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Reported by Mr. ROTH, with an amendment and an amendment to the title

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide for pension reform, 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,*

1 **SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CON-**
 2 **TENTS.**

3 (a) **SHORT TITLE.**—This Act may be cited as the
 4 “Comprehensive Retirement Security and Pension Reform
 5 Act of 2000”.

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

12 (c) **TABLE OF CONTENTS.**—The table of contents of
 13 this Act is as follows:

Sec. 1. Short title; references; table of contents.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNT PROVISIONS

Sec. 101. Modification of IRA contribution limits.

TITLE II—EXPANDING COVERAGE

Sec. 201. Increase in benefit and contribution limits.

Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 203. Modification of top-heavy rules.

Sec. 204. Elective deferrals not taken into account for purposes of deduction
 limits.

Sec. 205. Repeal of coordination requirements for deferred compensation plans
 of State and local governments and tax-exempt organizations.

Sec. 206. Elimination of user fee for requests to IRS regarding pension plans.

Sec. 207. Deduction limits.

Sec. 208. Option to treat elective deferrals as after-tax contributions.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

Sec. 301. Catch-up contributions for individuals age 50 or over.

Sec. 302. Equitable treatment for contributions of employees to defined con-
 tribution plans.

Sec. 303. Faster vesting of certain employer matching contributions.

Sec. 304. Simplify and update the minimum distribution rules.

Sec. 305. Clarification of tax treatment of division of section 457 plan benefits
 upon divorce.

Sec. 306. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

Sec. 401. Rollovers allowed among various types of plans.
 Sec. 402. Rollovers of IRAs into workplace retirement plans.
 Sec. 403. Rollovers of after-tax contributions.
 Sec. 404. Hardship exception to 60-day rule.
 Sec. 405. Treatment of forms of distribution.
 Sec. 406. Rationalization of restrictions on distributions.
 Sec. 407. Purchase of service credit in governmental defined benefit plans.
 Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.
 Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

Sec. 501. Repeal of 150 percent of current liability funding limit.
 Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.
 Sec. 503. Excise tax relief for sound pension funding.
 Sec. 504. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
 Sec. 505. Treatment of multiemployer plans under section 415.
 Sec. 506. Prohibited allocations of stock in S corporation ESOP.

TITLE VI—REDUCING REGULATORY BURDENS

Sec. 601. Modification of timing of plan valuations.
 Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.
 Sec. 603. Repeal of transition rule relating to certain highly compensated employees.
 Sec. 604. Employees of tax-exempt entities.
 Sec. 605. Clarification of treatment of employer-provided retirement advice.
 Sec. 606. Reporting simplification.
 Sec. 607. Improvement of employee plans compliance resolution system.
 Sec. 608. Repeal of the multiple use test.
 Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.
 Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
 Sec. 611. Notice and consent period regarding distributions.

TITLE VII—PLAN AMENDMENTS

Sec. 701. Provisions relating to plan amendments.

**TITLE I—INDIVIDUAL
RETIREMENT ACCOUNTS**

3 **SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.**

4 (a) INCREASE IN CONTRIBUTION LIMIT.—

5 (1) IN GENERAL.—Paragraph (1)(A) of section
6 219(b) (relating to maximum amount of deduction)
7 is amended by striking “\$2,000” and inserting “the
8 deductible amount”.

9 (2) DEDUCTIBLE AMOUNT.—Section 219(b) is
10 amended by adding at the end the following new
11 paragraph:

12 “(5) DEDUCTIBLE AMOUNT.—For purposes of
13 paragraph (1)(A)—

14 “(A) IN GENERAL.—The deductible
15 amount shall be determined in accordance with
16 the following table:

“For taxable years beginning in:	The deductible amount is:
2001	\$3,000
2002	\$4,000
2003 and thereafter	\$5,000.

17 “(B) CATCH-UP CONTRIBUTIONS FOR INDI-
18 VIDUALS 50 OR OLDER.—In the case of an indi-
19 vidual who has attained the age of 50 before
20 the close of the taxable year, the deductible
21 amount for taxable years beginning in 2001 or
22 2002 shall be \$5,000.

23 “(C) COST-OF-LIVING ADJUSTMENT.—

1 “(i) IN GENERAL.—In the case of any
2 taxable year beginning in a calendar year
3 after 2003, the \$5,000 amount under sub-
4 paragraph (A) shall be increased by an
5 amount equal to—

6 “(I) such dollar amount, multi-
7 plied by

8 “(II) the cost-of-living adjust-
9 ment determined under section
10 1(f)(3) for the calendar year in which
11 the taxable year begins, determined by
12 substituting ‘calendar year 2002’ for
13 ‘calendar year 1992’ in subparagraph
14 (B) thereof.

15 “(ii) ROUNDING RULES.—If any
16 amount after adjustment under clause (i)
17 is not a multiple of \$500, such amount
18 shall be rounded to the next lower multiple
19 of \$500.”.

20 (b) CONFORMING AMENDMENTS.—

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

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

4 (3) Section 408(b) is amended by striking
 5 “\$2,000” in the matter following paragraph (4) and
 6 inserting “the dollar amount in effect under section
 7 219(b)(1)(A)”.

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

10 (5) Section 408(p)(8) is amended by striking
 11 “\$2,000” and inserting “the dollar amount in effect
 12 under section 219(b)(1)(A)”.

13 (e) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to taxable years beginning after
 15 December 31, 2000.

16 **TITLE II—EXPANDING** 17 **COVERAGE**

18 **SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIM-**
 19 **ITS.**

20 (a) DEFINED BENEFIT PLANS.—

21 (1) DOLLAR LIMIT.—

22 (A) Subparagraph (A) of section 415(b)(1)
 23 (relating to limitation for defined benefit plans)
 24 is amended by striking “\$90,000” and inserting
 25 “\$160,000”.

1 (B) Subparagraphs (C) and (D) of section
2 415(b)(2) are each amended by striking
3 “\$90,000” each place it appears in the head-
4 ings and the text and inserting “\$160,000”.

5 (C) Paragraph (7) of section 415(b) (relat-
6 ing to benefits under certain collectively bar-
7 gained plans) is amended by striking “the
8 greater of \$68,212 or one-half the amount oth-
9 erwise applicable for such year under paragraph
10 (1)(A) for ‘\$90,000’” and inserting “one-half
11 the amount otherwise applicable for such year
12 under paragraph (1)(A) for ‘\$160,000’”.

13 (2) LIMIT REDUCED WHEN BENEFIT BEGINS
14 BEFORE AGE 62.—Subparagraph (C) of section
15 415(b)(2) is amended by striking “the social security
16 retirement age” each place it appears in the heading
17 and text and inserting “age 62”.

18 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
19 AFTER AGE 65.—Subparagraph (D) of section
20 415(b)(2) is amended by striking “the social security
21 retirement age” each place it appears in the heading
22 and text and inserting “age 65”.

23 (4) COST-OF-LIVING ADJUSTMENTS.—Sub-
24 section (d) of section 415 (related to cost-of-living
25 adjustments) is amended—

1 (A) by striking “\$90,000” in paragraph
2 (1)(A) and inserting “\$160,000”; and

3 (B) in paragraph (3)(A)—

4 (i) by striking “\$90,000” in the head-
5 ing and inserting “\$160,000”; and

6 (ii) by striking “October 1, 1986” and
7 inserting “July 1, 2000”.

8 (5) CONFORMING AMENDMENT.—Section
9 415(b)(2) is amended by striking subparagraph (F).

10 (b) DEFINED CONTRIBUTION PLANS.—

11 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-
12 tion 415(e)(1) (relating to limitation for defined con-
13 tribution plans) is amended by striking “\$30,000”
14 and inserting “\$40,000”.

15 (2) COST-OF-LIVING ADJUSTMENTS.—Sub-
16 section (d) of section 415 (related to cost-of-living
17 adjustments) is amended—

18 (A) by striking “\$30,000” in paragraph
19 (1)(C) and inserting “\$40,000”; and

20 (B) in paragraph (3)(D)—

21 (i) by striking “\$30,000” in the head-
22 ing and inserting “\$40,000”; and

23 (ii) by striking “October 1, 1993” and
24 inserting “July 1, 2000”.

25 (c) QUALIFIED TRUSTS.—

1 (1) COMPENSATION LIMIT.—Sections
2 401(a)(17), 404(l), 408(k), and 505(b)(7) are each
3 amended by striking “\$150,000” each place it ap-
4 pears and inserting “\$200,000”.

5 (2) BASE PERIOD AND ROUNDING OF COST-OF-
6 LIVING ADJUSTMENT.—Subparagraph (B) of section
7 401(a)(17) is amended—

8 (A) by striking “October 1, 1993” and in-
9 serting “July 1, 2000”; and

10 (B) by striking “\$10,000” both places it
11 appears and inserting “\$5,000”.

12 (d) ELECTIVE DEFERRALS.—

13 (1) IN GENERAL.—Paragraph (1) of section
14 402(g) (relating to limitation on exclusion for elec-
15 tive deferrals) is amended to read as follows:

16 “(1) IN GENERAL.—

17 “(A) LIMITATION.—Notwithstanding sub-
18 sections (c)(3) and (h)(1)(B), the elective defer-
19 rals of any individual for any taxable year shall
20 be included in such individual’s gross income to
21 the extent the amount of such deferrals for the
22 taxable year exceeds the applicable dollar
23 amount.

24 “(B) APPLICABLE DOLLAR AMOUNT.—For
25 purposes of subparagraph (A), the applicable

1 dollar amount shall be the amount determined
2 in accordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.”.

3 ~~(2) COST-OF-LIVING ADJUSTMENT.—~~Paragraph
4 ~~(5)~~ of section 402(g) is amended to read as follows:

5 “~~(5)~~ COST-OF-LIVING ADJUSTMENT.—In the
6 case of taxable years beginning after December 31,
7 2005, the Secretary shall adjust the \$15,000
8 amount under paragraph (1)(B) at the same time
9 and in the same manner as under section 415(d),
10 except that the base period shall be the calendar
11 quarter beginning July 1, 2004, and any increase
12 under this paragraph which is not a multiple of
13 \$500 shall be rounded to the next lowest multiple of
14 \$500.”.

15 ~~(3) CONFORMING AMENDMENTS.—~~

16 (A) Section 402(g) (relating to limitation
17 on exclusion for elective deferrals), as amended
18 by paragraphs (1) and (2), is further amended
19 by striking paragraph (4) and redesignating
20 paragraphs (5), (6), (7), (8), and (9) as para-
21 graphs (4), (5), (6), (7), and (8), respectively.

1 (B) Paragraph (2) of section 457(e) is
2 amended by striking “402(g)(8)(A)(iii)” and in-
3 serting “402(g)(7)(A)(iii)”.

4 (C) Clause (iii) of section 501(c)(18)(D) is
5 amended by striking “(other than paragraph
6 (4) thereof)”.

7 (e) DEFERRED COMPENSATION PLANS OF STATE
8 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
9 ZATIONS.—

10 (1) IN GENERAL.—Section 457 (relating to de-
11 ferred compensation plans of State and local govern-
12 ments and tax-exempt organizations) is amended—

13 (A) in subsections (b)(2)(A) and (c)(1) by
14 striking “\$7,500” each place it appears and in-
15 serting “the applicable dollar amount”; and

16 (B) in subsection (b)(3)(A) by striking
17 “\$15,000” and inserting “twice the dollar
18 amount in effect under subsection (b)(2)(A)”.

19 (2) APPLICABLE DOLLAR AMOUNT; COST-OF-
20 LIVING ADJUSTMENT.—Paragraph (15) of section
21 457(e) is amended to read as follows:

22 “(15) APPLICABLE DOLLAR AMOUNT.—

23 “(A) IN GENERAL.—The applicable dollar
24 amount shall be the amount determined in ac-
25 cordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.

1 ~~“(B) COST-OF-LIVING ADJUSTMENTS.—~~In
2 the case of taxable years beginning after De-
3 cember 31, 2005, the Secretary shall adjust the
4 \$15,000 amount specified in the table in sub-
5 paragraph (A) at the same time and in the
6 same manner as under section 415(d), except
7 that the base period shall be the calendar quar-
8 ter beginning July 1, 2004, and any increase
9 under this paragraph which is not a multiple of
10 \$500 shall be rounded to the next lowest mul-
11 tiple of \$500.”.

12 (f) SIMPLE RETIREMENT ACCOUNTS.—

13 (1) LIMITATION.—Clause (ii) of section
14 408(p)(2)(A) (relating to general rule for qualified
15 salary reduction arrangement) is amended by strik-
16 ing “\$6,000” and inserting “the applicable dollar
17 amount”.

18 (2) APPLICABLE DOLLAR AMOUNT.—Subpara-
19 graph (E) of 408(p)(2) is amended to read as fol-
20 lows:

1 ~~“(E) APPLICABLE DOLLAR AMOUNT; COST-~~
2 ~~OF-LIVING ADJUSTMENT.—~~

3 ~~“(i) IN GENERAL.—For purposes of~~
4 ~~subparagraph (A)(ii), the applicable dollar~~
5 ~~amount shall be the amount determined in~~
6 ~~accordance with the following table:~~

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$7,000
2002	\$8,000
2003	\$9,000
2004 or thereafter	\$10,000.

7 ~~“(ii) COST-OF-LIVING ADJUSTMENT.—~~

8 ~~In the case of a year beginning after De-~~
9 ~~cember 31, 2004, the Secretary shall ad-~~
10 ~~just the \$10,000 amount under clause (i)~~
11 ~~at the same time and in the same manner~~
12 ~~as under section 415(d), except that the~~
13 ~~base period taken into account shall be the~~
14 ~~calendar quarter beginning July 1, 2003,~~
15 ~~and any increase under this subparagraph~~
16 ~~which is not a multiple of \$500 shall be~~
17 ~~rounded to the next lower multiple of~~
18 ~~\$500.”.~~

19 ~~(3) CONFORMING AMENDMENTS.—~~

20 ~~(A) Clause (I) of section 401(k)(11)(B)(i)~~
21 ~~is amended by striking “\$6,000” and inserting~~

1 “the amount in effect under section
2 408(p)(2)(A)(ii)”.

3 (B) Section 401(k)(11) is amended by
4 striking subparagraph (E).

5 (g) ROUNDING RULE RELATING TO DEFINED BEN-
6 EFIT PLANS AND DEFINED CONTRIBUTION PLANS.—

7 Paragraph (4) of section 415(d) is amended to read as
8 follows:

9 “(4) ROUNDING.—

10 “(A) \$160,000 AMOUNT.—Any increase
11 under subparagraph (A) of paragraph (1) which
12 is not a multiple of \$5,000 shall be rounded to
13 the next lowest multiple of \$5,000.

14 “(B) \$40,000 AMOUNT.—Any increase
15 under subparagraph (C) of paragraph (1) which
16 is not a multiple of \$1,000 shall be rounded to
17 the next lowest multiple of \$1,000.”.

18 (h) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to years beginning after December
20 31, 2000.

21 **SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**
22 **NERS, AND SOLE PROPRIETORS.**

23 (a) IN GENERAL.—Subparagraph (B) of section
24 4975(f)(6) (relating to exemptions not to apply to certain

1 transactions) is amended by adding at the end the fol-
 2 lowing new clause:

3 “(iii) **LOAN EXCEPTION.**—For pur-
 4 poses of subparagraph (A)(i), the term
 5 ‘owner-employee’ shall only include a per-
 6 son described in subclause (II) or (III) of
 7 clause (i).”.

8 (b) **EFFECTIVE DATE.**—The amendment made by
 9 this section shall apply to loans made after December 31,
 10 2000.

11 **SEC. 203. MODIFICATION OF TOP-HEAVY RULES.**

12 (a) **SIMPLIFICATION OF DEFINITION OF KEY EM-**
 13 **PLOYEE.**—

14 (1) **IN GENERAL.**—Section 416(i)(1)(A) (defin-
 15 ing key employee) is amended—

16 (A) by striking “or any of the 4 preceding
 17 plan years” in the matter preceding clause (i);

18 (B) by striking clause (i) and inserting the
 19 following:

20 “(i) an officer of the employer having
 21 an annual compensation greater than
 22 \$150,000.”;

23 (C) by striking clause (ii) and redesign-
 24 nating clauses (iii) and (iv) as clauses (ii) and
 25 (iii), respectively; and

1 ~~(D)~~ by striking the second sentence in the
 2 matter following clause (iii), as redesignated by
 3 subparagraph ~~(C)~~.

4 ~~(2)~~ CONFORMING AMENDMENT.—Section
 5 416(i)(1)(B)(iii) is amended by striking “and sub-
 6 paragraph (A)(ii)”.

7 ~~(b)~~ MATCHING CONTRIBUTIONS TAKEN INTO AC-
 8 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
 9 Section 416(e)(2)(A) (relating to defined contribution
 10 plans) is amended by adding at the end the following:
 11 “Employer matching contributions (as defined in section
 12 401(m)(4)(A)) shall be taken into account for purposes
 13 of this subparagraph.”.

14 ~~(e)~~ DISTRIBUTIONS DURING LAST YEAR BEFORE
 15 DETERMINATION DATE TAKEN INTO ACCOUNT.—

16 ~~(1)~~ IN GENERAL.—Paragraph ~~(3)~~ of section
 17 416(g) is amended to read as follows:

18 ~~“(3)~~ DISTRIBUTIONS DURING LAST YEAR BE-
 19 FORE DETERMINATION DATE TAKEN INTO AC-
 20 COUNT.—

21 ~~“(A)~~ IN GENERAL.—For purposes of
 22 determining—

23 ~~“(i)~~ the present value of the cumu-
 24 lative accrued benefit for any employee, or

1 “(ii) the amount of the account of any
2 employee,
3 such present value or amount shall be increased
4 by the aggregate distributions made with re-
5 spect to such employee under the plan during
6 the 1-year period ending on the determination
7 date. The preceding sentence shall also apply to
8 distributions under a terminated plan which if
9 it had not been terminated would have been re-
10 quired to be included in an aggregation group.

11 “(B) 5-YEAR PERIOD IN CASE OF IN-SERV-
12 ICE DISTRIBUTION.—In the case of any dis-
13 tribution made for a reason other than separa-
14 tion from service, death, or disability, subpara-
15 graph (A) shall be applied by substituting ‘5-
16 year period’ for ‘1-year period.’”.

17 (2) BENEFITS NOT TAKEN INTO ACCOUNT.—
18 Subparagraph (E) of section 416(g)(4) is
19 amended—

20 (A) by striking “LAST 5 YEARS” in the
21 heading and inserting “LAST YEAR BEFORE DE-
22 TERMINATION DATE”; and

23 (B) by striking “5-year period” and insert-
24 ing “1-year period”.

1 (d) ~~DEFINITION OF TOP-HEAVY PLANS.~~—Paragraph
 2 (4) of section 416(g) (relating to other special rules for
 3 top-heavy plans) is amended by adding at the end the fol-
 4 lowing new subparagraph:

5 “(H) ~~CASH OR DEFERRED ARRANGEMENTS~~
 6 ~~USING ALTERNATIVE METHODS OF MEETING~~
 7 ~~NONDISCRIMINATION REQUIREMENTS.~~—The
 8 term ‘top-heavy plan’ shall not include a plan
 9 which consists solely of—

10 “(i) a cash or deferred arrangement
 11 which meets the requirements of section
 12 401(k)(12), and

13 “(ii) matching contributions with re-
 14 spect to which the requirements of section
 15 401(m)(11) are met.

16 If, but for this subparagraph, a plan would be
 17 treated as a top-heavy plan because it is a
 18 member of an aggregation group which is a top-
 19 heavy group, contributions under the plan may
 20 be taken into account in determining whether
 21 any other plan in the group meets the require-
 22 ments of subsection (c)(2).”.

23 (e) ~~FROZEN PLAN EXEMPT FROM MINIMUM BEN-~~
 24 ~~EFIT REQUIREMENT.~~—Subparagraph (C) of section
 25 416(e)(1) (relating to defined benefit plans) is amended—

1 (A) by striking “clause (ii)” in clause (i)
2 and inserting “clause (ii) or (iii)”; and

3 (B) by adding at the end the following:

4 “(iii) EXCEPTION FOR FROZEN
5 PLAN.—For purposes of determining an
6 employee’s years of service with the em-
7 ployer, any service with the employer shall
8 be disregarded to the extent that such
9 service occurs during a plan year when the
10 plan benefits (within the meaning of sec-
11 tion 410(b)) no employee or former em-
12 ployee.”.

13 (f) ELIMINATION OF FAMILY CONTRIBUTION.—Sec-
14 tion 416(i)(1)(B) (defining 5-percent owner) is amended
15 by adding at the end the following new clause:

16 “(iv) FAMILY CONTRIBUTION DIS-
17 REGARDED.—Solely for purposes of apply-
18 ing this paragraph (and not for purposes
19 of any provision of this title which incor-
20 porates by reference the definition of a key
21 employee or 5-percent owner under this
22 paragraph), section 318 shall be applied
23 without regard to subsection (a)(1) thereof
24 in determining whether any person is a 5-
25 percent owner.”.

1 (g) **EFFECTIVE DATE.**—The amendments made by
 2 this section shall apply to years beginning after December
 3 ~~31, 2000.~~

4 **SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
 5 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
 6 **ITS.**

7 (a) **IN GENERAL.**—Section 404 (relating to deduction
 8 for contributions of an employer to an employees' trust
 9 or annuity plan and compensation under a deferred pay-
 10 ment plan) is amended by adding at the end the following
 11 new subsection:

12 “(n) **ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
 13 **COUNT FOR PURPOSES OF DEDUCTION LIMITS.**—Elective
 14 deferrals (as defined in section 402(g)(3)) shall not be
 15 subject to any limitation contained in paragraph (3), (7),
 16 or (9) of subsection (a), and such elective deferrals shall
 17 not be taken into account in applying any such limitation
 18 to any other contributions.”

19 (b) **EFFECTIVE DATE.**—The amendment made by
 20 this section shall apply to years beginning after December
 21 ~~31, 2000.~~

1 **SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR**
2 **DEFERRED COMPENSATION PLANS OF STATE**
3 **AND LOCAL GOVERNMENTS AND TAX-EX-**
4 **EMPT ORGANIZATIONS.**

5 (a) **IN GENERAL.**—Subsection (c) of section 457 (re-
6 lating to deferred compensation plans of State and local
7 governments and tax-exempt organizations), as amended
8 by section 201, is amended to read as follows:

9 “(c) **LIMITATION.**—The maximum amount of the
10 compensation of any one individual which may be deferred
11 under subsection (a) during any taxable year shall not ex-
12 ceed the amount in effect under subsection (b)(2)(A) (as
13 modified by any adjustment provided under subsection
14 (b)(3)).”.

15 (b) **EFFECTIVE DATE.**—The amendment made by
16 subsection (a) shall apply to years beginning after Decem-
17 ber 31, 2000.

18 **SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO**
19 **IRS REGARDING PENSION PLANS.**

20 (a) **ELIMINATION OF CERTAIN USER FEES.**—The
21 Secretary of the Treasury or the Secretary’s delegate shall
22 not require payment of user fees under the program estab-
23 lished under section 7527 of the Internal Revenue Code
24 of 1986 for requests to the Internal Revenue Service for
25 determination letters with respect to the qualified status
26 of a pension benefit plan maintained solely by one or more

1 eligible employers or any trust which is part of the plan.

2 The preceding sentence shall not apply to any request—

3 (1) made after the fifth plan year the pension

4 benefit plan is in existence; or

5 (2) made by the sponsor of any prototype or

6 similar plan which the sponsor intends to market to

7 participating employers.

8 (b) PENSION BENEFIT PLAN.—For purposes of this

9 section, the term “pension benefit plan” means a pension,

10 profit-sharing, stock bonus, annuity, or employee stock

11 ownership plan.

12 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-

13 tion, the term “eligible employer” has the same meaning

14 given such term in section 408(p)(2)(C)(i)(I) of the Inter-

15 nal Revenue Code of 1986. The determination of whether

16 an employer is an eligible employer under this section shall

17 be made as of the date of the request described in sub-

18 section (a).

19 (d) EFFECTIVE DATE.—The provisions of this sec-

20 tion shall apply with respect to requests made after De-

21 cember 31, 2000.

22 **SEC. 207. DEDUCTION LIMITS.**

23 (a) IN GENERAL.—

24 (1) STOCK BONUS AND PROFIT SHARING

25 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)

1 (relating to stock bonus and profit sharing trusts) is
2 amended by striking “15 percent” and inserting “20
3 percent”.

4 (2) COMPENSATION.—Section 404(a) (relating
5 to general rule) is amended by adding at the end the
6 following:

7 “(12) DEFINITION OF COMPENSATION.—For
8 purposes of paragraphs (3), (7), (8), and (9), the
9 term ‘compensation otherwise paid or accrued dur-
10 ing the taxable year’ shall include amounts treated
11 as ‘participant’s compensation’ under subparagraph
12 (C) or (D) of section 415(c)(3).”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (B) of section 404(a)(3) is
15 amended by striking the last sentence thereof.

16 (2) Subparagraph (C) of section 404(h)(1) is
17 amended by striking “15 percent” each place it ap-
18 pears and inserting “20 percent”.

19 (3) Clause (i) of section 4972(e)(6)(B) is
20 amended by striking “(within the meaning of section
21 404(a))” and inserting “(within the meaning of sec-
22 tion 404(a) and as adjusted under section
23 404(a)(12))”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to years beginning after December
 3 31, 2000.

4 **SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS**
 5 **AFTER-TAX CONTRIBUTIONS.**

6 (a) IN GENERAL.—Subpart A of part I of subchapter
 7 D of chapter 1 (relating to deferred compensation, etc.)
 8 is amended by inserting after section 402 the following
 9 new section:

10 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**
 11 **RALS AS PLUS CONTRIBUTIONS.**

12 “(a) GENERAL RULE.—If an applicable retirement
 13 plan includes a qualified plus contribution program—

14 “(1) any designated plus contribution made by
 15 an employee pursuant to the program shall be treat-
 16 ed as an elective deferral for purposes of this chap-
 17 ter, except that such contribution shall not be ex-
 18 cludable from gross income; and

19 “(2) such plan (and any arrangement which is
 20 part of such plan) shall not be treated as failing to
 21 meet any requirement of this chapter solely by rea-
 22 son of including such program.

23 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—
 24 For purposes of this section—

1 “(1) IN GENERAL.—The term ‘qualified plus
2 contribution program’ means a program under which
3 an employee may elect to make designated plus con-
4 tributions in lieu of all or a portion of elective defer-
5 rals the employee is otherwise eligible to make under
6 the applicable retirement plan.

7 “(2) SEPARATE ACCOUNTING REQUIRED.—A
8 program shall not be treated as a qualified plus con-
9 tribution program unless the applicable retirement
10 plan—

11 “(A) establishes separate accounts (‘des-
12 ignated plus accounts’) for the designated plus
13 contributions of each employee and any earn-
14 ings properly allocable to the contributions; and

15 “(B) maintains separate recordkeeping
16 with respect to each account.

17 “(c) DEFINITIONS AND RULES RELATING TO DES-
18 IGNATED PLUS CONTRIBUTIONS.—For purposes of this
19 section—

20 “(1) DESIGNATED PLUS CONTRIBUTION.—The
21 term ‘designated plus contribution’ means any elec-
22 tive deferral which—

23 “(A) is excludable from gross income of an
24 employee without regard to this section; and

1 “(B) the employee designates (at such time
2 and in such manner as the Secretary may pre-
3 scribe) as not being so excludable.

4 “(2) DESIGNATION LIMITS.—The amount of
5 elective deferrals which an employee may designate
6 under paragraph (1) shall not exceed the excess (if
7 any) of—

8 “(A) the maximum amount of elective de-
9 ferrals excludable from gross income of the em-
10 ployee for the taxable year (without regard to
11 this section), over

12 “(B) the aggregate amount of elective de-
13 ferrals of the employee for the taxable year
14 which the employee does not designate under
15 paragraph (1).

16 “(3) ROLLOVER CONTRIBUTIONS.—

17 “(A) IN GENERAL.—A rollover contribu-
18 tion of any payment or distribution from a des-
19 ignated plus account which is otherwise allow-
20 able under this chapter may be made only if the
21 contribution is to—

22 “(i) another designated plus account
23 of the individual from whose account the
24 payment or distribution was made, or

25 “(ii) a Roth IRA of such individual.

1 “(B) COORDINATION WITH LIMIT.—Any
2 rollover contribution to a designated plus ac-
3 count under subparagraph (A) shall not be
4 taken into account for purposes of paragraph
5 (1).

6 “(d) DISTRIBUTION RULES.—For purposes of this
7 title—

8 “(1) EXCLUSION.—Any qualified distribution
9 from a designated plus account shall not be includ-
10 ible in gross income.

11 “(2) QUALIFIED DISTRIBUTION.—For purposes
12 of this subsection—

13 “(A) IN GENERAL.—The term ‘qualified
14 distribution’ has the meaning given such term
15 by section 408A(d)(2)(A) (without regard to
16 clause (iv) thereof).

17 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
18 SION PERIOD.—A payment or distribution from
19 a designated plus account shall not be treated
20 as a qualified distribution if such payment or
21 distribution is made within the 5-taxable-year
22 period beginning with the earlier of—

23 “(i) the first taxable year for which
24 the individual made a designated plus con-
25 tribution to any designated plus account

1 established for such individual under the
2 same applicable retirement plan, or

3 “(ii) if a rollover contribution was
4 made to such designated plus account from
5 a designated plus account previously estab-
6 lished for such individual under another
7 applicable retirement plan, the first taxable
8 year for which the individual made a des-
9 ignated plus contribution to such pre-
10 viously established account.

11 “(C) DISTRIBUTIONS OF EXCESS DEFER-
12 RALS AND EARNINGS.—The term ‘qualified dis-
13 tribution’ shall not include any distribution of
14 any excess deferral under section 402(g)(2) and
15 any income on the excess deferral.

16 “(3) AGGREGATION RULES.—Section 72 shall
17 be applied separately with respect to distributions
18 and payments from a designated plus account and
19 other distributions and payments from the plan.

20 “(e) OTHER DEFINITIONS.—For purposes of this
21 section—

22 “(1) APPLICABLE RETIREMENT PLAN.—The
23 term ‘applicable retirement plan’ means—

1 “(A) an employees’ trust described in sec-
2 tion 401(a) which is exempt from tax under
3 section 501(a); and

4 “(B) a plan under which amounts are con-
5 tributed by an individual’s employer for an an-
6 nuity contract described in section 403(b).

7 “(2) **ELECTIVE DEFERRAL.**—The term ‘elective
8 deferral’ means any elective deferral described in
9 subparagraph (A) or (C) of section 402(g)(3).”.

10 (b) **EXCESS DEFERRALS.**—Section 402(g) (relating
11 to limitation on exclusion for elective deferrals) is
12 amended—

13 (1) by adding at the end of paragraph (1) the
14 following new sentence: “The preceding sentence
15 shall not apply to so much of such excess as does
16 not exceed the designated plus contributions of the
17 individual for the taxable year.”; and

18 (2) by inserting “(or would be included but for
19 the last sentence thereof)” after “paragraph (1)” in
20 paragraph (2)(A).

21 (c) **ROLLOVERS.**—Subparagraph (B) of section
22 402(c)(8) is amended by adding at the end the following:

23 “If any portion of an eligible rollover distribu-
24 tion is attributable to payments or distributions
25 from a designated plus account (as defined in

1 section 402A), an eligible retirement plan with
2 respect to such portion shall include only an-
3 other designated plus account and a Roth
4 IRA.”.

5 (d) REPORTING REQUIREMENTS.—

6 (1) ~~W-2~~ INFORMATION.—Section 6051(a)(8) is
7 amended by inserting “, including the amount of
8 designated plus contributions (as defined in section
9 402A)” before the comma at the end.

10 (2) INFORMATION.—Section 6047 is amended
11 by redesignating subsection (f) as subsection (g) and
12 by inserting after subsection (e) the following new
13 subsection:

14 “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-
15 retary shall require the plan administrator of each applica-
16 ble retirement plan (as defined in section 402A) to make
17 such returns and reports regarding designated plus con-
18 tributions (as so defined) to the Secretary, participants
19 and beneficiaries of the plan, and such other persons as
20 the Secretary may prescribe.”.

21 (e) CONFORMING AMENDMENTS.—

22 (1) Section 408A(e) is amended by adding after
23 the first sentence the following new sentence: “Such
24 term includes a rollover contribution described in
25 section 402A(c)(3)(A).”.

1 (2) The table of sections for subpart A of part
 2 I of subchapter D of chapter 1 is amended by insert-
 3 ing after the item relating to section 402 the fol-
 4 lowing new item:

“Sec. 402A. Optional treatment of elective deferrals as plus con-
 tributions.”.

5 (f) **EFFECTIVE DATE.**—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2000.

8 **TITLE III—ENHANCING** 9 **FAIRNESS FOR WOMEN**

10 **SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**

11 **AGE 50 OR OVER.**

12 (a) **IN GENERAL.**—Section 414 (relating to defini-
 13 tions and special rules) is amended by adding at the end
 14 the following new subsection:

15 “(v) **CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**
 16 **AGE 50 OR OVER.**—

17 “(1) **IN GENERAL.**—An applicable employer
 18 plan shall not be treated as failing to meet any re-
 19 quirement of this title solely because the plan per-
 20 mits an eligible participant to make additional elec-
 21 tive deferrals in any plan year.

22 “(2) **LIMITATION ON AMOUNT OF ADDITIONAL**
 23 **DEFERRALS.**—A plan shall not permit additional

1 elective deferrals under paragraph (1) for any year
2 in an amount greater than the lesser of—

3 “(A) \$5,000, or

4 “(B) the excess (if any) of—

5 “(i) the participant’s compensation for
6 the year, over

7 “(ii) any other elective deferrals of the
8 participant for such year which are made
9 without regard to this subsection.

10 “(3) TREATMENT OF CONTRIBUTIONS.—In the
11 case of any contribution to a plan under paragraph
12 (1), such contribution shall not, with respect to the
13 year in which the contribution is made—

14 “(A) be subject to any otherwise applicable
15 limitation contained in section 402(g),
16 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii),
17 415, or 457, or

18 “(B) be taken into account in applying
19 such limitations to other contributions or bene-
20 fits under such plan or any other such plan.

21 “(4) ELIGIBLE PARTICIPANT.—For purposes of
22 this subsection, the term ‘eligible participant’ means,
23 with respect to any plan year, a participant in a
24 plan—

1 “(A) who has attained the age of 50 before
2 the close of the plan year, and

3 “(B) with respect to whom no other elec-
4 tive deferrals may (without regard to this sub-
5 section) be made to the plan for the plan year
6 by reason of the application of any limitation or
7 other restriction described in paragraph (3) or
8 comparable limitation contained in the terms of
9 the plan.

10 “(5) OTHER DEFINITIONS AND RULES.—For
11 purposes of this subsection—

12 “(A) APPLICABLE EMPLOYER PLAN.—The
13 term ‘applicable employer plan’ means—

14 “(i) an employees’ trust described in
15 section 401(a) which is exempt from tax
16 under section 501(a),

17 “(ii) a plan under which amounts are
18 contributed by an individual’s employer for
19 an annuity contract described in section
20 403(b),

21 “(iii) an eligible deferred compensa-
22 tion plan under section 457 of an eligible
23 employer as defined in section
24 457(c)(1)(A), and

1 “(iv) an arrangement meeting the re-
2 quirements of section 408 (k) or (p):

3 “(B) ELECTIVE DEFERRAL.—The term
4 ‘elective deferral’ has the meaning given such
5 term by subsection (u)(2)(C):

6 “(C) EXCEPTION FOR SECTION 457
7 PLANS.—This subsection shall not apply to an
8 applicable employer plan described in subpara-
9 graph (A)(iii) for any year to which section
10 457(b)(3) applies:

11 “(D) COST-OF-LIVING ADJUSTMENT.—For
12 years beginning after December 31, 2005, the
13 Secretary shall adjust annually the \$5,000
14 amount in subparagraph (A) for increases in
15 the cost-of-living at the same time and in the
16 same manner as adjustments under section
17 415(d); except that the base period shall be the
18 calendar quarter beginning July 1, 2004, and
19 any increase which is not a multiple of \$500
20 shall be rounded to the next lowest multiple of
21 \$500.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to contributions in taxable years
24 beginning after December 31, 2000.

1 **SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
2 **EMPLOYEES TO DEFINED CONTRIBUTION**
3 **PLANS.**

4 (a) EQUITABLE TREATMENT.—

5 (1) IN GENERAL.—Subparagraph (B) of section
6 415(c)(1) (relating to limitation for defined con-
7 tribution plans) is amended by striking “25 percent”
8 and inserting “100 percent”.

9 (2) APPLICATION TO SECTION 403(b).—Section
10 403(b) is amended—

11 (A) by striking “the exclusion allowance
12 for such taxable year” in paragraph (1) and in-
13 serting “the applicable limit under section
14 415”;

15 (B) by striking paragraph (2); and

16 (C) by inserting “or any amount received
17 by a former employee after the fifth taxable
18 year following the taxable year in which such
19 employee was terminated” before the period at
20 the end of the second sentence of paragraph
21 (3).

22 (3) CONFORMING AMENDMENTS.—

23 (A) Subsection (f) of section 72 is amend-
24 ed by striking “section 403(b)(2)(D)(iii)” and
25 inserting “section 403(b)(2)(D)(iii), as in effect
26 before the enactment of the Comprehensive Re-

1 tirement Security and Pension Reform Act of
2 2000)”.
3

4 (B) Section 404(a)(10)(B) is amended by
5 striking “, the exclusion allowance under sec-
6 tion 403(b)(2),”.

7 (C) Section 415(a)(2) is amended by strik-
8 ing “, and the amount of the contribution for
9 such portion shall reduce the exclusion allow-
10 ance as provided in section 403(b)(2)”.

11 (D) Section 415(c)(3) is amended by add-
12 ing at the end the following new subparagraph:

13 “(E) ANNUITY CONTRACTS.—In the case
14 of an annuity contract described in section
15 403(b), the term ‘participant’s compensation’
16 means the participant’s includible compensation
17 determined under section 403(b)(3).”.

18 (E) Section 415(c) is amended by striking
19 paragraph (4).

20 (F) Section 415(c)(7) is amended to read
21 as follows:

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

24 “(A) IN GENERAL.—Notwithstanding any
25 other provision of this subsection, at the elec-
 tion of a participant who is an employee of a

1 church or a convention or association of church-
2 es, including an organization described in sec-
3 tion 414(e)(3)(B)(ii), contributions and other
4 additions for an annuity contract or retirement
5 income account described in section 403(b) with
6 respect to such participant, when expressed as
7 an annual addition to such participant's ac-
8 count, shall be treated as not exceeding the lim-
9 itation of paragraph (1) if such annual addition
10 is not in excess of \$10,000.

11 “(B) \$40,000 AGGREGATE LIMITATION.—

12 The total amount of additions with respect to
13 any participant which may be taken into ac-
14 count for purposes of this subparagraph for all
15 years may not exceed \$40,000.

16 “(C) ANNUAL ADDITION.—For purposes of

17 this paragraph, the term ‘annual addition’ has
18 the meaning given such term by paragraph
19 (2).”.

20 (G) Subparagraph (B) of section 402(g)(7)

21 (as redesignated by section 211) is amended by
22 inserting before the period at the end the fol-
23 lowing: “(as in effect before the enactment of
24 the Comprehensive Retirement Security and
25 Pension Reform Act of 2000)”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to years beginning
3 after December 31, 2000.

