 (c) EXCESS CONTRIBUTIONS.—Section 4973(b) is
5 amended by adding at the end the following new sentence:
6 “For purposes of paragraphs (1)(B) and (2)(C), the
7 amount allowable as a deduction under section 219 shall
8 be computed without regard to section 408A.”

9 (d) CONFORMING AMENDMENT.—The table of sec-
10 tions for subpart A of part I of subchapter D of chapter
11 1 is amended by inserting after the item relating to section
12 408 the following new item:

 “Sec. 408A. IRA Plus accounts.”.

13 (e) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall apply to taxable years beginning after Decem-
17 ber 31, 1994.

18 (2) QUALIFIED TRANSFERS IN 1994.—The
19 amendments made by this section shall apply to any
20 qualified transfer during any taxable year beginning
21 in 1994.

1 **TITLE II—PENALTY-FREE**
2 **DISTRIBUTIONS**

3 **SEC. 201. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**
4 **USED WITHOUT PENALTY TO PURCHASE**
5 **FIRST HOMES, TO PAY HIGHER EDUCATION**
6 **OR FINANCIALLY DEVASTATING MEDICAL EX-**
7 **PENSES, OR TO PAY LONG-TERM CARE IN-**
8 **SURANCE PREMIUMS.**

9 (a) IN GENERAL.—Paragraph (2) of section 72(t)
10 (relating to exceptions to 10-percent additional tax on
11 early distributions from qualified retirement plans) is
12 amended by adding at the end the following new subpara-
13 graph:

14 “(D) DISTRIBUTIONS FROM CERTAIN
15 PLANS FOR FIRST HOME PURCHASES, EDU-
16 CATIONAL EXPENSES, OR LONG-TERM CARE IN-
17 SURANCE EXPENSES.—Distributions to an indi-
18 vidual from an individual retirement plan, or
19 from amounts attributable to employer con-
20 tributions made pursuant to elective deferrals
21 described in subparagraph (A) or (C) of section
22 402(g)(3) or section 501(c)(18)(D)(iii)—

23 “(i) which are qualified first-time
24 homebuyer distributions (as defined in
25 paragraph (6)),

1 “(ii) to the extent such distributions
2 do not exceed the qualified higher edu-
3 cation expenses (as defined in paragraph
4 (7)) of the taxpayer for the taxable year,
5 or

6 “(iii) to the extent such distributions
7 do not exceed the amounts paid by the tax-
8 payer during the taxable year for coverage
9 of the taxpayer or the taxpayer’s spouse
10 under any long-term care insurance con-
11 tract (as defined in section 7705).”.

12 (b) FINANCIALLY DEVASTATING MEDICAL EX-
13 PENSES.—

14 (1) IN GENERAL.—Section 72(t)(3)(A) is
15 amended by striking “(B),”.

16 (2) CERTAIN LINEAL DESCENDANTS AND AN-
17 CESTORS TREATED AS DEPENDENTS.—Subpara-
18 graph (B) of section 72(t)(2) is amended by striking
19 “medical care” and all that follows and inserting
20 “medical care determined—

21 “(i) without regard to whether the
22 employee itemizes deductions for such tax-
23 able year, and

24 “(ii) by treating such employee’s de-
25 pendents as including—

1 “(I) all children and grand-
2 children of the employee or such em-
3 ployee’s spouse, and

4 “(II) all ancestors of the em-
5 ployee or such employee’s spouse.”.

6 (3) CONFORMING AMENDMENT.—Subparagraph
7 (B) of section 72(t)(2) is amended by striking “or
8 (C)” and inserting “, (C) or (D)”.

9 (c) PENALTY-FREE DISTRIBUTIONS FOR CERTAIN
10 UNEMPLOYED INDIVIDUALS.—Paragraph (2) of section
11 72(t) is amended by adding at the end the following new
12 subparagraph:

13 “(E) DISTRIBUTIONS TO UNEMPLOYED IN-
14 DIVIDUALS.—A distribution from an individual
15 retirement plan to an individual after separa-
16 tion from employment, if—

17 “(i) such individual has received un-
18 employment compensation for 12 consecu-
19 tive weeks under any Federal or State un-
20 employment compensation law by reason of
21 such separation, and

22 “(ii) such distributions are made dur-
23 ing any taxable year during which such un-
24 employment compensation is paid or the
25 succeeding taxable year.

