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106TH CONGRESS
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H. R. 5203

IN THE SENATE OF THE UNITED STATES

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AN ACT

To provide for reconciliation pursuant to sections 103(a)(2), 103(b)(2), and 213(b)(2)(C) of the concurrent resolution on the budget for fiscal year 2001 to reduce the public debt and to decrease the statutory limit on the public debt, and to amend the Internal Revenue Code of 1986 to provide for retirement security.

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, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
 5 “Debt Relief and Retirement Security Reconciliation Act”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of
 7 this Act is as follows:

Sec. 1. Short title, etc.

DIVISION A—DEBT RELIEF

Sec. 100. Findings and purpose.

TITLE I—DEBT REDUCTION LOCK-BOX

Sec. 101. Establishment of Public Debt Reduction Payment Account.

Sec. 102. Reduction of statutory limit on the public debt.

Sec. 103. Off-budget status of Public Debt Reduction Payment Account.

Sec. 104. Removing Public Debt Reduction Payment Account from budget pro-
 nouncements.

Sec. 105. Reports to Congress.

TITLE II—SOCIAL SECURITY AND MEDICARE LOCK-BOX

Sec. 201. Protection of Social Security and Medicare surpluses.

Sec. 202. Removing Social Security from budget pronouncements.

DIVISION B—RETIREMENT SECURITY

TITLE XI—INDIVIDUAL RETIREMENT ACCOUNTS

Sec. 1100. References.

Sec. 1101. Modification of IRA contribution limits.

TITLE XII—EXPANDING COVERAGE

Sec. 1201. Increase in benefit and contribution limits.

Sec. 1202. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 1203. Modification of top-heavy rules.

Sec. 1204. Elective deferrals not taken into account for purposes of deduction
 limits.

Sec. 1205. Repeal of coordination requirements for deferred compensation plans
 of State and local governments and tax-exempt organizations.

Sec. 1206. Elimination of user fee for requests to irs regarding pension plans.

Sec. 1207. Deduction limits.

Sec. 1208. Option to treat elective deferrals as after-tax contributions.

TITLE XIII—ENHANCING FAIRNESS FOR WOMEN

Sec. 1301. Catch-up contributions for individuals age 50 or over.

- Sec. 1302. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 1303. Faster vesting of certain employer matching contributions.
- Sec. 1304. Simplify and update the minimum distribution rules.
- Sec. 1305. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
- Sec. 1306. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.

TITLE XIV—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 1401. Rollovers allowed among various types of plans.
- Sec. 1402. Rollovers of IRAs into workplace retirement plans.
- Sec. 1403. Rollovers of after-tax contributions.
- Sec. 1404. Hardship exception to 60-day rule.
- Sec. 1405. Treatment of forms of distribution.
- Sec. 1406. Rationalization of restrictions on distributions.
- Sec. 1407. Purchase of service credit in governmental defined benefit plans.
- Sec. 1408. Employers may disregard rollovers for purposes of cash-out amounts.
- Sec. 1409. Minimum distribution and inclusion requirements for section 457 plans.

TITLE XV—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

- Sec. 1501. Repeal of 150 percent of current liability funding limit.
- Sec. 1502. Maximum contribution deduction rules modified and applied to all defined benefit plans.
- Sec. 1503. Excise tax relief for sound pension funding.
- Sec. 1504. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
- Sec. 1505. Treatment of multiemployer plans under section 415.
- Sec. 1506. Prohibited allocations of stock in S corporation ESOP.

TITLE XVI—REDUCING REGULATORY BURDENS

- Sec. 1601. Modification of timing of plan valuations.
- Sec. 1602. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 1603. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 1604. Employees of tax-exempt entities.
- Sec. 1605. Clarification of treatment of employer-provided retirement advice.
- Sec. 1606. Reporting simplification.
- Sec. 1607. Improvement of employee plans compliance resolution system.
- Sec. 1608. Repeal of the multiple use test.
- Sec. 1609. Flexibility in nondiscrimination, coverage, and line of business rules.
- Sec. 1610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
- Sec. 1611. Notice and consent period regarding distributions.

TITLE XVII—PLAN AMENDMENTS

- Sec. 1701. Provisions relating to plan amendments.