4 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
5 408.—

6 (1) IN GENERAL.—Subsection (k) of section
7 415 is amended by adding at the end the following
8 new paragraph:

9 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
10 408.—For purposes of this section, any annuity con-
11 tract described in section 403(b) for the benefit of
12 a participant shall be treated as a defined contribu-
13 tion plan maintained by each employer with respect
14 to which the participant has the control required
15 under subsection (b) or (c) of section 414 (as modi-
16 fied by subsection (h)). For purposes of this section,
17 any contribution by an employer to a simplified em-
18 ployee pension plan for an individual for a taxable
19 year shall be treated as an employer contribution to
20 a defined contribution plan for such individual for
21 such year.”.

22 (2) EFFECTIVE DATE.—

23 (A) IN GENERAL.—The amendment made
24 by paragraph (1) shall apply to limitation years
25 beginning after December 31, 1999.

1 (B) ~~EXCLUSION ALLOWANCE.~~—Effective
2 for limitation years beginning in 2000, in the
3 case of any annuity contract described in sec-
4 tion 403(b) of the Internal Revenue Code of
5 1986, the amount of the contribution disquali-
6 fied by reason of section 415(g) of such Code
7 shall reduce the exclusion allowance as provided
8 in section 403(b)(2) of such Code.

9 ~~(3) MODIFICATION OF 403(b) EXCLUSION AL-~~
10 ~~LOWANCE TO CONFORM TO 415 MODIFICATION.~~—The
11 Secretary of the Treasury shall modify the regula-
12 tions regarding the exclusion allowance under section
13 403(b)(2) of the Internal Revenue Code of 1986 to
14 render void the requirement that contributions to a
15 defined benefit pension plan be treated as previously
16 excluded amounts for purposes of the exclusion al-
17 lowance. For taxable years beginning after Decem-
18 ber 31, 1999, such regulations shall be applied as if
19 such requirement were void.

20 ~~(c) DEFERRED COMPENSATION PLANS OF STATE~~
21 ~~AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-~~
22 ~~ZATIONS.~~—

23 (1) ~~IN GENERAL.~~—Subparagraph (B) of section
24 457(b)(2) (relating to salary limitation on eligible

1 deferred compensation plans) is amended by striking
 2 “33 1/3 percent” and inserting “100 percent”.

3 (2) EFFECTIVE DATE.—The amendment made
 4 by this subsection shall apply to years beginning
 5 after December 31, 2000.

6 **SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER**
 7 **MATCHING CONTRIBUTIONS.**

8 (a) IN GENERAL.—Section 411(a) (relating to min-
 9 imum vesting standards) is amended—

10 (1) in paragraph (2), by striking “A plan” and
 11 inserting “Except as provided in paragraph (12), a
 12 plan”; and

13 (2) by adding at the end the following:

14 “(12) FASTER VESTING FOR MATCHING CON-
 15 TRIBUTIONS.—In the case of matching contributions
 16 (as defined in section 401(m)(4)(A)), paragraph (2)
 17 shall be applied—

18 “(A) by substituting ‘3 years’ for ‘5 years’
 19 in subparagraph (A), and

20 “(B) by substituting the following table for
 21 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.”

22 (b) EFFECTIVE DATES.—

1 (1) ~~IN GENERAL.~~—Except as provided in para-
2 graph (2), the amendments made by this section
3 shall apply to contributions for plan years beginning
4 after December 31, 2000.

5 (2) ~~COLLECTIVE BARGAINING AGREEMENTS.~~—
6 In the case of a plan maintained pursuant to one or
7 more collective bargaining agreements between em-
8 ployee representatives and one or more employers
9 ratified by the date of the enactment of this Act, the
10 amendments made by this section shall not apply to
11 contributions on behalf of employees covered by any
12 such agreement for plan years beginning before the
13 earlier of—

14 (A) the later of—

15 (i) the date on which the last of such
16 collective bargaining agreements termi-
17 nates (determined without regard to any
18 extension thereof on or after such date of
19 the enactment); or

20 (ii) January 1, 2001; or

21 (B) January 1, 2005.

22 (3) ~~SERVICE REQUIRED.~~—With respect to any
23 plan, the amendments made by this section shall not
24 apply to any employee before the date that such em-
25 ployee has 1 hour of service under such plan in any

1 plan year to which the amendments made by this
2 section apply.

3 **SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**
4

5 (a) SIMPLIFICATION AND FINALIZATION OF MIN-
6 IMUM DISTRIBUTION REQUIREMENTS.—

7 (1) IN GENERAL.—The Secretary of the Treas-
8 ury shall—

9 (A) simplify and finalize the regulations re-
10 lating to minimum distribution requirements
11 under sections 401(a)(9), 408(a)(6) and (b)(3),
12 403(b)(10), and 457(d)(2) of the Internal Rev-
13 enue Code of 1986; and

14 (B) modify such regulations to—

15 (i) reflect current life expectancy; and

16 (ii) revise the required distribution
17 methods so that, under reasonable assump-
18 tions, the amount of the required minimum
19 distribution does not decrease over a par-
20 ticipant's life expectancy.

21 (2) FRESH START.—Notwithstanding subpara-
22 graph (D) of section 401(a)(9) of such Code, during
23 the first year that regulations are in effect under
24 this subsection, required distributions for future
25 years may be redetermined to reflect changes under

1 such regulations. Such redetermination shall include
2 the opportunity to choose a new designated bene-
3 ficiary and to elect a new method of calculating life
4 expectancy.

5 ~~(3) EFFECTIVE DATE FOR REGULATIONS.—~~

6 Regulations referred to in paragraph (1) shall be ef-
7 fective for years beginning after December 31, 2000,
8 and shall apply in such years without regard to
9 whether an individual had previously begun receiving
10 minimum distributions.

11 ~~(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD~~
12 ~~BEGUN BEFORE DEATH OCCURS.—~~

13 ~~(1) IN GENERAL.—~~Subparagraph (B) of section
14 401(a)(9) is amended by striking clause (i) and re-
15 designating clauses (ii), (iii), and (iv) as clauses (i),
16 (ii), and (iii), respectively.

17 ~~(2) CONFORMING CHANGES.—~~

18 ~~(A) Clause (i) of section 401(a)(9)(B) (as~~
19 ~~so redesignated) is amended—~~

20 ~~(i) by striking “FOR OTHER CASES” in~~
21 ~~the heading; and~~

22 ~~(ii) by striking “the distribution of the~~
23 ~~employee’s interest has begun in accord-~~
24 ~~ance with subparagraph (A)(ii)” and in-~~

1 serting “his entire interest has been dis-
2 tributed to him”.

3 (B) Clause (ii) of section 401(a)(9)(B) (as
4 so redesignated) is amended by striking “clause
5 (ii)” and inserting “clause (i)”.

6 (C) Clause (iii) of section 401(a)(9)(B) (as
7 so redesignated) is amended—

8 (i) by striking “clause (iii)(I)” and in-
9 serting “clause (ii)(I)”;

10 (ii) by striking “clause (iii)(III)” in
11 subclause (I) and inserting “clause
12 (ii)(III)”;

13 (iii) by striking “the date on which
14 the employee would have attained age
15 70½,” in subclause (I) and inserting
16 “April 1 of the calendar year following the
17 calendar year in which the spouse attains
18 70½,”; and

19 (iv) by striking “the distributions to
20 such spouse begin,” in subclause (II) and
21 inserting “his entire interest has been dis-
22 tributed to him”.

23 (3) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply to years beginning
25 after December 31, 2000.

1 (c) **REDUCTION IN EXCISE TAX.**—

2 (1) **IN GENERAL.**—Subsection (a) of section
3 4974 is amended by striking “50 percent” and in-
4 serting “10 percent”.

5 (2) **EFFECTIVE DATE.**—The amendment made
6 by this subsection shall apply to years beginning
7 after December 31, 2000.

8 **SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION**
9 **OF SECTION 457 PLAN BENEFITS UPON DI-**
10 **VORCE.**

11 (a) **IN GENERAL.**—Section 414(p)(11) (relating to
12 application of rules to governmental and church plans) is
13 amended—

14 (1) by inserting “or an eligible deferred com-
15 pensation plan (within the meaning of section
16 457(b))” after “subsection (c)”; and

17 (2) in the heading, by striking “GOVERN-
18 MENTAL AND CHURCH PLANS” and inserting “CER-
19 TAIN OTHER PLANS”.

20 (b) **WAIVER OF CERTAIN DISTRIBUTION REQUIRE-**
21 **MENTS.**—Paragraph (10) of section 414(p) is amended by
22 striking “and section 409(d)” and inserting “section
23 409(d), and section 457(d)”.

24 (c) **TAX TREATMENT OF PAYMENTS FROM A SEC-**
25 **TION 457 PLAN.**—Subsection (p) of section 414 is amend-

1 ed by redesignating paragraph (12) as paragraph (13) and
2 inserting after paragraph (11) the following new para-
3 graph:

4 “(12) TAX TREATMENT OF PAYMENTS FROM A
5 SECTION 457 PLAN.—If a distribution or payment
6 from an eligible deferred compensation plan de-
7 scribed in section 457(b) is made pursuant to a
8 qualified domestic relations order, rules similar to
9 the rules of section 402(e)(1)(A) shall apply to such
10 distribution or payment.”

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to transfers, distributions, and
13 payments made after December 31, 2000.

14 **SEC. 306. MODIFICATION OF SAFE HARBOR RELIEF FOR**
15 **HARDSHIP WITHDRAWALS FROM CASH OR**
16 **DEFERRED ARRANGEMENTS.**

17 (a) IN GENERAL.—The Secretary of the Treasury
18 shall revise the regulations relating to hardship distribu-
19 tions under section 401(k)(2)(B)(i)(IV) of the Internal
20 Revenue Code of 1986 to provide that the period an em-
21 ployee is prohibited from making elective and employee
22 contributions in order for a distribution to be deemed nec-
23 essary to satisfy financial need shall be equal to 6 months.

1 (b) EFFECTIVE DATE.—The revised regulations
2 under subsection (a) shall apply to years beginning after
3 December 31, 2000.

4 **TITLE IV—INCREASING PORT-**
5 **ABILITY FOR PARTICIPANTS**

6 **SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**
7 **OF PLANS.**

8 (a) ROLLOVERS FROM AND TO SECTION 457
9 PLANS.—

10 (1) ROLLOVERS FROM SECTION 457 PLANS.—

11 (A) IN GENERAL.—Section 457(e) (relat-
12 ing to other definitions and special rules) is
13 amended by adding at the end the following:

14 “(16) ROLLOVER AMOUNTS.—

15 “(A) GENERAL RULE.—In the case of an
16 eligible deferred compensation plan established
17 and maintained by an employer described in
18 subsection (e)(1)(A), if—

19 “(i) any portion of the balance to the
20 credit of an employee in such plan is paid
21 to such employee in an eligible rollover dis-
22 tribution (within the meaning of section
23 402(e)(4) without regard to subparagraph
24 (C) thereof);

1 “(ii) the employee transfers any por-
2 tion of the property such employee receives
3 in such distribution to an eligible retire-
4 ment plan described in section
5 402(e)(8)(B), and

6 “(iii) in the case of a distribution of
7 property other than money, the amount so
8 transferred consists of the property distrib-
9 uted,

10 then such distribution (to the extent so trans-
11 ferred) shall not be includible in gross income
12 for the taxable year in which paid.

13 “(B) CERTAIN RULES MADE APPLICA-
14 BLE.—The rules of paragraphs (2) through (7)
15 (other than paragraph (4)(C)) and (9) of sec-
16 tion 402(e) and section 402(f) shall apply for
17 purposes of subparagraph (A).

18 “(C) REPORTING.—Rollovers under this
19 paragraph shall be reported to the Secretary in
20 the same manner as rollovers from qualified re-
21 tirement plans (as defined in section
22 4974(e)).”.

23 (B) DEFERRAL LIMIT DETERMINED WITH-
24 OUT REGARD TO ROLLOVER AMOUNTS.—Section
25 457(b)(2) (defining eligible deferred compensa-

1 tion plan) is amended by inserting “(other than
2 rollover amounts)” after “taxable year”.

3 (C) DIRECT ROLLOVER.—Paragraph (1) of
4 section 457(d) is amended by striking “and” at
5 the end of subparagraph (A), by striking the
6 period at the end of subparagraph (B) and in-
7 serting “, and”, and by inserting after subpara-
8 graph (B) the following:

9 “(C) in the case of a plan maintained by
10 an employer described in subsection (e)(1)(A),
11 the plan meets requirements similar to the re-
12 quirements of section 401(a)(31).

13 Any amount transferred in a direct trustee-to-trust-
14 ee transfer in accordance with section 401(a)(31)
15 shall not be includible in gross income for the tax-
16 able year of transfer.”.

17 (D) WITHHOLDING.—

18 (i) Paragraph (12) of section 3401(a)
19 is amended by adding at the end the fol-
20 lowing:

21 “(E) under or to an eligible deferred com-
22 pensation plan which, at the time of such pay-
23 ment, is a plan described in section 457(b)
24 maintained by an employer described in section
25 457(e)(1)(A), or”.

1 (ii) Paragraph (3) of section 3405(c)
2 is amended to read as follows:

3 “~~(3) ELIGIBLE ROLLOVER DISTRIBUTION.—~~For
4 purposes of this subsection, the term ‘eligible roll-
5 over distribution’ has the meaning given such term
6 by section 402(f)(2)(A).”.

7 (iii) LIABILITY FOR WITHHOLDING.—
8 Subparagraph (B) of section 3405(d)(2) is
9 amended by striking “or” at the end of
10 clause (ii); by striking the period at the
11 end of clause (iii) and inserting “, or”, and
12 by adding at the end the following:

13 “~~(iv) section 457(b).~~”.

14 ~~(2) ROLLOVERS TO SECTION 457 PLANS.—~~

15 (A) IN GENERAL.—Section 402(e)(8)(B)
16 (defining eligible retirement plan) is amended
17 by striking “and” at the end of clause (iii); by
18 striking the period at the end of clause (iv) and
19 inserting “, and”, and by inserting after clause
20 (iv) the following new clause:

21 “~~(v) an eligible deferred compensation~~
22 plan described in section 457(b) of an em-
23 ployer described in section 457(e)(1)(A).”.

1 (B) SEPARATE ACCOUNTING.—Section
2 402(e) is amended by adding at the end the fol-
3 lowing new paragraph:

4 “(11) SEPARATE ACCOUNTING.—Unless a plan
5 described in clause (v) of paragraph (8)(B) agrees to
6 separately account for amounts rolled into such plan
7 from eligible retirement plans not described in such
8 clause, the plan described in such clause may not ac-
9 cept transfers or rollovers from such retirement
10 plans.”.

11 (C) 10 PERCENT ADDITIONAL TAX.—Sub-
12 section (t) of section 72 (relating to 10-percent
13 additional tax on early distributions from quali-
14 fied retirement plans) is amended by adding at
15 the end the following new paragraph:

16 “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-
17 TION 457 PLANS.—For purposes of this subsection,
18 a distribution from an eligible deferred compensation
19 plan (as defined in section 457(b)) of an employer
20 described in section 457(e)(1)(A) shall be treated as
21 a distribution from a qualified retirement plan de-
22 scribed in 4974(c)(1) to the extent that such dis-
23 tribution is attributable to an amount transferred to
24 an eligible deferred compensation plan from a quali-

1 fied retirement plan (as defined in section
2 4974(e)).”.

3 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
4 403(b) PLANS.—

5 (1) ROLLOVERS FROM SECTION 403(b) PLANS.—

6 Section 403(b)(8)(A)(ii) (relating to rollover
7 amounts) is amended by striking “such distribution”
8 and all that follows and inserting “such distribution
9 to an eligible retirement plan described in section
10 402(c)(8)(B), and”.

11 (2) ROLLOVERS TO SECTION 403(b) PLANS.—

12 Section 402(c)(8)(B) (defining eligible retirement
13 plan), as amended by subsection (a), is amended by
14 striking “and” at the end of clause (iv), by striking
15 the period at the end of clause (v) and inserting “,
16 and”, and by inserting after clause (v) the following
17 new clause:

18 “(vi) an annuity contract described in
19 section 403(b).”.

20 (c) EXPANDED EXPLANATION TO RECIPIENTS OF

21 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
22 402(f) (relating to written explanation to recipients of dis-
23 tributions eligible for rollover treatment) is amended by
24 striking “and” at the end of subparagraph (C), by striking
25 the period at the end of subparagraph (D) and inserting

1 “, and”, and by adding at the end the following new sub-
2 paragraph:

3 “(E) of the provisions under which dis-
4 tributions from the eligible retirement plan re-
5 ceiving the distribution may be subject to re-
6 strictions and tax consequences which are dif-
7 ferent from those applicable to distributions
8 from the plan making such distribution.”.

9 (d) SPOUSAL ROLLOVERS.—Section 402(e)(9) (relat-
10 ing to rollover where spouse receives distribution after
11 death of employee) is amended by striking “; except that”
12 and all that follows up to the end period.

13 (e) CONFORMING AMENDMENTS.—

14 (1) Section 72(o)(4) is amended by striking
15 “and 408(d)(3)” and inserting “403(b)(8),
16 408(d)(3), and 457(e)(16)”.

17 (2) Section 219(d)(2) is amended by striking
18 “or 408(d)(3)” and inserting “408(d)(3), or
19 457(e)(16)”.

20 (3) Section 401(a)(31)(B) is amended by strik-
21 ing “and 403(a)(4)” and inserting “, 403(a)(4),
22 403(b)(8), and 457(e)(16)”.

23 (4) Subparagraph (A) of section 402(f)(2) is
24 amended by striking “or paragraph (4) of section
25 403(a)” and inserting “, paragraph (4) of section

1 403(a), subparagraph (A) of section 403(b)(8), or
2 subparagraph (A) of section 457(e)(16)).

3 (5) Paragraph (1) of section 402(f) is amended
4 by striking “from an eligible retirement plan”.

5 (6) Subparagraphs (A) and (B) of section
6 402(f)(1) are amended by striking “another eligible
7 retirement plan” and inserting “an eligible retire-
8 ment plan”.

9 (7) Subparagraph (B) of section 403(b)(8) is
10 amended to read as follows:

11 “(B) CERTAIN RULES MADE APPLICA-
12 BLE.—The rules of paragraphs (2) through (7)
13 and (9) of section 402(c) and section 402(f)
14 shall apply for purposes of subparagraph (A),
15 except that section 402(f) shall be applied to
16 the payor in lieu of the plan administrator.”.

17 (8) Section 408(a)(1) is amended by striking
18 “or 403(b)(8),” and inserting “403(b)(8), or
19 457(e)(16))”.

20 (9) Subparagraphs (A) and (B) of section
21 415(b)(2) are each amended by striking “and
22 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
23 457(e)(16))”.

1 (10) Section 415(c)(2) is amended by striking
2 “and 408(d)(3)” and inserting “408(d)(3), and
3 457(e)(16)”.

4 (11) Section 4973(b)(1)(A) is amended by
5 striking “or 408(d)(3)” and inserting “408(d)(3), or
6 457(e)(16)”.

7 (f) EFFECTIVE DATE; SPECIAL RULE.—

8 (1) EFFECTIVE DATE.—The amendments made
9 by this section shall apply to distributions after De-
10 cember 31, 2000.

11 (2) SPECIAL RULE.—Notwithstanding any other
12 provision of law, subsections (h)(3) and (h)(5) of
13 section 1122 of the Tax Reform Act of 1986 shall
14 not apply to any distribution from an eligible retire-
15 ment plan (as defined in clause (iii) or (iv) of section
16 402(c)(8)(B) of the Internal Revenue Code of 1986)
17 on behalf of an individual if there was a rollover to
18 such plan on behalf of such individual which is per-
19 mitted solely by reason of any amendment made by
20 this section.

21 **SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**
22 **MENT PLANS.**

23 (a) IN GENERAL.—Subparagraph (A) of section
24 408(d)(3) (relating to rollover amounts) is amended by

1 adding “or” at the end of clause (i), by striking clauses
2 (ii) and (iii), and by adding at the end the following:

3 “(ii) the entire amount received (in-
4 cluding money and any other property) is
5 paid into an eligible retirement plan for
6 the benefit of such individual not later
7 than the 60th day after the date on which
8 the payment or distribution is received, ex-
9 cept that the maximum amount which may
10 be paid into such plan may not exceed the
11 portion of the amount received which is in-
12 cludible in gross income (determined with-
13 out regard to this paragraph).

14 For purposes of clause (ii), the term ‘eligible re-
15 tirement plan’ means an eligible retirement plan
16 described in clause (iii), (iv), (v), or (vi) of sec-
17 tion 402(e)(8)(B).”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Paragraph (1) of section 403(b) is amended
20 by striking “section 408(d)(3)(A)(iii)” and inserting
21 “section 408(d)(3)(A)(ii)”.

22 (2) Clause (i) of section 408(d)(3)(D) is amend-
23 ed by striking “(i), (ii), or (iii)” and inserting “(i)
24 or (ii)”.

1 (3) Subparagraph (G) of section 408(d)(3) is
2 amended to read as follows:

3 “(G) SIMPLE RETIREMENT ACCOUNTS.—In
4 the case of any payment or distribution out of
5 a simple retirement account (as defined in sub-
6 section (p)) to which section 72(t)(6) applies,
7 this paragraph shall not apply unless such pay-
8 ment or distribution is paid into another simple
9 retirement account.”.

10 (e) EFFECTIVE DATE; SPECIAL RULE.—

11 (1) EFFECTIVE DATE.—The amendments made
12 by this section shall apply to distributions after De-
13 cember 31, 2000.

14 (2) SPECIAL RULE.—Notwithstanding any other
15 provision of law, subsections (h)(3) and (h)(5) of
16 section 1122 of the Tax Reform Act of 1986 shall
17 not apply to any distribution from an eligible retire-
18 ment plan (as defined in clause (iii) or (iv) of section
19 402(c)(8)(B) of the Internal Revenue Code of 1986)
20 on behalf of an individual if there was a rollover to
21 such plan on behalf of such individual which is per-
22 mitted solely by reason of the amendments made by
23 this section.

1 **SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

2 (a) **ROLLOVERS FROM EXEMPT TRUSTS.**—Para-
 3 graph (2) of section 402(c) (relating to maximum amount
 4 which may be rolled over) is amended by adding at the
 5 end the following: “The preceding sentence shall not apply
 6 to such distribution to the extent—

7 “(A) such portion is transferred in a direct
 8 trustee-to-trustee transfer to a qualified trust
 9 which is part of a plan which is a defined con-
 10 tribution plan and which agrees to separately
 11 account for amounts so transferred, including
 12 separately accounting for the portion of such
 13 distribution which is includible in gross income
 14 and the portion of such distribution which is
 15 not so includible; or

16 “(B) such portion is transferred to an eli-
 17 gible retirement plan described in clause (i) or
 18 (ii) of paragraph (8)(B).”.

19 (b) **OPTIONAL DIRECT TRANSFER OF ELIGIBLE**
 20 **ROLLOVER DISTRIBUTIONS.**—Subparagraph (B) of sec-
 21 tion 401(a)(31) (relating to limitation) is amended by add-
 22 ing at the end the following: “The preceding sentence shall
 23 not apply to such distribution if the plan to which such
 24 distribution is transferred—

25 “(i) agrees to separately account for
 26 amounts so transferred, including sepa-

1 rately accounting for the portion of such
 2 distribution which is includible in gross in-
 3 come and the portion of such distribution
 4 which is not so includible; or

5 “(ii) is an eligible retirement plan de-
 6 scribed in clause (i) or (ii) of section
 7 402(e)(8)(B).”.

8 (e) RULES FOR APPLYING SECTION 72 TO IRAs.—
 9 Paragraph (3) of section 408(d) (relating to special rules
 10 for applying section 72) is amended by inserting at the
 11 end the following:

12 “(H) APPLICATION OF SECTION 72.—

13 “(i) IN GENERAL.—If—

14 “(I) a distribution is made from
 15 an individual retirement plan; and

16 “(II) a rollover contribution is
 17 made to an eligible retirement plan
 18 described in section 402(e)(8)(B)(iii);
 19 (iv); (v); or (vi) with respect to all or
 20 part of such distribution;

21 then, notwithstanding paragraph (2), the
 22 rules of clause (ii) shall apply for purposes
 23 of applying section 72.

1 “(ii) APPLICABLE RULES.—In the
2 ease of a distribution described in clause
3 (i)—

4 “(I) section 72 shall be applied
5 separately to such distribution;

6 “(II) notwithstanding the pro
7 rata allocation of income on, and in-
8 vestment in, the contract to distribu-
9 tions under section 72, the portion of
10 such distribution rolled over to an eli-
11 gible retirement plan described in
12 clause (i) shall be treated as from in-
13 come on the contract (to the extent of
14 the aggregate income on the contract
15 from all individual retirement plans of
16 the distributee); and

17 “(III) appropriate adjustments
18 shall be made in applying section 72
19 to other distributions in such taxable
20 year and subsequent taxable years.”.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to distributions made after Decem-
23 ber 31, 2000.

1 **SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.**

2 (a) **EXEMPT TRUSTS.**—Paragraph (3) of section
3 402(e) (relating to transfer must be made within 60 days
4 of receipt) is amended to read as follows:

5 “(3) **TRANSFER MUST BE MADE WITHIN 60**
6 **DAYS OF RECEIPT.**—

7 “(A) **IN GENERAL.**—Except as provided in
8 subparagraph (B), paragraph (1) shall not
9 apply to any transfer of a distribution made
10 after the 60th day following the day on which
11 the distributee received the property distrib-
12 uted.

13 “(B) **HARDSHIP EXCEPTION.**—The Sec-
14 retary may waive the 60-day requirement under
15 subparagraph (A) where the failure to waive
16 such requirement would be against equity or
17 good conscience, including casualty, disaster, or
18 other events beyond the reasonable control of
19 the individual subject to such requirement.”.

20 (b) **IRAS.**—Paragraph (3) of section 408(d) (relating
21 to rollover contributions), as amended by section 403, is
22 amended by adding after subparagraph (H) the following
23 new subparagraph:

24 “(I) **WAIVER OF 60-DAY REQUIREMENT.**—
25 The Secretary may waive the 60-day require-
26 ment under subparagraphs (A) and (D) where

1 the failure to waive such requirement would be
2 against equity or good conscience, including
3 casualty, disaster, or other events beyond the
4 reasonable control of the individual subject to
5 such requirement.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to distributions after December 31,
8 2000.

9 **SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.**

10 (a) PLAN TRANSFERS.—

11 (1) IN GENERAL.—Paragraph (6) of section
12 411(d) (relating to accrued benefit not to be de-
13 creased by amendment) is amended by adding at the
14 end the following:

15 “(D) PLAN TRANSFERS.—

16 “(i) IN GENERAL.—A defined con-
17 tribution plan (in this subparagraph re-
18 ferred to as the ‘transferee plan’) shall not
19 be treated as failing to meet the require-
20 ments of this subsection merely because
21 the transferee plan does not provide some
22 or all of the forms of distribution pre-
23 viously available under another defined
24 contribution plan (in this subparagraph re-

1 ferred to as the ‘transferor plan’) to the
2 extent that—

3 “(I) the forms of distribution
4 previously available under the trans-
5 feror plan applied to the account of a
6 participant or beneficiary under the
7 transferor plan that was transferred
8 from the transferor plan to the trans-
9 feree plan pursuant to a direct trans-
10 fer rather than pursuant to a distribu-
11 tion from the transferor plan;

12 “(II) the terms of both the trans-
13 feror plan and the transferee plan au-
14 thorize the transfer described in sub-
15 clause (I);

16 “(III) the transfer described in
17 subclause (I) was made pursuant to a
18 voluntary election by the participant
19 or beneficiary whose account was
20 transferred to the transferee plan;

21 “(IV) the election described in
22 subclause (III) was made after the
23 participant or beneficiary received a
24 notice describing the consequences of
25 making the election;

1 “(V) if the transferor plan pro-
2 vides for an annuity as the normal
3 form of distribution under the plan in
4 accordance with section 417, the
5 transfer is made with the consent of
6 the participant’s spouse (if any), and
7 such consent meets requirements simi-
8 lar to the requirements imposed by
9 section 417(a)(2), and

10 “(VI) the transferee plan allows
11 the participant or beneficiary de-
12 scribed in subclause (III) to receive
13 any distribution to which the partici-
14 pant or beneficiary is entitled under
15 the transferee plan in the form of a
16 single sum distribution.

17 “(ii) EXCEPTION.—Clause (i) shall
18 apply to plan mergers and other trans-
19 actions having the effect of a direct trans-
20 fer, including consolidations of benefits at-
21 tributable to different employers within a
22 multiple employer plan.

23 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-
24 tions, a defined contribution plan shall not be
25

1 treated as failing to meet the requirements of
2 this section merely because of the elimination of
3 a form of distribution previously available there-
4 under. This subparagraph shall not apply to the
5 elimination of a form of distribution with re-
6 spect to any participant unless—

7 “(i) a single sum payment is available
8 to such participant at the same time or
9 times as the form of distribution being
10 eliminated; and

11 “(ii) such single sum payment is
12 based on the same or greater portion of
13 the participant’s account as the form of
14 distribution being eliminated.”.

15 ~~(2) EFFECTIVE DATE.~~—The amendment made
16 by this subsection shall apply to years beginning
17 after December 31, 2000.

18 ~~(b) REGULATIONS.~~—

19 ~~(1) IN GENERAL.~~—The last sentence of para-
20 graph (6)(B) of section 411(d) (relating to accrued
21 benefit not to be decreased by amendment) is
22 amended to read as follows: “The Secretary shall by
23 regulations provide that this subparagraph shall not
24 apply to any plan amendment that does not ad-

1 versely affect the rights of participants in a material
2 manner.”.

3 (2) ~~SECRETARY DIRECTED.~~—Not later than
4 December 31, 2001, the Secretary of the Treasury
5 is directed to issue final regulations under section
6 411(d)(6) of the Internal Revenue Code of 1986, in-
7 cluding the regulations required by the amendments
8 made by this subsection. Such regulations shall
9 apply to plan years beginning after December 31,
10 2001, or such earlier date as is specified by the Sec-
11 retary of the Treasury.

12 **SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DIS-**
13 **TRIBUTIONS.**

14 (a) ~~MODIFICATION OF SAME DESK EXCEPTION.~~—

15 (1) ~~SECTION 401(k).~~—

16 (A) Section 401(k)(2)(B)(i)(I) (relating to
17 qualified cash or deferred arrangements) is
18 amended by striking “separation from service”
19 and inserting “severance from employment”.

20 (B) Subparagraph (A) of section
21 401(k)(10) (relating to distributions upon ter-
22 mination of plan or disposition of assets or sub-
23 sidiary) is amended to read as follows:

24 “(A) ~~IN GENERAL.~~—An event described in
25 this subparagraph is the termination of the

1 plan without establishment or maintenance of
2 another defined contribution plan (other than
3 an employee stock ownership plan as defined in
4 section 4975(c)(7)).”.

5 (C) Section 401(k)(10) is amended—

6 (i) in subparagraph (B)—

7 (I) by striking “An event” in
8 clause (i) and inserting “A termi-
9 nation”; and

10 (II) by striking “the event” in
11 clause (i) and inserting “the termi-
12 nation”;

13 (ii) by striking subparagraph (C); and

14 (iii) by striking “OR DISPOSITION OF
15 ASSETS OR SUBSIDIARY” in the heading.

16 (2) SECTION 403(b).—

17 (A) Paragraphs (7)(A)(ii) and (11)(A) of
18 section 403(b) are each amended by striking
19 “separates from service” and inserting “has a
20 severance from employment”.

21 (B) The heading for paragraph (11) of
22 section 403(b) is amended by striking “SEPARA-
23 TION FROM SERVICE” and inserting “SEVER-
24 ANCE FROM EMPLOYMENT”.

1 ~~(3)~~ SECTION 457.—Clause (ii) of section
 2 457(d)(1)(A) is amended by striking “is separated
 3 from service” and inserting “has a severance from
 4 employment”.

5 (b) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to distributions after December 31,
 7 2000.

8 **SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERN-**
 9 **MENTAL DEFINED BENEFIT PLANS.**

10 (a) 403(b) PLANS.—Subsection (b) of section 403 is
 11 amended by adding at the end the following new para-
 12 graph:

13 ~~“(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO~~
 14 PURCHASE PERMISSIVE SERVICE CREDIT.—No
 15 amount shall be includible in gross income by reason
 16 of a direct trustee-to-trustee transfer to a defined
 17 benefit governmental plan (as defined in section
 18 414(d)) if such transfer is—

19 ~~“(A) for the purchase of permissive service~~
 20 credit (as defined in section 415(n)(3)(A))
 21 under such plan, or

22 ~~“(B) a repayment to which section 415~~
 23 does not apply by reason of subsection (k)(3)
 24 thereof.”.

1 (b) ~~457 PLANS.~~—Subsection (e) of section 457 is
 2 amended by adding after paragraph (16) the following
 3 new paragraph:

4 “(17) ~~TRUSTEE-TO-TRUSTEE TRANSFERS TO~~
 5 ~~PURCHASE PERMISSIVE SERVICE CREDIT.~~—No
 6 amount shall be includible in gross income by reason
 7 of a direct trustee-to-trustee transfer to a defined
 8 benefit governmental plan (as defined in section
 9 414(d)) if such transfer is—

10 “(A) for the purchase of permissive service
 11 credit (as defined in section 415(n)(3)(A))
 12 under such plan, or

13 “(B) a repayment to which section 415
 14 does not apply by reason of subsection (k)(3)
 15 thereof.”.

16 (c) ~~EFFECTIVE DATE.~~—The amendments made by
 17 this section shall apply to trustee-to-trustee transfers after
 18 December 31, 2000.

19 **SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**
 20 **PURPOSES OF CASH-OUT AMOUNTS.**

21 (a) ~~QUALIFIED PLANS.~~—Section 411(a)(11) (relating
 22 to restrictions on certain mandatory distributions) is
 23 amended by adding at the end the following:

24 “(D) ~~SPECIAL RULE FOR ROLLOVER CON-~~
 25 ~~TRIBUTIONS.~~—A plan shall not fail to meet the

1 requirements of this paragraph if, under the
2 terms of the plan, the present value of the non-
3 forfeitable accrued benefit is determined with-
4 out regard to that portion of such benefit which
5 is attributable to rollover contributions (and
6 earnings allocable thereto). For purposes of this
7 subparagraph, the term ‘rollover contributions’
8 means any rollover contribution under sections
9 402(e), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),
10 and 457(e)(16).”.

11 (b) ELIGIBLE DEFERRED COMPENSATION PLANS.—

12 Clause (i) of section 457(e)(9)(A) is amended by striking
13 “such amount” and inserting “the portion of such amount
14 which is not attributable to rollover contributions (as de-
15 fined in section 411(a)(11)(D))”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to distributions after December 31,
18 2000.

19 **SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION RE-**
20 **QUIREMENTS FOR SECTION 457 PLANS.**

21 (a) MINIMUM DISTRIBUTION REQUIREMENTS.—

22 Paragraph (2) of section 457(d) (relating to distribution
23 requirements) is amended to read as follows:

24 “(2) MINIMUM DISTRIBUTION REQUIRE-
25 MENTS.—A plan meets the minimum distribution re-

1 requirements of this paragraph if such plan meets the
2 requirements of section 401(a)(9).”.

3 (b) INCLUSION IN GROSS INCOME.—

4 (1) YEAR OF INCLUSION.—Subsection (a) of
5 section 457 (relating to year of inclusion in gross in-
6 come) is amended to read as follows:

7 “(a) YEAR OF INCLUSION IN GROSS INCOME.—

8 “(1) IN GENERAL.—Any amount of compensa-
9 tion deferred under an eligible deferred compensa-
10 tion plan, and any income attributable to the
11 amounts so deferred, shall be includible in gross in-
12 come only for the taxable year in which such com-
13 pensation or other income—

14 “(A) is paid to the participant or other
15 beneficiary, in the case of a plan of an eligible
16 employer described in subsection (e)(1)(A), and

17 “(B) is paid or otherwise made available to
18 the participant or other beneficiary, in the case
19 of a plan of an eligible employer described in
20 subsection (e)(1)(B).

21 “(2) SPECIAL RULE FOR ROLLOVER
22 AMOUNTS.—To the extent provided in section
23 72(t)(9), section 72(t) shall apply to any amount in-
24 cludible in gross income under this subsection.”.

25 (2) CONFORMING AMENDMENTS.—

1 (A) So much of paragraph (9) of section
2 457(e) as precedes subparagraph (A) is amend-
3 ed to read as follows:

4 “(9) BENEFITS OF TAX EXEMPT ORGANIZATION
5 PLANS NOT TREATED AS MADE AVAILABLE BY REA-
6 SON OF CERTAIN ELECTIONS, ETC.—In the case of
7 an eligible deferred compensation plan of an em-
8 ployer described in subsection (e)(1)(B)—”.

9 (B) Section 457(d) is amended by adding
10 at the end the following new paragraph:

11 “(3) SPECIAL RULE FOR GOVERNMENT PLAN.—
12 An eligible deferred compensation plan of an em-
13 ployer described in subsection (e)(1)(A) shall not be
14 treated as failing to meet the requirements of this
15 subsection solely by reason of making a distribution
16 described in subsection (e)(9)(A).”.

17 (e) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to distributions after December 31,
19 2000.

1 **TITLE V—STRENGTHENING PEN-**
 2 **SION SECURITY AND EN-**
 3 **FORCEMENT**

4 **SEC. 501. REPEAL OF 150 PERCENT OF CURRENT LIABILITY**
 5 **FUNDING LIMIT.**

6 (a) IN GENERAL.—Section 412(e)(7) (relating to
 7 full-funding limitation) is amended—

8 (1) by striking “the applicable percentage” in
 9 subparagraph (A)(i)(I) and inserting “in the case of
 10 plan years beginning before January 1, 2004, the
 11 applicable percentage”; and

12 (2) by amending subparagraph (F) to read as
 13 follows:

14 “(F) APPLICABLE PERCENTAGE.—For
 15 purposes of subparagraph (A)(i)(I), the applica-
 16 ble percentage shall be determined in accord-
 17 ance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.”

18 (b) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to plan years beginning after De-
 20 cember 31, 2000.

1 **SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES**
2 **MODIFIED AND APPLIED TO ALL DEFINED**
3 **BENEFIT PLANS.**

4 (a) **IN GENERAL.**—Subparagraph (D) of section
5 404(a)(1) (relating to special rule in case of certain plans)
6 is amended to read as follows:

7 “(D) **SPECIAL RULE IN CASE OF CERTAIN**
8 **PLANS.**—

9 “(i) **IN GENERAL.**—In the case of any
10 defined benefit plan, except as provided in
11 regulations, the maximum amount deduct-
12 ible under the limitations of this paragraph
13 shall not be less than the unfunded termi-
14 nation liability (determined as if the pro-
15 posed termination date referred to in sec-
16 tion 4041(b)(2)(A)(i)(II) of the Employee
17 Retirement Income Security Act of 1974
18 were the last day of the plan year).

19 “(ii) **PLANS WITH LESS THAN 100**
20 **PARTICIPANTS.**—For purposes of this sub-
21 paragraph, in the case of a plan which has
22 less than 100 participants for the plan
23 year, termination liability shall not include
24 the liability attributable to benefit in-
25 creases for highly compensated employees
26 (as defined in section 414(q)) resulting

1 from a plan amendment which is made or
2 becomes effective, whichever is later, within
3 the last 2 years before the termination
4 date.

5 “(iii) RULE FOR DETERMINING NUM-
6 BER OF PARTICIPANTS.—For purposes of
7 determining whether a plan has more than
8 100 participants, all defined benefit plans
9 maintained by the same employer (or any
10 member of such employer’s controlled
11 group (within the meaning of section
12 412(l)(8)(C))) shall be treated as one plan,
13 but only employees of such member or em-
14 ployer shall be taken into account.