1 To the extent provided in regulations, a self-em-
2 ployed individual shall be treated as meeting
3 the requirements of clause (i) if, under Federal
4 or State law, the individual would have received
5 unemployment compensation but for the fact
6 the individual was self-employed.”.

7 (d) DEFINITIONS.—

8 (1) Section 72(t) is amended by adding at the
9 end the following new paragraphs:

10 “(6) QUALIFIED FIRST-TIME HOMEBUYER DIS-
11 TRIBUTIONS.—For purposes of paragraph (2)(D)(i):

12 “(A) IN GENERAL.—The term ‘qualified
13 first-time homebuyer distribution’ means any
14 payment or distribution received by an individ-
15 ual to the extent such payment or distribution
16 is used by the individual before the close of the
17 60th day after the day on which such payment
18 or distribution is received to pay qualified ac-
19 quisition costs with respect to a principal resi-
20 dence of a first-time homebuyer who is such in-
21 dividual, the spouse of such individual, or any
22 child, grandchild, or ancestor of such individual
23 or the individual’s spouse.

24 “(B) QUALIFIED ACQUISITION COSTS.—
25 For purposes of this paragraph, the term

1 ‘qualified acquisition costs’ means the costs of
2 acquiring, constructing, or reconstructing a res-
3 idence. Such term includes any usual or reason-
4 able settlement, financing, or other closing
5 costs.

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

8 “(i) FIRST-TIME HOMEBUYER.—The
9 term ‘first-time homebuyer’ means any in-
10 dividual if—

11 “(I) such individual (and if mar-
12 ried, such individual’s spouse) had no
13 present ownership interest in a prin-
14 cipal residence during the 2-year pe-
15 riod ending on the date of acquisition
16 of the principal residence to which
17 this paragraph applies, and

18 “(II) subsection (a)(6), (h), or
19 (k) of section 1034 did not suspend
20 the running of any period of time
21 specified in section 1034 with respect
22 to such individual on the day before
23 the date the distribution is applied
24 pursuant to subparagraph (A)(ii).

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

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

6 “(I) on which a binding contract
7 to acquire the principal residence to
8 which subparagraph (A) applies is en-
9 tered into, or

10 “(II) on which construction or re-
11 construction of such a principal resi-
12 dence is commenced.

13 “(D) SPECIAL RULE WHERE DELAY IN AC-
14 QUISITION.—If any distribution from any indi-
15 vidual retirement plan fails to meet the require-
16 ments of subparagraph (A) solely by reason of
17 a delay or cancellation of the purchase or con-
18 struction of the residence, the amount of the
19 distribution may be contributed to an individual
20 retirement plan as provided in section
21 408(d)(3)(A)(i) (determined by substituting
22 ‘120 days’ for ‘60 days’ in such section), except
23 that—

24 “(i) section 408(d)(3)(B) shall not be
25 applied to such contribution, and

1 “(ii) such amount shall not be taken
2 into account in determining whether sec-
3 tion 408(d)(3)(A)(i) applies to any other
4 amount.

5 “(7) QUALIFIED HIGHER EDUCATION EX-
6 PENSES.—For purposes of paragraph (2)(D)(ii):

7 “(A) IN GENERAL.—The term ‘qualified
8 higher education expenses’ means tuition, fees,
9 books, supplies, and equipment required for the
10 enrollment or attendance of—

11 “(i) the taxpayer,

12 “(ii) the taxpayer’s spouse, or

13 “(iii) any child (as defined in section
14 151(c)(3)), grandchild, or ancestor of the
15 taxpayer or the taxpayer’s spouse,

16 at an eligible educational institution (as defined
17 in section 135(c)(3)).

18 “(B) COORDINATION WITH SAVINGS BOND
19 PROVISIONS.—The amount of qualified higher
20 education expenses for any taxable year shall be
21 reduced by any amount excludable from gross
22 income under section 135.”.