1 **DIVISION A—DEBT RELIEF**

2 **SEC. 100. FINDINGS AND PURPOSE.**

3 (a) FINDINGS.—The Congress finds that—

4 (1) fiscal discipline, resulting from the Bal-
5 anced Budget Act of 1997, and strong economic
6 growth have ended decades of deficit spending and
7 have produced budget surpluses without using the
8 social security surplus;

9 (2) fiscal pressures will mount in the future as
10 the aging of the population increases budget obliga-
11 tions;

12 (3) until Congress and the President agree to
13 legislation that saves social security and medicare,
14 the social security and medicare surpluses should be
15 used to reduce the debt held by the public;

16 (4) until Congress and the President agree on
17 significant tax reductions, amounts dedicated for
18 that purpose shall be used to reduce the debt held
19 by the public;

20 (5) strengthening the Government’s fiscal posi-
21 tion through public debt reduction increases national
22 savings, promotes economic growth, reduces interest
23 costs, and is a constructive way to prepare for the
24 Government’s future budget obligations; and

1 (6) it is fiscally responsible and in the long-
2 term national economic interest to use a portion of
3 the nonsocial security and nonmedicare surpluses to
4 reduce the debt held by the public.

5 (b) PURPOSE.—It is the purpose of this division to—

6 (1) reduce the debt held by the public by
7 \$240,000,000,000 in fiscal year 2001 with the goal
8 of eliminating this debt by 2012;

9 (2) decrease the statutory limit on the public
10 debt; and

11 (3) ensure that the social security and hospital
12 insurance trust funds shall not be used for other
13 purposes.

14 **TITLE I—DEBT REDUCTION**
15 **LOCK-BOX**

16 **SEC. 101. ESTABLISHMENT OF PUBLIC DEBT REDUCTION**
17 **PAYMENT ACCOUNT.**

18 (a) IN GENERAL.—Subchapter I of chapter 31 of title
19 31, United States Code, is amended by adding at the end
20 the following new section:

21 **“§ 3114. Public debt reduction payment account**

22 “(a) There is established in the Treasury of the
23 United States an account to be known as the Public Debt
24 Reduction Payment Account (hereinafter in this section
25 referred to as the ‘account’).

1 “(b) The Secretary of the Treasury shall use amounts
2 in the account to pay at maturity, or to redeem or buy
3 before maturity, any obligation of the Government held
4 by the public and included in the public debt. Any obliga-
5 tion which is paid, redeemed, or bought with amounts
6 from the account shall be canceled and retired and may
7 not be reissued. Amounts deposited in the account are ap-
8 propriated and may only be expended to carry out this
9 section.

10 “(c) There is hereby appropriated into the account
11 on October 1, 2000, or the date of enactment of this sec-
12 tion, whichever is later, out of any money in the Treasury
13 not otherwise appropriated, \$42,000,000,000 for the fiscal
14 year ending September 30, 2001. The funds appropriated
15 to this account shall remain available until expended.

16 “(d) The appropriation made under subsection (c)
17 shall not be considered direct spending for purposes of sec-
18 tion 252 of Balanced Budget and Emergency Deficit Con-
19 trol Act of 1985.

20 “(e) Establishment of and appropriations to the ac-
21 count shall not affect trust fund transfers that may be
22 authorized under any other provision of law.

23 “(f) The Secretary of the Treasury and the Director
24 of the Office of Management and Budget shall each take
25 such actions as may be necessary to promptly carry out

1 this section in accordance with sound debt management
2 policies.

3 “(g) Reducing the debt pursuant to this section shall
4 not interfere with the debt management policies or goals
5 of the Secretary of the Treasury.”

6 (b) CONFORMING AMENDMENT.—The chapter anal-
7 ysis for chapter 31 of title 31, United States Code, is
8 amended by inserting after the item relating to section
9 3113 the following:

“3114. Public debt reduction payment account.”

10 **SEC. 102. REDUCTION OF STATUTORY LIMIT ON THE PUB-**
11 **LIC DEBT.**

12 Section 3101(b) of title 31, United States Code, is
13 amended by inserting “minus the amount appropriated
14 into the Public Debt Reduction Payment Account pursu-
15 ant to section 3114(c)” after “\$5,950,000,000,000”.