15 “(iv) PLANS ESTABLISHED AND MAIN-
16 TAIN BY PROFESSIONAL SERVICE EMPLOY-
17 ERS.—Clause (i) shall not apply to a plan
18 described in section 4021(b)(13) of the
19 Employee Retirement Income Security Act
20 of 1974.”.

21 (b) CONFORMING AMENDMENT.—Paragraph (6) of
22 section 4972(c) is amended to read as follows:

23 “(6) EXCEPTIONS.—In determining the amount
24 of nondeductible contributions for any taxable year,
25 there shall not be taken into account so much of the

1 contributions to one or more defined contribution
2 plans which are not deductible when contributed
3 solely because of section 404(a)(7) as does not ex-
4 ceed the greater of—

5 “(A) the amount of contributions not in
6 excess of 6 percent of compensation (within the
7 meaning of section 404(a)) paid or accrued
8 (during the taxable year for which the contribu-
9 tions were made) to beneficiaries under the
10 plans; or

11 “(B) the sum of—

12 “(i) the amount of contributions de-
13 scribed in section 401(m)(4)(A), plus

14 “(ii) the amount of contributions de-
15 scribed in section 402(g)(3)(A).

16 For purposes of this paragraph, the deductible limits
17 under section 404(a)(7) shall first be applied to
18 amounts contributed to a defined benefit plan and
19 then to amounts described in subparagraph (B).”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to plan years beginning after De-
22 cember 31, 2000.

1 **SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUND-**
2 **ING.**

3 (a) **IN GENERAL.**—Subsection (c) of section 4972
4 (relating to nondeductible contributions) is amended by
5 adding at the end the following new paragraph:

6 “(7) **DEFINED BENEFIT PLAN EXCEPTION.**—In
7 determining the amount of nondeductible contribu-
8 tions for any taxable year, an employer may elect for
9 such year not to take into account any contributions
10 to a defined benefit plan except to the extent that
11 such contributions exceed the full-funding limitation
12 (as defined in section 412(c)(7), determined without
13 regard to subparagraph (A)(i)(I) thereof). For pur-
14 poses of this paragraph, the deductible limits under
15 section 404(a)(7) shall first be applied to amounts
16 contributed to defined contribution plans and then
17 to amounts described in this paragraph. If an em-
18 ployer makes an election under this paragraph for a
19 taxable year, paragraph (6) shall not apply to such
20 employer for such taxable year.”.

21 (b) **EFFECTIVE DATE.**—The amendment made by
22 this section shall apply to years beginning after December
23 31, 2000.

1 **SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY**
2 **DEFINED BENEFIT PLANS SIGNIFICANTLY**
3 **REDUCING FUTURE BENEFIT ACCRUALS.**

4 (a) IN GENERAL.—Chapter 43 (relating to qualified
5 pension, etc., plans) is amended by adding at the end the
6 following new section:

7 **“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING**
8 **BENEFIT ACCRUALS TO SATISFY NOTICE RE-**
9 **QUIREMENTS.**

10 “(a) IMPOSITION OF TAX.—There is hereby imposed
11 a tax on the failure of any applicable pension plan to meet
12 the requirements of subsection (e) with respect to any ap-
13 plicable individual.

14 “(b) AMOUNT OF TAX.—

15 “(1) IN GENERAL.—The amount of the tax im-
16 posed by subsection (a) on any failure with respect
17 to any applicable individual shall be \$100 for each
18 day in the noncompliance period with respect to such
19 failure.

20 “(2) NONCOMPLIANCE PERIOD.—For purposes
21 of this section, the term ‘noncompliance period’
22 means, with respect to any failure, the period begin-
23 ning on the date the failure first occurs and ending
24 on the date the failure is corrected.

25 “(c) LIMITATIONS ON AMOUNT OF TAX.—

1 “(1) OVERALL LIMITATION FOR UNINTEN-
2 TIONAL FAILURES.—In the case of failures that are
3 due to reasonable cause and not to willful neglect,
4 the tax imposed by subsection (a) for failures during
5 the taxable year of the employer (or, in the case of
6 a multiemployer plan, the taxable year of the trust
7 forming part of the plan) shall not exceed \$500,000.
8 For purposes of the preceding sentence, all multiem-
9 ployer plans of which the same trust forms a part
10 shall be treated as one plan. For purposes of this
11 paragraph, if not all persons who are treated as a
12 single employer for purposes of this section have the
13 same taxable year, the taxable years taken into ac-
14 count shall be determined under principles similar to
15 the principles of section 1561.

16 “(2) WAIVER BY SECRETARY.—In the case of a
17 failure which is due to reasonable cause and not to
18 willful neglect, the Secretary may waive part or all
19 of the tax imposed by subsection (a) to the extent
20 that the payment of such tax would be excessive rel-
21 ative to the failure involved.

22 “(d) LIABILITY FOR TAX.—The following shall be lia-
23 ble for the tax imposed by subsection (a):

24 “(1) In the case of a plan other than a multi-
25 employer plan, the employer.

1 “(2) In the case of a multiemployer plan, the
2 plan:

3 “(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFI-
4 CANTLY REDUCING BENEFIT ACCRUALS.—

5 “(1) IN GENERAL.—If an applicable pension
6 plan is amended to provide for a significant reduc-
7 tion in the rate of future benefit accrual, the plan
8 administrator shall provide written notice to each
9 applicable individual (and to each employee organi-
10 zation representing applicable individuals):

11 “(2) NOTICE.—The notice required by para-
12 graph (1) shall be written in a manner calculated to
13 be understood by the average plan participant and
14 shall provide sufficient information (as determined
15 in accordance with regulations prescribed by the
16 Secretary) to allow applicable individuals to under-
17 stand the effect of the plan amendment:

18 “(3) TIMING OF NOTICE.—Except as provided
19 in regulations, the notice required by paragraph (1)
20 shall be provided within a reasonable time before the
21 effective date of the plan amendment:

22 “(4) DESIGNEES.—Any notice under paragraph
23 (1) may be provided to a person designated, in writ-
24 ing, by the person to which it would otherwise be
25 provided:

1 ~~“(5) NOTICE BEFORE ADOPTION OF AMEND-~~
2 ~~MENT.—A plan shall not be treated as failing to~~
3 ~~meet the requirements of paragraph (1) merely be-~~
4 ~~cause notice is provided before the adoption of the~~
5 ~~plan amendment if no material modification of the~~
6 ~~amendment occurs before the amendment is adopt-~~
7 ~~ed.~~

8 ~~“(f) APPLICABLE INDIVIDUAL; APPLICABLE PEN-~~
9 ~~SION PLAN.—For purposes of this section—~~

10 ~~“(1) APPLICABLE INDIVIDUAL.—The term ‘ap-~~
11 ~~plicable individual’ means, with respect to any plan~~
12 ~~amendment—~~

13 ~~“(A) any participant in the plan, and~~

14 ~~“(B) any beneficiary who is an alternate~~
15 ~~payee (within the meaning of section 414(p)(8))~~
16 ~~under an applicable qualified domestic relations~~
17 ~~order (within the meaning of section~~
18 ~~414(p)(1)(A));~~

19 ~~who may reasonably be expected to be affected by~~
20 ~~such plan amendment.~~

21 ~~“(2) APPLICABLE PENSION PLAN.—The term~~
22 ~~‘applicable pension plan’ means—~~

23 ~~“(A) any defined benefit plan, or~~

24 ~~“(B) an individual account plan which is~~
25 ~~subject to the funding standards of section 412,~~

1 which had 100 or more participants who had ac-
 2 erued a benefit, or with respect to whom contribu-
 3 tions were made, under the plan (whether or not
 4 vested) as of the last day of the plan year preceding
 5 the plan year in which the plan amendment becomes
 6 effective. Such term shall not include a governmental
 7 plan (within the meaning of section 414(d)) or a
 8 church plan (within the meaning of section 414(e))
 9 with respect to which the election provided by sec-
 10 tion 410(d) has not been made.”.

11 (b) CLERICAL AMENDMENT.—The table of sections
 12 for chapter 43 is amended by adding at the end the fol-
 13 lowing new item:

“Sec. 4980F. Failure of applicable plans reducing benefit accruals
 to satisfy notice requirements.”.

14 (c) EFFECTIVE DATES.—

15 (1) IN GENERAL.—The amendments made by
 16 this section shall apply to plan amendments taking
 17 effect on or after the date of the enactment of this
 18 Act.

19 (2) TRANSITION.—Until such time as the Sec-
 20 retary of the Treasury issues regulations under sec-
 21 tions 4980F(e)(2) and (3) of the Internal Revenue
 22 Code of 1986 (as added by the amendments made
 23 by this section), a plan shall be treated as meeting

1 the requirements of such sections if it makes a good
2 faith effort to comply with such requirements.

3 ~~(3)~~ SPECIAL RULE.—The period for providing
4 any notice required by the amendments made by this
5 section shall not end before the date which is 3
6 months after the date of the enactment of this Act.

7 (d) STUDY.—The Secretary of the Treasury shall
8 prepare a report on the effects of conversions of tradi-
9 tional defined benefit plans to cash balance or hybrid for-
10 mula plans. Such study shall examine the effect of such
11 conversions on longer service participants, including the
12 incidence and effects of “wear away” provisions under
13 which participants earn no additional benefits for a period
14 of time after the conversion. As soon as practicable, but
15 not later than 60 days after the date of the enactment
16 of this Act, the Secretary shall submit such report, to-
17 gether with recommendations thereon, to the Committee
18 on Ways and Means of the House of Representatives and
19 the Committee on Finance of the Senate.

20 **SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
21 **SECTION 415.**

22 (a) COMPENSATION LIMIT.—Paragraph (11) of sec-
23 tion 415(b) (relating to limitation for defined benefit
24 plans) is amended to read as follows:

1 “~~(11) SPECIAL LIMITATION RULE FOR GOVERN-~~
2 ~~MENTAL AND MULTIEmployer PLANS.—~~In the case
3 of a governmental plan (as defined in section
4 414(d)) or a multiemployer plan (as defined in sec-
5 tion 414(f)), subparagraph (B) of paragraph (1)
6 shall not apply.”.

7 ~~(b) COMBINING AND AGGREGATION OF PLANS.—~~

8 (1) ~~COMBINING OF PLANS.—~~Subsection (f) of
9 section 415 (relating to combining of plans) is
10 amended by adding at the end the following:

11 “~~(3) EXCEPTION FOR MULTIEmployer~~
12 ~~PLANS.—~~Notwithstanding paragraph (1) and sub-
13 section (g), a multiemployer plan (as defined in sec-
14 tion 414(f)) shall not be combined or aggregated
15 with any other plan maintained by an employer for
16 purposes of applying the limitations established in
17 this section, except that such plan shall be combined
18 or aggregated with another plan which is not such
19 a multiemployer plan solely for purposes of deter-
20 mining whether such other plan meets the require-
21 ments of subsections (b)(1)(A) and (c).”.

22 (2) ~~CONFORMING AMENDMENT FOR AGGREGA-~~
23 ~~TION OF PLANS.—~~Subsection (g) of section 415 (re-
24 lating to aggregation of plans) is amended by strik-

1 ing “The Secretary” and inserting “Except as pro-
2 vided in subsection (f)(3), the Secretary”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to years beginning after December
5 31, 2000.

6 **SEC. 506. PROHIBITED ALLOCATIONS OF STOCK IN S COR-**
7 **PORATION ESOP.**

8 (a) IN GENERAL.—Section 409 (relating to qualifica-
9 tions for tax credit employee stock ownership plans) is
10 amended by redesignating subsection (p) as subsection (q)
11 and by inserting after subsection (o) the following new
12 subsection:

13 “(p) PROHIBITED ALLOCATIONS OF SECURITIES IN
14 AN S CORPORATION.—

15 “(1) IN GENERAL.—An employee stock owner-
16 ship plan holding employer securities consisting of
17 stock in an S corporation shall provide that no por-
18 tion of the assets of the plan attributable to (or allo-
19 cable in lieu of) such employer securities may, dur-
20 ing a nonallocation year, accrue (or be allocated di-
21 rectly or indirectly under any plan of the employer
22 meeting the requirements of section 401(a)) for the
23 benefit of any disqualified person.

24 “(2) FAILURE TO MEET REQUIREMENTS.—

1 “(A) IN GENERAL.—If a plan fails to meet
2 the requirements of paragraph (1), the plan
3 shall be treated as having distributed to any
4 disqualified person the amount allocated to the
5 account of such person in violation of para-
6 graph (1) at the time of such allocation.

7 “(B) CROSS REFERENCE.—

**“For excise tax relating to violations of paragraph
(1) and ownership of synthetic equity, see section
4979A.**

8 “(3) NONALLOCATION YEAR.—For purposes of
9 this subsection—

10 “(A) IN GENERAL.—The term ‘nonalloca-
11 tion year’ means any plan year of an employee
12 stock ownership plan if, at any time during
13 such plan year—

14 “(i) such plan holds employer securi-
15 ties consisting of stock in an S corpora-
16 tion, and

17 “(ii) disqualified persons own at least
18 50 percent of the number of shares of
19 stock in the S corporation.

20 “(B) CONTRIBUTION RULES.—For purposes
21 of subparagraph (A)—

22 “(i) IN GENERAL.—The rules of sec-
23 tion 318(a) shall apply for purposes of de-
24 termining ownership, except that—

1 “(I) in applying paragraph (1)
2 thereof, the members of an individ-
3 ual’s family shall include members of
4 the family described in paragraph
5 (4)(D), and

6 “(II) paragraph (4) thereof shall
7 not apply.

8 “~~(ii) DEEMED-OWNED SHARES.—Not-~~
9 withstanding the employee trust exception
10 in section 318(a)(2)(B)(i), individual shall
11 be treated as owning deemed-owned shares
12 of the individual.

13 Solely for purposes of applying paragraph (5),
14 this subparagraph shall be applied after the at-
15 tribution rules of paragraph (5) have been ap-
16 plied.

17 “~~(4) DISQUALIFIED PERSON.—For purposes of~~
18 this subsection—

19 “~~(A) IN GENERAL.—The term ‘disqualified~~
20 person’ means any person if—

21 “~~(i) the aggregate number of deemed-~~
22 owned shares of such person and the mem-
23 bers of such person’s family is at least 20
24 percent of the number of deemed-owned
25 shares of stock in the S corporation, or

1 “(ii) in the case of a person not de-
2 scribed in clause (i), the number of
3 deemed-owned shares of such person is at
4 least 10 percent of the number of deemed-
5 owned shares of stock in such corporation.

6 “(B) TREATMENT OF FAMILY MEMBERS.—

7 In the case of a disqualified person described in
8 subparagraph (A)(i), any member of such per-
9 son’s family with deemed-owned shares shall be
10 treated as a disqualified person if not otherwise
11 treated as a disqualified person under subpara-
12 graph (A).

13 “(C) DEEMED-OWNED SHARES.—

14 “(i) IN GENERAL.—The term
15 ‘deemed-owned shares’ means, with respect
16 to any person—

17 “(I) the stock in the S corpora-
18 tion constituting employer securities
19 of an employee stock ownership plan
20 which is allocated to such person
21 under the plan, and

22 “(II) such person’s share of the
23 stock in such corporation which is
24 held by such plan but which is not al-
25 located under the plan to participants.

1 “(ii) PERSON’S SHARE OF
2 UNALLOCATED STOCK.—For purposes of
3 clause (i)(II), a person’s share of
4 unallocated S corporation stock held by
5 such plan is the amount of the unallocated
6 stock which would be allocated to such per-
7 son if the unallocated stock were allocated
8 to all participants in the same proportions
9 as the most recent stock allocation under
10 the plan.

11 “(D) MEMBER OF FAMILY.—For purposes
12 of this paragraph, the term ‘member of the
13 family’ means, with respect to any individual—

14 “(i) the spouse of the individual,

15 “(ii) an ancestor or lineal descendant
16 of the individual or the individual’s spouse,

17 “(iii) a brother or sister of the indi-
18 vidual or the individual’s spouse and any
19 lineal descendant of the brother or sister,
20 and

21 “(iv) the spouse of any individual de-
22 scribed in clause (ii) or (iii).

23 A spouse of an individual who is legally sepa-
24 rated from such individual under a decree of di-
25 vorce or separate maintenance shall not be

1 treated as such individual's spouse for purposes
2 of this subparagraph.

3 ~~“(5) TREATMENT OF SYNTHETIC EQUITY.—For~~
4 purposes of paragraphs (3) and (4), in the case of
5 a person who owns synthetic equity in the S corpora-
6 tion, except to the extent provided in regulations, the
7 shares of stock in such corporation on which such
8 synthetic equity is based shall be treated as out-
9 standing stock in such corporation and deemed-
10 owned shares of such person if such treatment of
11 synthetic equity of 1 or more such persons results
12 in—

13 ~~“(A) the treatment of any person as a dis-~~
14 qualified person, or

15 ~~“(B) the treatment of any year as a non-~~
16 allocation year.

17 For purposes of this paragraph, synthetic equity
18 shall be treated as owned by a person in the same
19 manner as stock is treated as owned by a person
20 under the rules of paragraphs (2) and (3) of section
21 318(a). If, without regard to this paragraph, a per-
22 son is treated as a disqualified person or a year is
23 treated as a nonallocation year, this paragraph shall
24 not be construed to result in the person or year not
25 being so treated.

1 “(6) DEFINITIONS.—For purposes of this
2 subsection—

3 “(A) EMPLOYEE STOCK OWNERSHIP
4 PLAN.—The term ‘employee stock ownership
5 plan’ has the meaning given such term by sec-
6 tion 4975(e)(7).

7 “(B) EMPLOYER SECURITIES.—The term
8 ‘employer security’ has the meaning given such
9 term by section 409(l).

10 “(C) SYNTHETIC EQUITY.—The term ‘syn-
11 thetic equity’ means any stock option, warrant,
12 restricted stock, deferred issuance stock right,
13 or similar interest or right that gives the holder
14 the right to acquire or receive stock of the S
15 corporation in the future. Except to the extent
16 provided in regulations, synthetic equity also in-
17 cludes a stock appreciation right, phantom
18 stock unit, or similar right to a future cash
19 payment based on the value of such stock or
20 appreciation in such value.

21 “(7) REGULATIONS.—The Secretary shall pre-
22 scribe such regulations as may be necessary to carry
23 out the purposes of this subsection.”.

24 (b) COORDINATION WITH SECTION 4975(e)(7).—The
25 last sentence of section 4975(e)(7) (defining employee

1 stock ownership plan) is amended by inserting “, section
2 409(p),” after “409(n)”.

3 (c) ~~EXCISE TAX.~~—

4 (1) ~~APPLICATION OF TAX.~~—Subsection (a) of
5 section 4979A (relating to tax on certain prohibited
6 allocations of employer securities) is amended—

7 (A) by striking “or” at the end of para-
8 graph (1), and

9 (B) by striking all that follows paragraph
10 (2) and inserting the following:

11 “(3) there is any allocation of employer securi-
12 ties which violates the provisions of section 409(p),
13 or a nonallocation year described in subsection
14 (e)(2)(C) with respect to an employee stock owner-
15 ship plan, or

16 “(4) any synthetic equity is owned by a dis-
17 qualified person in any nonallocation year,

18 there is hereby imposed a tax on such allocation or owner-
19 ship equal to 50 percent of the amount involved.”.

20 (2) ~~LIABILITY.~~—Section 4979A(e) (defining li-
21 ability for tax) is amended to read as follows:

22 “(e) ~~LIABILITY FOR TAX.~~—The tax imposed by this
23 section shall be paid—

24 “(1) in the case of an allocation referred to in
25 paragraph (1) or (2) of subsection (a), by—

1 “(A) the employer sponsoring such plan, or

2 “(B) the eligible worker-owned cooperative,

3 which made the written statement described in sec-

4 tion 664(g)(1)(E) or in section 1042(b)(3)(B) (as

5 the case may be), and

6 “(2) in the case of an allocation or ownership

7 referred to in paragraph (3) or (4) of subsection (a),

8 by the S corporation the stock in which was so allo-

9 cated or owned.”.

10 (3) DEFINITIONS.—Section 4979A(e) (relating

11 to definitions) is amended to read as follows:

12 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-

13 poses of this section—

14 “(1) DEFINITIONS.—Except as provided in

15 paragraph (2), terms used in this section have the

16 same respective meanings as when used in sections

17 409 and 4978.

18 “(2) SPECIAL RULES RELATING TO TAX IM-

19 POSED BY REASON OF PARAGRAPH (3) OR (4) OF

20 SUBSECTION (a).—

21 “(A) PROHIBITED ALLOCATIONS.—The

22 amount involved with respect to any tax im-

23 posed by reason of subsection (a)(3) is the

24 amount allocated to the account of any person

25 in violation of section 409(p)(1).

1 “(B) SYNTHETIC EQUITY.—The amount
2 involved with respect to any tax imposed by rea-
3 son of subsection (a)(4) is the value of the
4 shares on which the synthetic equity is based.

5 “(C) SPECIAL RULE DURING FIRST NON-
6 ALLOCATION YEAR.—For purposes of subpara-
7 graph (A), the amount involved for the first
8 nonallocation year of any employee stock owner-
9 ship plan shall be determined by taking into ac-
10 count the total value of all the deemed-owned
11 shares of all disqualified persons with respect to
12 such plan.

13 “(D) STATUTE OF LIMITATIONS.—The
14 statutory period for the assessment of any tax
15 imposed by this section by reason of paragraph
16 (3) or (4) of subsection (a) shall not expire be-
17 fore the date which is 3 years from the later
18 of—

19 “(i) the allocation or ownership re-
20 ferred to in such paragraph giving rise to
21 such tax, or

22 “(ii) the date on which the Secretary
23 is notified of such allocation or owner-
24 ship.”.

25 (d) EFFECTIVE DATES.—

1 (1) ~~IN GENERAL.~~—The amendments made by
2 this section shall apply to plan years beginning after
3 December 31, 2001.

4 (2) ~~EXCEPTION FOR CERTAIN PLANS.~~—In the
5 case of any—

6 (A) employee stock ownership plan estab-
7 lished after July 11, 2000, or

8 (B) employee stock ownership plan estab-
9 lished on or before such date if employer securi-
10 ties held by the plan consist of stock in a cor-
11 poration with respect to which an election under
12 section 1362(a) of the Internal Revenue Code
13 of 1986 is not in effect on such date,

14 the amendments made by this section shall apply to
15 plan years ending after July 11, 2000.

16 **TITLE VI—REDUCING** 17 **REGULATORY BURDENS**

18 **SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

19 (a) ~~IN GENERAL.~~—Paragraph (9) of section
20 412(e)(9) (relating to annual valuation) is amended to
21 read as follows:

22 “~~(9) ANNUAL VALUATION.~~—

23 “~~(A) IN GENERAL.~~—For purposes of this
24 section, a determination of experience gains and
25 losses and a valuation of the plan’s liability

1 shall be made not less frequently than once
2 every year, except that such determination shall
3 be made more frequently to the extent required
4 in particular cases under regulations prescribed
5 by the Secretary.

6 “(B) VALUATION DATE.—

7 “(i) CURRENT YEAR.—Except as pro-
8 vided in clause (ii), the valuation referred
9 to in subparagraph (A) shall be made as of
10 a date within the plan year to which the
11 valuation refers or within one month prior
12 to the beginning of such year.

13 “(ii) ELECTION TO USE PRIOR YEAR
14 VALUATION.—The valuation referred to in
15 subparagraph (A) may be made as of a
16 date within the plan year prior to the year
17 to which the valuation refers if—

18 “(I) an election is in effect under
19 this clause with respect to the plan;
20 and

21 “(II) as of such date, the value
22 of the assets of the plan are not less
23 than 125 percent of the plan’s current
24 liability (as defined in paragraph
25 (7)(B)).

1 “(iii) ADJUSTMENTS.—Information
2 under clause (ii) shall, in accordance with
3 regulations, be actuarially adjusted to re-
4 flect significant differences in participants.

5 “(iv) ELECTION.—An election under
6 clause (ii), once made, shall be irrevocable
7 without the consent of the Secretary.”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to plan years beginning after De-
10 cember 31, 2000.

11 **SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
12 **LOSS OF DIVIDEND DEDUCTION.**

13 (a) IN GENERAL.—Section 404(k)(2)(A) (defining
14 applicable dividends) is amended by striking “or” at the
15 end of clause (ii), by redesignating clause (iii) as clause
16 (iv), and by inserting after clause (ii) the following new
17 clause:

18 “(iii) is, at the election of such par-
19 ticipants or their beneficiaries—

20 “(I) payable as provided in clause
21 (i) or (ii), or

22 “(II) paid to the plan and rein-
23 vested in qualifying employer securi-
24 ties, or”.

1 (b) **EFFECTIVE DATE.**—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CER-**
5 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

6 (a) **IN GENERAL.**—Paragraph (4) of section 1114(e)
7 of the Tax Reform Act of 1986 is hereby repealed.

8 (b) **EFFECTIVE DATE.**—The repeal made by sub-
9 section (a) shall apply to plan years beginning after De-
10 cember 31, 2000.

11 **SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

12 (a) **IN GENERAL.**—The Secretary of the Treasury
13 shall modify Treasury Regulations section 1.410(b)–6(g)
14 to provide that employees of an organization described in
15 section 403(b)(1)(A)(i) of the Internal Revenue Code of
16 1986 who are eligible to make contributions under section
17 403(b) of such Code pursuant to a salary reduction agree-
18 ment may be treated as excludable with respect to a plan
19 under section 401(k) or (m) of such Code that is provided
20 under the same general arrangement as a plan under such
21 section 401(k), if—

22 (1) no employee of an organization described in
23 section 403(b)(1)(A)(i) of such Code is eligible to
24 participate in such section 401(k) plan or section
25 401(m) plan; and

1 (2) 95 percent of the employees who are not
2 employees of an organization described in section
3 403(b)(1)(A)(i) of such Code are eligible to partici-
4 pate in such plan under such section 401(k) or (m).

5 (b) EFFECTIVE DATE.—The modification required by
6 subsection (a) shall apply as of the same date set forth
7 in section 1426(b) of the Small Business Job Protection
8 Act of 1996.

9 **SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-**
10 **PROVIDED RETIREMENT ADVICE.**

11 (a) IN GENERAL.—Subsection (a) of section 132 (re-
12 lating to exclusion from gross income) is amended by
13 striking “or” at the end of paragraph (5), by striking the
14 period at the end of paragraph (6) and inserting “, or”,
15 and by adding at the end the following new paragraph:

16 “(7) qualified retirement planning services.”.

17 (b) QUALIFIED RETIREMENT PLANNING SERVICES
18 DEFINED.—Section 132 is amended by redesignating sub-
19 section (m) as subsection (n) and by inserting after sub-
20 section (l) the following:

21 “(m) QUALIFIED RETIREMENT PLANNING SERV-
22 ICES.—

23 “(1) IN GENERAL.—For purposes of this sec-
24 tion, the term ‘qualified retirement planning serv-
25 ices’ means any retirement planning service provided

1 to an employee and his spouse by an employer main-
2 taining a qualified employer plan.

3 “(2) NONDISCRIMINATION RULE.—Subsection
4 (a)(7) shall apply in the case of highly compensated
5 employees only if such services are available on sub-
6 stantially the same terms to each member of the
7 group of employees normally provided education and
8 information regarding the employer’s qualified em-
9 ployer plan.

10 “(3) QUALIFIED EMPLOYER PLAN.—For pur-
11 poses of this subsection, the term ‘qualified employer
12 plan’ means a plan, contract, pension, or account de-
13 scribed in section 219(g)(5).”.

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to years beginning after December
16 31, 2000.

17 **SEC. 606. REPORTING SIMPLIFICATION.**

18 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
19 OWNERS AND THEIR SPOUSES.—

20 (1) IN GENERAL.—The Secretary of the Treas-
21 ury shall modify the requirements for filing annual
22 returns with respect to one-participant retirement
23 plans to ensure that such plans with assets of
24 \$250,000 or less as of the close of the plan year
25 need not file a return for that year.

1 ~~(2) ONE-PARTICIPANT RETIREMENT PLAN DE-~~
2 ~~FINED.—~~For purposes of this subsection, the term
3 ~~“one-participant retirement plan”~~ means a retire-
4 ~~ment plan that—~~

5 ~~(A) on the first day of the plan year—~~

6 ~~(i) covered only the employer (and the~~
7 ~~employer’s spouse) and the employer~~
8 ~~owned the entire business (whether or not~~
9 ~~incorporated); or~~

10 ~~(ii) covered only one or more partners~~
11 ~~(and their spouses) in a business partner-~~
12 ~~ship (including partners in an S or C cor-~~
13 ~~poration);~~

14 ~~(B) meets the minimum coverage require-~~
15 ~~ments of section 410(b) of the Internal Revenue~~
16 ~~Code of 1986 without being combined with any~~
17 ~~other plan of the business that covers the em-~~
18 ~~ployees of the business;~~

19 ~~(C) does not provide benefits to anyone ex-~~
20 ~~cept the employer (and the employer’s spouse)~~
21 ~~or the partners (and their spouses);~~

22 ~~(D) does not cover a business that is a~~
23 ~~member of an affiliated service group, a con-~~
24 ~~trolled group of corporations, or a group of~~
25 ~~businesses under common control; and~~

1 (1) increasing the awareness and knowledge of
2 small employers concerning the availability and use
3 of the program;

4 (2) taking into account special concerns and
5 circumstances that small employers face with respect
6 to compliance and correction of compliance failures;

7 (3) extending the duration of the self-correction
8 period under the Administrative Policy Regarding
9 Self-Correction for significant compliance failures;

10 (4) expanding the availability to correct insig-
11 nificant compliance failures under the Administra-
12 tive Policy Regarding Self-Correction during audit;
13 and

14 (5) assuring that any tax, penalty, or sanction
15 that is imposed by reason of a compliance failure is
16 not excessive and bears a reasonable relationship to
17 the nature, extent, and severity of the failure.

18 **SEC. 608. REPEAL OF THE MULTIPLE USE TEST.**

19 (a) **IN GENERAL.**—Paragraph (9) of section 401(m)
20 is amended to read as follows:

21 “(9) **REGULATIONS.**—The Secretary shall pre-
22 scribe such regulations as may be necessary to carry
23 out the purposes of this subsection and subsection
24 (k), including regulations permitting appropriate ag-
25 gregation of plans and contributions.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to years beginning after December
3 31, 2000.

4 **SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COV-**
5 **ERAGE, AND LINE OF BUSINESS RULES.**

6 (a) NONDISCRIMINATION.—

7 (1) IN GENERAL.—The Secretary of the Treas-
8 ury shall, by regulation, provide that a plan shall be
9 deemed to satisfy the requirements of section
10 401(a)(4) of the Internal Revenue Code of 1986 if
11 such plan satisfies the facts and circumstances test
12 under section 401(a)(4) of such Code, as in effect
13 before January 1, 1994, but only if—

14 (A) the plan satisfies conditions prescribed
15 by the Secretary to appropriately limit the
16 availability of such test; and

17 (B) the plan is submitted to the Secretary
18 for a determination of whether it satisfies such
19 test.

20 Subparagraph (B) shall only apply to the extent pro-
21 vided by the Secretary.

22 (2) EFFECTIVE DATES.—

23 (A) REGULATIONS.—The regulation re-
24 quired by paragraph (1) shall apply to years be-
25 ginning after December 31, 2000.

1 (B) CONDITIONS OF AVAILABILITY.—Any
2 condition of availability prescribed by the Sec-
3 retary under paragraph (1)(A) shall not apply
4 before the first year beginning not less than
5 120 days after the date on which such condition
6 is prescribed.

7 (b) COVERAGE TEST.—

8 (1) IN GENERAL.—Section 410(b)(1) (relating
9 to minimum coverage requirements) is amended by
10 adding at the end the following:

11 “(D) In the case that the plan fails to
12 meet the requirements of subparagraphs (A),
13 (B) and (C), the plan—

14 “(i) satisfies subparagraph (B), as in
15 effect immediately before the enactment of
16 the Tax Reform Act of 1986,

17 “(ii) is submitted to the Secretary for
18 a determination of whether it satisfies the
19 requirement described in clause (i), and

20 “(iii) satisfies conditions prescribed by
21 the Secretary by regulation that appro-
22 priately limit the availability of this sub-
23 paragraph.

24 Clause (ii) shall apply only to the extent pro-
25 vided by the Secretary.”.

1 (2) EFFECTIVE DATES.—

2 (A) IN GENERAL.—The amendment made
3 by paragraph (1) shall apply to years beginning
4 after December 31, 2000.

5 (B) CONDITIONS OF AVAILABILITY.—Any
6 condition of availability prescribed by the Sec-
7 retary under regulations prescribed by the Sec-
8 retary under section 410(b)(1)(D) of the Inter-
9 nal Revenue Code of 1986 shall not apply be-
10 fore the first year beginning not less than 120
11 days after the date on which such condition is
12 prescribed.

13 (c) LINE OF BUSINESS RULES.—The Secretary of
14 the Treasury shall, on or before December 31, 2000, mod-
15 ify the existing regulations issued under section 414(r) of
16 the Internal Revenue Code of 1986 in order to expand
17 (to the extent that the Secretary determines appropriate)
18 the ability of a pension plan to demonstrate compliance
19 with the line of business requirements based upon the
20 facts and circumstances surrounding the design and oper-
21 ation of the plan, even though the plan is unable to satisfy
22 the mechanical tests currently used to determine compli-
23 ance.

1 **SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF**
2 **MORATORIUM ON APPLICATION OF CERTAIN**
3 **NONDISCRIMINATION RULES APPLICABLE TO**
4 **STATE AND LOCAL PLANS.**

5 (a) IN GENERAL.—

6 (1) Subparagraph (G) of section 401(a)(5) and
7 subparagraph (H) of section 401(a)(26) are each
8 amended by striking “section 414(d)” and all that
9 follows and inserting “section 414(d).”.

10 (2) Subparagraph (G) of section 401(k)(3) and
11 paragraph (2) of section 1505(d) of the Taxpayer
12 Relief Act of 1997 are each amended by striking
13 “maintained by a State or local government or polit-
14 ical subdivision thereof (or agency or instrumentality
15 thereof)”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) The heading for subparagraph (G) of sec-
18 tion 401(a)(5) is amended to read as follows: “GOV-
19 ERNMENTAL PLANS”.

20 (2) The heading for subparagraph (H) of sec-
21 tion 401(a)(26) is amended to read as follows: “EX-
22 CEPTION FOR GOVERNMENTAL PLANS”.

23 (3) Subparagraph (G) of section 401(k)(3) is
24 amended by inserting “GOVERNMENTAL PLANS.—”
25 after “(G)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to years beginning after December
3 31, 2000.

4 **SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DIS-**
5 **TRIBUTIONS.**

6 (a) EXPANSION OF PERIOD.—

7 (1) IN GENERAL.—Subparagraph (A) of section
8 417(a)(6) is amended by striking “90-day” and in-
9 serting “180-day”.

10 (2) MODIFICATION OF REGULATIONS.—The
11 Secretary of the Treasury shall modify the regula-
12 tions under sections 402(f), 411(a)(11), and 417 of
13 the Internal Revenue Code of 1986 to substitute
14 “180 days” for “90 days” each place it appears in
15 Treasury Regulations sections 1.402(f)-1, 1.411(a)-
16 11(c), and 1.417(e)-1(b).

17 (3) EFFECTIVE DATE.—The amendment made
18 by paragraph (1) and the modifications required by
19 paragraph (2) shall apply to years beginning after
20 December 31, 2000.

21 (b) CONSENT REGULATION INAPPLICABLE TO CER-
22 TAIN DISTRIBUTIONS.—

23 (1) IN GENERAL.—The Secretary of the Treas-
24 ury shall modify the regulations under section
25 411(a)(11) of the Internal Revenue Code of 1986 to

1 provide that the description of a participant's right,
2 if any, to defer receipt of a distribution shall also de-
3 scribe the consequences of failing to defer such re-
4 ceipt.

5 (2) EFFECTIVE DATE.—The modifications re-
6 quired by paragraph (1) shall apply to years begin-
7 ning after December 31, 2000.

8 **TITLE VII—PLAN AMENDMENTS**

9 **SEC. 701. PROVISIONS RELATING TO PLAN AMENDMENTS.**

10 (a) IN GENERAL.—If this section applies to any plan
11 or contract amendment—

12 (1) such plan or contract shall be treated as
13 being operated in accordance with the terms of the
14 plan during the period described in subsection
15 (b)(2)(A); and

16 (2) such plan shall not fail to meet the require-
17 ments of section 411(d)(6) of the Internal Revenue
18 Code of 1986 by reason of such amendment.

19 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

20 (1) IN GENERAL.—This section shall apply to
21 any amendment to any plan or annuity contract
22 which is made—

23 (A) pursuant to any amendment made by
24 this Act, or pursuant to any regulation issued
25 under this Act, and

1 ~~(B)~~ on or before the last day of the first
2 plan year beginning on or after January 1,
3 ~~2003~~.

4 In the case of a governmental plan (as defined in
5 section 414(d) of the Internal Revenue Code of
6 1986), this paragraph shall be applied by sub-
7 stituting “2005” for “~~2003~~”.

8 ~~(2)~~ CONDITIONS.—This section shall not apply
9 to any amendment unless—

10 ~~(A)~~ during the period—

11 ~~(i)~~ beginning on the date the legisla-
12 tive or regulatory amendment described in
13 paragraph ~~(1)(A)~~ takes effect (or in the
14 case of a plan or contract amendment not
15 required by such legislative or regulatory
16 amendment, the effective date specified by
17 the plan); and

18 ~~(ii)~~ ending on the date described in
19 paragraph ~~(1)(B)~~ (or, if earlier, the date
20 the plan or contract amendment is adopt-
21 ed);

22 the plan or contract is operated as if such plan
23 or contract amendment were in effect; and

24 ~~(B)~~ such plan or contract amendment ap-
25 plies retroactively for such period.

1 **SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CON-**
 2 **TENTS.**

3 (a) *SHORT TITLE.*—*This Act may be cited as the “Re-*
 4 *tirement Security and Savings Act of 2000”.*

5 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 6 *expressly provided, whenever in this Act an amendment or*
 7 *repeal is expressed in terms of an amendment to, or repeal*
 8 *of, a section or other provision, the reference shall be consid-*
 9 *ered to be made to a section or other provision of the Inter-*
 10 *nal Revenue Code of 1986.*

11 (c) *TABLE OF CONTENTS.*—*The table of contents of this*
 12 *Act is as follows:*

Sec. 1. Short title; references; table of contents.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

Sec. 101. Modification of IRA contribution limits.

Sec. 102. Deemed IRAs under employer plans.

Sec. 103. Tax-free distributions from individual retirement accounts for chari-
table purposes.

Sec. 104. Modification of AGI limits for Roth IRAs.

TITLE II—EXPANDING COVERAGE

Sec. 201. Increase in benefit and contribution limits.

Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 203. Modification of top-heavy rules.

Sec. 204. Elective deferrals not taken into account for purposes of deduction lim-
its.

Sec. 205. Repeal of coordination requirements for deferred compensation plans of
State and local governments and tax-exempt organizations.

Sec. 206. Deduction limits.

Sec. 207. Option to treat elective deferrals as after-tax Roth contributions.

Sec. 208. Nonrefundable credit to certain individuals for elective deferrals and
IRA contributions.

Sec. 209. Credit for qualified pension plan contributions of small employers.

Sec. 210. Credit for pension plan startup costs of small employers.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

Sec. 301. Catch-up contributions for individuals age 50 or over.

Sec. 302. Equitable treatment for contributions of employees to defined contribu-
tion plans.

