

105TH CONGRESS
2D SESSION

S. 1856

To amend the Internal Revenue Code of 1986 to provide equitable treatment for contributions by employees to defined contribution pension plans.

IN THE SENATE OF THE UNITED STATES

MARCH 25, 1998

Mr. GRASSLEY (for himself, Mr. BREAU, Mr. JEFFORDS, Mr. GRAHAM, Mr. BAUCUS, and Mr. HATCH) 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 provide equitable treatment for contributions by employees to defined contribution pension plans.

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 “Enhanced Savings Op-
5 portunities Act”.

1 **SEC. 2. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
2 **EMPLOYEES TO DEFINED CONTRIBUTION**
3 **PLANS.**

4 (a) IN GENERAL.—Subparagraph (B) of section
5 415(c)(1) of the Internal Revenue Code of 1986 (relating
6 to limitation for defined contribution plans) is amended
7 to read as follows:

8 “(B) the participant’s compensation.”

9 (b) CONFORMING AMENDMENTS.—

10 (1)(A) Section 403(b) of the Internal Revenue
11 Code of 1986 is amended—

12 (i) by striking “the exclusion allowance for
13 such taxable year” in paragraph (1) and insert-
14 ing “the applicable limit under section 415”,
15 and

16 (ii) by striking paragraph (2).

17 (B) Section 404(a)(10)(B) of such Code is
18 amended by striking “, the exclusion allowance
19 under section 403(b)(2),”.

20 (C) Section 415(a)(2) of such Code is amended
21 by striking “, and the amount of the contribution for
22 such portion shall reduce the exclusion allowance as
23 provided in section 403(b)(2)”.

24 (D) Section 415(c)(3) of such Code is amended
25 by adding at the end the following new subpara-
26 graph:

1 “(E) ANNUITY CONTRACTS.—In the case
2 of an annuity contract described in section
3 403(b), the term ‘participant’s compensation’
4 shall mean the participant’s includible com-
5 pensation as determined under regulations pre-
6 scribed by the Secretary.”

7 (E) Section 415(c) of such Code is amended by
8 striking paragraph (4).

9 (F) Section 415(c)(7) of such Code is amended
10 to read as follows:

11 “(7) CERTAIN CONTRIBUTIONS BY CHURCH
12 PLANS NOT TREATED AS EXCEEDING LIMIT.—

13 “(A) IN GENERAL.—Notwithstanding any
14 other provision of this subsection, at the elec-
15 tion of a participant who is an employee of a
16 church, a convention or association of churches,
17 including an organization described in section
18 414(e)(3)(B)(ii), contributions and other addi-
19 tions for an annuity contract or retirement in-
20 come account described in section 403(b) with
21 respect to such participant, when expressed as
22 an annual addition to such participant’s ac-
23 count, shall be treated as not exceeding the lim-
24 itation of paragraph (1) if such annual addition
25 is not in excess of \$10,000.

1 “(B) \$40,000 AGGREGATE LIMITATION.—
2 The total amount of additions with respect to
3 any participant which may be taken into ac-
4 count for purposes of this subparagraph for all
5 years may not exceed \$40,000.

6 “(C) ANNUAL ADDITION.—For purposes of
7 this paragraph, the term ‘annual addition’ has
8 the meaning given such term by paragraph
9 (2).”

10 (G) Section 415(e)(5) of such Code is amend-
11 ed—

12 (i) by striking “(except in the case of a
13 participant who has elected under subsection
14 (c)(4)(D) to have the provisions of subsection
15 (c)(4)(C) apply)”, and

16 (ii) by striking the last sentence.

17 (2) Section 415(n)(2)(B) of such Code is
18 amended by striking “percentage”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to years beginning after December
21 31, 1998.

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