16 **SEC. 103. OFF-BUDGET STATUS OF PUBLIC DEBT REDUC-**
17 **TION PAYMENT ACCOUNT.**

18 Notwithstanding any other provision of law, the re-
19 ceipts and disbursements of the Public Debt Reduction
20 Payment Account established by section 3114 of title 31,
21 United States Code, shall not be counted as new budget
22 authority, outlays, receipts, or deficit or surplus for pur-
23 poses of—

24 (1) the budget of the United States Govern-
25 ment as submitted by the President,

1 (2) the congressional budget, or

2 (3) the Balanced Budget and Emergency Def-
3 icit Control Act of 1985.

4 **SEC. 104. REMOVING PUBLIC DEBT REDUCTION PAYMENT**
5 **ACCOUNT FROM BUDGET PRONOUNCE-**
6 **MENTS.**

7 (a) IN GENERAL.—Any official statement issued by
8 the Office of Management and Budget, the Congressional
9 Budget Office, or any other agency or instrumentality of
10 the Federal Government of surplus or deficit totals of the
11 budget of the United States Government as submitted by
12 the President or of the surplus or deficit totals of the con-
13 gressional budget, and any description of, or reference to,
14 such totals in any official publication or material issued
15 by either of such Offices or any other such agency or in-
16 strumentality, shall exclude the outlays and receipts of the
17 Public Debt Reduction Payment Account established by
18 section 3114 of title 31, United States Code.

19 (b) SEPARATE PUBLIC DEBT REDUCTION PAYMENT
20 ACCOUNT BUDGET DOCUMENTS.—The excluded outlays
21 and receipts of the Public Debt Reduction Payment Ac-
22 count established by section 3114 of title 31, United
23 States Code, shall be submitted in separate budget docu-
24 ments.

1 **SEC. 105. REPORTS TO CONGRESS.**

2 (a) REPORTS OF THE SECRETARY OF THE TREAS-
3 URY.—(1) Within 30 days after the appropriation is de-
4 posited into the Public Debt Reduction Payment Account
5 under section 3114 of title 31, United States Code, the
6 Secretary of the Treasury shall submit a report to the
7 Committee on Ways and Means of the House of Rep-
8 resentatives and the Committee on Finance of the Senate
9 confirming that such account has been established and the
10 amount and date of such deposit. Such report shall also
11 include a description of the Secretary's plan for using such
12 money to reduce debt held by the public.

13 (2) Not later than October 31, 2002, the Secretary
14 of the Treasury shall submit a report to the Committee
15 on Ways and Means of the House of Representatives and
16 the Committee on Finance of the Senate setting forth the
17 amount of money deposited into the Public Debt Reduc-
18 tion Payment Account, the amount of debt held by the
19 public that was reduced, and a description of the actual
20 debt instruments that were redeemed with such money.

21 (b) REPORT OF THE COMPTROLLER GENERAL OF
22 THE UNITED STATES.—Not later than November 15,
23 2002, the Comptroller General of the United States shall
24 submit a report to the Committee on Ways and Means
25 of the House of Representatives and the Committee on

1 Finance of the Senate verifying all of the information set
2 forth in the reports submitted under subsection (a).

3 **TITLE II—SOCIAL SECURITY AND**
4 **MEDICARE LOCK-BOX**

5 **SEC. 201. PROTECTION OF SOCIAL SECURITY AND MEDI-**
6 **CARE SURPLUSES.**

7 (a) PROTECTION OF SOCIAL SECURITY AND MEDI-
8 CARE SURPLUSES.—Section 201 of the concurrent resolu-
9 tion on the budget for fiscal year 2001 (H. Con. Res. 290,
10 106th Congress) is amended as follows:

11 (1) In the section heading, by inserting “**AND**
12 **MEDICARE**” before “**SURPLUSES**”.

13 (2) By striking subsection (c) and inserting the
14 following new subsection:

15 “(c) LOCK-BOX FOR SOCIAL SECURITY AND HOS-
16 PITAL INSURANCE SURPLUSES.—

17 “(1) CONCURRENT RESOLUTIONS ON THE
18 BUDGET.—It shall not be in order in the House of
19 Representatives or the Senate to consider any con-
20 current resolution on the budget, or conference re-
21 port thereon or amendment thereto, that would set
22 forth a surplus for any fiscal year that is less than
23 the surplus of the Federal Hospital Insurance Trust
24 Fund for that fiscal year.