- Sec. 303. Faster vesting of certain employer matching contributions.*
Sec. 304. Simplify and update the minimum distribution rules.
Sec. 305. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 306. Provisions relating to hardship distributions.
Sec. 307. Waiver of tax on nondeductible contributions for domestic or similar workers.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 401. Rollovers allowed among various types of plans.*
Sec. 402. Rollovers of IRAs into workplace retirement plans.
Sec. 403. Rollovers of after-tax contributions.
Sec. 404. Hardship exception to 60-day rule.
Sec. 405. Treatment of forms of distribution.
Sec. 406. Rationalization of restrictions on distributions.
Sec. 407. Purchase of service credit in governmental defined benefit plans.
Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

Subtitle A—General Provisions

- Sec. 501. Repeal of 155 percent of current liability funding limit.*
Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.
Sec. 503. Excise tax relief for sound pension funding.
Sec. 504. Treatment of multiemployer plans under section 415.
Sec. 505. Protection of investment of employee contributions to 401(k) plans.
Sec. 506. Periodic pension benefits statements.
Sec. 507. Prohibited allocations of stock in S corporation ESOP.

Subtitle B—Treatment of Plan Amendments Reducing Future Benefit Accruals

- Sec. 521. Notice required for pension plan amendments having the effect of significantly reducing future benefit accruals.*
Sec. 522. Protection of participants during conversions to cash balance or other hybrid defined benefit plans.
Sec. 523. Effective dates.

TITLE VI—REDUCING REGULATORY BURDENS

- Sec. 601. Modification of timing of plan valuations.*
Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 603. Repeal of transition rule relating to certain highly compensated employees.
Sec. 604. Employees of tax-exempt entities.
Sec. 605. Clarification of treatment of employer-provided retirement advice.
Sec. 606. Reporting simplification.
Sec. 607. Improvement of employee plans compliance resolution system.
Sec. 608. Repeal of the multiple use test.
Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.

Sec. 610. *Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.*

Sec. 611. *Notice and consent period regarding distributions.*

Sec. 612. *Annual report dissemination.*

Sec. 613. *Technical corrections to SAVER Act.*

Sec. 614. *Studies.*

TITLE VII—PLAN AMENDMENTS

Sec. 701. *Provisions relating to plan amendments.*

TITLE VIII—COMPLIANCE WITH BUDGET ACT.

Sec. 801. *Compliance with Budget Act.*

1 **TITLE I—INDIVIDUAL**
2 **RETIREMENT ACCOUNTS**

3 **SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.**

4 (a) *INCREASE IN CONTRIBUTION LIMIT.—*

5 (1) *IN GENERAL.—Paragraph (1)(A) of section*
6 *219(b) (relating to maximum amount of deduction) is*
7 *amended by striking “\$2,000” and inserting “the de-*
8 *ductible amount”.*

9 (2) *DEDUCTIBLE AMOUNT.—Section 219(b) is*
10 *amended by adding at the end the following new*
11 *paragraph:*

12 “(5) *DEDUCTIBLE AMOUNT.—For purposes of*
13 *paragraph (1)(A)—*

14 “(A) *IN GENERAL.—The deductible amount*
15 *shall be determined in accordance with the fol-*
16 *lowing table:*

“For taxable years beginning in:	The deductible amount is:
2001	\$3,000
2002	\$4,000
2003 and thereafter	\$5,000.

1 “(B) *CATCH-UP CONTRIBUTIONS FOR INDI-*
2 *VIDUALS 50 OR OLDER.*—*In the case of an indi-*
3 *vidual who has attained the age of 50 before the*
4 *close of the taxable year, the deductible amount*
5 *for such taxable year shall be an amount equal*
6 *to 150 percent of such amount determined with-*
7 *out regard to this subparagraph.*

8 “(C) *COST-OF-LIVING ADJUSTMENT.*—

9 “(i) *IN GENERAL.*—*In the case of any*
10 *taxable year beginning in a calendar year*
11 *after 2003, the \$5,000 amount under sub-*
12 *paragraph (A) shall be increased by an*
13 *amount equal to—*

14 “(I) *such dollar amount, multi-*
15 *plied by*

16 “(II) *the cost-of-living adjustment*
17 *determined under section 1(f)(3) for*
18 *the calendar year in which the taxable*
19 *year begins, determined by substituting*
20 *‘calendar year 2002’ for ‘calendar year*
21 *1992’ in subparagraph (B) thereof.*

22 “(ii) *ROUNDING RULES.*—*If any*
23 *amount after adjustment under clause (i) is*
24 *not a multiple of \$500, such amount shall*

1 be rounded to the next lower multiple of
 2 \$500.”.

3 (b) *INCREASE IN AGI LIMITS FOR ACTIVE PARTICI-*
 4 *PANTS.—*

5 (1) *JOINT RETURNS.—The table in clause (i) of*
 6 *section 219(g)(3)(B) (relating to applicable dollar*
 7 *amount) is amended to read as follows:*

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$56,000
2002	\$60,000
2003	\$64,000
2004	\$68,000
2005	\$72,000
2006	\$76,000
2007 or thereafter	\$80,000.”.

8 (2) *OTHER TAXPAYERS.—Section 219(g)(3)(B)*
 9 *(relating to applicable dollar amount) is amended by*
 10 *striking clauses (ii) and (iii) and inserting the fol-*
 11 *lowing:*

12 “(ii) *In the case of any other taxpayer:*

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$36,000
2002	\$40,000
2003	\$44,000
2004	\$48,000
2005 or thereafter	\$50,000.”.

13 (c) *CONFORMING AMENDMENTS.—*

14 (1) *Section 408(a)(1) is amended by striking “in*
 15 *excess of \$2,000 on behalf of any individual” and in-*
 16 *serting “on behalf of any individual in excess of the*

1 amount in effect for such taxable year under section
2 219(b)(1)(A)”.

3 (2) Section 408(b)(2)(B) is amended by striking
4 “\$2,000” and inserting “the dollar amount in effect
5 under section 219(b)(1)(A)”.

6 (3) Section 408(b) is amended by striking
7 “\$2,000” in the matter following paragraph (4) and
8 inserting “the dollar amount in effect under section
9 219(b)(1)(A)”.

10 (4) Section 408(j) is amended by striking
11 “\$2,000”.

12 (5) Section 408(p)(8) is amended by striking
13 “\$2,000” and inserting “the dollar amount in effect
14 under section 219(b)(1)(A)”.

15 (d) *EFFECTIVE DATE.*—The amendments made by this
16 section shall apply to taxable years beginning after Decem-
17 ber 31, 2000.

18 **SEC. 102. DEEMED IRAS UNDER EMPLOYER PLANS.**

19 (a) *IN GENERAL.*—Section 408 (relating to individual
20 retirement accounts) is amended by redesignating sub-
21 section (q) as subsection (r) and by inserting after sub-
22 section (p) the following new subsection:

23 “(q) *DEEMED IRAS UNDER QUALIFIED EMPLOYER*
24 *PLANS.*—

25 “(1) *GENERAL RULE.*—If—

1 “(A) a qualified employer plan elects to
2 allow employees to make voluntary employee
3 contributions to a separate account or annuity
4 established under the plan, and

5 “(B) under the terms of the qualified em-
6 ployer plan, such account or annuity meets the
7 applicable requirements of this section or section
8 408A for an individual retirement account or
9 annuity,

10 then such account or annuity shall be treated for pur-
11 poses of this title in the same manner as an indi-
12 vidual retirement plan and not as a qualified em-
13 ployer plan (and contributions to such account or an-
14 nuity as contributions to an individual retirement
15 plan and not to the qualified employer plan). For
16 purposes of subparagraph (B), the requirements of
17 subsection (a)(5) shall not apply.

18 “(2) SPECIAL RULES FOR QUALIFIED EMPLOYER
19 PLANS.—For purposes of this title, a qualified em-
20 ployer plan shall not fail to meet any requirement of
21 this title solely by reason of establishing and main-
22 taining a program described in paragraph (1).

23 “(3) DEFINITIONS.—For purposes of this
24 subsection—

1 “(A) *QUALIFIED EMPLOYER PLAN.*—*The*
2 *term ‘qualified employer plan’ has the meaning*
3 *given such term by section 72(p)(4); except such*
4 *term shall only include an eligible deferred com-*
5 *ensation plan (as defined in section 457(b))*
6 *which is maintained by an eligible employer de-*
7 *scribed in section 457(e)(1)(A).*

8 “(B) *VOLUNTARY EMPLOYEE CONTRIBU-*
9 *TION.*—*The term ‘voluntary employee contribu-*
10 *tion’ means any contribution (other than a man-*
11 *datory contribution within the meaning of sec-*
12 *tion 411(c)(2)(C))—*

13 “(i) *which is made by an individual as*
14 *an employee under a qualified employer*
15 *plan which allows employees to elect to*
16 *make contributions described in paragraph*
17 *(1), and*

18 “(ii) *with respect to which the indi-*
19 *vidual has designated the contribution as a*
20 *contribution to which this subsection ap-*
21 *plies.”.*

22 (b) *AMENDMENT OF ERISA.*—

23 (1) *IN GENERAL.*—*Section 4 of the Employee Re-*
24 *irement Income Security Act of 1974 (29 U.S.C.*

1 1003) is amended by adding at the end the following
2 new subsection:

3 “(c) If a pension plan allows an employee to elect to
4 make voluntary employee contributions to accounts and an-
5 nuities as provided in section 408(q) of the Internal Rev-
6 enue Code of 1986, such accounts and annuities (and con-
7 tributions thereto) shall not be treated as part of such plan
8 (or as a separate pension plan) for purposes of any provi-
9 sion of this title other than section 403(c), 404, or 405 (re-
10 lating to exclusive benefit, and fiduciary and co-fiduciary
11 responsibilities).”.

12 (2) *CONFORMING AMENDMENT.*—Section 4(a) of
13 such Act (29 U.S.C. 1003(a)) is amended by inserting
14 “or (c)” after “subsection (b)”.

15 (c) *EFFECTIVE DATE.*—The amendments made by this
16 section shall apply to plan years beginning after December
17 31, 2001.

18 **SEC. 103. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
19 **TIREMENT ACCOUNTS FOR CHARITABLE PUR-**
20 **POSES.**

21 (a) *IN GENERAL.*—Subsection (d) of section 408 (relat-
22 ing to individual retirement accounts) is amended by add-
23 ing at the end the following new paragraph:

24 “(8) *DISTRIBUTIONS FOR CHARITABLE PUR-*
25 *POSES.*—

1 “(A) *IN GENERAL.*—*In the case of a quali-*
2 *fied charitable distribution from an individual*
3 *retirement account to an organization described*
4 *in section 170(c), no amount shall be includible*
5 *in the gross income of the account holder or bene-*
6 *ficiary.*

7 “(B) *SPECIAL RULES RELATING TO CHARITABLE*
8 *REMAINDER TRUSTS, POOLED INCOME*
9 *FUNDS, AND CHARITABLE GIFT ANNUITIES.*—

10 “(i) *IN GENERAL.*—*In the case of a*
11 *qualified charitable distribution from an in-*
12 *dividual retirement account—*

13 “(I) *to a charitable remainder an-*
14 *nuity trust or a charitable remainder*
15 *unitrust (as such terms are defined in*
16 *section 664(d)),*

17 “(II) *to a pooled income fund (as*
18 *defined in section 642(c)(5)), or*

19 “(III) *for the issuance of a chari-*
20 *table gift annuity (as defined in sec-*
21 *tion 501(m)(5)),*

22 *no amount shall be includible in gross in-*
23 *come of the account holder or beneficiary.*

24 *The preceding sentence shall apply only if*
25 *no person holds any interest in the amounts*

1 *in the trust, fund, or annuity attributable*
2 *to such distribution other than one or more*
3 *of the following: the individual for whose*
4 *benefit such account is maintained, the*
5 *spouse of such individual, or any organiza-*
6 *tion described in section 170(c).*

7 “(i) *DETERMINATION OF INCLUSION*
8 *OF AMOUNTS DISTRIBUTED.—In deter-*
9 *mining the amount includible in the gross*
10 *income of the distributee of a distribution*
11 *from a trust described in clause (i)(I) or an*
12 *annuity (as described in clause (i)(III)), the*
13 *portion of any qualified charitable distribu-*
14 *tion to such trust or for such annuity which*
15 *would (but for this subparagraph) have been*
16 *includible in gross income—*

17 “(I) *in the case of any such trust,*
18 *shall be treated as income described in*
19 *section 664(b)(1), or*

20 “(II) *in the case of any such an-*
21 *nuity, shall not be treated as an invest-*
22 *ment in the contract.*

23 “(iii) *NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No*
24 *amount shall be includible in the gross in-*
25

1 *come of a pooled income fund (as so de-*
2 *finied) by reason of a qualified charitable*
3 *distribution to such fund.*

4 “(C) *QUALIFIED CHARITABLE DISTRIBUTION.*—*For purposes of this paragraph, the term*
5 *‘qualified charitable distribution’ means any dis-*
6 *tribution from an individual retirement*
7 *account—*

8 *“(i) which is made on or after the date*
9 *that the individual for whose benefit the ac-*
10 *count is maintained has attained age 70¹/₂,*
11 *and*

12 *“(ii) which is a charitable contribution*
13 *(as defined in section 170(c)) made directly*
14 *from the account to—*

15 *“(I) an organization described in*
16 *section 170(c), or*

17 *“(II) a trust, fund, or annuity de-*
18 *scribed in subparagraph (B).*

19 “(D) *DENIAL OF DEDUCTION.*—*The amount*
20 *allowable as a deduction to the taxpayer for the*
21 *taxable year under section 170 for qualified*
22 *charitable distributions shall be reduced (but not*
23 *below zero) by the sum of the amounts of the*
24 *qualified charitable distributions during such*
25

1 year which (but for this paragraph) would have
2 been includible in the gross income of the tax-
3 payer for such year.”.

4 **(b) EFFECTIVE DATE.**—The amendment made by sub-
5 section (a) shall apply to taxable years beginning after De-
6 cember 31, 2000.

7 **SEC. 104. MODIFICATION OF AGI LIMITS FOR ROTH IRAS.**

8 **(a) INCREASE IN AGI LIMIT FOR ROTH IRA CON-**
9 **TRIBUTIONS.**—

10 **(1) IN GENERAL.**—Section 408A(c)(3)(C)(ii) (re-
11 lating to limits based on modified adjusted gross in-
12 come) is amended to read as follows:

13 “(ii) the applicable dollar amount is—

14 “(I) in the case of a taxpayer fil-
15 ing a joint return, \$190,000, and

16 “(II) in the case of any other tax-
17 payer, \$95,000.”.

18 **(2) PHASEOUT AMOUNT.**—Clause (ii) of section
19 408A(c)(3)(A) is amended to read as follows:

20 “(ii) \$15,000 (\$30,000 in the case of a
21 joint return).”

22 **(b) INCREASE IN AGI LIMIT FOR ROTH IRA CONVER-**
23 **SIONS.**—Section 408A(c)(3)(B) (relating to rollover from
24 IRA) is amended by striking “relates” and all that follows

1 and inserting “relates, the taxpayer’s adjusted gross income
2 exceeds \$100,000 (\$200,000 in the case of a joint return).”.

3 (c) *CONFORMING AMENDMENT.*—Section 408A(c)(3) is
4 amended by striking subparagraph (D).

5 (d) *EFFECTIVE DATE.*—The amendments made by this
6 section shall apply to taxable years beginning after Decem-
7 ber 31, 2000.

8 **TITLE II—EXPANDING**
9 **COVERAGE**

10 **SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIM-**
11 **ITS.**

12 (a) *DEFINED BENEFIT PLANS.*—

13 (1) *DOLLAR LIMIT.*—

14 (A) Subparagraph (A) of section 415(b)(1)
15 (relating to limitation for defined benefit plans)
16 is amended by striking “\$90,000” and inserting
17 “\$160,000”.

18 (B) Subparagraphs (C) and (D) of section
19 415(b)(2) are each amended by striking
20 “\$90,000” each place it appears in the headings
21 and the text and inserting “\$160,000”.

22 (C) Paragraph (7) of section 415(b) (relat-
23 ing to benefits under certain collectively bar-
24 gained plans) is amended by striking “the great-
25 er of \$68,212 or one-half the amount otherwise

1 *applicable for such year under paragraph (1)(A)*
2 *for “\$90,000” and inserting “one-half the*
3 *amount otherwise applicable for such year under*
4 *paragraph (1)(A) for “\$160,000”.*

5 (2) *LIMIT REDUCED WHEN BENEFIT BEGINS BE-*
6 *FORE AGE 62.—Subparagraph (C) of section 415(b)(2)*
7 *is amended by striking “the social security retirement*
8 *age” each place it appears in the heading and text*
9 *and inserting “age 62” and by striking the second*
10 *sentence.*

11 (3) *LIMIT INCREASED WHEN BENEFIT BEGINS*
12 *AFTER AGE 65.—Subparagraph (D) of section*
13 *415(b)(2) is amended by striking “the social security*
14 *retirement age” each place it appears in the heading*
15 *and text and inserting “age 65”.*

16 (4) *COST-OF-LIVING ADJUSTMENTS.—Subsection*
17 *(d) of section 415 (related to cost-of-living adjust-*
18 *ments) is amended—*

19 (A) *by striking “\$90,000” in paragraph*
20 (1)(A) *and inserting “\$160,000”; and*

21 (B) *in paragraph (3)(A)—*

22 (i) *by striking “\$90,000” in the head-*
23 *ing and inserting “\$160,000”; and*

24 (ii) *by striking “October 1, 1986” and*
25 *inserting “July 1, 2000”.*

1 (5) *CONFORMING AMENDMENTS.*—

2 (A) *Section 415(b)(2) is amended by strik-*
3 *ing subparagraph (F).*

4 (B) *Section 415(b)(9) is amended to read as*
5 *follows:*

6 “(9) *SPECIAL RULE FOR COMMERCIAL AIR-*
7 *LINE PILOTS.*—*In the case of any participant*
8 *who is a commercial airline pilot, if, as of the*
9 *time of the participant’s retirement, regulations*
10 *prescribed by the Federal Aviation Administra-*
11 *tion require an individual to separate from serv-*
12 *ice as a commercial airline pilot after attaining*
13 *any age occurring on or after age 60 and before*
14 *age 62, paragraph (2)(C) (after application of*
15 *clause (i)) shall be applied by substituting such*
16 *age for age 62.”.*

17 (C) *Section 415(b)(10)(C)(i) is amended by*
18 *striking “applied without regard to paragraph*
19 *(2)(F)”.*

20 (b) *QUALIFIED TRUSTS.*—

21 (1) *COMPENSATION LIMIT.*—*Sections 401(a)(17),*
22 *404(l), 408(k), and 505(b)(7) are each amended by*
23 *striking “\$150,000” each place it appears and insert-*
24 *ing “\$200,000”.*

1 (2) *BASE PERIOD AND ROUNDING OF COST-OF-*
 2 *LIVING ADJUSTMENT.*—*Subparagraph (B) of section*
 3 *401(a)(17) is amended—*

4 (A) *by striking “October 1, 1993” and in-*
 5 *serting “July 1, 2000”; and*

6 (B) *by striking “\$10,000” both places it ap-*
 7 *pears and inserting “\$5,000”.*

8 (c) *ELECTIVE DEFERRALS.*—

9 (1) *IN GENERAL.*—*Paragraph (1) of section*
 10 *402(g) (relating to limitation on exclusion for elective*
 11 *deferrals) is amended to read as follows:*

12 “(1) *IN GENERAL.*—

13 “(A) *LIMITATION.*—*Notwithstanding sub-*
 14 *sections (e)(3) and (h)(1)(B), the elective defer-*
 15 *erals of any individual for any taxable year shall*
 16 *be included in such individual’s gross income to*
 17 *the extent the amount of such deferrals for the*
 18 *taxable year exceeds the applicable dollar*
 19 *amount.*

20 “(B) *APPLICABLE DOLLAR AMOUNT.*—*For*
 21 *purposes of subparagraph (A), the applicable*
 22 *dollar amount shall be the amount determined in*
 23 *accordance with the following table:*

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000

2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.”.

1 (2) *COST-OF-LIVING ADJUSTMENT.*—Paragraph
2 (5) of section 402(g) is amended to read as follows:

3 “(5) *COST-OF-LIVING ADJUSTMENT.*—In the case
4 of taxable years beginning after December 31, 2005,
5 the Secretary shall adjust the \$15,000 amount under
6 paragraph (1)(B) at the same time and in the same
7 manner as under section 415(d), except that the base
8 period shall be the calendar quarter beginning July 1,
9 2004, and any increase under this paragraph which
10 is not a multiple of \$500 shall be rounded to the next
11 lowest multiple of \$500.”.

12 (3) *CONFORMING AMENDMENTS.*—

13 (A) Section 402(g) (relating to limitation
14 on exclusion for elective deferrals), as amended
15 by paragraphs (1) and (2), is further amended
16 by striking paragraph (4) and redesignating
17 paragraphs (5), (6), (7), (8), and (9) as para-
18 graphs (4), (5), (6), (7), and (8), respectively.

19 (B) Paragraph (2) of section 457(c) is
20 amended by striking “402(g)(8)(A)(iii)” and in-
21 serting “402(g)(7)(A)(iii)”.

22 (C) Clause (iii) of section 501(c)(18)(D) is
23 amended by striking “(other than paragraph (4)
24 thereof)”.

1 (d) *DEFERRED COMPENSATION PLANS OF STATE AND*
 2 *LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZA-*
 3 *TIONS.—*

4 (1) *IN GENERAL.—Section 457 (relating to de-*
 5 *ferred compensation plans of State and local govern-*
 6 *ments and tax-exempt organizations) is amended—*

7 (A) *in subsections (b)(2)(A) and (c)(1) by*
 8 *striking “\$7,500” each place it appears and in-*
 9 *serting “the applicable dollar amount”; and*

10 (B) *in subsection (b)(3)(A) by striking*
 11 *“\$15,000” and inserting “twice the dollar*
 12 *amount in effect under subsection (b)(2)(A)”.*

13 (2) *APPLICABLE DOLLAR AMOUNT; COST-OF-LIV-*
 14 *ING ADJUSTMENT.—Paragraph (15) of section 457(e)*
 15 *is amended to read as follows:*

16 “(15) *APPLICABLE DOLLAR AMOUNT.—*

17 “(A) *IN GENERAL.—The applicable dollar*
 18 *amount shall be the amount determined in ac-*
 19 *cordance with the following table:*

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.

20 “(B) *COST-OF-LIVING ADJUSTMENTS.—In*
 21 *the case of taxable years beginning after Decem-*

1 ber 31, 2005, the Secretary shall adjust the
 2 \$15,000 amount under subparagraph (A) at the
 3 same time and in the same manner as under sec-
 4 tion 415(d), except that the base period shall be
 5 the calendar quarter beginning July 1, 2004,
 6 and any increase under this paragraph which is
 7 not a multiple of \$500 shall be rounded to the
 8 next lowest multiple of \$500.”.

9 (e) *SIMPLE RETIREMENT ACCOUNTS.*—

10 (1) *LIMITATION.*—Clause (ii) of section
 11 408(p)(2)(A) (relating to general rule for qualified
 12 salary reduction arrangement) is amended by striking
 13 “\$6,000” and inserting “the applicable dollar
 14 amount”.

15 (2) *APPLICABLE DOLLAR AMOUNT.*—Subpara-
 16 graph (E) of 408(p)(2) is amended to read as follows:

17 “(E) *APPLICABLE DOLLAR AMOUNT; COST-*
 18 *OF-LIVING ADJUSTMENT.*—

19 “(i) *IN GENERAL.*—For purposes of
 20 subparagraph (A)(ii), the applicable dollar
 21 amount shall be the amount determined in
 22 accordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$7,000
2002	\$8,000
2003	\$9,000
2004 or thereafter	\$10,000.

1 “(i) *COST-OF-LIVING ADJUSTMENT.*—
2 *In the case of a year beginning after Decem-*
3 *ber 31, 2004, the Secretary shall adjust the*
4 *\$10,000 amount under clause (i) at the*
5 *same time and in the same manner as*
6 *under section 415(d), except that the base*
7 *period taken into account shall be the cal-*
8 *endar quarter beginning July 1, 2003, and*
9 *any increase under this subparagraph*
10 *which is not a multiple of \$500 shall be*
11 *rounded to the next lower multiple of*
12 *\$500.”.*

13 (3) *CONFORMING AMENDMENTS.*—

14 (A) *Subclause (I) of section*
15 *401(k)(11)(B)(i) is amended by striking*
16 *“\$6,000” and inserting “the amount in effect*
17 *under section 408(p)(2)(A)(ii)”.*

18 (B) *Section 401(k)(11) is amended by strik-*
19 *ing subparagraph (E).*

20 (f) *ROUNDING RULE RELATING TO DEFINED BENEFIT*

21 *PLANS AND DEFINED CONTRIBUTION PLANS.*—*Paragraph*

22 *(4) of section 415(d) is amended to read as follows:*

23 “(4) *ROUNDING.*—

24 “(A) *\$160,000 AMOUNT.*—*Any increase*
25 *under subparagraph (A) of paragraph (1) which*

1 is not a multiple of \$5,000 shall be rounded to
2 the next lowest multiple of \$5,000.

3 “(B) \$30,000 AMOUNT.—Any increase
4 under subparagraph (C) of paragraph (1) which
5 is not a multiple of \$1,000 shall be rounded to
6 the next lowest multiple of \$1,000.”.

7 (g) *EFFECTIVE DATE.*—The amendments made by this
8 section shall apply to years beginning after December 31,
9 2000.

10 **SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**
11 **NERS, AND SOLE PROPRIETORS.**

12 (a) *IN GENERAL.*—Subparagraph (B) of section
13 4975(f)(6) (relating to exemptions not to apply to certain
14 transactions) is amended by adding at the end the following
15 new clause:

16 “(iii) *LOAN EXCEPTION.*—For purposes
17 of subparagraph (A)(i), the term ‘owner-em-
18 ployee’ shall only include a person described
19 in subclause (II) or (III) of clause (i).”.

20 (b) *AMENDMENT TO ERISA.*—Section 408(d)(2) of the
21 Employee Retirement Income Security Act of 1974 (29
22 U.S.C. 1108(d)(2)) is amended by adding at the end the
23 following new subparagraph:

1 “(C) For purposes of paragraph (1)(A), the term
2 ‘owner-employee’ shall only include a person described in
3 clause (ii) or (iii) of subparagraph (A).”.

4 (c) *EFFECTIVE DATE.*—The amendment made by this
5 section shall apply to years beginning after December 31,
6 2000.

7 **SEC. 203. MODIFICATION OF TOP-HEAVY RULES.**

8 (a) *SIMPLIFICATION OF DEFINITION OF KEY EM-*
9 *PLOYEE.*—

10 (1) *IN GENERAL.*—Section 416(i)(1)(A) (defining
11 *key employee*) is amended—

12 (A) by striking “plan year or any of the 4
13 preceding plan years” and inserting “preceding
14 plan year” in the matter preceding clause (i);

15 (B) by striking clause (i) and inserting the
16 following:

17 “(i) an officer of the employer having
18 an annual compensation greater than the
19 amount in effect under section
20 414(q)(1)(B)(i) for such plan year.”;

21 (C) by striking clause (ii) and redesignating
22 clauses (iii) and (iv) as clauses (ii) and
23 (iii), respectively;

1 (D) by striking the second sentence in the
2 matter following clause (iii), as redesignated by
3 subparagraph (C); and

4 (E) by adding at the end the following:
5 “For purposes of this subparagraph, in the case
6 of an employee who is not employed during the
7 preceding plan year or is employed for a portion
8 of such year, such employee shall be treated as a
9 key employee if it can be reasonably anticipated
10 that such employee will be described in 1 of the
11 preceding clauses for the current plan year.”.

12 (2) CONFORMING AMENDMENT.—Section
13 416(i)(1)(B)(iii) is amended by striking “and sub-
14 paragraph (A)(ii)”.

15 (b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT
16 FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section
17 416(c)(2)(A) (relating to defined contribution plans) is
18 amended by adding at the end the following: “Employer
19 matching contributions (as defined in section
20 401(m)(4)(A)) shall be taken into account for purposes of
21 this subparagraph.”.

22 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE DE-
23 TERMINATION DATE TAKEN INTO ACCOUNT.—

24 (1) IN GENERAL.—Paragraph (3) of section
25 416(g) is amended to read as follows:

1 “(3) *DISTRIBUTIONS DURING LAST YEAR BEFORE*
2 *DETERMINATION DATE TAKEN INTO ACCOUNT.—*—

3 “(A) *IN GENERAL.—For purposes of*
4 *determining—*

5 “(i) *the present value of the cumulative*
6 *accrued benefit for any employee, or*

7 “(ii) *the amount of the account of any*
8 *employee,*

9 *such present value or amount shall be increased*
10 *by the aggregate distributions made with respect*
11 *to such employee under the plan during the 1-*
12 *year period ending on the determination date.*

13 *The preceding sentence shall also apply to dis-*
14 *tributions under a terminated plan which if it*
15 *had not been terminated would have been re-*
16 *quired to be included in an aggregation group.*

17 “(B) *5-YEAR PERIOD IN CASE OF IN-SERV-*
18 *ICE DISTRIBUTION.—In the case of any distribu-*
19 *tion made for a reason other than separation*
20 *from service, death, or disability, subparagraph*
21 *(A) shall be applied by substituting ‘5-year pe-*
22 *riod’ for ‘1-year period’.”.*

23 “(2) *BENEFITS NOT TAKEN INTO ACCOUNT.—Sub-*
24 *paragraph (E) of section 416(g)(4) is amended—*

1 (A) by striking “LAST 5 YEARS” in the
2 heading and inserting “LAST YEAR BEFORE DE-
3 TERMINATION DATE”; and

4 (B) by striking “5-year period” and insert-
5 ing “1-year period”.

6 (d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph
7 (4) of section 416(g) (relating to other special rules for top-
8 heavy plans) is amended by adding at the end the following
9 new subparagraph:

10 “(H) CASH OR DEFERRED ARRANGEMENTS
11 USING ALTERNATIVE METHODS OF MEETING NON-
12 DISCRIMINATION REQUIREMENTS.—The term
13 ‘top-heavy plan’ shall not include a plan which
14 consists solely of—

15 “(i) a cash or deferred arrangement
16 which meets the requirements of section
17 401(k)(12), and

18 “(ii) matching contributions with re-
19 spect to which the requirements of section
20 401(m)(11) are met.

21 If, but for this subparagraph, a plan would be
22 treated as a top-heavy plan because it is a mem-
23 ber of an aggregation group which is a top-heavy
24 group, contributions under the plan may be
25 taken into account in determining whether any

1 *other plan in the group meets the requirements*
2 *of subsection (c)(2).”.*

3 *(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT*
4 *REQUIREMENT.—Subparagraph (C) of section 416(c)(1)*
5 *(relating to defined benefit plans) is amended—*

6 *(A) by striking “clause (ii)” in clause (i)*
7 *and inserting “clause (ii) or (iii)”; and*

8 *(B) by adding at the end the following:*

9 *“(iii) EXCEPTION FOR FROZEN*
10 *PLAN.—For purposes of determining an em-*
11 *ployee’s years of service with the employer,*
12 *any service with the employer shall be dis-*
13 *regarded to the extent that such service oc-*
14 *curs during a plan year when the plan ben-*
15 *efits (within the meaning of section 410(b))*
16 *no key employee or former key employee.”.*

17 *(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section*
18 *416(i)(1)(B) (defining 5-percent owner) is amended by add-*
19 *ing at the end the following new clause:*

20 *“(iv) FAMILY ATTRIBUTION DIS-*
21 *REGARDED.—Solely for purposes of apply-*
22 *ing this paragraph (and not for purposes of*
23 *any provision of this title which incor-*
24 *porates by reference the definition of a key*
25 *employee or 5-percent owner under this*

1 paragraph), section 318 shall be applied
2 without regard to subsection (a)(1) thereof
3 in determining whether any person is a 5-
4 percent owner.”.

5 (g) *EFFECTIVE DATE.*—The amendments made by this
6 section shall apply to years beginning after December 31,
7 2000.

8 **SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
9 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
10 **ITS.**

11 (a) *IN GENERAL.*—Section 404 (relating to deduction
12 for contributions of an employer to an employees’ trust or
13 annuity plan and compensation under a deferred payment
14 plan) is amended by adding at the end the following new
15 subsection:

16 “(n) *ELECTIVE DEFERRALS NOT TAKEN INTO AC-*
17 *COUNT FOR PURPOSES OF DEDUCTION LIMITS.*—Elective
18 deferrals (as defined in section 402(g)(3)) shall not be sub-
19 ject to any limitation contained in paragraph (3), (7), or
20 (9) of subsection (a), and such elective deferrals shall not
21 be taken into account in applying any such limitation to
22 any other contributions.”.

23 (b) *EFFECTIVE DATE.*—The amendment made by this
24 section shall apply to years beginning after December 31,
25 2000.

1 **SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR**
2 **DEFERRED COMPENSATION PLANS OF STATE**
3 **AND LOCAL GOVERNMENTS AND TAX-EXEMPT**
4 **ORGANIZATIONS.**

5 (a) *IN GENERAL.*—Subsection (c) of section 457 (relat-
6 ing to deferred compensation plans of State and local gov-
7 ernments and tax-exempt organizations), as amended by
8 section 201, is amended to read as follows:

9 “(c) *LIMITATION.*—The maximum amount of the com-
10 pensation of any one individual which may be deferred
11 under subsection (a) during any taxable year shall not ex-
12 ceed the amount in effect under subsection (b)(2)(A) (as
13 modified by any adjustment provided under subsection
14 (b)(3)).”.

15 (b) *EFFECTIVE DATE.*—The amendment made by sub-
16 section (a) shall apply to years beginning after December
17 31, 2000.

18 **SEC. 206. DEDUCTION LIMITS.**

19 (a) *INCREASE IN PERCENTAGE.*—

20 (1) *STOCK BONUS AND PROFIT SHARING*
21 *TRUSTS.*—

22 (A) *IN GENERAL.*—Subclause (I) of section
23 404(a)(3)(A)(i) (relating to stock bonus and
24 profit sharing trusts) is amended by striking “15
25 percent” and inserting “25 percent”.

1 (B) *CONFORMING AMENDMENT.*—Subpara-
2 graph (C) of section 404(h)(1) is amended by
3 striking “15 percent” each place it appears and
4 inserting “25 percent”.

5 (2) *DEFINED CONTRIBUTION PLANS.*—

6 (A) *IN GENERAL.*—Clause (v) of section
7 404(a)(3)(A) (relating to stock bonus and profit
8 sharing trusts) is amended to read as follows:

9 “(v) *DEFINED CONTRIBUTION PLANS*
10 *SUBJECT TO THE FUNDING STANDARDS.*—
11 *Except as provided by the Secretary, a de-*
12 *defined contribution plan which is subject to*
13 *the funding standards of section 412 shall*
14 *be treated in the same manner as a stock*
15 *bonus or profit-sharing plan for purposes of*
16 *this subparagraph.”*

17 (B) *CONFORMING AMENDMENTS.*—

18 (i) Section 404(h)(2) is amended by
19 striking “stock bonus or profit-sharing
20 trust” and inserting “trust subject to sub-
21 section (a)(3)(A)”.

22 (ii) The heading of section 404(h)(2) is
23 amended by striking “*STOCK BONUS AND*
24 *PROFIT-SHARING TRUST*” and inserting
25 “*CERTAIN TRUSTS*”.

1 **(b) COMPENSATION.**—

2 **(1) IN GENERAL.**—Section 404(a) (relating to
3 *general rule*) is amended by adding at the end the fol-
4 *lowing:*

5 “(12) **DEFINITION OF COMPENSATION.**—For pur-
6 *poses of paragraphs (3), (7), (8), and (9), the term*
7 *‘compensation otherwise paid or accrued during the*
8 *taxable year’ shall include amounts treated as ‘par-*
9 *ticipant’s compensation’ under subparagraph (C) or*
10 *(D) of section 415(c)(3).”.*

11 **(2) CONFORMING AMENDMENTS.**—

12 **(A) Subparagraph (B) of section 404(a)(3)**
13 *is amended by striking the last sentence thereof.*

14 **(B) Clause (i) of section 4972(c)(6)(B) is**
15 *amended by striking “(within the meaning of*
16 *section 404(a))” and inserting “(within the*
17 *meaning of section 404(a) and as adjusted under*
18 *section 404(a)(12))”.*

19 **(c) EFFECTIVE DATE.**—*The amendments made by this*
20 *section shall apply to years beginning after December 31,*
21 *2000.*

22 **SEC. 207. OPTION TO TREAT ELECTIVE DEFERRALS AS**
23 **AFTER-TAX ROTH CONTRIBUTIONS.**

24 **(a) IN GENERAL.**—*Subpart A of part I of subchapter*
25 *D of chapter 1 (relating to deferred compensation, etc.) is*

1 *amended by inserting after section 402 the following new*
2 *section:*

3 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**
4 **RALS AS ROTH CONTRIBUTIONS.**

5 *“(a) GENERAL RULE.—If an applicable retirement*
6 *plan includes a qualified Roth contribution program—*

7 *“(1) any designated Roth contribution made by*
8 *an employee pursuant to the program shall be treated*
9 *as an elective deferral for purposes of this chapter, ex-*
10 *cept that such contribution shall not be excludable*
11 *from gross income, and*

12 *“(2) such plan (and any arrangement which is*
13 *part of such plan) shall not be treated as failing to*
14 *meet any requirement of this chapter solely by reason*
15 *of including such program.*

16 *“(b) QUALIFIED ROTH CONTRIBUTION PROGRAM.—*
17 *For purposes of this section—*

18 *“(1) IN GENERAL.—The term ‘qualified Roth*
19 *contribution program’ means a program under which*
20 *an employee may elect to make designated Roth con-*
21 *tributions in lieu of all or a portion of elective defer-*
22 *als the employee is otherwise eligible to make under*
23 *the applicable retirement plan.*

24 *“(2) SEPARATE ACCOUNTING REQUIRED.—A pro-*
25 *gram shall not be treated as a qualified Roth con-*

1 *tribution program unless the applicable retirement*
2 *plan—*

3 *“(A) establishes separate accounts (‘des-*
4 *ignated Roth accounts’) for the designated Roth*
5 *contributions of each employee and any earnings*
6 *properly allocable to the contributions, and*

7 *“(B) maintains separate recordkeeping with*
8 *respect to each account.*

9 *“(c) DEFINITIONS AND RULES RELATING TO DES-*
10 *IGNATED ROTH CONTRIBUTIONS.—For purposes of this*
11 *section—*

12 *“(1) DESIGNATED ROTH CONTRIBUTION.—The*
13 *term ‘designated Roth contribution’ means any elec-*
14 *tive deferral which—*

15 *“(A) is excludable from gross income of an*
16 *employee without regard to this section, and*

17 *“(B) the employee designates (at such time*
18 *and in such manner as the Secretary may pre-*
19 *scribe) as not being so excludable.*

20 *“(2) DESIGNATION LIMITS.—The amount of elec-*
21 *tive deferrals which an employee may designate under*
22 *paragraph (1) shall not exceed the excess (if any) of—*

23 *“(A) the maximum amount of elective defer-*
24 *als excludable from gross income of the employee*

1 *for the taxable year (without regard to this sec-*
2 *tion), over*

3 “(B) *the aggregate amount of elective deferrals of the employee for the taxable year which*
4 *the employee does not designate under paragraph*
5 *(1).*

6 “(3) *ROLLOVER CONTRIBUTIONS.—*

7 “(A) *IN GENERAL.—A rollover contribution*
8 *of any payment or distribution from a des-*
9 *ignated Roth account which is otherwise allow-*
10 *able under this chapter may be made only if the*
11 *contribution is to—*

12 “(i) *another designated Roth account*
13 *of the individual from whose account the*
14 *payment or distribution was made, or*

15 “(ii) *a Roth IRA of such individual.*

16 “(B) *COORDINATION WITH LIMIT.—Any*
17 *rollover contribution to a designated Roth ac-*
18 *count under subparagraph (A) shall not be taken*
19 *into account for purposes of paragraph (1).*

20 “(d) *DISTRIBUTION RULES.—For purposes of this*
21 *title—*

22 “(1) *EXCLUSION.—Any qualified distribution*
23 *from a designated Roth account shall not be includ-*
24 *ible in gross income.*

1 “(2) *QUALIFIED DISTRIBUTION.*—*For purposes*
2 *of this subsection—*

3 “(A) *IN GENERAL.*—*The term ‘qualified dis-*
4 *tribution’ has the meaning given such term by*
5 *section 408A(d)(2)(A) (without regard to clause*
6 *(iv) thereof).*

7 “(B) *DISTRIBUTIONS WITHIN NONEXCLU-*
8 *SION PERIOD.*—*A payment or distribution from*
9 *a designated Roth account shall not be treated as*
10 *a qualified distribution if such payment or dis-*
11 *tribution is made within the 5-taxable-year pe-*
12 *riod beginning with the earlier of—*

13 “(i) *the first taxable year for which the*
14 *individual made a designated Roth con-*
15 *tribution to any designated Roth account*
16 *established for such individual under the*
17 *same applicable retirement plan, or*

18 “(ii) *if a rollover contribution was*
19 *made to such designated Roth account from*
20 *a designated Roth account previously estab-*
21 *lished for such individual under another*
22 *applicable retirement plan, the first taxable*
23 *year for which the individual made a des-*
24 *ignated Roth contribution to such pre-*
25 *viously established account.*

1 “(C) *DISTRIBUTIONS OF EXCESS DEFER-*
2 *RALS AND CONTRIBUTIONS AND EARNINGS*
3 *THEREON.—The term ‘qualified distribution’*
4 *shall not include any distribution of any excess*
5 *deferral under section 402(g)(2) or any excess*
6 *contribution under section 401(k)(8), and any*
7 *income on the excess deferral or contribution.*

8 “(3) *AGGREGATION RULES.—Section 72 shall be*
9 *applied separately with respect to distributions and*
10 *payments from a designated Roth account and other*
11 *distributions and payments from the plan.*

12 “(e) *OTHER DEFINITIONS.—For purposes of this*
13 *section—*

14 “(1) *APPLICABLE RETIREMENT PLAN.—The term*
15 *‘applicable retirement plan’ means—*

16 “(A) *an employees’ trust described in sec-*
17 *tion 401(a) which is exempt from tax under sec-*
18 *tion 501(a), and*

19 “(B) *a plan under which amounts are con-*
20 *tributed by an individual’s employer for an an-*
21 *nuity contract described in section 403(b).*

22 “(2) *ELECTIVE DEFERRAL.—The term ‘elective*
23 *deferral’ means any elective deferral described in sub-*
24 *paragraph (A) or (C) of section 402(g)(3).’.*”

1 (b) *EXCESS DEFERRALS.*—Section 402(g) (relating to
2 limitation on exclusion for elective deferrals) is amended—

3 (1) by adding at the end of paragraph (1)(A) (as
4 added by section 201(c)(1)) the following new sen-
5 tence: “The preceding sentence shall not apply to so
6 much of such excess as does not exceed the designated
7 Roth contributions of the individual for the taxable
8 year.”; and

9 (2) by inserting “(or would be included but for
10 the last sentence thereof)” after “paragraph (1)” in
11 paragraph (2)(A).

