

104TH CONGRESS
1ST SESSION

S. 12

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

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1995

Mr. ROTH (for himself, Mr. BREAUX, Mr. PRYOR, and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Finance

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 (1) Section 408(a)(1) is amended by striking
2 “in excess of \$2,000 on behalf of any individual”
3 and inserting “on behalf of any individual in excess
4 of the amount in effect for such taxable year under
5 section 219(b)(1)(A)”.

6 (2) Section 408(b)(2)(B) is amended by strik-
7 ing “\$2,000” and inserting “the dollar amount in
8 effect under section 219(b)(1)(A)”.

9 (3) Section 408(j) is amended by striking
10 “\$2,000”.

11 **SEC. 103. HOMEMAKERS ELIGIBLE FOR FULL IRA DEDUC-**
12 **TION.**

13 (a) SPOUSAL IRA COMPUTED ON BASIS OF COM-
14 PENSATION OF BOTH SPOUSES.—Subsection (c) of section
15 219 (relating to special rules for certain married individ-
16 uals) is amended to read as follows:

17 “(c) SPECIAL RULES FOR CERTAIN MARRIED INDI-
18 VIDUALS.—

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

23 “(A) \$2,000, or

24 “(B) the sum of—

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 (2) Paragraph (2) of section 219(h), as added
2 by section 102, is amended by striking “Each of the
3 dollar amounts” and inserting “The dollar amount”.

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

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

9 **SEC. 104. CERTAIN COINS AND BULLION NOT TREATED AS**
10 **COLLECTIBLES.**

11 (a) IN GENERAL.—Paragraph (3) of section 408(m)
12 (relating to exception for certain coin) is amended to read
13 as follows:

14 “(3) EXCEPTION FOR CERTAIN COINS AND BUL-
15 LION.—For purposes of this subsection, the term
16 ‘collectible’ shall not include—

17 “(A) any coin certified by a recognized
18 grading service and traded on a nationally rec-
19 ognized electronic network, or listed by a recog-
20 nized wholesale reporting service, and—

21 “(i) which is or was at any time legal
22 tender in the country of issuance, or

23 “(ii) issued under the laws of any
24 State, and

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 IRS Plus
17 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 OR TO PAY HIGHER EDU-**
6 **CATION OR FINANCIALLY DEVASTATING**
7 **MEDICAL EXPENSES.**

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

13 “(D) DISTRIBUTIONS FROM CERTAIN PLANS
14 FOR FIRST HOME PURCHASES OR EDUCATIONAL EX-
15 PENSES.—Distributions to an individual from an in-
16 dividual retirement plan, or from amounts attrib-
17 utable to employer contributions made pursuant to
18 elective deferrals described in subparagraph (A) or
19 (C) of section 402(g)(3) or section
20 501(c)(18)(D)(iii)—

21 “(i) which are qualified first-time home-
22 buyer distributions (as defined in paragraph
23 (6)), or

24 “(ii) to the extent such distributions do not
25 exceed the qualified higher education expenses

1 (as defined in paragraph (7)) of the taxpayer
2 for the taxable year.”.

3 (b) FINANCIALLY DEVASTATING MEDICAL EX-
4 PENSES.—

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

7 (2) CERTAIN LINEAL DESCENDANTS AND AN-
8 CESTORS TREATED AS DEPENDENTS.—Subpara-
9 graph (B) of section 72(t)(2) is amended by striking
10 “medical care” and all that follows and inserting
11 “medical care determined—

12 “(i) without regard to whether the
13 employee itemizes deductions for such tax-
14 able year, and

15 “(ii) by treating such employee’s de-
16 pendants as including—

17 “(I) all children and grand-
18 children of the employee or such em-
19 ployee’s spouse, and

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

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

1 (c) DEFINITIONS.—Section 72(t) is amended by add-
2 ing at the end the following new paragraphs:

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

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, the spouse of such individual, or any
15 child, grandchild, or ancestor of such individual
16 or the individual’s spouse.

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

24 “(C) FIRST-TIME HOMEBUYER; OTHER
25 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 2-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 QUISSION.—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 section
14 408(d)(3)(A)(i) (determined by substituting
15 ‘120 days’ for ‘60 days’ in such section), except
16 that—

17 “(i) section 408(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 sec-
21 tion 408(d)(3)(A)(i) applies to any other
22 amount.

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

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) any child (as defined in section
8 151(c)(3)), grandchild, or ancestor of the
9 taxpayer or the taxpayer’s spouse,
10 at an eligible educational institution (as defined
11 in section 135(c)(3)).