1 “(2) SUBSEQUENT LEGISLATION.—(A) Except
2 as provided by subparagraph (B), it shall not be in
3 order in the House of Representatives or the Senate
4 to consider any bill, joint resolution, amendment,
5 motion, or conference report if—

6 “(i) the enactment of that bill or resolution
7 as reported;

8 “(ii) the adoption and enactment of that
9 amendment; or

10 “(iii) the enactment of that bill or resolu-
11 tion in the form recommended in that con-
12 ference report,

13 would cause the on-budget surplus for any fiscal
14 year to be less than the projected surplus of the
15 Federal Hospital Insurance Trust Fund (as assumed
16 in the most recently agreed to concurrent resolution
17 on the budget) for that fiscal year or increase the
18 amount by which the on-budget surplus for any fis-
19 cal year would be less than such trust fund surplus
20 for that fiscal year.

21 “(B) Subparagraph (A) shall not apply to social
22 security reform legislation or medicare reform legis-
23 lation.”.

1 (3) By redesignating subsections (e) and (f) as
2 subsections (g) and (h), respectively, and inserting
3 after subsection (d) the following new subsections:

4 “(e) CONTENT OF CONCURRENT RESOLUTION ON
5 THE BUDGET.—The concurrent resolution on the budget
6 for each fiscal year shall set forth appropriate levels for
7 the fiscal year beginning on October 1 of such year and
8 for at least each of the 4 ensuing fiscal years of the sur-
9 plus or deficit in the Federal Hospital Insurance Trust
10 Fund.

11 “(f) DEFINITIONS.—As used in this section:

12 “(1) The term ‘medicare reform legislation’
13 means a bill or a joint resolution to save Medicare
14 that includes a provision stating the following: ‘For
15 purposes of section 201(c) of the concurrent resolu-
16 tion on the budget for fiscal year 2001, this Act con-
17 stitutes medicare reform legislation.’.

18 “(2) The term ‘social security reform legisla-
19 tion’ means a bill or a joint resolution to save social
20 security that includes a provision stating the fol-
21 lowing: ‘For purposes of section 201(c) of the con-
22 current resolution on the budget for fiscal year
23 2001, this Act constitutes social security reform leg-
24 islation.’.”.

1 (4) In the first sentence of subsection (h) (as
2 redesignated), by striking “(1)”.

3 (5) At the end, by adding the following new
4 subsection:

5 “(i) EFFECTIVE DATE.—This section shall cease to
6 have any force or effect upon the enactment of social secu-
7 rity reform legislation and medicare reform legislation.”.

8 (b) PROTECTION OF SOCIAL SECURITY AND MEDI-
9 CARE SURPLUSES.—(1) If the budget of the United States
10 Government submitted by the President under section
11 1105(a) of title 31, United States Code, recommends an
12 on-budget surplus for any fiscal year that is less than the
13 surplus of the Federal Hospital Insurance Trust Fund for
14 that fiscal year, then it shall include proposed legislative
15 language for social security reform legislation or medicare
16 reform legislation.

17 (2) Paragraph (1) shall cease to have any force or
18 effect upon the enactment of social security reform legisla-
19 tion and medicare reform legislation as defined by section
20 201(g) of the concurrent resolution on the budget for fis-
21 cal year 2001 (H. Con. Res 290, 106th Congress).

22 (c) CONFORMING AMENDMENT.—The item relating
23 to section 201 in the table of contents set forth in section
24 1(b) of the concurrent resolution on the budget for fiscal

1 year 2001 (H. Con. Res 290, 106th Congress) is amended
2 to read as follows:

“Sec. 201. Protection of social security and medicare surpluses.”.

3 **SEC. 202. REMOVING SOCIAL SECURITY FROM BUDGET**
4 **PRONOUNCEMENTS.**

5 (a) IN GENERAL.—Any official statement issued by
6 the Office of Management and Budget, the Congressional
7 Budget Office, or any other agency or instrumentality of
8 the Federal Government of surplus or deficit totals of the
9 budget of the United States Government as submitted by
10 the President or of the surplus or deficit totals of the con-
11 gressional budget, and any description of, or reference to,
12 such totals in any official publication or material issued
13 by either of such Offices or any other such agency or in-
14 strumentality, shall exclude the outlays and receipts of the
15 old-age, survivors, and disability insurance program under
16 title II of the Social Security Act (including the Federal
17 Old-Age and Survivors Insurance Trust Fund and the
18 Federal Disability Insurance Trust Fund) and the related
19 provisions of the Internal Revenue Code of 1986.