12 (c) *ROLLOVERS.*—Subparagraph (B) of section
13 402(c)(8) is amended by adding at the end the following:

14 “If any portion of an eligible rollover distribu-
15 tion is attributable to payments or distributions
16 from a designated Roth account (as defined in
17 section 402A), an eligible retirement plan with
18 respect to such portion shall include only another
19 designated Roth account and a Roth IRA.”.

20 (d) *REPORTING REQUIREMENTS.*—

21 (1) *W-2 INFORMATION.*—Section 6051(a)(8) is
22 amended by inserting “, including the amount of des-
23 ignated Roth contributions (as defined in section
24 402A)” before the comma at the end.

1 **SEC. 208. NONREFUNDABLE CREDIT TO CERTAIN INDIVID-**
 2 **UALS FOR ELECTIVE DEFERRALS AND IRA**
 3 **CONTRIBUTIONS.**

4 (a) *IN GENERAL.*—Subpart A of part IV of subchapter
 5 A of chapter 1 (relating to nonrefundable personal credits)
 6 is amended by inserting after section 25A the following new
 7 section:

8 **“SEC. 25B. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS**
 9 **BY CERTAIN INDIVIDUALS.**

10 “(a) *ALLOWANCE OF CREDIT.*—In the case of an eligi-
 11 ble individual, there shall be allowed as a credit against
 12 the tax imposed by this subtitle for the taxable year an
 13 amount equal to the applicable percentage of so much of
 14 the qualified retirement savings contributions of the eligible
 15 individual for the taxable year as do not exceed \$2,000.

16 “(b) *APPLICABLE PERCENTAGE.*—For purposes of this
 17 section, the applicable percentage is the percentage deter-
 18 mined in accordance with the following table:

<i>Adjusted Gross Income</i>						<i>Applica- ble per- centage</i>
<i>Joint return</i>		<i>Head of a household</i>		<i>All other cases</i>		
<i>Over</i>	<i>Not over</i>	<i>Over</i>	<i>Not over</i>	<i>Over</i>	<i>Not over</i>	
\$0	\$20,000	\$0	\$15,000	\$0	\$10,000	50
20,000	25,000	15,000	18,750	10,000	12,500	30
25,000	30,000	18,750	22,500	12,500	15,000	25
30,000	35,000	22,500	26,250	15,000	17,500	20
35,000	40,000	26,250	30,000	17,500	20,000	15
40,000	45,000	30,000	33,750	20,000	22,500	10
45,000	50,000	33,750	37,500	22,500	25,000	5
50,000		37,500		25,000		0

1 “(c) *ELIGIBLE INDIVIDUAL.*—*For purposes of this*
2 *section—*

3 “(1) *IN GENERAL.*—*The term ‘eligible indi-*
4 *vidual’ means any individual if such individual has*
5 *attained the age of 18 as of the close of the taxable*
6 *year.*

7 “(2) *DEPENDENTS AND FULL-TIME STUDENTS*
8 *NOT ELIGIBLE.*—*The term ‘eligible individual’ shall*
9 *not include—*

10 “(A) *any individual with respect to whom*
11 *a deduction under section 151 is allowed to an-*
12 *other taxpayer for a taxable year beginning in*
13 *the calendar year in which such individual’s*
14 *taxable year begins, and*

15 “(B) *any individual who is a student (as*
16 *defined in section 151(c)(4)).*

17 “(d) *QUALIFIED RETIREMENT SAVINGS CONTRIBU-*
18 *TIONS.*—*For purposes of this section—*

19 “(1) *IN GENERAL.*—*The term ‘qualified retire-*
20 *ment savings contributions’ means, with respect to*
21 *any taxable year, the sum of—*

22 “(A) *the amount of the qualified retirement*
23 *contributions (as defined in section 219(e)) made*
24 *by the eligible individual,*

25 “(B) *the amount of—*

1 “(i) any elective deferrals (as defined
2 in section 402(g)(3)) of such individual,
3 and

4 “(ii) any elective deferral of compensa-
5 tion by such individual under an eligible
6 deferred compensation plan (as defined in
7 section 457(b)) of an eligible employer de-
8 scribed in section 457(e)(1)(A), and

9 “(C) the amount of voluntary employee con-
10 tributions by such individual to any qualified
11 retirement plan (as defined in section 4974(c)).

12 “(2) *REDUCTION FOR CERTAIN DISTRIBUTIONS.—*
13

14 “(A) *IN GENERAL.—*The qualified retire-
15 ment savings contributions determined under
16 paragraph (1) shall be reduced (but not below
17 zero) by the sum of—

18 “(i) any distribution from a qualified
19 retirement plan (as defined in section
20 4974(c)), or from an eligible deferred com-
21 pensation plan (as defined in section
22 457(b)), received by the individual during
23 the testing period which is includible in
24 gross income, and

1 “(ii) any distribution from a Roth
2 IRA received by the individual during the
3 testing period which is not a qualified roll-
4 over contribution (as defined in section
5 408A(e)) to a Roth IRA.

6 “(B) TESTING PERIOD.—For purposes of
7 subparagraph (A), the testing period, with re-
8 spect to a taxable year, is the period which
9 includes—

10 “(i) such taxable year,

11 “(ii) the 2 preceding taxable years,

12 and

13 “(iii) the period after such taxable
14 year and before the due date (including ex-
15 tensions) for filing the return of tax for such
16 taxable year.

17 “(C) EXCEPTED DISTRIBUTIONS.—There
18 shall not be taken into account under subpara-
19 graph (A)—

20 “(i) any distribution referred to in sec-
21 tion 72(p), 401(k)(8), 401(m)(6), 402(g)(2),
22 404(k), or 408(d)(4), and

23 “(ii) any distribution to which section
24 408A(d)(3) applies.

1 “(D) *TREATMENT OF DISTRIBUTIONS RE-*
2 *CEIVED BY SPOUSE OF INDIVIDUAL.*—For pur-
3 poses of determining distributions received by an
4 individual under subparagraph (A) for any tax-
5 able year, any distribution received by the spouse
6 of such individual shall be treated as received by
7 such individual if such individual and spouse
8 file a joint return for such taxable year and for
9 the taxable year during which the spouse receives
10 the distribution.

11 “(e) *ADJUSTED GROSS INCOME.*—For purposes of this
12 section, adjusted gross income shall be determined without
13 regard to sections 911, 931, and 933.

14 “(f) *INVESTMENT IN THE CONTRACT.*—Notwith-
15 standing any other provision of law, a qualified retirement
16 savings contribution shall not fail to be included in deter-
17 mining the investment in the contract for purposes of sec-
18 tion 72 by reason of the credit under this section.”

19 “(b) *CREDIT ALLOWED AGAINST REGULAR TAX AND*
20 *ALTERNATIVE MINIMUM TAX.*—

21 “(1) *IN GENERAL.*—Subsection (a) of section 26 is
22 amended by inserting “(other than the credit allowed
23 by section 25B)” after “credits allowed by this sub-
24 part”.

1 (2) *CONFORMING AMENDMENT.*—Section 25B, as
2 added by subsection (a), is amended by inserting after
3 subsection (f) the following new subsection:

4 “(g) *LIMITATION BASED ON AMOUNT OF TAX.*—The
5 aggregate credit allowed by this section for the taxable year
6 shall not exceed the sum of—

7 “(1) the taxpayer’s regular tax liability for the
8 taxable year reduced by the sum of the credits allowed
9 by sections 21, 22, 23, 24, 25, and 25A, plus

10 “(2) the tax imposed by section 55 for such tax-
11 able year.”

12 (c) *ANNUAL REPORT.*—The Comptroller General of the
13 United States shall submit a report annually to the Com-
14 mittee on Ways and Means of the House of Representatives
15 and the Committee on Finance of the Senate regarding the
16 number of taxpayers receiving the credit allowed under sec-
17 tion 25B of the Internal Revenue Code of 1986, as added
18 by subsection (a).

19 (d) *CONFORMING AMENDMENT.*—The table of sections
20 for subpart A of part IV of subchapter A of chapter 1 is
21 amended by inserting after the item relating to section 25A
22 the following new item:

 “Sec. 25B. Elective deferrals and IRA contributions by certain in-
 dividuals.”

23 (e) *EFFECTIVE DATES.*—

1 (1) *IN GENERAL.*—*The amendments made by*
2 *subsections (a) and (d) shall apply to taxable years*
3 *beginning after December 31, 2000, and before Janu-*
4 *ary 1, 2006.*

5 (2) *ALTERNATIVE MINIMUM TAX.*—*The amend-*
6 *ments made by subsection (b) shall apply to taxable*
7 *years beginning after December 31, 2001, and before*
8 *January 1, 2006.*

9 **SEC. 209. CREDIT FOR QUALIFIED PENSION PLAN CON-**
10 **TRIBUTIONS OF SMALL EMPLOYERS.**

11 (a) *IN GENERAL.*—*Subpart D of part IV of subchapter*
12 *A of chapter 1 (relating to business related credits) is*
13 *amended by adding at the end the following new section:*

14 **“SEC. 45D. SMALL EMPLOYER PENSION PLAN CONTRIBU-**
15 **TIONS.**

16 “(a) *GENERAL RULE.*—*For purposes of section 38, in*
17 *the case of an eligible employer, the small employer pension*
18 *plan contribution credit determined under this section for*
19 *any taxable year is an amount equal to 50 percent of the*
20 *amount which would (but for subsection (f)(1)) be allowed*
21 *as a deduction under section 404 for such taxable year for*
22 *qualified employer contributions made to any qualified re-*
23 *tirement plan on behalf of any employee who is not a highly*
24 *compensated employee.*

1 “(b) *CREDIT LIMITED TO 3 YEARS.*—*The credit allow-*
2 *able by this section shall be allowed only with respect to*
3 *the period of 3 taxable years beginning with the first taxable*
4 *year for which a credit is allowable with respect to a plan*
5 *under this section.*

6 “(c) *QUALIFIED EMPLOYER CONTRIBUTION.*—*For*
7 *purposes of this section—*

8 “(1) *DEFINED CONTRIBUTION PLANS.*—*In the*
9 *case of a defined contribution plan, the term ‘quali-*
10 *fied employer contribution’ means the amount of non-*
11 *elective and matching contributions to the plan made*
12 *by the employer on behalf of any employee who is not*
13 *a highly compensated employee to the extent such*
14 *amount does not exceed 3 percent of such employee’s*
15 *compensation from the employer for the year.*

16 “(2) *DEFINED BENEFIT PLANS.*—*In the case of a*
17 *defined benefit plan, the term ‘qualified employer con-*
18 *tribution’ means the amount of employer contribu-*
19 *tions to the plan made on behalf of any employee who*
20 *is not a highly compensated employee to the extent*
21 *that the accrued benefit of such employee derived from*
22 *employer contributions for the year does not exceed*
23 *the equivalent (as determined under regulations pre-*
24 *scribed by the Secretary and without regard to con-*
25 *tributions and benefits under the Social Security Act)*

1 of 3 percent of such employee's compensation from the
2 employer for the year.

3 “(d) *QUALIFIED RETIREMENT PLAN.*—

4 “(1) *IN GENERAL.*—The term ‘qualified retire-
5 ment plan’ means any plan described in section
6 401(a) which includes a trust exempt from tax under
7 section 501(a) if the plan meets—

8 “(A) the contribution requirements of para-
9 graph (2),

10 “(B) the vesting requirements of paragraph
11 (3), and

12 “(C) the distributions requirements of para-
13 graph (4).

14 “(2) *CONTRIBUTION REQUIREMENTS.*—

15 “(A) *IN GENERAL.*—The requirements of
16 this paragraph are met if, under the plan—

17 “(i) the employer is required to make
18 nonelective contributions of at least 1 per-
19 cent of compensation (or the equivalent
20 thereof in the case of a defined benefit plan)
21 for each employee who is not a highly com-
22 pensated employee who is eligible to partici-
23 pate in the plan, and

24 “(ii) allocations of nonelective em-
25 ployer contributions are either in equal dol-

1 *lar amounts for all employees covered by the*
2 *plan or bear a uniform relationship to the*
3 *total compensation, or the basic or regular*
4 *rate of compensation, of the employees cov-*
5 *ered by the plan.*

6 *“(B) COMPENSATION LIMITATION.—The*
7 *compensation taken into account under subpara-*
8 *graph (A) for any year shall not exceed the limi-*
9 *tation in effect for such year under section*
10 *401(a)(17).*

11 *“(3) VESTING REQUIREMENTS.—The require-*
12 *ments of this paragraph are met if the plan satisfies*
13 *the requirements of subparagraph (A) or (B).*

14 *“(A) 3-YEAR VESTING.—A plan satisfies the*
15 *requirements of this subparagraph if an em-*
16 *ployee who has completed at least 3 years of*
17 *service has a nonforfeitable right to 100 percent*
18 *of the employee’s accrued benefit derived from*
19 *employer contributions.*

20 *“(B) 5-YEAR GRADED VESTING.—A plan*
21 *satisfies the requirements of this subparagraph if*
22 *an employee has a nonforfeitable right to a per-*
23 *centage of the employee’s accrued benefit derived*
24 *from employer contributions determined under*
25 *the following table:*

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.

1 “(4) *DISTRIBUTION REQUIREMENTS.*—*In the*
2 *case of a profit-sharing or stock bonus plan, the re-*
3 *quirements of this paragraph are met if, under the*
4 *plan, qualified employer contributions are distribut-*
5 *able only as provided in section 401(k)(2)(B).*

6 “(e) *OTHER DEFINITIONS.*—*For purposes of this*
7 *section—*

8 “(1) *ELIGIBLE EMPLOYER.*—

9 “(A) *IN GENERAL.*—*The term ‘eligible em-*
10 *ployer’ means, with respect to any year, an em-*
11 *ployer which has no more than 50 employees*
12 *who received at least \$5,000 of compensation*
13 *from the employer for the preceding year.*

14 “(B) *REQUIREMENT FOR NEW QUALIFIED*
15 *EMPLOYER PLANS.*—*Such term shall not include*
16 *an employer if, during the 3-taxable year period*
17 *immediately preceding the 1st taxable year for*
18 *which the credit under this section is otherwise*
19 *allowable for a qualified employer plan of the*
20 *employer, the employer or any member of any*
21 *controlled group including the employer (or any*
22 *predecessor of either) established or maintained a*

1 *qualified employer plan with respect to which*
2 *contributions were made, or benefits were ac-*
3 *crued, for substantially the same employees as*
4 *are in the qualified employer plan.*

5 “(2) *HIGHLY COMPENSATED EMPLOYEE.*—*The*
6 *term ‘highly compensated employee’ has the meaning*
7 *given such term by section 414(q) (determined with-*
8 *out regard to section 414(q)(1)(B)(ii)).*

9 “(f) *SPECIAL RULES.*—

10 “(1) *DISALLOWANCE OF DEDUCTION.*—*No deduc-*
11 *tion shall be allowed for that portion of the qualified*
12 *employer contributions paid or incurred for the tax-*
13 *able year which is equal to the credit determined*
14 *under subsection (a).*

15 “(2) *ELECTION NOT TO CLAIM CREDIT.*—*This*
16 *section shall not apply to a taxpayer for any taxable*
17 *year if such taxpayer elects to have this section not*
18 *apply for such taxable year.*

19 “(3) *AGGREGATION RULES.*—*All persons treated*
20 *as a single employer under subsection (a) or (b) of*
21 *section 52, or subsection (n) or (o) of section 414,*
22 *shall be treated as one person. All eligible employer*
23 *plans shall be treated as 1 eligible employer plan.*

24 “(g) *RECAPTURE OF CREDIT ON FORFEITED CON-*
25 *TRIBUTIONS.*—

1 “(1) *IN GENERAL.*—*Except as provided in para-*
2 *graph (2), if any accrued benefit which is forfeitable*
3 *by reason of subsection (d)(3) is forfeited, the employ-*
4 *er’s tax imposed by this chapter for the taxable year*
5 *in which the forfeiture occurs shall be increased by 35*
6 *percent of the employer contributions from which such*
7 *benefit is derived to the extent such contributions were*
8 *taken into account in determining the credit under*
9 *this section.*

10 “(2) *REALLOCATED CONTRIBUTIONS.*—*Para-*
11 *graph (1) shall not apply to any contribution which*
12 *is reallocated by the employer under the plan to em-*
13 *ployees who are not highly compensated employees.”.*

14 “(b) *CREDIT ALLOWED AS PART OF GENERAL BUSI-*
15 *NESS CREDIT.*—*Section 38(b) (defining current year busi-*
16 *ness credit) is amended by striking “plus” at the end of*
17 *paragraph (11), by striking the period at the end of para-*
18 *graph (12) and inserting “, plus”, and by adding at the*
19 *end the following new paragraph:*

20 “(13) *in the case of an eligible employer (as de-*
21 *fined in section 45D(e)), the small employer pension*
22 *plan contribution credit determined under section*
23 *45D(a).”*

24 “(c) *CONFORMING AMENDMENTS.*—

1 (1) *Section 39(d) is amended by adding at the*
2 *end the following new paragraph:*

3 “(9) *NO CARRYBACK OF SMALL EMPLOYER PEN-*
4 *SION PLAN CONTRIBUTION CREDIT BEFORE JANUARY*
5 *1, 2001.—No portion of the unused business credit for*
6 *any taxable year which is attributable to the small*
7 *employer pension plan contribution credit determined*
8 *under section 45D may be carried back to a taxable*
9 *year beginning before January 1, 2001.”*

10 (2) *Subsection (c) of section 196 is amended by*
11 *striking “and” at the end of paragraph (7), by strik-*
12 *ing the period at the end of paragraph (8) and insert-*
13 *ing “, and”, and by adding at the end the following*
14 *new paragraph:*

15 “(9) *the small employer pension plan contribu-*
16 *tion credit determined under section 45D(a).”*

17 (3) *The table of sections for subpart D of part*
18 *IV of subchapter A of chapter 1 is amended by adding*
19 *at the end the following new item:*

 “*Sec. 45D. Small employer pension plan contributions.*”

20 (d) *EFFECTIVE DATE.—The amendments made by this*
21 *section shall apply to contributions paid or incurred in tax-*
22 *able years beginning after December 31, 2000.*

1 **SEC. 210. CREDIT FOR PENSION PLAN STARTUP COSTS OF**
2 **SMALL EMPLOYERS.**

3 (a) *IN GENERAL.*—Subpart D of part IV of subchapter
4 A of chapter 1 (relating to business related credits), as
5 amended by section 209, is amended by adding at the end
6 the following new section:

7 **“SEC. 45E. SMALL EMPLOYER PENSION PLAN STARTUP**
8 **COSTS.**

9 “(a) *GENERAL RULE.*—For purposes of section 38, in
10 the case of an eligible employer, the small employer pension
11 plan startup cost credit determined under this section for
12 any taxable year is an amount equal to 50 percent of the
13 qualified startup costs paid or incurred by the taxpayer
14 during the taxable year.

15 “(b) *DOLLAR LIMITATION.*—The amount of the credit
16 determined under this section for any taxable year shall not
17 exceed—

18 “(1) \$500 for the first credit year and each of the
19 2 taxable years immediately following the first credit
20 year, and

21 “(2) zero for any other taxable year.

22 “(c) *ELIGIBLE EMPLOYER.*—For purposes of this
23 section—

24 “(1) *IN GENERAL.*—The term ‘eligible employer’
25 has the meaning given such term by section
26 408(p)(2)(C)(i).

1 “(2) *REQUIREMENT FOR NEW QUALIFIED EM-*
2 *PLOYER PLANS.*—Such term shall not include an em-
3 *ployer if, during the 3-taxable year period imme-*
4 *diately preceding the 1st taxable year for which the*
5 *credit under this section is otherwise allowable for a*
6 *qualified employer plan of the employer, the employer*
7 *or any member of any controlled group including the*
8 *employer (or any predecessor of either) established or*
9 *maintained a qualified employer plan with respect to*
10 *which contributions were made, or benefits were ac-*
11 *crued, for substantially the same employees as are in*
12 *the qualified employer plan.*

13 “(d) *OTHER DEFINITIONS.*—For purposes of this
14 *section—*

15 “(1) *QUALIFIED STARTUP COSTS.*—

16 “(A) *IN GENERAL.*—The term ‘qualified
17 *startup costs’ means any ordinary and necessary*
18 *expenses of an eligible employer which are paid*
19 *or incurred in connection with—*

20 “(i) *the establishment or administra-*
21 *tion of an eligible employer plan, or*

22 “(ii) *the retirement-related education*
23 *of employees with respect to such plan.*

24 “(B) *PLAN MUST HAVE AT LEAST 1 PARTICI-*
25 *PANT.*—Such term shall not include any expense

1 *in connection with a plan that does not have at*
2 *least 1 employee eligible to participate who is*
3 *not a highly compensated employee.*

4 “(2) *ELIGIBLE EMPLOYER PLAN.*—*The term ‘eli-*
5 *gible employer plan’ means a qualified employer plan*
6 *within the meaning of section 4972(d).*

7 “(3) *FIRST CREDIT YEAR.*—*The term ‘first credit*
8 *year’ means—*

9 “(A) *the taxable year which includes the*
10 *date that the eligible employer plan to which*
11 *such costs relate becomes effective, or*

12 “(B) *at the election of the eligible employer,*
13 *the taxable year preceding the taxable year re-*
14 *ferred to in subparagraph (A).*

15 “(e) *SPECIAL RULES.*—*For purposes of this section—*

16 “(1) *AGGREGATION RULES.*—*All persons treated*
17 *as a single employer under subsection (a) or (b) of*
18 *section 52, or subsection (n) or (o) of section 414,*
19 *shall be treated as one person. All eligible employer*
20 *plans shall be treated as 1 eligible employer plan.*

21 “(2) *DISALLOWANCE OF DEDUCTION.*—*No deduc-*
22 *tion shall be allowed for that portion of the qualified*
23 *startup costs paid or incurred for the taxable year*
24 *which is equal to the credit determined under sub-*
25 *section (a).*

1 “(3) *ELECTION NOT TO CLAIM CREDIT.*—*This*
2 *section shall not apply to a taxpayer for any taxable*
3 *year if such taxpayer elects to have this section not*
4 *apply for such taxable year.*”

5 (b) *CREDIT ALLOWED AS PART OF GENERAL BUSI-*
6 *NESS CREDIT.*—*Section 38(b) (defining current year busi-*
7 *ness credit), as amended by section 209, is amended by*
8 *striking “plus” at the end of paragraph (12), by striking*
9 *the period at the end of paragraph (13) and inserting “,*
10 *plus”, and by adding at the end the following new para-*
11 *graph:*

12 “(14) *in the case of an eligible employer (as de-*
13 *finied in section 45D(c)), the small employer pension*
14 *plan startup cost credit determined under section*
15 *45E(a).*”

16 (c) *CONFORMING AMENDMENTS.*—

17 (1) *Section 39(d), as amended by section 209(c),*
18 *is amended by adding at the end the following new*
19 *paragraph:*

20 “(10) *NO CARRYBACK OF SMALL EMPLOYER PEN-*
21 *SION PLAN STARTUP COST CREDIT BEFORE JANUARY*
22 *1, 2001.*—*No portion of the unused business credit for*
23 *any taxable year which is attributable to the small*
24 *employer pension plan startup cost credit determined*

1 *under section 45E may be carried back to a taxable*
 2 *year beginning before January 1, 2001.”*

3 (2) *Subsection (c) of section 196, as amended by*
 4 *section 209(c), is amended by striking “and” at the*
 5 *end of paragraph (8), by striking the period at the*
 6 *end of paragraph (9) and inserting “, and”, and by*
 7 *adding at the end the following new paragraph:*

8 *“(10) the small employer pension plan startup*
 9 *cost credit determined under section 45E(a).”*

10 (3) *The table of sections for subpart D of part*
 11 *IV of subchapter A of chapter 1, as amended by sec-*
 12 *tion 209(c), is amended by adding at the end the fol-*
 13 *lowing new item:*

“Sec. 45E. Small employer pension plan startup costs.”

14 (d) *EFFECTIVE DATE.—The amendments made by this*
 15 *section shall apply to costs paid or incurred in taxable*
 16 *years beginning after December 31, 2000, with respect to*
 17 *qualified employer plans established after such date.*

18 **TITLE III—ENHANCING**
 19 **FAIRNESS FOR WOMEN**

20 **SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**
 21 **AGE 50 OR OVER.**

22 (a) *IN GENERAL.—Section 414 (relating to definitions*
 23 *and special rules) is amended by adding at the end the fol-*
 24 *lowing new subsection:*

1 “(v) *CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE*
2 *50 OR OVER.*—

3 “(1) *IN GENERAL.*—*An applicable employer plan*
4 *shall not be treated as failing to meet any require-*
5 *ment of this title solely because the plan permits an*
6 *eligible participant to make additional elective deferr-*
7 *als in any plan year.*

8 “(2) *LIMITATION ON AMOUNT OF ADDITIONAL*
9 *DEFERRALS.*—

10 “(A) *IN GENERAL.*—*A plan shall not permit*
11 *additional elective deferrals under paragraph (1)*
12 *for any year in an amount greater than the less-*
13 *er of—*

14 “(i) *the applicable percentage of the*
15 *applicable dollar amount for such elective*
16 *deferrals for such year, or*

17 “(ii) *the excess (if any) of—*

18 “(I) *the participant’s compensa-*
19 *tion (as defined in section 415(c)(3))*
20 *for the year, over*

21 “(II) *any other elective deferrals*
22 *of the participant for such year which*
23 *are made without regard to this sub-*
24 *section.*

1 “(B) *APPLICABLE PERCENTAGE.*—*For pur-*
 2 *poses of this paragraph, the applicable percent-*
 3 *age shall be determined in accordance with the*
 4 *following table:*

“For taxable years beginning in:	The applicable percentage is:
2001	10 percent
2002	20 percent
2003	30 percent
2004	40 percent
2005 and thereafter	50 percent.

5 “(3) *TREATMENT OF CONTRIBUTIONS.*—*In the*
 6 *case of any contribution to a plan under paragraph*
 7 *(1)—*

8 “(A) *such contribution shall not, with re-*
 9 *spect to the year in which the contribution is*
 10 *made—*

11 “(i) *be subject to any otherwise appli-*
 12 *cable limitation contained in section 402(g),*
 13 *402(h), 403(b), 404(a), 404(h), 408(k),*
 14 *408(p), 415, or 457, or*

15 “(ii) *be taken into account in applying*
 16 *such limitations to other contributions or*
 17 *benefits under such plan or any other such*
 18 *plan, and*

19 “(B) *such plan shall not be treated as fail-*
 20 *ing to meet the requirements of section 401(a)(4),*
 21 *401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12),*
 22 *401(m), 403(b)(12), 408(k), 408(p), 408B,*

1 410(b), or 416 by reason of the making of (or the
2 right to make) such contribution.

3 “(4) *ELIGIBLE PARTICIPANT.*—For purposes of
4 this subsection, the term ‘eligible participant’ means,
5 with respect to any plan year, a participant in a
6 plan—

7 “(A) who has attained the age of 50 before
8 the close of the plan year, and

9 “(B) with respect to whom no other elective
10 deferrals may (without regard to this subsection)
11 be made to the plan for the plan year by reason
12 of the application of any limitation or other re-
13 striction described in paragraph (3) or contained
14 in the terms of the plan.

15 “(5) *OTHER DEFINITIONS AND RULES.*—For
16 purposes of this subsection—

17 “(A) *APPLICABLE DOLLAR AMOUNT.*—The
18 term ‘applicable dollar amount’ means, with re-
19 spect to any year, the amount in effect under
20 section 402(g)(1)(B), 408(p)(2)(E)(i), or
21 457(e)(15)(A), whichever is applicable to an ap-
22 plicable employer plan, for such year.

23 “(B) *APPLICABLE EMPLOYER PLAN.*—The
24 term ‘applicable employer plan’ means—

1 “(i) an employees’ trust described in
2 section 401(a) which is exempt from tax
3 under section 501(a),

4 “(ii) a plan under which amounts are
5 contributed by an individual’s employer for
6 an annuity contract described in section
7 403(b),

8 “(iii) an eligible deferred compensation
9 plan under section 457 of an eligible em-
10 ployer described in section 457(e)(1)(A),
11 and

12 “(iv) an arrangement meeting the re-
13 quirements of section 408 (k) or (p).

14 “(C) *ELECTIVE DEFERRAL.*—The term ‘elec-
15 tive deferral’ has the meaning given such term
16 by subsection (u)(2)(C).

17 “(D) *EXCEPTION FOR SECTION 457 PLANS.*—
18 This subsection shall not apply to an applicable
19 employer plan described in subparagraph
20 (B)(iii) for any year to which section 457(b)(3)
21 applies.”.

22 (b) *EFFECTIVE DATE.*—The amendment made by this
23 section shall apply to contributions in taxable years begin-
24 ning after December 31, 2000.

1 **SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
2 **EMPLOYEES TO DEFINED CONTRIBUTION**
3 **PLANS.**

4 (a) *EQUITABLE TREATMENT.*—

5 (1) *IN GENERAL.*—Subparagraph (B) of section
6 415(c)(1) (relating to limitation for defined contribu-
7 tion plans) is amended by striking “25 percent” and
8 inserting “100 percent”.

9 (2) *APPLICATION TO SECTION 403(b).*—Section
10 403(b) is amended—

11 (A) by striking “the exclusion allowance for
12 such taxable year” in paragraph (1) and insert-
13 ing “the applicable limit under section 415”;

14 (B) by striking paragraph (2); and

15 (C) by inserting “or any amount received
16 by a former employee after the fifth taxable year
17 following the taxable year in which such em-
18 ployee was terminated” before the period at the
19 end of the second sentence of paragraph (3).

20 (3) *CONFORMING AMENDMENTS.*—

21 (A) Subsection (f) of section 72 is amended
22 by striking “section 403(b)(2)(D)(iii)” and in-
23 serting “section 403(b)(2)(D)(iii), as in effect be-
24 fore the enactment of the Retirement Security
25 and Savings Act of 2000”.

1 (B) Section 404(a)(10)(B) is amended by
2 striking “, the exclusion allowance under section
3 403(b)(2),”.

4 (C) Section 415(a)(2) is amended by strik-
5 ing “, and the amount of the contribution for
6 such portion shall reduce the exclusion allowance
7 as provided in section 403(b)(2)”.

8 (D) Section 415(c)(3) is amended by adding
9 at the end the following new subparagraph:

10 “(E) ANNUITY CONTRACTS.—In the case of
11 an annuity contract described in section 403(b),
12 the term ‘participant’s compensation’ means the
13 participant’s includible compensation deter-
14 mined under section 403(b)(3).”.

15 (E) Section 415(c) is amended by striking
16 paragraph (4).

17 (F) Section 415(c)(7) is amended to read as
18 follows:

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

21 “(A) IN GENERAL.—Notwithstanding any
22 other provision of this subsection, at the election
23 of a participant who is an employee of a church
24 or a convention or association of churches, in-
25 cluding an organization described in section

1 414(e)(3)(B)(ii), contributions and other addi-
2 tions for an annuity contract or retirement in-
3 come account described in section 403(b) with re-
4 spect to such participant, when expressed as an
5 annual addition to such participant's account,
6 shall be treated as not exceeding the limitation
7 of paragraph (1) if such annual addition is not
8 in excess of \$10,000.

9 “(B) \$40,000 AGGREGATE LIMITATION.—
10 The total amount of additions with respect to
11 any participant which may be taken into ac-
12 count for purposes of this subparagraph for all
13 years may not exceed \$40,000.

14 “(C) ANNUAL ADDITION.—For purposes of
15 this paragraph, the term ‘annual addition’ has
16 the meaning given such term by paragraph (2).”.

17 (G) Subparagraph (B) of section 402(g)(7)
18 (as redesignated by section 211) is amended by
19 inserting before the period at the end the fol-
20 lowing: “(as in effect before the enactment of the
21 Retirement Security and Savings Act of 2000)”.

22 (3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to years beginning after
24 December 31, 2000.

25 (b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

1 (1) *IN GENERAL.*—Subsection (k) of section 415
2 is amended by adding at the end the following new
3 paragraph:

4 “(4) *SPECIAL RULES FOR SECTIONS 403(b) AND*
5 *408.*—For purposes of this section, any annuity con-
6 tract described in section 403(b) for the benefit of a
7 participant shall be treated as a defined contribution
8 plan maintained by each employer with respect to
9 which the participant has the control required under
10 subsection (b) or (c) of section 414 (as modified by
11 subsection (h)). For purposes of this section, any con-
12 tribution by an employer to a simplified employee
13 pension plan for an individual for a taxable year
14 shall be treated as an employer contribution to a de-
15 fined contribution plan for such individual for such
16 year.”.

17 (2) *EFFECTIVE DATE.*—

18 (A) *IN GENERAL.*—The amendment made
19 by paragraph (1) shall apply to limitation years
20 beginning after December 31, 1999.

21 (B) *EXCLUSION ALLOWANCE.*—Effective for
22 limitation years beginning in 2000, in the case
23 of any annuity contract described in section
24 403(b) of the Internal Revenue Code of 1986, the
25 amount of the contribution disqualified by rea-

1 son of section 415(g) of such Code shall reduce
2 the exclusion allowance as provided in section
3 403(b)(2) of such Code.

4 (3) *MODIFICATION OF 403(b) EXCLUSION ALLOW-*
5 *ANCE TO CONFORM TO 415 MODIFICATION.*—*The Sec-*
6 *retary of the Treasury shall modify the regulations re-*
7 *garding the exclusion allowance under section*
8 *403(b)(2) of the Internal Revenue Code of 1986 to*
9 *render void the requirement that contributions to a*
10 *defined benefit pension plan be treated as previously*
11 *excluded amounts for purposes of the exclusion allow-*
12 *ance. For taxable years beginning after December 31,*
13 *1999, such regulations shall be applied as if such re-*
14 *quirement were void.*

15 (c) *DEFERRED COMPENSATION PLANS OF STATE AND*
16 *LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZA-*
17 *TIONS.*—

18 (1) *IN GENERAL.*—*Subparagraph (B) of section*
19 *457(b)(2) (relating to salary limitation on eligible de-*
20 *ferred compensation plans) is amended by striking*
21 *“33¹/₃ percent” and inserting “100 percent”.*

22 (2) *EFFECTIVE DATE.*—*The amendment made by*
23 *this subsection shall apply to years beginning after*
24 *December 31, 2000.*

1 **SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCH-**
 2 **ING CONTRIBUTIONS.**

3 (a) *IN GENERAL.*—Section 411(a) (relating to min-
 4 imum vesting standards) is amended—

5 (1) in paragraph (2), by striking “A plan” and
 6 inserting “Except as provided in paragraph (12), a
 7 plan”; and

8 (2) by adding at the end the following:

9 “(12) *FASTER VESTING FOR MATCHING CON-*
 10 *TRIBUTIONS.*—In the case of matching contributions
 11 (as defined in section 401(m)(4)(A)), paragraph (2)
 12 shall be applied—

13 “(A) by substituting ‘3 years’ for ‘5 years’
 14 in subparagraph (A), and

15 “(B) by substituting the following table for
 16 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.”.

17 (b) *AMENDMENTS TO ERISA.*—Section 203(a) of the
 18 *Employee Retirement Income Security Act of 1974* (29
 19 *U.S.C. 1053(a)*) is amended—

20 (1) in paragraph (2), by striking “A plan” and
 21 inserting “Except as provided in paragraph (4), a
 22 plan”, and

1 (2) *by adding at the end the following:*

2 “*(4) FASTER VESTING FOR MATCHING CONTRIBU-*
 3 *TIONS.—In the case of matching contributions (as de-*
 4 *finied in section 401(m)(4)(A) of the Internal Revenue*
 5 *Code of 1986), paragraph (2) shall be applied—*

6 *“(A) by substituting ‘3 years’ for ‘5 years’*
 7 *in subparagraph (A), and*

8 *“(B) by substituting the following table for*
 9 *the table contained in subparagraph (B):*

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.”.

