

106TH CONGRESS
1ST SESSION

H. R. 2553

To amend the Internal Revenue Code of 1986 to allow certain individuals a credit against income tax for elective deferrals and IRA contributions.

IN THE HOUSE OF REPRESENTATIVES

JULY 19, 1999

Mr. POMEROY (for himself, Mr. FROST, Mr. PAUL, Ms. LEE, and Mrs. CHRISTENSEN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow certain individuals a credit against income tax for elective deferrals and IRA contributions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Family Investment Re-
5 tirement Savings Tax (FIRST) Credit Act of 1999”.

6 **SEC. 2. CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE**
7 **DEFERRALS AND IRA CONTRIBUTIONS.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to nonrefundable personal credits) is
2 amended by inserting after section 25A the following new
3 section:

4 **“SEC. 25B. ELECTIVE DEFERRALS AND IRA CONTRIBU-**
5 **TIONS BY CERTAIN INDIVIDUALS.**

6 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
7 dividual, there shall be allowed as a credit against the tax
8 imposed by this chapter for the taxable year an amount
9 equal to 50 percent of—

10 “(1) the amount allowed as a deduction under
11 section 219 for such taxable year, and

12 “(2) the amount of the elective deferrals (as de-
13 fined in section 402(g)(3)) for such taxable year.

14 “(b) MAXIMUM CREDIT.—The credit allowed by sub-
15 section (a) for any taxable year shall not exceed \$1,000
16 with respect to each individual.

17 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-
18 COME.—

19 “(1) IN GENERAL.—The amount of the credit
20 which would (but for this subsection) be allowed
21 under subsection (a) for the taxable year shall be re-
22 duced (but not below zero) by an amount which
23 bears the same ratio to such amount of credit as—

24 “(A) the excess of—

1 “(i) the taxpayer’s adjusted gross in-
2 come for such taxable year, over

3 “(ii) the applicable dollar amount,
4 bears to

5 “(B) \$10,000.

6 “(2) ROUNDING.—Any amount determined
7 under this subsection which is not a multiple of \$10
8 shall be rounded to the next lowest \$10.

9 “(3) APPLICABLE DOLLAR AMOUNT.—For pur-
10 poses of this subsection, the term ‘applicable dollar
11 amount’ means—

12 “(A) in the case of a taxpayer filing a joint
13 return, \$51,000,

14 “(B) in the case of any other taxpayer
15 (other than a married individual filing a sepa-
16 rate return), \$31,000, and

17 “(C) in the case of a married individual fil-
18 ing a separate return, zero.

19 A husband and wife who file separate returns for
20 any taxable year and live apart at all times during
21 such taxable year shall not be treated as married in-
22 dividuals for purposes of this paragraph.

23 “(d) SPECIAL RULES.—

24 “(1) COORDINATION WITH DEDUCTION AND EX-
25 CLUSION.—Nothing in this section shall be con-

1 strued to deny any deduction or exclusion otherwise
2 allowable for any amount taken into account under
3 subsection (a).

4 “(2) ANTI-CHURNING RULE.—

5 “(A) IN GENERAL.—If any amount—

6 “(i) is paid into an individual retire-
7 ment plan or defined contribution plan of
8 the taxpayer or the taxpayer’s spouse, and

9 “(ii) is taken into account in deter-
10 mining the amount of credit allowed under
11 this section,

12 then, with respect to distributions from any
13 such plan during the increased penalty period,
14 paragraph (1) of section 72(t) shall be applied
15 by substituting ‘60 percent’ for ‘10 percent’ and
16 subparagraphs (B), (D), (E), and (F) of section
17 72(t)(2) shall not apply.

18 “(B) EXCEPTIONS.—

19 “(i) IN GENERAL.—Subparagraph (A)
20 shall not apply to any distribution during
21 the increased penalty period to the extent
22 that such distribution, when increased by
23 prior distributions from the plans referred
24 to in subparagraph (A) during such period,
25 exceed the aggregate amount paid into

1 such plans which was taken into account in
2 determining the amount of credit allowed
3 under this section.

4 “(ii) HARDSHIP DISTRIBUTIONS.—
5 Subparagraph (A) shall not apply to dis-
6 tribution upon the hardship of the bene-
7 ficiary.

8 “(C) AGGREGATE OF PLANS.—For pur-
9 poses of this paragraph, all individual retire-
10 ment plans and defined contribution plans of an
11 individual and the spouse of such individual
12 shall be treated as 1 plan.

13 “(D) INCREASED PENALTY PERIOD.—For
14 purposes of subparagraph (A), the increased
15 penalty period is the 5-taxable year period be-
16 ginning with the first taxable year for which
17 any amount is described in clauses (i) and (ii)
18 of subparagraph (A).

19 “(e) ELECTION NOT TO CLAIM CREDIT.—This sec-
20 tion (other than subsection (d)(2)) shall not apply to any
21 taxable year if the individual elects not to have this section
22 apply.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for such subpart A is amended by inserting after the item
25 relating to section 25A the following new item:

“Sec. 25B. Elective deferrals and IRA contributions by certain individuals.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

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