23 (2) Chapter 79 is amended by adding at the
24 end the following new section:

1 **“SEC. 7705. LONG-TERM CARE INSURANCE CONTRACT.**

2 “(a) GENERAL RULE.—For purposes of the provi-
3 sions of this title which refer to this section—

4 “(1) IN GENERAL.—The term ‘long-term care
5 insurance contract’ means any insurance contract is-
6 sued if—

7 “(A) the only insurance protection pro-
8 vided under such contract is coverage of quali-
9 fied long-term care services and benefits inci-
10 dental to such coverage,

11 “(B) such contract does not cover expenses
12 incurred for services or items to the extent that
13 such expenses are reimbursable under title
14 XVIII of the Social Security Act or would be so
15 reimbursable but for the application of a de-
16 ductible or coinsurance amount,

17 “(C) such contract is guaranteed renew-
18 able,

19 “(D) such contract does not have any cash
20 surrender value, and

21 “(E) all refunds of premiums, and all pol-
22 icyholder dividends or similar amounts, under
23 such contract are to be applied as a reduction
24 in future premiums or to increase future bene-
25 fits.

26 “(2) SPECIAL RULES.—

1 “(A) PER DIEM, ETC. PAYMENTS PER-
2 MITTED.—A contract shall not fail to be treated
3 as described in paragraph (1)(A) by reason of
4 payments being made on a per diem or other
5 periodic basis without regard to the expenses
6 incurred during the period to which the pay-
7 ments relate.

8 “(B) CONTRACT MAY COVER MEDICARE
9 REIMBURSABLE EXPENSES WHERE MEDICARE
10 IS SECONDARY PAYOR.—Paragraph (1)(B) shall
11 not apply to expenses which are reimbursable
12 under title XVIII of the Social Security Act
13 only as a secondary payor.

14 “(C) REFUNDS OF PREMIUMS.—Paragraph
15 (1)(E) shall not apply to any refund of pre-
16 miums on surrender or cancellation of the con-
17 tract.

18 “(b) QUALIFIED LONG-TERM CARE SERVICES.—For
19 purposes of this section—

20 “(1) IN GENERAL.—The term ‘qualified long-
21 term care services’ means necessary diagnostic, pre-
22 ventive, therapeutic, and rehabilitative services, and
23 maintenance or personal care services, which—

24 “(A) are required by a chronically ill indi-
25 vidual in a qualified facility, and

1 “(B) are provided pursuant to a plan of
2 care prescribed by a licensed health care practi-
3 tioner.

4 “(2) CHRONICALLY ILL INDIVIDUAL.—

5 “(A) IN GENERAL.—The term ‘chronically
6 ill individual’ means any individual who has
7 been certified by a licensed health care practi-
8 tioner as—

9 “(i)(I) being unable to perform (with-
10 out substantial assistance from another in-
11 dividual) at least 2 activities of daily living
12 (as defined in subparagraph (B)) for a pe-
13 riod of at least 90 days due to a loss of
14 functional capacity, or

15 “(II) having a level of disability simi-
16 lar (as determined by the Secretary in con-
17 sultation with the Secretary of Health and
18 Human Services) to the level of disability
19 described in subclause (I), or

20 “(ii) having a similar level of disabil-
21 ity due to cognitive impairment.

22 “(B) ACTIVITIES OF DAILY LIVING.—For
23 purposes of subparagraph (A), each of the fol-
24 lowing is an activity of daily living:

1 “(i) MOBILITY.—The process of walk-
2 ing or wheeling on a level surface which
3 may include the use of an assistive device
4 such as a cane, walker, wheelchair, or
5 brace.

6 “(ii) DRESSING.—The overall complex
7 behavior of getting clothes from closets
8 and drawers and then getting dressed.

9 “(iii) TOILETING AND BATHING.—
10 Each of the following shall be treated as 1
11 activity:

12 “(I) The act of going to the toilet
13 room for bowel and bladder function,
14 transferring on and off the toilet,
15 cleaning after elimination, and ar-
16 ranging clothes or the ability to volun-
17 tarily control bowel and bladder func-
18 tion, or in the event of incontinence,
19 the ability to maintain a reasonable
20 level of personal hygiene.