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

17 (d) PENALTY-FREE DISTRIBUTIONS FOR CERTAIN
18 UNEMPLOYED INDIVIDUALS.—Paragraph (2) of section
19 72(t) is amended by adding at the end the following new
20 subparagraph:

21 “(E) DISTRIBUTIONS TO UNEMPLOYED IN-
22 DIVIDUALS.—A distribution from an individual
23 retirement plan to an individual after separa-
24 tion from employment, if—

1 “(i) such individual has received un-
2 employment compensation for 12 consecu-
3 tive weeks under any Federal or State un-
4 employment compensation law by reason of
5 such separation, and

6 “(ii) such distributions are made dur-
7 ing any taxable year during which such un-
8 employment compensation is paid or the
9 succeeding taxable year.

10 To the extent provided in regulations, a self-em-
11 ployed individual shall be treated as meeting
12 the requirements of clause (i) if, under Federal
13 or State law, the individual would have received
14 unemployment compensation but for the fact
15 the individual was self-employed.”.

16 (e) CONFORMING AMENDMENTS.—

17 (1) Section 401(k)(2)(B)(i) is amended by
18 striking “or” at the end of subclause (III), by strik-
19 ing “and” at the end of subclause (IV) and inserting
20 “or”, and by inserting after subclause (IV) the fol-
21 lowing new subclause:

22 “(V) the date on which qualified
23 first-time homebuyer distributions (as
24 defined in section 72(t)(6)) or dis-
25 tributions for qualified higher edu-

1 cation expenses (as defined in section
2 72(t)(7)) are made, and”.

3 (2) Section 403(b)(11) is amended by striking
4 “or” at the end of subparagraph (A), by striking the
5 period at the end of subparagraph (B) and inserting
6 “, or”, and by inserting after subparagraph (B) the
7 following new subparagraph:

8 “(C) for qualified first-time homebuyer dis-
9 tributions (as defined in section 72(t)(6)) or for
10 the payment of qualified higher education ex-
11 penses (as defined in section 72(t)(7)).”.

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

15 **TITLE III—AID TO FAMILIES**
16 **WITH DEPENDENT CHILDREN**

17 **SEC. 301. DISREGARD OF INCOME AND RESOURCES DES-**
18 **IGNATED FOR EDUCATION, TRAINING, AND**
19 **EMPLOYABILITY.**

20 (a) DISREGARD AS RESOURCE.—Section
21 402(a)(7)(B) of the Social Security Act (42 U.S.C.
22 602(a)(7)(B)) is amended—

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

24 (2) by inserting “, or (v) at the option of the
25 State, in the case of a family receiving aid under the

1 State plan (and a family not receiving such aid but
2 which received such aid in at least 1 of the preced-
3 ing 4 months or became ineligible for such aid dur-
4 ing the preceding 12 months because of excessive
5 earnings), any amount not to exceed \$8,000 in a
6 qualified asset account (as defined in section 406(i))
7 of such family” before “; and”.

8 (b) DISREGARD AS INCOME.—

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

11 (A) by striking “and” at the end of clause
12 (vii), and

13 (B) by inserting after clause (viii) the fol-
14 lowing new clause:

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

18 (2) NONRECURRING LUMP SUM EXEMPT FROM
19 LUMP SUM RULE.—Section 402(a)(17) of such Act
20 (42 U.S.C. 602(a)(17)) is amended by adding at the
21 end the following: “; and that this paragraph shall
22 not apply to earned or unearned income received in
23 a month on a nonrecurring basis to the extent that
24 such income is placed in a qualified asset account
25 (as defined in section 406(i)) the total amount in

1 which, after such placement, does not exceed
2 \$8,000;”.

3 (3) TREATMENT AS INCOME.—Section
4 402(a)(7) of such Act (42 U.S.C. 602(a)(7)) is
5 amended—

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

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

10 (C) by adding at the end the following new
11 subparagraph:

12 “(D) shall treat as income any distribu-
13 tions from a qualified asset account (as defined
14 in section 406(i)(1)) which do not meet the def-
15 inition of a qualified distribution under section
16 406(i)(2);”.

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

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

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

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

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

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

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

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

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

24 (1) the need to revise the limitation, established
25 in regulations pursuant to section 402(a)(7)(B)(i) of

1 the Social Security Act, on the value of a family
2 automobile required to be disregarded by a State in
3 determining the eligibility of the family for aid to
4 families with dependent children under the State
5 plan approved under part A of title IV of such Act,
6 and

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

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

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