20 (b) SEPARATE SOCIAL SECURITY BUDGET DOCU-
21 MENTS.—The excluded outlays and receipts of the old-age,
22 survivors, and disability insurance program under title II
23 of the Social Security Act shall be submitted in separate
24 Social Security budget documents.

1 **DIVISION B—RETIREMENT**
2 **SECURITY**
3 **TITLE XI—INDIVIDUAL**
4 **RETIREMENT ACCOUNTS**

5 **SEC. 1100. REFERENCES.**

6 Except as otherwise expressly provided, whenever in
7 this division an amendment or repeal is expressed in terms
8 of an amendment to, or repeal of, a section or other provi-
9 sion, the reference shall be considered to be made to a
10 section or other provision of the Internal Revenue Code
11 of 1986.

12 **SEC. 1101. MODIFICATION OF IRA CONTRIBUTION LIMITS.**

13 (a) INCREASE IN CONTRIBUTION LIMIT.—

14 (1) IN GENERAL.—Paragraph (1)(A) of section
15 219(b) (relating to maximum amount of deduction)
16 is amended by striking “\$2,000” and inserting “the
17 deductible amount”.

18 (2) DEDUCTIBLE AMOUNT.—Section 219(b) is
19 amended by adding at the end the following new
20 paragraph:

21 “(5) DEDUCTIBLE AMOUNT.—For purposes of
22 paragraph (1)(A)—

23 “(A) IN GENERAL.—The deductible
24 amount shall be determined in accordance with
25 the following 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
4 the close of the taxable year, the deductible
5 amount for taxable years beginning in 2001 or
6 2002 shall be \$5,000.

7 “(C) COST-OF-LIVING ADJUSTMENT.—

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

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

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

22 “(ii) ROUNDING RULES.—If any
23 amount after adjustment under clause (i)

1 is not a multiple of \$500, such amount
2 shall be rounded to the next lower multiple
3 of \$500.”.

4 (b) CONFORMING AMENDMENTS.—

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

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

13 (3) Section 408(b) is amended by striking
14 “\$2,000” in the matter following paragraph (4) and
15 inserting “the dollar amount in effect under section
16 219(b)(1)(A)”.

17 (4) Section 408(j) is amended by striking
18 “\$2,000”.

19 (5) Section 408(p)(8) is amended by striking
20 “\$2,000” and inserting “the dollar amount in effect
21 under section 219(b)(1)(A)”.

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

1 **TITLE XII—EXPANDING**
2 **COVERAGE**

3 **SEC. 1201. INCREASE IN BENEFIT AND CONTRIBUTION**
4 **LIMITS.**

5 (a) **DEFINED BENEFIT PLANS.—**

6 (1) **DOLLAR LIMIT.—**

7 (A) Subparagraph (A) of section 415(b)(1)
8 (relating to limitation for defined benefit plans)
9 is amended by striking “\$90,000” and inserting
10 “\$160,000”.

11 (B) Subparagraphs (C) and (D) of section
12 415(b)(2) are each amended by striking
13 “\$90,000” each place it appears in the head-
14 ings and the text and inserting “\$160,000”.

15 (C) Paragraph (7) of section 415(b) (relat-
16 ing to benefits under certain collectively bar-
17 gained plans) is amended by striking “the
18 greater of \$68,212 or one-half the amount oth-
19 erwise applicable for such year under paragraph
20 (1)(A) for ‘\$90,000’” and inserting “one-half
21 the amount otherwise applicable for such year
22 under paragraph (1)(A) for ‘\$160,000’”.

23 (2) **LIMIT REDUCED WHEN BENEFIT BEGINS**
24 **BEFORE AGE 62.—**Subparagraph (C) of section
25 415(b)(2) is amended by striking “the social security

1 retirement age” each place it appears in the heading
2 and text and inserting “age 62”.

3 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
4 AFTER AGE 65.—Subparagraph (D) of section
5 415(b)(2) is amended by striking “the social security
6 retirement age” each place it appears in the heading
7 and text and inserting “age 65”.