10 (c) *EFFECTIVE DATES.—*

11 (1) *IN GENERAL.—Except as provided in para-*
 12 *graph (2), the amendments made by this section shall*
 13 *apply to contributions for plan years beginning after*
 14 *December 31, 2000.*

15 (2) *COLLECTIVE BARGAINING AGREEMENTS.—In*
 16 *the case of a plan maintained pursuant to one or*
 17 *more collective bargaining agreements between em-*
 18 *ployee representatives and one or more employers*
 19 *ratified by the date of the enactment of this Act, the*
 20 *amendments made by this section shall not apply to*
 21 *contributions on behalf of employees covered by any*

1 *such agreement for plan years beginning before the*
2 *earlier of—*

3 *(A) the later of—*

4 *(i) the date on which the last of such*
5 *collective bargaining agreements terminates*
6 *(determined without regard to any exten-*
7 *sion thereof on or after such date of the en-*
8 *actment); or*

9 *(ii) January 1, 2001; or*

10 *(B) January 1, 2005.*

11 *(3) SERVICE REQUIRED.—With respect to any*
12 *plan, the amendments made by this section shall not*
13 *apply to any employee before the date that such em-*
14 *ployee has 1 hour of service under such plan in any*
15 *plan year to which the amendments made by this sec-*
16 *tion apply.*

17 **SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBU-**
18 **TION RULES.**

19 *(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM*
20 *DISTRIBUTION REQUIREMENTS.—*

21 *(1) IN GENERAL.—The Secretary of the Treasury*
22 *shall—*

23 *(A) simplify and finalize the regulations re-*
24 *lating to minimum distribution requirements*
25 *under sections 401(a)(9), 408(a)(6) and (b)(3),*

1 403(b)(10), and 457(d)(2) of the Internal Rev-
2 enue Code of 1986; and

3 (B) modify such regulations to—

4 (i) reflect current life expectancy; and

5 (ii) revise the required distribution
6 methods so that, under reasonable assump-
7 tions, the amount of the required minimum
8 distribution does not decrease over a par-
9 ticipant's life expectancy.

10 (2) *FRESH START*.—Notwithstanding subpara-
11 graph (D) of section 401(a)(9) of such Code, during
12 the first year that regulations are in effect under this
13 subsection, required distributions for future years
14 may be redetermined to reflect changes under such
15 regulations. Such redetermination shall include the
16 opportunity to choose a new designated beneficiary
17 and to elect a new method of calculating life expect-
18 ancy.

19 (3) *DATE FOR REGULATIONS*.—Not later than
20 December 31, 2001, the Secretary shall issue final reg-
21 ulations described in paragraph (1) and such regula-
22 tions shall apply without regard to whether an indi-
23 vidual had previously begun receiving minimum dis-
24 tributions.

1 **(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD**
2 **BEGUN BEFORE DEATH OCCURS.—**

3 **(1) IN GENERAL.—**Subparagraph (B) of section
4 401(a)(9) is amended by striking clause (i) and redesi-
5 gnating clauses (ii), (iii), and (iv) as clauses (i),
6 (ii), and (iii), respectively.

7 **(2) CONFORMING CHANGES.—**

8 **(A)** Clause (i) of section 401(a)(9)(B) (as so
9 redesignated) is amended—

10 (i) by striking “FOR OTHER CASES” in
11 the heading; and

12 (ii) by striking “the distribution of the
13 employee’s interest has begun in accordance
14 with subparagraph (A)(ii)” and inserting
15 “his entire interest has been distributed to
16 him”.

17 **(B)** Clause (ii) of section 401(a)(9)(B) (as
18 so redesignated) is amended by striking “clause
19 (ii)” and inserting “clause (i)”.

20 **(C)** Clause (iii) of section 401(a)(9)(B) (as
21 so redesignated) is amended—

22 (i) by striking “clause (iii)(I)” and in-
23 serting “clause (ii)(I)”;

1 (ii) by striking “clause (iii)(III)” in
2 subclause (I) and inserting “clause
3 (ii)(III)”;

4 (iii) by striking “the date on which the
5 employee would have attained age 70^{1/2},” in
6 subclause (I) and inserting “April 1 of the
7 calendar year following the calendar year
8 in which the spouse attains 70^{1/2},”; and

9 (iv) by striking “the distributions to
10 such spouse begin,” in subclause (II) and
11 inserting “his entire interest has been dis-
12 tributed to him,”.

13 (3) *EFFECTIVE DATE.*—The amendments made
14 by this subsection shall apply to years beginning after
15 December 31, 2000.

16 (c) *REDUCTION IN EXCISE TAX.*—

17 (1) *IN GENERAL.*—Subsection (a) of section 4974
18 is amended by striking “50 percent” and inserting
19 “10 percent”.

20 (2) *EFFECTIVE DATE.*—The amendment made by
21 this subsection shall apply to years beginning after
22 December 31, 2000.

1 **SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION**
2 **OF SECTION 457 PLAN BENEFITS UPON DI-**
3 **VORCE.**

4 (a) *IN GENERAL.*—Section 414(p)(11) (relating to ap-
5 plication of rules to governmental and church plans) is
6 amended—

7 (1) by inserting “or an eligible deferred com-
8 pensation plan (within the meaning of section
9 457(b))” after “subsection (e)”; and

10 (2) in the heading, by striking “GOVERNMENTAL
11 AND CHURCH PLANS” and inserting “CERTAIN OTHER
12 PLANS”.

13 (b) *WAIVER OF CERTAIN DISTRIBUTION REQUIRE-*
14 *MENTS.*—Paragraph (10) of section 414(p) is amended by
15 striking “and section 409(d)” and inserting “section
16 409(d), and section 457(d)”.

17 (c) *TAX TREATMENT OF PAYMENTS FROM A SECTION*
18 *457 PLAN.*—Subsection (p) of section 414 is amended by
19 redesignating paragraph (12) as paragraph (13) and in-
20 serting after paragraph (11) the following new paragraph:

21 “(12) *TAX TREATMENT OF PAYMENTS FROM A*
22 *SECTION 457 PLAN.*—If a distribution or payment
23 from an eligible deferred compensation plan described
24 in section 457(b) is made pursuant to a qualified do-
25 mestic relations order, rules similar to the rules of

1 *section 402(e)(1)(A) shall apply to such distribution*
2 *or payment.”.*

3 *(d) EFFECTIVE DATE.—*

4 *(1) IN GENERAL.—The amendment made by sub-*
5 *section (c) shall apply to distributions and payments*
6 *made after December 31, 2000.*

7 *(2) AMENDMENTS RELATING TO ASSIGNMENTS IN*
8 *DIVORCE, ETC., PROCEEDINGS.—The amendments*
9 *made by subsections (a) and (b) shall take effect on*
10 *January 1, 2001, except that in the case of a domestic*
11 *relations order entered before such date, the plan*
12 *administrator—*

13 *(A) shall treat such order as a qualified do-*
14 *mestic relations order if such administrator is*
15 *paying benefits pursuant to such order on such*
16 *date, and*

17 *(B) may treat any other such order entered*
18 *before such date as a qualified domestic relations*
19 *order even if such order does not meet the re-*
20 *quirements of such amendments.*

21 **SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBU-**
22 **TIONS.**

23 *(a) SAFE HARBOR RELIEF.—*

24 *(1) IN GENERAL.—The Secretary of the Treasury*
25 *shall revise the regulations relating to hardship dis-*

1 *tributions under section 401(k)(2)(B)(i)(IV) of the In-*
2 *ternal Revenue Code of 1986 to provide that the pe-*
3 *riod an employee is prohibited from making elective*
4 *and employee contributions in order for a distribu-*
5 *tion to be deemed necessary to satisfy financial need*
6 *shall be equal to 6 months.*

7 (2) *EFFECTIVE DATE.*—*The revised regulations*
8 *under this subsection shall apply to years beginning*
9 *after December 31, 2000.*

10 (b) *HARDSHIP DISTRIBUTIONS NOT TREATED AS ELI-*
11 *GIBLE ROLLOVER DISTRIBUTIONS.*—

12 (1) *MODIFICATION OF DEFINITION OF ELIGIBLE*
13 *ROLLOVER.*—*Section 402(c)(4)(C) (relating to eligible*
14 *rollover distribution) is amended by striking “de-*
15 *scribed in section 401(k)(2)(B)(i)(IV)” and inserting*
16 *“under the terms of the plan”.*

17 (2) *EFFECTIVE DATE.*—

18 (1) *IN GENERAL.*—*The amendment made by this*
19 *subsection shall apply to distributions made after De-*
20 *cember 31, 2000.*

21 (2) *TRANSITION REGULATIONS.*—*The Secretary*
22 *of the Treasury may promulgate regulations to pro-*
23 *vide transitional guidance with respect to the amend-*
24 *ments made by this subsection in order to allow suffi-*
25 *cient time for plans to implement such amendments.*

1 **SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBU-**
2 **TIONS FOR DOMESTIC OR SIMILAR WORKERS.**

3 (a) *IN GENERAL.*—Section 4972(c)(6) (relating to ex-
4 ceptions to nondeductible contributions), as amended by sec-
5 tion 502, is amended by striking “and” at the end of sub-
6 paragraph (A), by striking the period and inserting “, and”
7 at the end of subparagraph (B), and by inserting after sub-
8 paragraph (B) the following new subparagraph:

9 “(C) so much of the contributions to a sim-
10 ple retirement account (within the meaning of
11 section 408(p)) or a simple plan (within the
12 meaning of section 401(k)(11)) which are not de-
13 ductible when contributed solely because such
14 contributions are not made in connection with a
15 trade or business of the employer.”

16 (b) *EXCLUSION OF CERTAIN CONTRIBUTIONS.*—Sec-
17 tion 4972(c)(6) is amended by adding at the end the fol-
18 lowing new sentence: “Subparagraph (C) shall not apply
19 to contributions made on behalf of the employer or a mem-
20 ber of the employer’s family.”

21 (c) *EFFECTIVE DATE.*—The amendments made by this
22 section shall apply to taxable years beginning after Decem-
23 ber 31, 2000.

1 **TITLE IV—INCREASING PORT-**
2 **ABILITY FOR PARTICIPANTS**

3 **SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF**
4 **PLANS.**

5 *(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—*

6 *(1) ROLLOVERS FROM SECTION 457 PLANS.—*

7 *(A) IN GENERAL.—Section 457(e) (relating*
8 *to other definitions and special rules) is amend-*
9 *ed by adding at the end the following:*

10 *“(16) ROLLOVER AMOUNTS.—*

11 *“(A) GENERAL RULE.—In the case of an el-*
12 *igible deferred compensation plan established*
13 *and maintained by an employer described in*
14 *subsection (e)(1)(A), if—*

15 *“(i) any portion of the balance to the*
16 *credit of an employee in such plan is paid*
17 *to such employee in an eligible rollover dis-*
18 *tribution (within the meaning of section*
19 *402(c)(4) without regard to subparagraph*
20 *(C) thereof),*

21 *“(ii) the employee transfers any por-*
22 *tion of the property such employee receives*
23 *in such distribution to an eligible retire-*
24 *ment plan described in section 402(c)(8)(B),*
25 *and*

1 “(iii) in the case of a distribution of
2 property other than money, the amount so
3 transferred consists of the property distrib-
4 uted,
5 then such distribution (to the extent so trans-
6 ferred) shall not be includible in gross income for
7 the taxable year in which paid.

8 “(B) CERTAIN RULES MADE APPLICABLE.—
9 The rules of paragraphs (2) through (7) and (9)
10 of section 402(c) and section 402(f) shall apply
11 for purposes of subparagraph (A).

12 “(C) REPORTING.—Rollovers under this
13 paragraph shall be reported to the Secretary in
14 the same manner as rollovers from qualified re-
15 tirement plans (as defined in section 4974(c)).”.

16 (B) DEFERRAL LIMIT DETERMINED WITH-
17 OUT REGARD TO ROLLOVER AMOUNTS.—Section
18 457(b)(2) (defining eligible deferred compensa-
19 tion plan) is amended by inserting “(other than
20 rollover amounts)” after “taxable year”.

21 (C) DIRECT ROLLOVER.—Paragraph (1) of
22 section 457(d) is amended by striking “and” at
23 the end of subparagraph (A), by striking the pe-
24 riod at the end of subparagraph (B) and insert-

1 ing “, and”, and by inserting after subpara-
2 graph (B) the following:

3 “(C) in the case of a plan maintained by
4 an employer described in subsection (e)(1)(A),
5 the plan meets requirements similar to the re-
6 quirements of section 401(a)(31).

7 Any amount transferred in a direct trustee-to-trustee
8 transfer in accordance with section 401(a)(31) shall
9 not be includible in gross income for the taxable year
10 of transfer.”.

11 (D) WITHHOLDING.—

12 (i) Paragraph (12) of section 3401(a)
13 is amended by adding at the end the fol-
14 lowing:

15 “(E) under or to an eligible deferred com-
16 pensation plan which, at the time of such pay-
17 ment, is a plan described in section 457(b)
18 maintained by an employer described in section
19 457(e)(1)(A), or”.

20 (ii) Paragraph (3) of section 3405(c) is
21 amended to read as follows:

22 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For
23 purposes of this subsection, the term ‘eligible rollover
24 distribution’ has the meaning given such term by sec-
25 tion 402(f)(2)(A).”.

1 (iii) *LIABILITY FOR WITHHOLDING.*—
2 Subparagraph (B) of section 3405(d)(2) is
3 amended by striking “or” at the end of
4 clause (ii), by striking the period at the end
5 of clause (iii) and inserting “, or”, and by
6 adding at the end the following:

7 “(iv) section 457(b).”.

8 (2) *ROLLOVERS TO SECTION 457 PLANS.*—

9 (A) *IN GENERAL.*—Section 402(c)(8)(B)
10 (defining eligible retirement plan) is amended by
11 striking “and” at the end of clause (iii), by
12 striking the period at the end of clause (iv) and
13 inserting “, and”, and by inserting after clause
14 (iv) the following new clause:

15 “(v) an eligible deferred compensation
16 plan described in section 457(b) of an em-
17 ployer described in section 457(e)(1)(A).”.

18 (B) *SEPARATE ACCOUNTING.*—Section
19 402(c) is amended by adding at the end the fol-
20 lowing new paragraph:

21 “(11) *SEPARATE ACCOUNTING.*—Unless a plan
22 described in clause (v) of paragraph (8)(B) agrees to
23 separately account for amounts rolled into such plan
24 from eligible retirement plans not described in such
25 clause, the plan described in such clause may not ac-

1 *cept transfers or rollovers from such retirement*
2 *plans.”.*

3 (C) 10 PERCENT ADDITIONAL TAX.—Sub-
4 section (t) of section 72 (relating to 10-percent
5 additional tax on early distributions from quali-
6 fied retirement plans) is amended by adding at
7 the end the following new paragraph:

8 “(9) SPECIAL RULE FOR ROLLOVERS TO SECTION
9 457 PLANS.—For purposes of this subsection, a dis-
10 tribution from an eligible deferred compensation plan
11 (as defined in section 457(b)) of an employer de-
12 scribed in section 457(e)(1)(A) shall be treated as a
13 distribution from a qualified retirement plan de-
14 scribed in 4974(c)(1) to the extent that such distribu-
15 tion is attributable to an amount transferred to an el-
16 igible deferred compensation plan from a qualified re-
17 tirement plan (as defined in section 4974(c)).”.

18 (b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b)
19 PLANS.—

20 (1) ROLLOVERS FROM SECTION 403(b) PLANS.—
21 Section 403(b)(8)(A)(ii) (relating to rollover
22 amounts) is amended by striking “such distribution”
23 and all that follows and inserting “such distribution
24 to an eligible retirement plan described in section
25 402(c)(8)(B), and”.

1 (2) *ROLLOVERS TO SECTION 403(b) PLANS.*—Section
2 *402(c)(8)(B) (defining eligible retirement plan),*
3 *as amended by subsection (a), is amended by striking*
4 *“and” at the end of clause (iv), by striking the period*
5 *at the end of clause (v) and inserting “, and”, and*
6 *by inserting after clause (v) the following new clause:*

7 *“(vi) an annuity contract described in*
8 *section 403(b).”.*

9 (c) *EXPANDED EXPLANATION TO RECIPIENTS OF*
10 *ROLLOVER DISTRIBUTIONS.*—Paragraph (1) of section
11 *402(f) (relating to written explanation to recipients of dis-*
12 *tributions eligible for rollover treatment) is amended by*
13 *striking “and” at the end of subparagraph (C), by striking*
14 *the period at the end of subparagraph (D) and inserting*
15 *“, and”, and by adding at the end the following new sub-*
16 *paragraph:*

17 *“(E) of the provisions under which distribu-*
18 *tions from the eligible retirement plan receiving*
19 *the distribution may be subject to restrictions*
20 *and tax consequences which are different from*
21 *those applicable to distributions from the plan*
22 *making such distribution.”.*

23 (d) *SPOUSAL ROLLOVERS.*—Section 402(c)(9) (relat-
24 *ing to rollover where spouse receives distribution after death*

1 of employee) is amended by striking “; except that” and
2 all that follows up to the end period.

3 (e) *CONFORMING AMENDMENTS.*—

4 (1) Section 72(o)(4) is amended by striking “and
5 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
6 457(e)(16)”.

7 (2) Section 219(d)(2) is amended by striking “or
8 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

9 (3) Section 401(a)(31)(B) is amended by strik-
10 ing “and 403(a)(4)” and inserting “, 403(a)(4),
11 403(b)(8), and 457(e)(16)”.

12 (4) Subparagraph (A) of section 402(f)(2) is
13 amended by striking “or paragraph (4) of section
14 403(a)” and inserting “, paragraph (4) of section
15 403(a), subparagraph (A) of section 403(b)(8), or sub-
16 paragraph (A) of section 457(e)(16)”.

17 (5) Paragraph (1) of section 402(f) is amended
18 by striking “from an eligible retirement plan”.

19 (6) Subparagraphs (A) and (B) of section
20 402(f)(1) are amended by striking “another eligible
21 retirement plan” and inserting “an eligible retire-
22 ment plan”.

23 (7) Subparagraph (B) of section 403(b)(8) is
24 amended to read as follows:

1 “(B) *CERTAIN RULES MADE APPLICABLE.*—
2 *The rules of paragraphs (2) through (7) and (9)*
3 *of section 402(c) and section 402(f) shall apply*
4 *for purposes of subparagraph (A), except that*
5 *section 402(f) shall be applied to the payor in*
6 *lieu of the plan administrator.”.*

7 (8) *Section 408(a)(1) is amended by striking “or*
8 *403(b)(8),” and inserting “403(b)(8), or 457(e)(16)”.*

9 (9) *Subparagraphs (A) and (B) of section*
10 *415(b)(2) are each amended by striking “and*
11 *408(d)(3)” and inserting “403(b)(8), 408(d)(3), and*
12 *457(e)(16)”.*

13 (10) *Section 415(c)(2) is amended by striking*
14 *“and 408(d)(3)” and inserting “408(d)(3), and*
15 *457(e)(16)”.*

16 (11) *Section 4973(b)(1)(A) is amended by strik-*
17 *ing “or 408(d)(3)” and inserting “408(d)(3), or*
18 *457(e)(16)”.*

19 (f) *EFFECTIVE DATE; SPECIAL RULE.*—

20 (1) *EFFECTIVE DATE.*—*The amendments made*
21 *by this section shall apply to distributions after De-*
22 *cember 31, 2001.*

23 (2) *SPECIAL RULE.*—*Notwithstanding any other*
24 *provision of law, subsections (h)(3) and (h)(5) of sec-*
25 *tion 1122 of the Tax Reform Act of 1986 shall not*

1 *For purposes of clause (ii), the term ‘eligible re-*
2 *irement plan’ means an eligible retirement plan*
3 *described in clause (iii), (iv), (v), or (vi) of sec-*
4 *tion 402(c)(8)(B).’.*

5 **(b) CONFORMING AMENDMENTS.—**

6 (1) *Paragraph (1) of section 403(b) is amended*
7 *by striking “section 408(d)(3)(A)(iii)” and inserting*
8 *“section 408(d)(3)(A)(ii)”.*

9 (2) *Clause (i) of section 408(d)(3)(D) is amended*
10 *by striking “(i), (ii), or (iii)” and inserting “(i) or*
11 *(ii)”.*

12 (3) *Subparagraph (G) of section 408(d)(3) is*
13 *amended to read as follows:*

14 *“(G) SIMPLE RETIREMENT ACCOUNTS.—In*
15 *the case of any payment or distribution out of*
16 *a simple retirement account (as defined in sub-*
17 *section (p)) to which section 72(t)(6) applies,*
18 *this paragraph shall not apply unless such pay-*
19 *ment or distribution is paid into another simple*
20 *retirement account.”.*

21 **(c) EFFECTIVE DATE; SPECIAL RULE.—**

22 (1) *EFFECTIVE DATE.—The amendments made*
23 *by this section shall apply to distributions after De-*
24 *cember 31, 2001.*

1 (2) *SPECIAL RULE.*—Notwithstanding any other
2 provision of law, subsections (h)(3) and (h)(5) of sec-
3 tion 1122 of the Tax Reform Act of 1986 shall not
4 apply to any distribution from an eligible retirement
5 plan (as defined in clause (iii) or (iv) of section
6 402(c)(8)(B) of the Internal Revenue Code of 1986) on
7 behalf of an individual if there was a rollover to such
8 plan on behalf of such individual which is permitted
9 solely by reason of the amendments made by this sec-
10 tion.

11 **SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

12 (a) *ROLLOVERS FROM EXEMPT TRUSTS.*—Paragraph
13 (2) of section 402(c) (relating to maximum amount which
14 may be rolled over) is amended by adding at the end the
15 following: “The preceding sentence shall not apply to such
16 distribution to the extent—

17 “(A) such portion is transferred in a direct
18 trustee-to-trustee transfer to a qualified trust
19 which is part of a plan which is a defined con-
20 tribution plan and which agrees to separately
21 account for amounts so transferred, including
22 separately accounting for the portion of such dis-
23 tribution which is includible in gross income
24 and the portion of such distribution which is not
25 so includible, or

1 “(B) such portion is transferred to an eligi-
2 ble retirement plan described in clause (i) or (ii)
3 of paragraph (8)(B).”.

4 (b) *OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLL-*
5 *OVER DISTRIBUTIONS.*—Subparagraph (B) of section
6 401(a)(31) (relating to limitation) is amended by adding
7 at the end the following: “The preceding sentence shall not
8 apply to such distribution if the plan to which such dis-
9 tribution is transferred—

10 “(i) agrees to separately account for
11 amounts so transferred, including sepa-
12 rately accounting for the portion of such
13 distribution which is includible in gross in-
14 come and the portion of such distribution
15 which is not so includible, or

16 “(ii) is an eligible retirement plan de-
17 scribed in clause (i) or (ii) of section
18 402(c)(8)(B).”.

19 (c) *RULES FOR APPLYING SECTION 72 TO IRAS.*—
20 Paragraph (3) of section 408(d) (relating to special rules
21 for applying section 72) is amended by inserting at the end
22 the following:

23 “(H) *APPLICATION OF SECTION 72.*—

24 “(i) *IN GENERAL.*—If—

1 “(I) a distribution is made from
2 an individual retirement plan, and

3 “(II) a rollover contribution is
4 made to an eligible retirement plan de-
5 scribed in section 402(c)(8)(B)(iii),
6 (iv), (v), or (vi) with respect to all or
7 part of such distribution,

8 then, notwithstanding paragraph (2), the
9 rules of clause (ii) shall apply for purposes
10 of applying section 72.

11 “(ii) *APPLICABLE RULES.*—In the case
12 of a distribution described in clause (i)—

13 “(I) section 72 shall be applied
14 separately to such distribution,

15 “(II) notwithstanding the pro
16 rata allocation of income on, and in-
17 vestment in, the contract to distribu-
18 tions under section 72, the portion of
19 such distribution rolled over to an eli-
20 gible retirement plan described in
21 clause (i) shall be treated as from in-
22 come on the contract (to the extent of
23 the aggregate income on the contract
24 from all individual retirement plans of
25 the distributee), and

1 “(III) appropriate adjustments
2 shall be made in applying section 72 to
3 other distributions in such taxable year
4 and subsequent taxable years.”.

5 (d) *EFFECTIVE DATE.*—The amendments made by this
6 section shall apply to distributions made after December 31,
7 2001.

8 **SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.**

9 (a) *EXEMPT TRUSTS.*—Paragraph (3) of section
10 402(c) (relating to transfer must be made within 60 days
11 of receipt) is amended to read as follows:

12 “(3) *TRANSFER MUST BE MADE WITHIN 60 DAYS*
13 *OF RECEIPT.*—

14 “(A) *IN GENERAL.*—Except as provided in
15 subparagraph (B), paragraph (1) shall not
16 apply to any transfer of a distribution made
17 after the 60th day following the day on which the
18 distributee received the property distributed.

19 “(B) *HARDSHIP EXCEPTION.*—The Sec-
20 retary may waive the 60-day requirement under
21 subparagraph (A) where the failure to waive
22 such requirement would be against equity or
23 good conscience, including casualty, disaster, or
24 other events beyond the reasonable control of the
25 individual subject to such requirement.”.

1 (b) IRAS.—Paragraph (3) of section 408(d) (relating
2 to rollover contributions), as amended by section 403, is
3 amended by adding after subparagraph (H) the following
4 new subparagraph:

5 “(I) WAIVER OF 60-DAY REQUIREMENT.—
6 The Secretary may waive the 60-day require-
7 ment under subparagraphs (A) and (D) where
8 the failure to waive such requirement would be
9 against equity or good conscience, including cas-
10 ualty, disaster, or other events beyond the rea-
11 sonable control of the individual subject to such
12 requirement.”.

13 (c) EFFECTIVE DATE.—The amendments made by this
14 section shall apply to distributions after December 31, 2000.

15 **SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.**

16 (a) PLAN TRANSFERS.—

17 (1) AMENDMENT OF INTERNAL REVENUE
18 CODE.—Paragraph (6) of section 411(d) (relating to
19 accrued benefit not to be decreased by amendment), as
20 amended by section 522(a)(1), is amended by adding
21 at the end the following:

22 “(E) PLAN TRANSFERS.—

23 “(i) IN GENERAL.—A defined contribu-
24 tion plan (in this subparagraph referred to
25 as the ‘transferee plan’) shall not be treated

1 *as failing to meet the requirements of this*
2 *subsection merely because the transferee*
3 *plan does not provide some or all of the*
4 *forms of distribution previously available*
5 *under another defined contribution plan (in*
6 *this subparagraph referred to as the ‘trans-*
7 *feror plan’) to the extent that—*

8 *“(I) the forms of distribution pre-*
9 *viously available under the transferor*
10 *plan applied to the account of a par-*
11 *ticipant or beneficiary under the*
12 *transferor plan that was transferred*
13 *from the transferor plan to the trans-*
14 *feree plan pursuant to a direct transfer*
15 *rather than pursuant to a distribution*
16 *from the transferor plan,*

17 *“(II) the terms of both the trans-*
18 *feror plan and the transferee plan au-*
19 *thorize the transfer described in sub-*
20 *clause (I),*

21 *“(III) the transfer described in*
22 *subclause (I) was made pursuant to a*
23 *voluntary election by the participant*
24 *or beneficiary whose account was*
25 *transferred to the transferee plan,*

1 “(IV) the election described in
2 subclause (III) was made after the par-
3 ticipant or beneficiary received a no-
4 tice describing the consequences of
5 making the election, and

6 “(V) the transferee plan allows the
7 participant or beneficiary described in
8 subclause (III) to receive any distribu-
9 tion to which the participant or bene-
10 ficiary is entitled under the transferee
11 plan in the form of a single sum dis-
12 tribution.

13 “(ii) *SPECIAL RULE FOR MERGERS,*
14 *ETC.—*Clause (i) shall apply to plan merg-
15 ers and other transactions having the effect
16 of a direct transfer, including consolidations
17 of benefits attributable to different employ-
18 ers within a multiple employer plan.”.

19 (2) *AMENDMENT TO ERISA.—*Section 204(g) of
20 the *Employee Retirement Income Security Act of*
21 1974 (29 U.S.C. 1054(g)), as amended by section
22 522(b)(1), is amended by adding at the end the fol-
23 lowing:

24 “(5)(A) A defined contribution plan (in this subpara-
25 graph referred to as the ‘transferee plan’) shall not be treat-

1 *ed as failing to meet the requirements of this subsection*
2 *merely because the transferee plan does not provide some*
3 *or all of the forms of distribution previously available under*
4 *another defined contribution plan (in this subparagraph re-*
5 *ferred to as the ‘transferor plan’) to the extent that—*

6 *“(i) the forms of distribution previously avail-*
7 *able under the transferor plan applied to the account*
8 *of a participant or beneficiary under the transferor*
9 *plan that was transferred from the transferor plan to*
10 *the transferee plan pursuant to a direct transfer rath-*
11 *er than pursuant to a distribution from the transferor*
12 *plan;*

13 *“(ii) the terms of both the transferor plan and*
14 *the transferee plan authorize the transfer described in*
15 *clause (i);*

16 *“(iii) the transfer described in clause (i) was*
17 *made pursuant to a voluntary election by the partici-*
18 *part or beneficiary whose account was transferred to*
19 *the transferee plan;*

20 *“(iv) the election described in clause (iii) was*
21 *made after the participant or beneficiary received a*
22 *notice describing the consequences of making the elec-*
23 *tion; and*

24 *“(v) the transferee plan allows the participant or*
25 *beneficiary described in clause (iii) to receive any dis-*

1 *tribution to which the participant or beneficiary is*
2 *entitled under the transferee plan in the form of a*
3 *single sum distribution.*

4 *“(B) Subparagraph (A) shall apply to plan mergers*
5 *and other transactions having the effect of a direct transfer,*
6 *including consolidations of benefits attributable to different*
7 *employers within a multiple employer plan.”.*

8 (3) *EFFECTIVE DATE.—The amendments made*
9 *by this subsection shall apply to years beginning after*
10 *December 31, 2000.*

11 (b) *REGULATIONS.—*

12 (1) *AMENDMENT TO INTERNAL REVENUE*
13 *CODE.—The last sentence of paragraph (6)(B) of sec-*
14 *tion 411(d) (relating to accrued benefit not to be de-*
15 *creased by amendment) is amended to read as follows:*
16 *“The Secretary shall by regulations provide that this*
17 *subparagraph shall not apply to any plan amend-*
18 *ment which reduces or eliminates benefits or subsidies*
19 *which create significant burdens or complexities for*
20 *the plan and plan participants, unless such amend-*
21 *ment adversely affects the rights of any participant in*
22 *a more than de minimis manner.”.*

23 (2) *AMENDMENT TO ERISA.—The last sentence of*
24 *section 204(g)(2) of the Employee Retirement Income*
25 *Security Act of 1974 (29 U.S.C. 1054(g)(2)) is*

1 amended by striking “separation from service”
2 and inserting “severance from employment”.

3 (B) Subparagraph (A) of section 401(k)(10)
4 (relating to distributions upon termination of
5 plan or disposition of assets or subsidiary) is
6 amended to read as follows:

7 “(A) *IN GENERAL*.—An event described in
8 this subparagraph is the termination of the plan
9 without establishment or maintenance of another
10 defined contribution plan (other than an em-
11 ployee stock ownership plan as defined in section
12 4975(e)(7)).”.

13 (C) Section 401(k)(10) is amended—

14 (i) in subparagraph (B)—

15 (I) by striking “An event” in
16 clause (i) and inserting “A termi-
17 nation”; and

18 (II) by striking “the event” in
19 clause (i) and inserting “the termi-
20 nation”;

21 (ii) by striking subparagraph (C); and

22 (iii) by striking “OR DISPOSITION OF
23 ASSETS OR SUBSIDIARY” in the heading.

24 (2) SECTION 403(b).—

1 (A) Paragraphs (7)(A)(ii) and (11)(A) of
2 section 403(b) are each amended by striking
3 “separates from service” and inserting “has a
4 severance from employment”.

5 (B) The heading for paragraph (11) of sec-
6 tion 403(b) is amended by striking “SEPARATION
7 FROM SERVICE” and inserting “SEVERANCE
8 FROM EMPLOYMENT”.

9 (3) SECTION 457.—Clause (ii) of section
10 457(d)(1)(A) is amended by striking “is separated
11 from service” and inserting “has a severance from
12 employment”.

13 (b) EFFECTIVE DATE.—The amendments made by this
14 section shall apply to distributions after December 31, 2000.

15 **SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERN-**
16 **MENTAL DEFINED BENEFIT PLANS.**

17 (a) 403(b) PLANS.—Subsection (b) of section 403 is
18 amended by adding at the end the following new paragraph:

19 “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO
20 PURCHASE PERMISSIVE SERVICE CREDIT.—No
21 amount shall be includible in gross income by reason
22 of a direct trustee-to-trustee transfer to a defined ben-
23 efit governmental plan (as defined in section 414(d))
24 if such transfer is—

1 “(A) for the purchase of permissive service
2 credit (as defined in section 415(n)(3)(A)) under
3 such plan, or

4 “(B) a repayment to which section 415 does
5 not apply by reason of subsection (k)(3) there-
6 of.”.

7 (b) 457 PLANS.—Subsection (e) of section 457 is
8 amended by adding after paragraph (16) the following new
9 paragraph:

10 “(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO
11 PURCHASE PERMISSIVE SERVICE CREDIT.—No
12 amount shall be includible in gross income by reason
13 of a direct trustee-to-trustee transfer to a defined ben-
14 efit governmental plan (as defined in section 414(d))
15 if such transfer is—

16 “(A) for the purchase of permissive service
17 credit (as defined in section 415(n)(3)(A)) under
18 such plan, or

19 “(B) a repayment to which section 415 does
20 not apply by reason of subsection (k)(3) there-
21 of.”.

22 (c) EFFECTIVE DATE.—The amendments made by this
23 section shall apply to trustee-to-trustee transfers after De-
24 cember 31, 2000.

1 **SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**
2 **PURPOSES OF CASH-OUT AMOUNTS.**

3 (a) *QUALIFIED PLANS.*—Section 411(a)(11) (relating
4 to restrictions on certain mandatory distributions) is
5 amended by adding at the end the following:

6 “(D) *SPECIAL RULE FOR ROLLOVER CON-*
7 *TRIBUTIONS.*—A plan shall not fail to meet the
8 requirements of this paragraph if, under the
9 terms of the plan, the present value of the non-
10 forfeitable accrued benefit is determined without
11 regard to that portion of such benefit which is
12 attributable to rollover contributions (and earn-
13 ings allocable thereto). For purposes of this sub-
14 paragraph, the term ‘rollover contributions’
15 means any rollover contribution under sections
16 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),
17 and 457(e)(16).”.

18 (b) *ELIGIBLE DEFERRED COMPENSATION PLANS.*—
19 Clause (i) of section 457(e)(9)(A) is amended by striking
20 “such amount” and inserting “the portion of such amount
21 which is not attributable to rollover contributions (as de-
22 fined in section 411(a)(11)(D))”.

23 (c) *EFFECTIVE DATE.*—The amendments made by this
24 section shall apply to distributions after December 31, 2000.

1 **SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION RE-**
2 **QUIREMENTS FOR SECTION 457 PLANS.**

3 (a) *MINIMUM DISTRIBUTION REQUIREMENTS.*—Para-
4 *graph (2) of section 457(d) (relating to distribution require-*
5 *ments) is amended to read as follows:*

6 “(2) *MINIMUM DISTRIBUTION REQUIREMENTS.*—
7 *A plan meets the minimum distribution requirements*
8 *of this paragraph if such plan meets the requirements*
9 *of section 401(a)(9).”*

10 (b) *INCLUSION IN GROSS INCOME.*—

11 (1) *YEAR OF INCLUSION.*—*Subsection (a) of sec-*
12 *tion 457 (relating to year of inclusion in gross in-*
13 *come) is amended to read as follows:*

14 “(a) *YEAR OF INCLUSION IN GROSS INCOME.*—

15 “(1) *IN GENERAL.*—*Any amount of compensa-*
16 *tion deferred under an eligible deferred compensation*
17 *plan, and any income attributable to the amounts so*
18 *deferred, shall be includible in gross income only for*
19 *the taxable year in which such compensation or other*
20 *income—*

21 “(A) *is paid to the participant or other ben-*
22 *eficiary, in the case of a plan of an eligible em-*
23 *ployer described in subsection (e)(1)(A), and*

24 “(B) *is paid or otherwise made available to*
25 *the participant or other beneficiary, in the case*

1 of a plan of an eligible employer described in
2 subsection (e)(1)(B).

3 “(2) *SPECIAL RULE FOR ROLLOVER AMOUNTS.*—
4 *To the extent provided in section 72(t)(9), section*
5 *72(t) shall apply to any amount includible in gross*
6 *income under this subsection.*”.

7 (2) *CONFORMING AMENDMENTS.*—

8 (A) *So much of paragraph (9) of section*
9 *457(e) as precedes subparagraph (A) is amended*
10 *to read as follows:*

11 “(9) *BENEFITS OF TAX EXEMPT ORGANIZATION*
12 *PLANS NOT TREATED AS MADE AVAILABLE BY REASON*
13 *OF CERTAIN ELECTIONS, ETC.*—*In the case of an eligi-*
14 *ble deferred compensation plan of an employer de-*
15 *scribed in subsection (e)(1)(B)—”.*

16 (B) *Section 457(d) is amended by adding at*
17 *the end the following new paragraph:*

18 “(3) *SPECIAL RULE FOR GOVERNMENT PLAN.*—
19 *An eligible deferred compensation plan of an em-*
20 *ployer described in subsection (e)(1)(A) shall not be*
21 *treated as failing to meet the requirements of this sub-*
22 *section solely by reason of making a distribution de-*
23 *scribed in subsection (e)(9)(A).*”.

24 (c) *MODIFICATION OF TRANSITION RULES FOR EXIST-*
25 *ING 457 PLANS.*—

1 (1) *IN GENERAL.*—Section 1107(c)(3)(B) of the
2 *Tax Reform Act of 1986 is amended by striking “or”*
3 *at the end of clause (i), by striking the period at the*
4 *end of clause (ii) and inserting “, or” and by insert-*
5 *ing after clause (ii) the following new clause:*

6 *“(iii) are deferred pursuant to an*
7 *agreement with an individual covered by an*
8 *agreement described in clause (ii), to the ex-*
9 *tent the annual amount under such agree-*
10 *ment with the individual does not exceed—*

11 *“(I) the amount described in*
12 *clause (i)(II), multiplied by*

13 *“(II) the cumulative increase in*
14 *the Consumer Price Index (as pub-*
15 *lished by the Bureau of Labor Statis-*
16 *tics of the Department of Labor).”.*

17 (2) *CONFORMING AMENDMENT.*—*The fourth sen-*
18 *tence of section 1107(c)(3)(B) of the Tax Reform Act*
19 *of 1986 is amended by striking “This subparagraph”*
20 *and inserting “Clauses (i) and (ii) of this subpara-*
21 *graph”.*

22 (3) *EFFECTIVE DATE.*—*The amendments made*
23 *by this subsection shall apply to taxable years ending*
24 *after the date of the enactment of this Act with respect*

2002	165
2003	170.”.

1 (b) *AMENDMENTS TO ERISA.*—Section 302(c)(7) of
 2 the *Employee Retirement Income Security Act of 1974* (29
 3 *U.S.C. 1082(c)(7)*) is amended—

4 (1) by striking “the applicable percentage” in
 5 subparagraph (A)(i)(I) and inserting “in the case of
 6 plan years beginning before January 1, 2004, the ap-
 7 plicable percentage”, and

8 (2) by amending subparagraph (F) to read as
 9 follows:

10 “(F) *APPLICABLE PERCENTAGE.*—For pur-
 11 poses of subparagraph (A)(i)(I), the applicable
 12 percentage shall be determined in accordance
 13 with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.”.