21 “(II) The overall complex behav-
22 ior of getting water and cleansing the
23 whole body, including turning on the
24 water for a bath, shower, or sponge
25 bath, getting to, in, and out of a tub

1 or shower, and washing and drying
2 oneself.

3 “(iv) TRANSFER.—The process of get-
4 ting in and out of bed or in and out of a
5 chair or wheelchair.

6 “(v) EATING.—The process of getting
7 food from a plate or its equivalent into the
8 mouth.

9 “(3) QUALIFIED FACILITY.—The term ‘quali-
10 fied facility’ means—

11 “(A) a nursing, rehabilitative, hospice, or
12 adult day care facility (including a hospital, re-
13 tirement home, nursing home, skilled nursing
14 facility, intermediate care facility, or similar in-
15 stitution)—

16 “(i) which is licensed under State law,
17 or

18 “(ii) which is a certified facility for
19 purposes of title XVIII or XIX of the So-
20 cial Security Act, or

21 “(B) an individual’s home if a licensed
22 health care practitioner certifies that without
23 home care the individual would have to be cared
24 for in a facility described in subparagraph (A).

1 “(4) MAINTENANCE OR PERSONAL CARE SERV-
2 ICES.—The term ‘maintenance or personal care serv-
3 ices’ means any care the primary purpose of which
4 is to provide needed assistance with any of the ac-
5 tivities of daily living described in paragraph (2)(B).

6 “(5) LICENSED HEALTH CARE PRACTI-
7 TIONER.—The term ‘licensed health care practi-
8 tioner’ means any physician (as defined in section
9 1861(r) of the Social Security Act) and any reg-
10 istered professional nurse, licensed social worker, or
11 other individual who meets such requirements as
12 may be prescribed by the Secretary.

13 “(c) TREATMENT OF COVERAGE PROVIDED AS PART
14 OF A LIFE INSURANCE CONTRACT.—Except as otherwise
15 provided in regulations prescribed by the Secretary, in the
16 case of any long-term care insurance coverage (whether
17 or not qualified) provided by rider on a life insurance con-
18 tract, this section shall be applied as if the portion of the
19 contract providing such coverage were a separate con-
20 tract.”

21 (e) CONFORMING AMENDMENTS.—

22 (1) Section 401(k)(2)(B)(i) is amended by
23 striking “or” at the end of subclause (III), by strik-
24 ing “and” at the end of subclause (IV) and inserting

1 “or”, and by inserting after subclause (IV) the fol-
2 lowing new subclause:

3 “(V) the date on which qualified
4 first-time homebuyer distributions (as
5 defined in section 72(t)(6)), distribu-
6 tions for qualified higher education
7 expenses (as defined in section
8 72(t)(7)), or distributions for coverage
9 of the taxpayer or the taxpayer’s
10 spouse under any long-term care in-
11 surance contract (as defined in section
12 7705) are made, and”.

13 (2) Section 403(b)(11) is amended by striking
14 “or” at the end of subparagraph (A), by striking the
15 period at the end of subparagraph (B) and inserting
16 “, or”, and by inserting after subparagraph (B) the
17 following new subparagraph:

18 “(C) for qualified first-time homebuyer dis-
19 tributions (as defined in section 72(t)(6)), for
20 the payment of qualified higher education ex-
21 penses (as defined in section 72(t)(7)), or dis-
22 tributions for coverage of the taxpayer or the
23 taxpayer’s spouse under any long-term care in-
24 surance contract (as defined in section 7705).”.

1 (3) The table of sections for chapter 79 is
2 amended by adding at the end the following new
3 item:

 “Sec. 7705. Long-term care insurance contract.”

4 (f) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to payments and distributions after
6 the date of the enactment of this Act.