14 (c) *EFFECTIVE DATE.*—The amendments made by this
 15 section shall apply to plan years beginning after December
 16 31, 2000.

17 **SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES**
 18 **MODIFIED AND APPLIED TO ALL DEFINED**
 19 **BENEFIT PLANS.**

20 (a) *IN GENERAL.*—Subparagraph (D) of section
 21 404(a)(1) (relating to special rule in case of certain plans)
 22 is amended to read as follows:

1 “(D) *SPECIAL RULE IN CASE OF CERTAIN*
2 *PLANS.—*

3 “(i) *IN GENERAL.—In the case of any*
4 *defined benefit plan, except as provided in*
5 *regulations, the maximum amount deduct-*
6 *ible under the limitations of this paragraph*
7 *shall not be less than the unfunded termi-*
8 *nation liability (determined as if the pro-*
9 *posed termination date referred to in section*
10 *4041(b)(2)(A)(i)(II) of the Employee Retirement*
11 *Income Security Act of 1974 were the*
12 *last day of the plan year).*

13 “(ii) *PLANS WITH LESS THAN 100 PAR-*
14 *TICIPANTS.—For purposes of this subpara-*
15 *graph, in the case of a plan which has less*
16 *than 100 participants for the plan year,*
17 *termination liability shall not include the*
18 *liability attributable to benefit increases for*
19 *highly compensated employees (as defined*
20 *in section 414(q)) resulting from a plan*
21 *amendment which is made or becomes effec-*
22 *tive, whichever is later, within the last 2*
23 *years before the termination date.*

24 “(iii) *RULE FOR DETERMINING NUM-*
25 *BER OF PARTICIPANTS.—For purposes of de-*

1 *termining whether a plan has more than*
2 *100 participants, all defined benefit plans*
3 *maintained by the same employer (or any*
4 *member of such employer's controlled group*
5 *(within the meaning of section*
6 *412(l)(8)(C))) shall be treated as one plan,*
7 *but only employees of such member or em-*
8 *ployer shall be taken into account.*

9 *“(iv) PLANS ESTABLISHED AND MAIN-*
10 *TAIN BY PROFESSIONAL SERVICE EMPLOY-*
11 *ERS.—Clause (i) shall not apply to a plan*
12 *described in section 4021(b)(13) of the Em-*
13 *ployee Retirement Income Security Act of*
14 *1974.”.*

15 ***(b) CONFORMING AMENDMENT.—****Paragraph (6) of sec-*
16 *tion 4972(c) is amended to read as follows:*

17 ***(6) EXCEPTIONS.—****In determining the amount*
18 *of nondeductible contributions for any taxable year,*
19 *there shall not be taken into account so much of the*
20 *contributions to one or more defined contribution*
21 *plans which are not deductible when contributed sole-*
22 *ly because of section 404(a)(7) as does not exceed the*
23 *greater of—*

24 ***(A)*** *the amount of contributions not in ex-*
25 *cess of 6 percent of compensation (within the*

1 (2) *CONFORMING AMENDMENT.*—Section
2 415(b)(7) (relating to benefits under certain collec-
3 tively bargained plans) is amended by inserting
4 “(other than a multiemployer plan)” after “defined
5 benefit plan” in the matter preceding subparagraph
6 (A).

7 (b) *COMBINING AND AGGREGATION OF PLANS.*—

8 (1) *COMBINING OF PLANS.*—Subsection (f) of sec-
9 tion 415 (relating to combining of plans) is amended
10 by adding at the end the following:

11 “(3) *EXCEPTION FOR MULTIEMPLOYER PLANS.*—
12 Notwithstanding paragraph (1) and subsection (g), a
13 multiemployer plan (as defined in section 414(f))
14 shall not be combined or aggregated with any other
15 plan maintained by an employer for purposes of ap-
16 plying subsection (b)(1)(B) to such plan or any other
17 such plan.”.

18 (2) *CONFORMING AMENDMENT FOR AGGREGATION*
19 *OF PLANS.*—Subsection (g) of section 415 (relating to
20 aggregation of plans) is amended by striking “The
21 Secretary” and inserting “Except as provided in sub-
22 section (f)(3), the Secretary”.

23 (c) *EFFECTIVE DATE.*—The amendments made by this
24 section shall apply to years beginning after December 31,
25 2000.

1 **SEC. 505. PROTECTION OF INVESTMENT OF EMPLOYEE**
2 **CONTRIBUTIONS TO 401(K) PLANS.**

3 (a) *IN GENERAL.*—Section 1524(b) of the Taxpayer
4 *Relief Act of 1997 is amended to read as follows:*

5 “(b) *EFFECTIVE DATE.*—

6 “(1) *IN GENERAL.*—Except as provided in para-
7 *graph (2), the amendments made by this section shall*
8 *apply to elective deferrals for plan years beginning*
9 *after December 31, 1998.*

10 “(2) *NONAPPLICATION TO PREVIOUSLY ACQUIRED*
11 *PROPERTY.*—The amendments made by this section
12 *shall not apply to any elective deferral which is in-*
13 *vested in assets consisting of qualifying employer se-*
14 *curities, qualifying employer real property, or both, if*
15 *such assets were acquired before January 1, 1999.”.*

16 (b) *EFFECTIVE DATE.*—The amendment made by this
17 *section shall apply as if included in the provision of the*
18 *Taxpayer Relief Act of 1997 to which it relates.*

19 **SEC. 506. PERIODIC PENSION BENEFITS STATEMENTS.**

20 (a) *IN GENERAL.*—Section 105(a) of the Employee Re-
21 *tirement Income Security Act of 1974 (29 U.S.C. 1025 (a))*
22 *is amended to read as follows:*

23 “(a)(1) *Except as provided in paragraph (2)—*

24 “(A) *the administrator of an individual account*
25 *plan shall furnish a pension benefit statement—*

1 “(i) to a plan participant at least once an-
2 nually, and

3 “(ii) to a plan beneficiary upon written re-
4 quest, and

5 “(B) the administrator of a defined benefit plan
6 shall furnish a pension benefit statement—

7 “(i) at least once every 3 years to each par-
8 ticipant with a nonforfeitable accrued benefit
9 who is employed by the employer maintaining
10 the plan at the time the statement is furnished
11 to participants, and

12 “(ii) to a participant or beneficiary of the
13 plan upon written request.

14 “(2) Notwithstanding paragraph (1), the adminis-
15 trator of a plan to which more than 1 unaffiliated employer
16 is required to contribute shall only be required to furnish
17 a pension benefit statement under paragraph (1) upon the
18 written request of a participant or beneficiary of the plan.

19 “(3) A pension benefit statement under paragraph
20 (1)—

21 “(A) shall indicate, on the basis of the latest
22 available information—

23 “(i) the total benefits accrued, and

1 “(i) the nonforfeitable pension benefits, if
2 any, which have accrued, or the earliest date on
3 which benefits will become nonforfeitable,

4 “(B) shall be written in a manner calculated to
5 be understood by the average plan participant, and

6 “(C) may be provided in written, electronic, tele-
7 phonic, or other appropriate form.

8 “(4) In the case of a defined benefit plan, the require-
9 ments of paragraph (1)(B)(i) shall be treated as met with
10 respect to a participant if the administrator provides the
11 participant at least once each year with notice of the avail-
12 ability of the pension benefit statement and the ways in
13 which the participant may obtain such statement. Such no-
14 tice shall be provided in written, electronic, telephonic, or
15 other appropriate form, and may be included with other
16 communications to the participant if done in a manner
17 reasonably designed to attract the attention of the partici-
18 pant.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Section 105 of the Employee Retirement In-
21 come Security Act of 1974 (29 U.S.C. 1025) is
22 amended by striking subsection (d).

23 (2) Section 105(b) of such Act (29 U.S.C.
24 1025(b)) is amended to read as follows:

1 “(2) *FAILURE TO MEET REQUIREMENTS.*—

2 “(A) *IN GENERAL.*—*If a plan fails to meet*
3 *the requirements of paragraph (1), the plan shall*
4 *be treated as having distributed to any disquali-*
5 *fied person the amount allocated to the account*
6 *of such person in violation of paragraph (1) at*
7 *the time of such allocation.*

8 “(B) *CROSS REFERENCE.*—

**“For excise tax relating to violations of paragraph
(1) and ownership of synthetic equity, see section
4979A.**

9 “(3) *NONALLOCATION YEAR.*—*For purposes of*
10 *this subsection—*

11 “(A) *IN GENERAL.*—*The term ‘nonalloca-*
12 *tion year’ means any plan year of an employee*
13 *stock ownership plan if, at any time during such*
14 *plan year—*

15 “(i) *such plan holds employer securi-*
16 *ties consisting of stock in an S corporation,*
17 *and*

18 “(ii) *disqualified persons own at least*
19 *50 percent of the number of shares of stock*
20 *in the S corporation.*

21 “(B) *ATTRIBUTION RULES.*—*For purposes*
22 *of subparagraph (A)—*

1 “(i) *IN GENERAL.*—The rules of section
2 318(a) shall apply for purposes of deter-
3 mining ownership, except that—

4 “(I) in applying paragraph (1)
5 thereof, the members of an individual’s
6 family shall include members of the
7 family described in paragraph (4)(D),
8 and

9 “(II) paragraph (4) thereof shall
10 not apply.

11 “(ii) *DEEMED-OWNED SHARES.*—Not-
12 withstanding the employee trust exception
13 in section 318(a)(2)(B)(i), individual shall
14 be treated as owning deemed-owned shares
15 of the individual.

16 Solely for purposes of applying paragraph (5),
17 this subparagraph shall be applied after the at-
18 tribution rules of paragraph (5) have been ap-
19 plied.

20 “(4) *DISQUALIFIED PERSON.*—For purposes of
21 this subsection—

22 “(A) *IN GENERAL.*—The term ‘disqualified
23 person’ means any person if—

24 “(i) the aggregate number of deemed-
25 owned shares of such person and the mem-

1 bers of such person's family is at least 20
2 percent of the number of deemed-owned
3 shares of stock in the S corporation, or

4 “(ii) in the case of a person not de-
5 scribed in clause (i), the number of deemed-
6 owned shares of such person is at least 10
7 percent of the number of deemed-owned
8 shares of stock in such corporation.

9 “(B) TREATMENT OF FAMILY MEMBERS.—

10 *In the case of a disqualified person described in*
11 *subparagraph (A)(i), any member of such per-*
12 *son's family with deemed-owned shares shall be*
13 *treated as a disqualified person if not otherwise*
14 *treated as a disqualified person under subpara-*
15 *graph (A).*

16 “(C) DEEMED-OWNED SHARES.—

17 “(i) IN GENERAL.—*The term ‘deemed-*
18 *owned shares’ means, with respect to any*
19 *person—*

20 “(I) *the stock in the S corporation*
21 *constituting employer securities of an*
22 *employee stock ownership plan which*
23 *is allocated to such person under the*
24 *plan, and*

1 “(II) such person’s share of the
2 stock in such corporation which is held
3 by such plan but which is not allocated
4 under the plan to participants.

5 “(ii) PERSON’S SHARE OF
6 UNALLOCATED STOCK.—For purposes of
7 clause (i)(II), a person’s share of
8 unallocated S corporation stock held by
9 such plan is the amount of the unallocated
10 stock which would be allocated to such per-
11 son if the unallocated stock were allocated to
12 all participants in the same proportions as
13 the most recent stock allocation under the
14 plan.

15 “(D) MEMBER OF FAMILY.—For purposes of
16 this paragraph, the term ‘member of the family’
17 means, with respect to any individual—

18 “(i) the spouse of the individual,
19 “(ii) an ancestor or lineal descendant
20 of the individual or the individual’s spouse,
21 “(iii) a brother or sister of the indi-
22 vidual or the individual’s spouse and any
23 lineal descendant of the brother or sister,
24 and

1 “(iv) the spouse of any individual de-
2 scribed in clause (ii) or (iii).

3 A spouse of an individual who is legally sepa-
4 rated from such individual under a decree of di-
5 vorce or separate maintenance shall not be treat-
6 ed as such individual’s spouse for purposes of
7 this subparagraph.

8 “(5) TREATMENT OF SYNTHETIC EQUITY.—For
9 purposes of paragraphs (3) and (4), in the case of a
10 person who owns synthetic equity in the S corpora-
11 tion, except to the extent provided in regulations, the
12 shares of stock in such corporation on which such
13 synthetic equity is based shall be treated as out-
14 standing stock in such corporation and deemed-owned
15 shares of such person if such treatment of synthetic
16 equity of 1 or more such persons results in—

17 “(A) the treatment of any person as a dis-
18 qualified person, or

19 “(B) the treatment of any year as a non-
20 allocation year.

21 For purposes of this paragraph, synthetic equity shall
22 be treated as owned by a person in the same manner
23 as stock is treated as owned by a person under the
24 rules of paragraphs (2) and (3) of section 318(a). If,
25 without regard to this paragraph, a person is treated

1 *as a disqualified person or a year is treated as a non-*
2 *allocation year, this paragraph shall not be construed*
3 *to result in the person or year not being so treated.*

4 “(6) *DEFINITIONS.—For purposes of this*
5 *subsection—*

6 “(A) *EMPLOYEE STOCK OWNERSHIP*
7 *PLAN.—The term ‘employee stock ownership*
8 *plan’ has the meaning given such term by sec-*
9 *tion 4975(e)(7).*

10 “(B) *EMPLOYER SECURITIES.—The term*
11 *‘employer security’ has the meaning given such*
12 *term by section 409(l).*

13 “(C) *SYNTHETIC EQUITY.—The term ‘syn-*
14 *thetic equity’ means any stock option, warrant,*
15 *restricted stock, deferred issuance stock right, or*
16 *similar interest or right that gives the holder the*
17 *right to acquire or receive stock of the S corpora-*
18 *tion in the future. Except to the extent provided*
19 *in regulations, synthetic equity also includes a*
20 *stock appreciation right, phantom stock unit, or*
21 *similar right to a future cash payment based on*
22 *the value of such stock or appreciation in such*
23 *value.*

1 “(7) *REGULATIONS.*—*The Secretary shall pre-*
2 *scribe such regulations as may be necessary to carry*
3 *out the purposes of this subsection.*”.

4 (b) *COORDINATION WITH SECTION 4975(e)(7).*—*The*
5 *last sentence of section 4975(e)(7) (defining employee stock*
6 *ownership plan) is amended by inserting “, section 409(p),”*
7 *after “409(n).”*

8 (c) *EXCISE TAX.*—

9 (1) *APPLICATION OF TAX.*—*Subsection (a) of sec-*
10 *tion 4979A (relating to tax on certain prohibited allo-*
11 *cations of employer securities) is amended—*

12 (A) *by striking “or” at the end of para-*
13 *graph (1), and*

14 (B) *by striking all that follows paragraph*
15 *(2) and inserting the following:*

16 “(3) *there is any allocation of employer securi-*
17 *ties which violates the provisions of section 409(p), or*
18 *a nonallocation year described in subsection (e)(2)(C)*
19 *with respect to an employee stock ownership plan, or*

20 “(4) *any synthetic equity is owned by a dis-*
21 *qualified person in any nonallocation year,*

22 *there is hereby imposed a tax on such allocation or owner-*
23 *ship equal to 50 percent of the amount involved.*”.

24 (2) *LIABILITY.*—*Section 4979A(c) (defining li-*
25 *ability for tax) is amended to read as follows:*

1 “(c) *LIABILITY FOR TAX.*—*The tax imposed by this*
2 *section shall be paid—*

3 “(1) *in the case of an allocation referred to in*
4 *paragraph (1) or (2) of subsection (a), by—*

5 “(A) *the employer sponsoring such plan, or*

6 “(B) *the eligible worker-owned cooperative,*
7 *which made the written statement described in section*
8 *664(g)(1)(E) or in section 1042(b)(3)(B) (as the case*
9 *may be), and*

10 “(2) *in the case of an allocation or ownership re-*
11 *ferred to in paragraph (3) or (4) of subsection (a), by*
12 *the S corporation the stock in which was so allocated*
13 *or owned.”.*

14 “(3) *DEFINITIONS.*—*Section 4979A(e) (relating to*
15 *definitions) is amended to read as follows:*

16 “(e) *DEFINITIONS AND SPECIAL RULES.*—*For pur-*
17 *poses of this section—*

18 “(1) *DEFINITIONS.*—*Except as provided in para-*
19 *graph (2), terms used in this section have the same*
20 *respective meanings as when used in sections 409 and*
21 *4978.*

22 “(2) *SPECIAL RULES RELATING TO TAX IMPOSED*
23 *BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION*
24 *(a).*—

1 “(A) *PROHIBITED ALLOCATIONS.*—*The*
2 *amount involved with respect to any tax imposed*
3 *by reason of subsection (a)(3) is the amount allo-*
4 *cated to the account of any person in violation*
5 *of section 409(p)(1).*

6 “(B) *SYNTHETIC EQUITY.*—*The amount in-*
7 *volved with respect to any tax imposed by reason*
8 *of subsection (a)(4) is the value of the shares on*
9 *which the synthetic equity is based.*

10 “(C) *SPECIAL RULE DURING FIRST NON-*
11 *ALLOCATION YEAR.*—*For purposes of subpara-*
12 *graph (A), the amount involved for the first non-*
13 *allocation year of any employee stock ownership*
14 *plan shall be determined by taking into account*
15 *the total value of all the deemed-owned shares of*
16 *all disqualified persons with respect to such*
17 *plan.*

18 “(D) *STATUTE OF LIMITATIONS.*—*The stat-*
19 *utory period for the assessment of any tax im-*
20 *posed by this section by reason of paragraph (3)*
21 *or (4) of subsection (a) shall not expire before the*
22 *date which is 3 years from the later of—*

23 “(i) *the allocation or ownership re-*
24 *ferred to in such paragraph giving rise to*
25 *such tax, or*

1 “(ii) the date on which the Secretary is
2 notified of such allocation or ownership.”.

3 (d) *EFFECTIVE DATES.*—

4 (1) *IN GENERAL.*—The amendments made by
5 this section shall apply to plan years beginning after
6 December 31, 2001.

7 (2) *EXCEPTION FOR CERTAIN PLANS.*—In the
8 case of any—

9 (A) employee stock ownership plan estab-
10 lished after July 11, 2000, or

11 (B) employee stock ownership plan estab-
12 lished on or before such date if employer securi-
13 ties held by the plan consist of stock in a cor-
14 poration with respect to which an election under
15 section 1362(a) of the Internal Revenue Code of
16 1986 is not in effect on such date,

17 the amendments made by this section shall apply to
18 plan years ending after July 11, 2000.

1 ***Subtitle B—Treatment of Plan***
2 ***Amendments Reducing Future***
3 ***Benefit Accruals***

4 **SEC. 521. NOTICE REQUIRED FOR PENSION PLAN AMEND-**
5 **MENTS HAVING THE EFFECT OF SIGNIFI-**
6 **CANTLY REDUCING FUTURE BENEFIT ACCRU-**
7 **ALS.**

8 *(a) EXCISE TAX.—*

9 *(1) IN GENERAL.—Chapter 43 of subtitle D (re-*
10 *lating to qualified pension, etc., plans) is amended by*
11 *adding at the end the following new section:*

12 **“SEC. 4980F. FAILURE TO PROVIDE NOTICE OF PENSION**
13 **PLAN AMENDMENTS REDUCING BENEFIT AC-**
14 **CRUALS.**

15 *“(a) IMPOSITION OF TAX.—There is hereby imposed a*
16 *tax on the failure of an applicable pension plan to meet*
17 *the requirements of subsection (e) with respect to any appli-*
18 *cable individual.*

19 *“(b) AMOUNT OF TAX.—*

20 *“(1) IN GENERAL.—The amount of the tax im-*
21 *posed by subsection (a) on any failure with respect to*
22 *any applicable individual shall be \$100 for each day*
23 *in the noncompliance period with respect to such fail-*
24 *ure.*

1 “(2) *NONCOMPLIANCE PERIOD.*—For purposes of
2 this section, the term ‘noncompliance period’ means,
3 with respect to any failure, the period beginning on
4 the date the failure first occurs and ending on the
5 date the notice to which the failure relates is provided
6 or the failure is otherwise corrected.

7 “(c) *LIMITATIONS ON AMOUNT OF TAX.*—

8 “(1) *TAX NOT TO APPLY WHERE FAILURE NOT*
9 *DISCOVERED AND REASONABLE DILIGENCE EXER-*
10 *CISED.*—No tax shall be imposed by subsection (a) on
11 any failure during any period for which it is estab-
12 lished to the satisfaction of the Secretary that any
13 person subject to liability for the tax under subsection
14 (d) did not know that the failure existed and exercised
15 reasonable diligence to meet the requirements of sub-
16 section (e).

17 “(2) *TAX NOT TO APPLY TO FAILURES COR-*
18 *RECTED WITHIN 30 DAYS.*—No tax shall be imposed
19 by subsection (a) on any failure if—

20 “(A) any person subject to liability for the
21 tax under subsection (d) exercised reasonable
22 diligence to meet the requirements of subsection
23 (e), and

24 “(B) such person provides the notice de-
25 scribed in subsection (e) during the 30-day pe-

1 *riod beginning on the first date such person*
2 *knew, or exercising reasonable diligence would*
3 *have known, that such failure existed.*

4 “(3) *OVERALL LIMITATION FOR UNINTENTIONAL*
5 *FAILURES.—*

6 “(A) *IN GENERAL.—If the person subject to*
7 *liability for tax under subsection (d) exercised*
8 *reasonable diligence to meet the requirements of*
9 *subsection (e), the tax imposed by subsection (a)*
10 *for failures during the taxable year of the em-*
11 *ployer (or, in the case of a multiemployer plan,*
12 *the taxable year of the trust forming part of the*
13 *plan) shall not exceed \$500,000. For purposes of*
14 *the preceding sentence, all multiemployer plans*
15 *of which the same trust forms a part shall be*
16 *treated as 1 plan.*

17 “(B) *TAXABLE YEARS IN THE CASE OF CER-*
18 *TAIN CONTROLLED GROUPS.—For purposes of*
19 *this paragraph, if all persons who are treated as*
20 *a single employer for purposes of this section do*
21 *not have the same taxable year, the taxable years*
22 *taken into account shall be determined under*
23 *principles similar to the principles of section*
24 *1561.*

1 “(4) *WAIVER BY SECRETARY.*—*In the case of a*
2 *failure which is due to reasonable cause and not to*
3 *willful neglect, the Secretary may waive part or all*
4 *of the tax imposed by subsection (a) to the extent that*
5 *the payment of such tax would be excessive or other-*
6 *wise inequitable relative to the failure involved.*

7 “(d) *LIABILITY FOR TAX.*—*The following shall be lia-*
8 *ble for the tax imposed by subsection (a):*

9 “(1) *In the case of a plan other than a multiem-*
10 *ployer plan, the employer.*

11 “(2) *In the case of a multiemployer plan, the*
12 *plan.*

13 “(e) *NOTICE REQUIREMENTS FOR PLAN AMENDMENTS*
14 *SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.*—

15 “(1) *IN GENERAL.*—*If the sponsor of an applica-*
16 *ble pension plan adopts an amendment which has the*
17 *effect of significantly reducing the rate of future ben-*
18 *efit accrual of 1 or more participants, the plan ad-*
19 *ministrator shall, not later than the 45th day before*
20 *the effective date of the amendment, provide written*
21 *notice to each applicable individual (and to each em-*
22 *ployee organization representing applicable individ-*
23 *uals) which—*

1 “(A) sets forth a summary of the plan
2 amendment and the effective date of the amend-
3 ment,

4 “(B) includes a statement that the plan
5 amendment is expected to significantly reduce
6 the rate of future benefit accrual,

7 “(C) includes a description of the classes of
8 employees reasonably expected to be affected by
9 the reduction in the rate of future benefit ac-
10 crual,

11 “(D) sets forth examples illustrating how
12 the plan will change benefits for such classes of
13 employees,

14 “(E) if paragraph (2) applies to the plan
15 amendment, includes a notice that the plan ad-
16 ministrator will provide a benefit estimation tool
17 kit described in paragraph (2)(B) to each appli-
18 cable individual no later than the date required
19 under paragraph (2)(A), and

20 “(F) includes a notice of each applicable in-
21 dividual’s right under Federal law to receive,
22 and of the procedures for requesting, an annual
23 benefit statement.

24 “(2) REQUIREMENT TO PROVIDE BENEFIT ESTI-
25 MATION TOOL KIT.—

1 “(A) *IN GENERAL.*—If a plan amendment
2 results in the conversion of an applicable pension
3 plan to a cash balance plan (within the meaning
4 of section 411(d)(6)(D)(iv)), the plan adminis-
5 trator shall, not later than the 15th day before
6 the effective date of the amendment, provide a
7 benefit estimation tool kit described in subpara-
8 graph (B) to each applicable individual. If such
9 plan amendment occurs within 12 months of an
10 event described in section 410(b)(6)(C), the plan
11 administrator shall in no event be required to
12 provide the benefit estimation tool kit to applica-
13 ble individuals affected by the event before the
14 date which is 24 months after such event.

15 “(B) *BENEFIT ESTIMATION TOOL KIT.*—The
16 benefit estimation tool kit described in this sub-
17 paragraph shall include the following informa-
18 tion:

19 “(i) Sufficient information to enable
20 an applicable individual to estimate the in-
21 dividual’s projected benefits under the terms
22 of the plan in effect both before and after the
23 adoption of the amendment.

24 “(ii) The formulas and actuarial as-
25 sumptions necessary to estimate under both

1 *such plan terms a single life annuity at ap-*
2 *propriate ages, and, when available, a lump*
3 *sum distribution.*

4 “(iii) *The interest rate used to compute*
5 *a lump sum distribution and information*
6 *as to whether the value of any early retire-*
7 *ment benefit or retirement-type subsidy*
8 *(within the meaning of section*
9 *411(d)(6)(B)(i)) is included in the lump*
10 *sum distribution.*

11 “(3) *NOTICE TO DESIGNEE.—Any notice under*
12 *paragraph (1) or (2) may be provided to a person*
13 *designated, in writing, by the person to which it*
14 *would otherwise be provided.*

15 “(f) *DEFINITIONS AND SPECIAL RULES.—For pur-*
16 *poses of this section—*

17 “(1) *APPLICABLE INDIVIDUAL.—*

18 “(A) *IN GENERAL.—The term ‘applicable*
19 *individual’ means, with respect to any plan*
20 *amendment—*

21 “(i) *each participant in the plan, and*

22 “(ii) *any beneficiary who is an alter-*
23 *nate payee (within the meaning of section*
24 *414(p)(8)) under an applicable qualified*

1 *domestic relations order (within the mean-*
2 *ing of section 414(p)(1)(A)),*
3 *whose rate of future benefit accrual under the*
4 *plan may reasonably be expected to be signifi-*
5 *cantly reduced by such plan amendment.*

6 “(B) *EXCEPTION FOR PARTICIPANTS WITH*
7 *LESS THAN 1 YEAR OF PARTICIPATION.—Such*
8 *term shall not include a participant who has less*
9 *than 1 year of participation (within the mean-*
10 *ing of section 411(b)(4)) under the plan as of the*
11 *effective date of the plan amendment.*

12 “(2) *APPLICABLE PENSION PLAN.—The term ‘ap-*
13 *plicable pension plan’ means—*

14 “(A) *a defined benefit plan, or*

15 “(B) *an individual account plan which is*
16 *subject to the funding standards of section 412.*

17 *Such term shall not include a governmental plan*
18 *(within the meaning of section 414(d)), a church plan*
19 *(within the meaning of section 414(e)) with respect to*
20 *which an election under section 410(d) has not been*
21 *made, or any other plan to which section 204(h) of*
22 *the Employee Retirement Income Security Act of*
23 *1974 does not apply.*

24 “(3) *EARLY RETIREMENT.—A plan amendment*
25 *which eliminates or significantly reduces any early*

1 *retirement benefit or retirement-type subsidy (within*
2 *the meaning of section 411(d)(6)(B)(i)) shall be treat-*
3 *ed as having the effect of significantly reducing the*
4 *rate of future benefit accrual.*

5 “(g) *NEW TECHNOLOGIES.*—*The Secretary may by*
6 *regulations allow any notice under paragraph (1) or (2)*
7 *of subsection (e) to be provided by using new technologies.”*

8 (2) *CONFORMING AMENDMENT.*—*The table of sec-*
9 *tions for chapter 43 of subtitle D is amended by add-*
10 *ing at the end the following new item:*

 “Sec. 4980F. Failure to provide notice of pension plan amend-
 ments reducing benefit accruals.”

11 (b) *AMENDMENT TO ERISA.*—*Section 204(h) of the*
12 *Employee Retirement Income Security Act of 1974 (29*
13 *U.S.C. 1054(h)) is amended to read as follows:*

14 “(h)(1) *If an applicable pension plan is amended so*
15 *as to provide a significant reduction in the rate of future*
16 *benefit accrual of 1 or more participants, the plan adminis-*
17 *trator shall, not later than the 45th day before the effective*
18 *date of the amendment, provide written notice to each ap-*
19 *plicable individual (and to each employee organization rep-*
20 *resenting applicable individuals) which—*

21 “(A) *sets forth a summary of the plan amend-*
22 *ment and the effective date of the amendment,*

1 “(B) includes a statement that the plan amend-
2 ment is expected to significantly reduce the rate of fu-
3 ture benefit accrual,

4 “(C) includes a description of the classes of em-
5 ployees reasonably expected to be affected by the re-
6 duction in the rate of future benefit accrual,

7 “(D) sets forth examples illustrating how the
8 plan will change benefits for such classes of employees,

9 “(E) if paragraph (2) applies to the plan
10 amendment, includes a notice that the plan adminis-
11 trator will provide a benefit estimation tool kit de-
12 scribed in paragraph (2)(B) to each applicable indi-
13 vidual no later than the date required under para-
14 graph (2)(A), and

15 “(F) includes a notice of each applicable individ-
16 ual’s right under Federal law to receive, and of the
17 procedures for requesting, an annual benefit state-
18 ment.

19 “(2)(A) If a plan amendment results in the conversion
20 of an applicable pension plan to a cash balance plan (with-
21 in the meaning of section 204(g)(4)(D)), the plan adminis-
22 trator shall, not later than the 15th day before the effective
23 date of the amendment, provide a benefit estimation tool
24 kit described in subparagraph (B) to each applicable indi-
25 vidual. If such plan amendment occurs within 12 months

1 *of an event described in section 410(b)(6)(C) of the Internal*
2 *Revenue Code of 1986, the plan administrator shall in no*
3 *event be required to provide the benefit estimation tool kit*
4 *to applicable individuals affected by the event before the*
5 *date which is 24 months after such event.*

6 “(B) *The benefit estimation tool kit described in this*
7 *subparagraph shall include the following information:*

8 “(i) *Sufficient information to enable an applica-*
9 *ble individual to estimate the individual’s projected*
10 *benefits under the terms of the plan in effect both be-*
11 *fore and after the adoption of the amendment.*

12 “(ii) *The formulas and actuarial assumptions*
13 *necessary to estimate under both such plan terms a*
14 *single life annuity at appropriate ages, and, when*
15 *available, a lump sum distribution.*

16 “(iii) *The interest rate used to compute a lump*
17 *sum distribution and information as to whether the*
18 *value of any early retirement benefit or retirement-*
19 *type subsidy (within the meaning of subsection*
20 *(g)(2)(A)) is included in the lump sum distribution.*

21 “(3) *Any notice under paragraph (1) or (2) may be*
22 *provided to a person designated, in writing, by the person*
23 *to which it would otherwise be provided.*

24 “(4)(A) *In the case of any egregious failure to meet*
25 *any requirement of this subsection with respect to any plan*

1 *amendment, the provisions of the applicable pension plan*
2 *shall be applied as if such plan amendment entitled all ap-*
3 *plicable individuals to the greater of—*

4 “(i) *the benefits to which they would have been*
5 *entitled without regard to such amendment, or*

6 “(ii) *the benefits under the plan with regard to*
7 *such amendment.*

8 “(B) *For purposes of subparagraph (A), there is an*
9 *egregious failure to meet the requirements of this subsection*
10 *if such failure is within the control of the plan sponsor and*
11 *is—*

12 “(i) *an intentional failure (including any failure*
13 *to promptly provide the required notice or informa-*
14 *tion after the plan administrator discovers an unin-*
15 *tentional failure to meet the requirements of this sub-*
16 *section),*

17 “(ii) *a failure to provide most of the individuals*
18 *with most of the information they are entitled to re-*
19 *ceive under this subsection, or*

20 “(iii) *a failure which is determined to be egre-*
21 *gious under regulations prescribed by the Secretary of*
22 *the Treasury.*

23 “(C) *For excise tax on failure to meet requirements,*
24 *see section 4980F of the Internal Revenue Code of 1986.*

1 “(5)(A) For purposes of this subsection, the term ‘ap-
2 plicable individual’ means, with respect to any plan
3 amendment—

4 “(i) each participant in the plan, and

5 “(ii) any beneficiary who is an alternate payee
6 (within the meaning of section 206(d)(3)(K)) under
7 an applicable qualified domestic relations order
8 (within the meaning of section 206(d)(3)(B)),

9 whose rate of future benefit accrual under the plan may
10 reasonably be expected to be significantly reduced by such
11 plan amendment.

12 “(B) Such term shall not include a participant who
13 has less than 1 year of participation (within the meaning
14 of subsection (b)(4)) under the plan as of the effective date
15 of the plan amendment.

16 “(6) For purposes of this subsection, the term ‘applica-
17 ble pension plan’ means—

18 “(A) a defined benefit plan, or

19 “(B) an individual account plan which is subject
20 to the funding standards of section 302.

21 “(7) For purposes of this subsection, a plan amend-
22 ment which eliminates or significantly reduces any early
23 retirement benefit or retirement-type subsidy (within the
24 meaning of section 204(g)(2)(A)) shall be treated as having

1 *the effect of significantly reducing the rate of future benefit*
2 *accrual.*

3 “(8) *The Secretary of the Treasury may by regulations*
4 *allow any notice under this subsection to be provided by*
5 *using new technologies.”*

6 **SEC. 522. PROTECTION OF PARTICIPANTS DURING CONVER-**
7 **SIONS TO CASH BALANCE OR OTHER HYBRID**
8 **DEFINED BENEFIT PLANS.**

9 (a) *AMENDMENTS TO INTERNAL REVENUE CODE.—*

10 (1) *IN GENERAL.—Section 411(d)(6) (relating to*
11 *accrued benefit may not be decreased by amendment)*
12 *is amended by adding at the end the following new*
13 *subparagraph:*

14 “(D) *TREATMENT OF CONVERSIONS TO*
15 *CASH BALANCE OR OTHER HYBRID PLANS.—*

16 “(i) *IN GENERAL.—For purposes of*
17 *subparagraph (A), an applicable plan*
18 *amendment shall be treated as reducing the*
19 *accrued benefit of a participant if, under*
20 *the terms of the plan as in effect after the*
21 *amendment, the accrued benefit of the par-*
22 *ticipant may at any time be less than the*
23 *sum of—*

24 “(I) *the participant’s accrued ben-*
25 *efit for years of service before the effec-*

1 *tive date of the amendment, determined*
2 *under the terms of the plan as in effect*
3 *before the amendment and by not tak-*
4 *ing into account any early retirement*
5 *benefit or retirement-type subsidy*
6 *(within the meaning of subparagraph*
7 *(B)(i)), plus*

8 *“(II) the participant’s accrued*
9 *benefit for years of service after the ef-*
10 *fective date of the amendment, deter-*
11 *mined under the terms of the plan as*
12 *in effect after the amendment.*

13 *“(ii) INITIAL ACCOUNT BALANCE.—If*
14 *an applicable plan amendment provides*
15 *that the accrued benefit initially credited to*
16 *a participant’s accumulation account (or*
17 *its equivalent) on the effective date of the*
18 *amendment is not less than the amount de-*
19 *termined under section 417(e)(3)(C) as of*
20 *such date, the plan shall not be treated as*
21 *failing to meet the requirements of clause*
22 *(i)(I) at any time after such date merely be-*
23 *cause of fluctuations in interest rates.*

1 “(iii) *APPLICABLE PLAN AMEND-*
2 *MENT.—For purposes of this*
3 *subparagraph—*

4 “(I) *IN GENERAL.—The term ‘ap-*
5 *plicable plan amendment’ means an*
6 *amendment to a defined benefit plan*
7 *which has the effect of converting the*
8 *plan to a cash balance plan.*

9 “(II) *EXCEPTION FOR CERTAIN*
10 *PLAN AMENDMENTS.—A plan amend-*
11 *ment shall not be treated as an appli-*
12 *cable plan amendment with respect to*
13 *any participant who is eligible to con-*
14 *tinue to accrue benefits in the same*
15 *manner as under the terms of the plan*
16 *in effect before the amendment.*

17 “(III) *SPECIAL RULE FOR CO-*
18 *ORDINATED BENEFITS.—If the benefits*
19 *of 2 or more defined benefit plans es-*
20 *tablished or maintained by an em-*
21 *ployer are coordinated in such a man-*
22 *ner as to have the effect of the adoption*
23 *of an amendment described in sub-*
24 *clause (I), the sponsor of the defined*
25 *benefit plan or plans providing for*

1 *such coordination shall be treated as*
2 *having adopted such a plan amend-*
3 *ment as of the date such coordination*
4 *begins.*

5 “(IV) *MULTIPLE AMENDMENTS.—*
6 *The Secretary shall issue regulations to*
7 *prevent the avoidance of the purposes*
8 *of this subparagraph through the use of*
9 *2 or more plan amendments rather*
10 *than a single amendment.*

11 “(iv) *CASH BALANCE PLAN.—For pur-*
12 *poses of this subparagraph—*

13 “(I) *IN GENERAL.—The term*
14 *‘cash balance plan’ means a defined*
15 *benefit plan under which the accrued*
16 *benefit is determined as an amount*
17 *other than an annual benefit com-*
18 *mencing at normal retirement age.*

19 “(II) *REGULATIONS TO INCLUDE*
20 *SIMILAR OR OTHER HYBRID PLANS.—*
21 *The Secretary shall issue regulations*
22 *which provide that a defined benefit*
23 *plan (or any portion of such a plan)*
24 *which has an effect similar to a plan*
25 *described in subclause (I) shall be*

1 *treated as a cash balance plan. Such*
2 *regulations may provide that if a plan*
3 *sponsor represents in communications*
4 *to participants and beneficiaries that a*
5 *plan amendment results in a plan*
6 *being described in the preceding sen-*
7 *tence, such plan shall be treated as a*
8 *cash balance plan.*

9 “(v) *COORDINATION WITH ACCRUAL*
10 *AND NONDISCRIMINATION RULES.—If a plan*
11 *amendment is not treated as an applicable*
12 *plan amendment with respect to any partic-*
13 *ipant because such participant is eligible to*
14 *continue to accrue benefits in the same*
15 *manner as under the terms of the plan in*
16 *effect before the amendment, the Secretary*
17 *shall prescribe regulations under which—*

18 *“(I) the plan shall be treated as*
19 *meeting the requirements of subpara-*
20 *graph (A), (B), or (C) of section*
21 *411(b)(1) if such requirements are met*
22 *separately with respect to each benefit*
23 *accrual formula under the terms of the*
24 *plan, and*

1 “(II) the plan shall, subject to
2 such terms and conditions as may be
3 provided in such regulations, not be
4 treated as failing to meet the require-
5 ments of section 401(a)(4) merely be-
6 cause only participants as of the effec-
7 tive date of the amendment are so eli-
8 gible, except that this subclause shall
9 only apply if the plan met the require-
10 ments of section 401(a)(4) under the
11 terms of the plan as in effect before the
12 amendment.”

13 (2) ASSUMPTIONS USED IN COMPUTING PRESENT
14 VALUE OF ACCRUED BENEFIT.—

15 (A) BENEFITS ACCRUED BEFORE CASH BAL-
16 ANCE CONVERSION.—Section 417(e)(3) (relating
17 to determination of present value) is amended—

18 (i) by inserting “or (C)” after “sub-
19 paragraph (B)” in subparagraph (A)(i),
20 and

21 (ii) by adding at the end the following
22 new subparagraph:

23 “(C) SPECIAL RULE FOR CONVERSIONS TO
24 CASH BALANCE PLANS.—For purposes of deter-
25 mining the amount initially credited to the par-

1 *participant's accumulation account (or its equiva-*
2 *lent) under section 411(d)(6)(D)(ii) after adop-*
3 *tion of an applicable plan amendment (as de-*
4 *finied in section 411(d)(6)(D)(iii)), the present*
5 *value of the accrued benefit of any participant*
6 *described in section 411(d)(6)(D)(i)(I) for years*
7 *of service before the effective date of the amend-*
8 *ment shall not be less than the greater of—*

9 *“(i) the present value determined by*
10 *using the applicable mortality table and the*
11 *applicable interest rate under subparagraph*
12 *(A) which are in effect under the plan on*
13 *such effective date, or*

14 *“(ii) the amount of the lump sum dis-*
15 *tribution payable as of such effective date,*
16 *determined as if the individual were enti-*
17 *tled to the distribution and under the terms*
18 *of the plan as in effect immediately before*
19 *such effective date, but not taking into ac-*
20 *count any early retirement benefit or retire-*
21 *ment-type subsidy (within the meaning of*
22 *section 411(d)(6)(B)(i)).”*

23 *(B) PRESENT VALUE DETERMINATION FOR*
24 *CASH BALANCE PLANS.—Section 417(e)(3), as*
25 *amended by subparagraph (A), is amended—*

1 (i) by striking “or (C)” in subpara-
2 graph (A)(i) and inserting “; (C), or (D)”,
3 and

4 (ii) by adding at the end the following
5 new subparagraph:

6 “(D) *PRESENT VALUE OF ACCRUED BEN-*
7 *EFIT UNDER CASH BALANCE PLAN.—Except as*
8 *provided in regulations, in the case of a cash*
9 *balance plan (as defined in section*
10 *411(d)(6)(D)(iv)), the present value of the ac-*
11 *crued benefit of any participant shall, for pur-*
12 *poses of paragraphs (1) and (2), be equal to the*
13 *balance in the participant’s accumulation ac-*
14 *count (or its equivalent) as of the time the*
15 *present value determination is being made. This*
16 *subparagraph shall not apply to any portion of*
17 *the accrued benefit described in section*
18 *411(d)(6)(D)(i)(I) except to the extent the plan*
19 *meets the requirements of section*
20 *411(d)(6)(D)(ii) with respect to such portion.”*

21 (b) *AMENDMENTS TO ERISA.—*

22 (1) *IN GENERAL.—Section 204(g) of the Em-*
23 *ployee Retirement Income Security Act of 1974 (29*
24 *U.S.C. 1054(g)) is amended by adding at the end the*
25 *following new paragraph:*

1 “(4)(A) For purposes of paragraph (1), an applicable
2 plan amendment shall be treated as reducing the accrued
3 benefit of a participant if, under the terms of the plan as
4 in effect after the amendment, the accrued benefit of the par-
5 ticipant may at any time be less than the sum of—

6 “(i) the participant’s accrued benefit for years of
7 service before the effective date of the amendment, de-
8 termined under the terms of the plan as in effect be-
9 fore the amendment and by not taking into account
10 any early retirement benefit or retirement-type sub-
11 sidy (within the meaning of paragraph (2)(A)), plus

12 “(ii) the participant’s accrued benefit for years
13 of service after the effective date of the amendment,
14 determined under the terms of the plan as in effect
15 after the amendment.

16 “(B) If an applicable plan amendment provides that
17 the accrued benefit initially credited to a participant’s ac-
18 cumulation account (or its equivalent) on the effective date
19 of the amendment is not less than the amount determined
20 under section 205(g)(3)(C) as of such date, the plan shall
21 not be treated as failing to meet the requirements of sub-
22 paragraph (A)(i) at any time after such date merely be-
23 cause of fluctuations in interest rates.

24 “(C) For purposes of this paragraph—

1 “(i) The term ‘applicable plan amendment’
2 means an amendment to a defined benefit plan which
3 has the effect of converting the plan to a cash balance
4 plan.

5 “(ii) A plan amendment shall not be treated as
6 an applicable plan amendment with respect to any
7 participant who is eligible to continue to accrue bene-
8 fits in the same manner as under the terms of the
9 plan in effect before the amendment.

10 “(iii) If the benefits of 2 or more defined benefit
11 plans established or maintained by an employer are
12 coordinated in such a manner as to have the effect of
13 the adoption of an amendment described in clause (i),
14 the sponsor of the defined benefit plan or plans pro-
15 viding for such coordination shall be treated as hav-
16 ing adopted such a plan amendment as of the date
17 such coordination begins.

18 “(iv) The Secretary of the Treasury shall issue
19 regulations to prevent the avoidance of the purposes
20 of this paragraph through the use of 2 or more plan
21 amendments rather than a single amendment.

22 “(D) For purposes of this paragraph—

23 “(i) The term ‘cash balance plan’ means a de-
24 fined benefit plan under which the accrued benefit is

1 *determined as an amount other than an annual ben-*
2 *efit commencing at normal retirement age.*

3 *“(i) The Secretary of the Treasury shall issue*
4 *regulations which provide that a defined benefit plan*
5 *(or any portion of such a plan) which has an effect*
6 *similar to a plan described in clause (i) shall be*
7 *treated as a cash balance plan. Such regulations may*
8 *provide that if a plan sponsor represents in commu-*
9 *nications to participants and beneficiaries that a*
10 *plan amendment results in a plan being described in*
11 *the preceding sentence, such plan shall be treated as*
12 *a cash balance plan.*

13 *“(E) If a plan amendment is not treated as an appli-*
14 *cable plan amendment with respect to any participant be-*
15 *cause such participant is eligible to continue to accrue bene-*
16 *fits in the same manner as under the terms of the plan*
17 *in effect before the amendment, the Secretary shall prescribe*
18 *regulations under which the plan shall be treated as meeting*
19 *the requirements of subparagraph (A), (B), or (C) of section*
20 *204(b)(1) if such requirements are met separately with re-*
21 *spect to each benefit accrual formula under the terms of the*
22 *plan.”*

23 (2) ASSUMPTIONS USED IN COMPUTING PRESENT
24 VALUE OF ACCRUED BENEFIT.—

1 (A) *BENEFITS ACCRUED BEFORE CASH BAL-*
2 *ANCE CONVERSION.*—Section 205(g)(3) of such
3 Act (29 U.S.C. 1055(g)(3)) is amended—

4 (i) by inserting “or (C)” after “sub-
5 paragraph (B)” in subparagraph (A)(i),
6 and

7 (ii) by adding at the end the following
8 new subparagraph:

9 “(C) For purposes of determining the amount initially
10 credited to the participant’s accumulation account (or its
11 equivalent) under section 204(g)(4)(B) after adoption of an
12 applicable plan amendment (as defined in section
13 204(g)(4)(C)), the present value of the accrued benefit of
14 any participant described in section 204(g)(4)(A)(i) for
15 years of service before the effective date of the amendment
16 shall not be less than the greater of—

17 “(i) the present value determined by using the
18 applicable mortality table and the applicable interest
19 rate under paragraph (1) which are in effect under
20 the plan on such effective date, or

21 “(ii) the amount of the lump sum distribution
22 payable as of such effective date, determined as if the
23 individual were entitled to the distribution and under
24 the terms of the plan as in effect immediately before
25 such effective date, but not taking into account any

1 *early retirement benefit or retirement-type subsidy*
2 *(within the meaning of section 204(g)(2)(A)).”*

3 *(B) INTEREST RATE ASSUMPTION FOR CASH*
4 *BALANCE PLANS.—Section 205(g)(3) of such Act*
5 *(29 U.S.C. 1055(g)(3)), as amended by subpara-*
6 *graph (A), is amended—*

7 *(i) by striking “or (C)” in subpara-*
8 *graph (A)(i) and inserting “, (C), or (D)”,*
9 *and*

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

12 *“(D) Except as provided in regulations prescribed by*
13 *the Secretary of the Treasury, in the case of a cash balance*
14 *plan (as defined in section 204(g)(4)(D)), the present value*
15 *of the accrued benefit of any participant shall, for purposes*
16 *of paragraphs (1) and (2), be equal to the balance in the*
17 *participant’s accumulation account (or its equivalent) as*
18 *of the time the present value determination is being made.*
19 *This subparagraph shall not apply to any portion of the*
20 *accrued benefit described in section 204(g)(4)(A)(i) except*
21 *to the extent the plan meets the requirements of section*
22 *204(g)(4)(B) with respect to such portion.”*

23 *(c) NO INFERENCE.—Nothing in the amendments*
24 *made by this section shall be construed to infer the proper*
25 *treatment of cash balance plans or conversions to cash bal-*

1 *ance plans under the laws in effect before such amendments*
2 *or under laws not affected by such amendments.*

3 *(d) REGULATIONS RELATING TO EARLY RETIREMENT*
4 *SUBSIDIES.—The Secretary of the Treasury or his delegate*
5 *shall, not later than 1 year after the date of the enactment*
6 *of this Act, issue the regulations relating to early retirement*
7 *benefits or retirement-type subsidies described in section*
8 *411(d)(6)(B)(i) of the Internal Revenue Code of 1986 and*
9 *section 204(g)(2)(A) of the Employee Retirement Income*
10 *Security Act of 1974.*

11 **SEC. 523. EFFECTIVE DATES.**

12 *(a) IN GENERAL.—The amendments made by this sub-*
13 *title shall apply to plan amendments taking effect on or*
14 *after the date of the enactment of this Act.*

15 *(b) SPECIAL RULE FOR COLLECTIVELY BARGAINED*
16 *PLANS.—In the case of a plan maintained pursuant to 1*
17 *or more collective bargaining agreements between employee*
18 *representatives and 1 or more employers ratified by the date*
19 *of the enactment of this Act, the amendments made by this*
20 *subtitle shall not apply to plan amendments taking effect*
21 *before the earlier of—*

22 *(1) the later of—*

23 *(A) the date on which the last of such collec-*
24 *tive bargaining agreements terminates (deter-*

1 *mined without regard to any extension thereof on*
 2 *or after such date of enactment), or*

3 *(B) January 1, 2001, or*

4 *(2) January 1, 2003.*

5 *(c) SPECIAL NOTICE RULES.—*

6 *(1) IN GENERAL.—The period for providing any*
 7 *notice required by the amendments made by section*
 8 *521 shall not end before the date which is 3 months*
 9 *after the date of the enactment of this Act.*

10 *(2) REASONABLE NOTICE.—The amendments*
 11 *made by section 521 shall not apply to any plan*
 12 *amendment taking effect on or after the date of enact-*
 13 *ment of this Act if, before September 5, 2000, notice*
 14 *was provided to participants and beneficiaries ad-*
 15 *versely affected by the plan amendment (or their rep-*
 16 *resentatives) which was reasonably expected to notify*
 17 *them of the nature and effective date of the plan*
 18 *amendment.*

19 **TITLE VI—REDUCING**
 20 **REGULATORY BURDENS**

21 **SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

22 *(a) IN GENERAL.—Paragraph (9) of section 412(c)(9)*
 23 *(relating to annual valuation) is amended to read as fol-*
 24 *lows:*

25 *“(9) ANNUAL VALUATION.—*

1 “(A) *IN GENERAL.*—*For purposes of this*
2 *section, a determination of experience gains and*
3 *losses and a valuation of the plan’s liability*
4 *shall be made not less frequently than once every*
5 *year, except that such determination shall be*
6 *made more frequently to the extent required in*
7 *particular cases under regulations prescribed by*
8 *the Secretary.*

9 “(B) *VALUATION DATE.*—

10 “(i) *CURRENT YEAR.*—*Except as pro-*
11 *vided in clause (ii), the valuation referred*
12 *to in subparagraph (A) shall be made as of*
13 *a date within the plan year to which the*
14 *valuation refers or within one month prior*
15 *to the beginning of such year.*

16 “(ii) *ELECTION TO USE PRIOR YEAR*
17 *VALUATION.*—*The valuation referred to in*
18 *subparagraph (A) may be made as of a date*
19 *within the plan year prior to the year to*
20 *which the valuation refers if—*

21 “(I) *an election is in effect under*
22 *this clause with respect to the plan,*
23 *and*

24 “(II) *as of such date, the value of*
25 *the assets of the plan are not less than*

1 125 percent of the plan’s current liabil-
2 ity (as defined in paragraph (7)(B)).

3 “(iii) ADJUSTMENTS.—Information
4 under clause (ii) shall, in accordance with
5 regulations, be actuarially adjusted to re-
6 flect significant differences in participants.

7 “(iv) ELECTION.—An election under
8 clause (ii), once made, shall be irrevocable
9 without the consent of the Secretary.”.

10 (b) AMENDMENTS TO ERISA.—Paragraph (9) of sec-
11 tion 302(c) of the Employee Retirement Income Security
12 Act of 1974 (29 U.S.C. 1053(c)) is amended—

13 (1) by inserting “(A)” after “(9)”, and

14 (2) by adding at the end the following:

15 “(B)(i) Except as provided in clause (ii), if, for any
16 plan year—

17 “(I) an election is in effect under this subpara-
18 graph with respect to a plan, and

19 “(II) the assets of the plan are not less than 125
20 percent of the plan’s current liability (as defined in
21 paragraph (7)(B)), determined as of the valuation
22 date for the preceding plan year,

23 then this section shall be applied using the information
24 available as of such valuation date.

1 “(I) payable as provided in clause
2 (i) or (ii), or

3 “(II) paid to the plan and rein-
4 vested in qualifying employer securi-
5 ties, or”.

6 (b) *EFFECTIVE DATE.*—*The amendments made by this*
7 *section shall apply to taxable years beginning after Decem-*
8 *ber 31, 2000.*

9 **SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CER-**
10 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

11 (a) *IN GENERAL.*—*Paragraph (4) of section 1114(c)*
12 *of the Tax Reform Act of 1986 is hereby repealed.*

13 (b) *EFFECTIVE DATE.*—*The repeal made by subsection*
14 *(a) shall apply to plan years beginning after December 31,*
15 *2000.*

16 **SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

17 (a) *IN GENERAL.*—*The Secretary of the Treasury shall*
18 *modify Treasury Regulations section 1.410(b)–6(g) to pro-*
19 *vide that employees of an organization described in section*
20 *403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who*
21 *are eligible to make contributions under section 403(b) of*
22 *such Code pursuant to a salary reduction agreement may*
23 *be treated as excludable with respect to a plan under section*
24 *401(k) or (m) of such Code that is provided under the same*

1 *general arrangement as a plan under such section 401(k),*
2 *if—*

3 *(1) no employee of an organization described in*
4 *section 403(b)(1)(A)(i) of such Code is eligible to par-*
5 *ticipate in such section 401(k) plan or section 401(m)*
6 *plan; and*

7 *(2) 95 percent of the employees who are not em-*
8 *ployees of an organization described in section*
9 *403(b)(1)(A)(i) of such Code are eligible to partici-*
10 *pate in such plan under such section 401(k) or (m).*

11 *(b) EFFECTIVE DATE.—The modification required by*
12 *subsection (a) shall apply as of the same date set forth in*
13 *section 1426(b) of the Small Business Job Protection Act*
14 *of 1996.*

15 **SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-**
16 **PROVIDED RETIREMENT ADVICE.**

17 *(a) IN GENERAL.—Subsection (a) of section 132 (relat-*
18 *ing to exclusion from gross income) is amended by striking*
19 *“or” at the end of paragraph (5), by striking the period*
20 *at the end of paragraph (6) and inserting “, or”, and by*
21 *adding at the end the following new paragraph:*

22 *“(7) qualified retirement planning services.”.*

23 *(b) QUALIFIED RETIREMENT PLANNING SERVICES DE-*
24 *FINED.—Section 132 is amended by redesignating sub-*

1 *section (m) as subsection (n) and by inserting after sub-*
2 *section (l) the following:*

3 “(m) *QUALIFIED RETIREMENT PLANNING SERV-*
4 *ICES.—*

5 “(1) *IN GENERAL.—For purposes of this section,*
6 *the term ‘qualified retirement planning services’*
7 *means any retirement planning advice or informa-*
8 *tion provided to an employee and his spouse by an*
9 *employer maintaining a qualified employer plan.*

10 “(2) *NONDISCRIMINATION RULE.—Subsection*
11 *(a)(7) shall apply in the case of highly compensated*
12 *employees only if such services are available on sub-*
13 *stantially the same terms to each member of the group*
14 *of employees normally provided education and infor-*
15 *mation regarding the employer’s qualified employer*
16 *plan.*

17 “(3) *QUALIFIED EMPLOYER PLAN.—For purposes*
18 *of this subsection, the term ‘qualified employer plan’*
19 *means a plan, contract, pension, or account described*
20 *in section 219(g)(5).”.*

21 “(c) *EFFECTIVE DATE.—The amendments made by this*
22 *section shall apply to years beginning after December 31,*
23 *2000.*

1 **SEC. 606. REPORTING SIMPLIFICATION.**

2 (a) *SIMPLIFIED ANNUAL FILING REQUIREMENT FOR*
3 *OWNERS AND THEIR SPOUSES.—*

4 (1) *IN GENERAL.—The Secretary of the Treasury*
5 *shall modify the requirements for filing annual re-*
6 *turns with respect to one-participant retirement plans*
7 *to ensure that such plans with assets of \$250,000 or*
8 *less as of the close of the plan year need not file a*
9 *return for that year.*

10 (2) *ONE-PARTICIPANT RETIREMENT PLAN DE-*
11 *FINED.—For purposes of this subsection, the term*
12 *“one-participant retirement plan” means a retire-*
13 *ment plan that—*

14 (A) *on the first day of the plan year—*

15 (i) *covered only the employer (and the*
16 *employer’s spouse) and the employer owned*
17 *the entire business (whether or not incor-*
18 *porated); or*

19 (ii) *covered only one or more partners*
20 *(and their spouses) in a business partner-*
21 *ship (including partners in an S or C cor-*
22 *poration);*

23 (B) *meets the minimum coverage require-*
24 *ments of section 410(b) of the Internal Revenue*
25 *Code of 1986 without being combined with any*

1 *other plan of the business that covers the employ-*
2 *ees of the business;*

3 *(C) does not provide benefits to anyone ex-*
4 *cept the employer (and the employer's spouse) or*
5 *the partners (and their spouses);*

6 *(D) does not cover a business that is a*
7 *member of an affiliated service group, a con-*
8 *trolled group of corporations, or a group of busi-*
9 *nesses under common control; and*

10 *(E) does not cover a business that leases em-*
11 *ployees.*

12 *(3) OTHER DEFINITIONS.—Terms used in para-*
13 *graph (2) which are also used in section 414 of the*
14 *Internal Revenue Code of 1986 shall have the respec-*
15 *tive meanings given such terms by such section.*

16 *(b) EFFECTIVE DATE.—The provisions of this section*
17 *shall take effect on January 1, 2001.*

18 **SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**
19 **ANCE RESOLUTION SYSTEM.**

20 *The Secretary of the Treasury shall continue to update*
21 *and improve the Employee Plans Compliance Resolution*
22 *System (or any successor program) giving special attention*
23 *to—*

1 (1) *increasing the awareness and knowledge of*
2 *small employers concerning the availability and use*
3 *of the program;*

4 (2) *taking into account special concerns and cir-*
5 *cumstances that small employers face with respect to*
6 *compliance and correction of compliance failures;*

7 (3) *extending the duration of the self-correction*
8 *period under the Administrative Policy Regarding*
9 *Self-Correction for significant compliance failures;*

10 (4) *expanding the availability to correct insig-*
11 *nificant compliance failures under the Administrative*
12 *Policy Regarding Self-Correction during audit; and*

13 (5) *assuring that any tax, penalty, or sanction*
14 *that is imposed by reason of a compliance failure is*
15 *not excessive and bears a reasonable relationship to*
16 *the nature, extent, and severity of the failure.*

17 **SEC. 608. REPEAL OF THE MULTIPLE USE TEST.**

18 (a) *IN GENERAL.*—*Paragraph (9) of section 401(m) is*
19 *amended to read as follows:*

20 “(9) *REGULATIONS.*—*The Secretary shall pre-*
21 *scribe such regulations as may be necessary to carry*
22 *out the purposes of this subsection and subsection (k),*
23 *including regulations permitting appropriate aggre-*
24 *gation of plans and contributions.”.*

1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
2 *section shall apply to years beginning after December 31,*
3 *2000.*

4 **SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COV-**
5 **ERAGE, AND LINE OF BUSINESS RULES.**

6 (a) *NONDISCRIMINATION.*—

7 (1) *IN GENERAL.*—*The Secretary of the Treasury*
8 *shall, by regulation, provide that a plan shall be*
9 *deemed to satisfy the requirements of section*
10 *401(a)(4) of the Internal Revenue Code of 1986 if*
11 *such plan satisfies the facts and circumstances test*
12 *under section 401(a)(4) of such Code, as in effect be-*
13 *fore January 1, 1994, but only if—*

14 (A) *the plan satisfies conditions prescribed*
15 *by the Secretary to appropriately limit the*
16 *availability of such test; and*

17 (B) *the plan is submitted to the Secretary*
18 *for a determination of whether it satisfies such*
19 *test.*

20 *Subparagraph (B) shall only apply to the extent pro-*
21 *vided by the Secretary.*

22 (2) *EFFECTIVE DATES.*—

23 (A) *REGULATIONS.*—*The regulation re-*
24 *quired by paragraph (1) shall apply to years be-*
25 *ginning after December 31, 2001.*

1 (B) *CONDITIONS OF AVAILABILITY.*—Any
2 condition of availability prescribed by the Sec-
3 retary under paragraph (1)(A) shall not apply
4 before the first year beginning not less than 120
5 days after the date on which such condition is
6 prescribed.

7 (b) *COVERAGE TEST.*—

8 (1) *IN GENERAL.*—Section 410(b)(1) (relating to
9 minimum coverage requirements) is amended by add-
10 ing at the end the following:

11 “(D) In the case that the plan fails to meet
12 the requirements of subparagraphs (A), (B) and
13 (C), the plan—

14 “(i) satisfies subparagraph (B), as in
15 effect immediately before the enactment of
16 the Tax Reform Act of 1986,

17 “(ii) is submitted to the Secretary for
18 a determination of whether it satisfies the
19 requirement described in clause (i), and

20 “(iii) satisfies conditions prescribed by
21 the Secretary by regulation that appro-
22 priately limit the availability of this sub-
23 paragraph.

24 Clause (ii) shall apply only to the extent pro-
25 vided by the Secretary.”.

1 (2) *EFFECTIVE DATES.*—

2 (A) *IN GENERAL.*—*The amendment made*
3 *by paragraph (1) shall apply to years beginning*
4 *after December 31, 2001.*

5 (B) *CONDITIONS OF AVAILABILITY.*—*Any*
6 *condition of availability prescribed by the Sec-*
7 *retary under regulations prescribed by the Sec-*
8 *retary under section 410(b)(1)(D) of the Internal*
9 *Revenue Code of 1986 shall not apply before the*
10 *first year beginning not less than 120 days after*
11 *the date on which such condition is prescribed.*

12 (c) *LINE OF BUSINESS RULES.*—*The Secretary of the*
13 *Treasury shall, on or before December 31, 2001, modify the*
14 *existing regulations issued under section 414(r) of the Inter-*
15 *nal Revenue Code of 1986 in order to expand (to the extent*
16 *that the Secretary determines appropriate) the ability of*
17 *a pension plan to demonstrate compliance with the line of*
18 *business requirements based upon the facts and cir-*
19 *cumstances surrounding the design and operation of the*
20 *plan, even though the plan is unable to satisfy the mechan-*
21 *ical tests currently used to determine compliance.*

1 **SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF**
2 **MORATORIUM ON APPLICATION OF CERTAIN**
3 **NONDISCRIMINATION RULES APPLICABLE TO**
4 **STATE AND LOCAL PLANS.**

5 (a) *IN GENERAL.*—

6 (1) *Subparagraph (G) of section 401(a)(5) and*
7 *subparagraph (H) of section 401(a)(26) are each*
8 *amended by striking “section 414(d)” and all that*
9 *follows and inserting “section 414(d).”.*

10 (2) *Subparagraph (G) of section 401(k)(3) and*
11 *paragraph (2) of section 1505(d) of the Taxpayer Re-*
12 *lief Act of 1997 are each amended by striking “main-*
13 *tained by a State or local government or political*
14 *subdivision thereof (or agency or instrumentality*
15 *thereof)”.*

16 (b) *CONFORMING AMENDMENTS.*—

17 (1) *The heading for subparagraph (G) of section*
18 *401(a)(5) is amended to read as follows: “GOVERN-*
19 *MENTAL PLANS”.*

20 (2) *The heading for subparagraph (H) of section*
21 *401(a)(26) is amended to read as follows: “EXCEP-*
22 *TION FOR GOVERNMENTAL PLANS”.*

23 (3) *Subparagraph (G) of section 401(k)(3) is*
24 *amended by inserting “GOVERNMENTAL PLANS.—”*
25 *after “(G)”.*

1 (c) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to years beginning after December 31,*
3 *2000.*

4 **SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DIS-**
5 **TRIBUTIONS.**

6 (a) *EXPANSION OF PERIOD.*—

7 (1) *IN GENERAL.*—*Subparagraph (A) of section*
8 *417(a)(6) is amended by striking “90-day” and in-*
9 *serting “180-day”.*

10 (2) *MODIFICATION OF REGULATIONS.*—*The Sec-*
11 *retary of the Treasury shall modify the regulations*
12 *under sections 402(f), 411(a)(11), and 417 of the In-*
13 *ternal Revenue Code of 1986 to substitute “180 days”*
14 *for “90 days” each place it appears in Treasury Reg-*
15 *ulations sections 1.402(f)–1, 1.411(a)–11(c), and*
16 *1.417(e)–1(b).*

17 (3) *EFFECTIVE DATE.*—*The amendment made by*
18 *paragraph (1) and the modifications required by*
19 *paragraph (2) shall apply to years beginning after*
20 *December 31, 2000.*

21 (b) *CONSENT REGULATION INAPPLICABLE TO CERTAIN*
22 *DISTRIBUTIONS.*—

23 (1) *IN GENERAL.*—*The Secretary of the Treasury*
24 *shall modify the regulations under section 411(a)(11)*
25 *of the Internal Revenue Code of 1986 to provide that*

1 *the description of a participant's right, if any, to*
2 *defer receipt of a distribution shall also describe the*
3 *consequences of failing to defer such receipt.*

4 (2) *EFFECTIVE DATE.*—*The modifications re-*
5 *quired by paragraph (1) shall apply to years begin-*
6 *ning after December 31, 2000.*

7 (c) *DISCLOSURE OF OPTIONAL FORMS OF BENE-*
8 *FITS.*—

9 (1) *AMENDMENT OF INTERNAL REVENUE*
10 *CODE.*—*Section 417(a)(3) (relating to plan to provide*
11 *written explanation) is amended by adding at the end*
12 *the following:*

13 “(C) *EXPLANATION OF OPTIONAL FORMS OF*
14 *BENEFITS.*—

15 “(i) *IN GENERAL.*—*If—*

16 “(I) *a plan provides optional*
17 *forms of benefits, and*

18 “(II) *the present values of such*
19 *forms of benefits are not actuarially*
20 *equivalent as of the annuity starting*
21 *date,*

22 *then each written explanation required to be*
23 *provided under subparagraph (A) shall in-*
24 *clude the information described in clause*
25 *(ii).*

1 “(ii) *INFORMATION.*—A plan to which
2 this subparagraph applies shall include suf-
3 ficient information (as determined in ac-
4 cordance with regulations prescribed by the
5 Secretary) to allow the participant to un-
6 derstand the differences in the present val-
7 ues of the optional forms of benefits pro-
8 vided by the plan and the effect the partici-
9 pant’s election as to the form of benefit will
10 have on the value of the benefits available
11 under the plan. Any such information shall
12 be provided in a manner calculated to be
13 reasonably understood by the average plan
14 participant.”

15 (2) *AMENDMENT OF ERISA.*—Section 205(c)(3) of
16 the *Employee Retirement Income Security Act of*
17 1974 (29 U.S.C. 1055(c)(3)) is amended by adding at
18 the end the following:

19 “(C)(i) If—

20 “(I) a plan provides optional forms of benefits,
21 and

22 “(II) the present values of such forms of benefits
23 are not actuarially equivalent as of the annuity start-
24 ing date,

1 *then such plan shall include the information described in*
2 *clause (ii) with each written explanation required to be pro-*
3 *vided under subparagraph (A).*

4 “(ii) *A plan to which this subparagraph applies shall*
5 *include sufficient information (as determined in accordance*
6 *with regulations prescribed by the Secretary of the Treas-*
7 *ury) to allow the participant to understand the differences*
8 *in the present values of the optional forms of benefits pro-*
9 *vided by the plan and the effect the participant’s election*
10 *as to the form of benefit will have on the value of the benefits*
11 *available under the plan. Any such information shall be*
12 *provided in a manner calculated to be reasonably under-*
13 *stood by the average plan participant.”*

14 (3) *EFFECTIVE DATE.—The amendments made*
15 *by this subsection shall apply to years beginning after*
16 *December 31, 2000.*

17 **SEC. 612. ANNUAL REPORT DISSEMINATION.**

18 (a) *IN GENERAL.—Section 104(b)(3) of the Employee*
19 *Retirement Income Security Act of 1974 (29 U.S.C.*
20 *1024(b)(3)) is amended by striking “shall furnish” and in-*
21 *serting “shall make available for examination (and, upon*
22 *request, shall furnish)”.*

23 (b) *EFFECTIVE DATE.—The amendment made by this*
24 *section shall apply to reports for years beginning after De-*
25 *cember 31, 1999.*

1 **SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.**

2 *Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—*

4 *(1) in subsection (a), by striking “2001 and*
5 *2005 on or after September 1 of each year involved”*
6 *and inserting “2001, 2005, and 2009 in the month of*
7 *September of each year involved”;*

8 *(2) in subsection (b), by adding at the end the*
9 *following new sentence: “To effectuate the purposes of*
10 *this paragraph, the Secretary may enter into a coop-*
11 *erative agreement, pursuant to the Federal Grant and*
12 *Cooperative Agreement Act of 1977 (31 U.S.C. 6301*
13 *et seq.), with the American Savings Education Coun-*
14 *cil.”;*

15 *(3) in subsection (e)(2)—*

16 *(A) by striking “Committee on Labor and*
17 *Human Resources” in subparagraph (B) and in-*
18 *serting “Committee on Health, Education,*
19 *Labor, and Pensions”;*

20 *(B) by striking subparagraph (D) and in-*
21 *serting the following:*

22 *“(D) the Chairman and Ranking Member of*
23 *the Subcommittee on Labor, Health and Human*
24 *Services, and Education of the Committee on*
25 *Appropriations of the House of Representatives*
26 *and the Chairman and Ranking Member of the*

1 *Subcommittee on Labor, Health and Human*
2 *Services, and Education of the Committee on*
3 *Appropriations of the Senate;”;*

4 *(C) by redesignating subparagraph (G) as*
5 *subparagraph (J); and*

6 *(D) by inserting after subparagraph (F) the*
7 *following new subparagraphs:*

8 *“(G) the Chairman and Ranking Member of*
9 *the Committee on Finance of the Senate;*

10 *“(H) the Chairman and Ranking Member*
11 *of the Committee on Ways and Means of the*
12 *House of Representatives;*

13 *“(I) the Chairman and Ranking Member of*
14 *the Subcommittee on Employer-Employee Rela-*
15 *tions of the Committee on Education and the*
16 *Workforce of the House of Representatives; and”;*
17 *(4) in subsection (e)(3)(A)—*

18 *(A) by striking “There shall be no more*
19 *than 200 additional participants.” and inserting*
20 *“The participants in the National Summit shall*
21 *also include additional participants appointed*
22 *under this subparagraph.”;*

23 *(B) by striking “one-half shall be appointed*
24 *by the President,” in clause (i) and inserting*
25 *“not more than 100 participants shall be ap-*

1 *pointed under this clause by the President,”*, and
2 *by striking “and” at the end of clause (i);*

3 *(C) by striking “one-half shall be appointed*
4 *by the elected leaders of Congress” in clause (ii)*
5 *and inserting “not more than 100 participants*
6 *shall be appointed under this clause by the elect-*
7 *ed leaders of Congress”, and by striking the pe-*
8 *riod at the end of clause (ii) and inserting “;*
9 *and”; and*

10 *(D) by adding at the end the following new*
11 *clause:*

12 *“(iii) The President, in consultation*
13 *with the elected leaders of Congress referred*
14 *to in subsection (a), may appoint under*
15 *this clause additional participants to the*
16 *National Summit. The number of such ad-*
17 *ditional participants appointed under this*
18 *clause may not exceed the lesser of 3 percent*
19 *of the total number of all additional par-*
20 *ticipants appointed under this paragraph,*
21 *or 10. Such additional participants shall be*
22 *appointed from persons nominated by the*
23 *organization referred to in subsection (b)(2)*
24 *which is made up of private sector busi-*
25 *nesses and associations partnered with Gov-*

1 *ernment entities to promote long term fi-*
2 *nancial security in retirement through sav-*
3 *ings and with which the Secretary is re-*
4 *quired thereunder to consult and cooperate*
5 *and shall not be Federal, State, or local gov-*
6 *ernment employees.”;*

7 *(5) in subsection (e)(3)(B), by striking “January*
8 *31, 1998” in subparagraph (B) and inserting “May*
9 *1, 2001, May 1, 2005, and May 1, 2009, for each of*
10 *the subsequent summits, respectively”;*

11 *(6) in subsection (f)(1)(C), by inserting “, no*
12 *later than 90 days prior to the date of the commence-*
13 *ment of the National Summit,” after “comment” in*
14 *paragraph (1)(C);*

15 *(7) in subsection (g), by inserting “, in consulta-*
16 *tion with the congressional leaders specified in sub-*
17 *section (e)(2),” after “report”;*

18 *(8) in subsection (i)—*

19 *(A) by striking “beginning on or after Octo-*
20 *ber 1, 1997” in paragraph (1) and inserting*
21 *“2001, 2005, and 2009”; and*

22 *(B) by adding at the end the following new*
23 *paragraph:*

24 *“(3) RECEPTION AND REPRESENTATION AUTHOR-*
25 *ITY.—The Secretary is hereby granted reception and*

1 *representation authority limited specifically to the*
2 *events at the National Summit. The Secretary shall*
3 *use any private contributions received in connection*
4 *with the National Summit prior to using funds ap-*
5 *propriated for purposes of the National Summit pur-*
6 *suant to this paragraph.”; and*

7 *(9) in subsection (k)—*

8 *(A) by striking “shall enter into a contract*
9 *on a sole-source basis” and inserting “may enter*
10 *into a contract on a sole-source basis”; and*

11 *(B) by striking “fiscal year 1998” and in-*
12 *serting “fiscal years 2001, 2005, and 2009”.*

13 **SEC. 614. STUDIES.**

14 *(a) REPORT ON PENSION COVERAGE.—Not later than*
15 *5 years after the date of the enactment of this Act, the Sec-*
16 *retary of the Treasury shall submit a report to the Com-*
17 *mittee on Ways and Means of the House of Representatives*
18 *and the Committee on Finance of the Senate a report on*
19 *the effect of the provisions of the Retirement Security and*
20 *Savings Act of 2000 on pension coverage, including—*

21 *(1) any expansion of coverage for low- and mid-*
22 *dle-income workers;*

23 *(2) levels of pension benefits;*

24 *(3) quality of pension coverage;*

1 (4) *worker's access to and participation in*
2 *plans; and*

3 (5) *retirement security.*

4 (b) *STUDY OF PRE-RETIREMENT USE OF BENEFITS.—*

5 (1) *IN GENERAL.—The Secretary of the Treasury*
6 *shall conduct a study of—*

7 (A) *current tax provisions allowing individ-*
8 *uals to access individual retirement plans and*
9 *qualified retirement plan benefits of such indi-*
10 *vidual prior to retirement, including an analysis*
11 *of—*

12 (i) *the extent of use of such current*
13 *provisions by individuals; and*

14 (ii) *the extent to which such provisions*
15 *undermine the goal of accumulating ade-*
16 *quate resources for retirement; and*

17 (B) *the types of investment decisions made*
18 *by individual retirement plan beneficiaries and*
19 *participants in self-directed qualified retirement*
20 *plans, including an analysis of—*

21 (i) *current restrictions on investments;*

22 *and*

23 (ii) *the extent to which additional re-*
24 *strictions on investments would facilitate*

1 *the accumulation of adequate income for re-*
2 *tirement.*

3 (2) *REPORT.*—*Not later than January 1, 2002,*
4 *the Secretary of the Treasury shall submit a report to*
5 *the Committee on Ways and Means of the House of*
6 *Representatives and the Committee on Finance of the*
7 *Senate containing the results of the study conducted*
8 *under paragraph (1) and any recommendations.*

9 **TITLE VII—PLAN AMENDMENTS**

10 **SEC. 701. PROVISIONS RELATING TO PLAN AMENDMENTS.**

11 (a) *IN GENERAL.*—*If this section applies to any plan*
12 *or contract amendment, such plan or contract shall be treat-*
13 *ed as being operated in accordance with the terms of the*
14 *plan during the period described in subsection (b)(2)(A).*

15 (b) *AMENDMENTS TO WHICH SECTION APPLIES.*—

16 (1) *IN GENERAL.*—*This section shall apply to*
17 *any amendment to any plan or annuity contract*
18 *which is made—*

19 (A) *pursuant to any amendment made by*
20 *this Act, or pursuant to any regulation issued*
21 *under this Act, and*

22 (B) *on or before the last day of the first*
23 *plan year beginning on or after January 1,*
24 *2003.*

1 *In the case of a governmental plan (as defined in sec-*
2 *tion 414(d) of the Internal Revenue Code of 1986),*
3 *this paragraph shall be applied by substituting*
4 *“2005” for “2003”.*

5 (2) *CONDITIONS.—This section shall not apply to*
6 *any amendment unless—*

7 (A) *during the period—*

8 (i) *beginning on the date the legislative*
9 *or regulatory amendment described in para-*
10 *graph (1)(A) takes effect (or in the case of*
11 *a plan or contract amendment not required*
12 *by such legislative or regulatory amend-*
13 *ment, the effective date specified by the*
14 *plan); and*

15 (ii) *ending on the date described in*
16 *paragraph (1)(B) (or, if earlier, the date the*
17 *plan or contract amendment is adopted),*
18 *the plan or contract is operated as if such plan*
19 *or contract amendment were in effect; and*

20 (B) *such plan or contract amendment ap-*
21 *plies retroactively for such period.*

1 **TITLE VIII—COMPLIANCE WITH**
2 **BUDGET ACT.**

3 **SEC. 801. COMPLIANCE WITH BUDGET ACT.**

4 *The amendments made by this Act shall not apply to*
5 *any taxable year beginning after December 31, 2004.*

 Amend the title so as to read: “An Act to provide
for reconciliation pursuant to section 104(2) of the con-
current resolution on the budget for fiscal year 2001.”.

Calendar No. 802

106TH CONGRESS
2D SESSION

H. R. 1102

[Report No. 106-411]

AN ACT

To provide for pension reform, and for other
purposes.

SEPTEMBER 13, 2000

Reported with an amendment and an amendment to the
title