7 **TITLE III—AID TO FAMILIES**
8 **WITH DEPENDENT CHILDREN**

9 **SEC. 301. DISREGARD OF INCOME AND RESOURCES DES-**
10 **IGNATED FOR EDUCATION, TRAINING, AND**
11 **EMPLOYABILITY.**

12 (a) DISREGARD AS RESOURCE.—Section
13 402(a)(7)(B) of the Social Security Act (42 U.S.C.
14 602(a)(7)(B)) is amended—

15 (1) by striking “or” before “(iv)”, and

16 (2) by inserting “, or (v) at the option of the
17 State, in the case of a family receiving aid under the
18 State plan (and a family not receiving such aid but
19 which received such aid in at least 1 of the preced-
20 ing 4 months or became ineligible for such aid dur-
21 ing the preceding 12 months because of excessive
22 earnings), any amount not to exceed \$8,000 in a
23 qualified asset account (as defined in section 406(i))
24 of such family” before “; and”.

25 (b) DISREGARD AS INCOME.—

1 (1) IN GENERAL.—Section 402(a)(8)(A) of such
2 Act (42 U.S.C. 602(a)(8)(A)) is amended—

3 (A) by striking “and” at the end of clause
4 (vii), and

5 (B) by inserting after clause (viii) the fol-
6 lowing new clause:

7 “(ix) shall disregard any interest or
8 income earned on a qualified asset account
9 (as defined in section 406(i)); and”.

10 (2) NONRECURRING LUMP SUM EXEMPT FROM
11 LUMP SUM RULE.—Section 402(a)(17) of such Act
12 (42 U.S.C. 602(a)(17)) is amended by adding at the
13 end the following: “; and that this paragraph shall
14 not apply to earned or unearned income received in
15 a month on a nonrecurring basis to the extent that
16 such income is placed in a qualified asset account
17 (as defined in section 406(i)) the total amount in
18 which, after such placement, does not exceed
19 \$8,000;”.

20 (3) TREATMENT AS INCOME.—Section
21 402(a)(7) of such Act (42 U.S.C. 602(a)(7)) is
22 amended—

23 (A) by striking “and” at the end of sub-
24 paragraph (B),

1 (B) by striking the semicolon at the end of
2 subparagraph (C) and inserting “; and”, and

3 (C) by adding at the end the following new
4 subparagraph:

5 “(D) shall treat as income any distribu-
6 tions from a qualified asset account (as defined
7 in section 406(i)(1)) which do not meet the def-
8 inition of a qualified distribution under section
9 406(i)(2);”.

10 (c) QUALIFIED ASSET ACCOUNTS.—Section 406 of
11 such Act (42 U.S.C. 606) is amended by adding at the
12 end the following:

13 “(i)(1) The term ‘qualified asset account’ means a
14 mechanism approved by the State (such as individual re-
15 tirement accounts, escrow accounts, or savings bonds) that
16 allows savings of a family receiving aid to families with
17 dependent children to be used for qualified distributions.

18 “(2) The term ‘qualified distributions’ means dis-
19 tributions for expenses directly related to one or more of
20 the following purposes:

21 “(A) The attendance of a member of the family
22 at any education or training program.

23 “(B) The improvement of the employability (in-
24 cluding self-employment) of a member of the family
25 (such as through the purchase of an automobile).

1 “(C) The purchase of a home for the family.

2 “(D) A change of the family residence.”.

3 (d) STUDY OF USE OF QUALIFIED ASSET ACCOUNTS;
4 REPORT.—The Secretary of Health and Human Services
5 shall conduct a study of the use of qualified asset accounts
6 established pursuant to the amendments made by this sec-
7 tion, and shall report on such study and any recommenda-
8 tions for modifications of such amendments to the Com-
9 mittee on Finance of the Senate and the Committee on
10 Ways and Means of the House of Representatives not later
11 than January 1, 1998.

12 (e) REPORT ON AFDC ASSET LIMIT ON AUTO-
13 MOBILES.—Within 3 months after the date of the enact-
14 ment of this section, the Secretary of Health and Human
15 Services shall submit to the Congress a report on—

16 (1) the need to revise the limitation, established
17 in regulations pursuant to section 402(a)(7)(B)(i) of
18 the Social Security Act, on the value of a family
19 automobile required to be disregarded by a State in
20 determining the eligibility of the family for aid to
21 families with dependent children under the State
22 plan approved under part A of title IV of such Act,
23 and

24 (2) the extent to which such a revision would
25 increase the employability of recipients of such aid.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on October 1, 1995, with re-
3 spect to accounts approved on or after such date and be-
4 fore October 1, 1998.

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