8 (4) COST-OF-LIVING ADJUSTMENTS.—Sub-
9 section (d) of section 415 (related to cost-of-living
10 adjustments) is amended—

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

13 (B) in paragraph (3)(A)—

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

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

18 (5) CONFORMING AMENDMENT.—Section
19 415(b)(2) is amended by striking subparagraph (F).

20 (b) DEFINED CONTRIBUTION PLANS.—

21 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-
22 tion 415(c)(1) (relating to limitation for defined con-
23 tribution plans) is amended by striking “\$30,000”
24 and inserting “\$40,000”.

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

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

6 (B) in paragraph (3)(D)—

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

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

11 (c) QUALIFIED TRUSTS.—

12 (1) COMPENSATION LIMIT.—Sections
13 401(a)(17), 404(l), 408(k), and 505(b)(7) are each
14 amended by striking “\$150,000” each place it ap-
15 pears and inserting “\$200,000”.

16 (2) BASE PERIOD AND ROUNDING OF COST-OF-
17 LIVING ADJUSTMENT.—Subparagraph (B) of section
18 401(a)(17) is amended—

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

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

23 (d) ELECTIVE DEFERRALS.—

1 (1) IN GENERAL.—Paragraph (1) of section
 2 402(g) (relating to limitation on exclusion for elec-
 3 tive deferrals) is amended to read as follows:

4 “(1) IN GENERAL.—

5 “(A) LIMITATION.—Notwithstanding sub-
 6 sections (e)(3) and (h)(1)(B), the elective defer-
 7 rals of any individual for any taxable year shall
 8 be included in such individual’s gross income to
 9 the extent the amount of such deferrals for the
 10 taxable year exceeds the applicable dollar
 11 amount.

12 “(B) APPLICABLE DOLLAR AMOUNT.—For
 13 purposes of subparagraph (A), the applicable
 14 dollar amount shall be the amount determined
 15 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.”.

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

18 “(5) COST-OF-LIVING ADJUSTMENT.—In the
 19 case of taxable years beginning after December 31,
 20 2005, the Secretary shall adjust the \$15,000
 21 amount under paragraph (1)(B) at the same time

1 and in the same manner as under section 415(d),
2 except that the base period shall be the calendar
3 quarter beginning July 1, 2004, and any increase
4 under this paragraph which is not a multiple of
5 \$500 shall be rounded to the next lowest multiple of
6 \$500.”.

7 (3) CONFORMING AMENDMENTS.—

8 (A) Section 402(g) (relating to limitation
9 on exclusion for elective deferrals), as amended
10 by paragraphs (1) and (2), is further amended
11 by striking paragraph (4) and redesignating
12 paragraphs (5), (6), (7), (8), and (9) as para-
13 graphs (4), (5), (6), (7), and (8), respectively.

14 (B) Paragraph (2) of section 457(c) is
15 amended by striking “402(g)(8)(A)(iii)” and in-
16 serting “402(g)(7)(A)(iii)”.

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

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

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

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

4 (B) in subsection (b)(3)(A) by striking
 5 “\$15,000” and inserting “twice the dollar
 6 amount in effect under subsection (b)(2)(A)”.

7 (2) APPLICABLE DOLLAR AMOUNT; COST-OF-
 8 LIVING ADJUSTMENT.—Paragraph (15) of section
 9 457(e) is amended to read as follows:

10 “(15) APPLICABLE DOLLAR AMOUNT.—

11 “(A) IN GENERAL.—The applicable dollar
 12 amount shall be the amount determined in ac-
 13 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.

14 “(B) COST-OF-LIVING ADJUSTMENTS.—In
 15 the case of taxable years beginning after De-
 16 cember 31, 2005, the Secretary shall adjust the
 17 \$15,000 amount specified in the table in sub-
 18 paragraph (A) at the same time and in the
 19 same manner as under section 415(d), except
 20 that the base period shall be the calendar quar-
 21 ter beginning July 1, 2004, and any increase

1 under this paragraph which is not a multiple of
 2 \$500 shall be rounded to the next lowest mul-
 3 tiple of \$500.”.

4 (f) SIMPLE RETIREMENT ACCOUNTS.—

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

10 (2) APPLICABLE DOLLAR AMOUNT.—Subpara-
 11 graph (E) of 408(p)(2) is amended to read as fol-
 12 lows:

13 “(E) APPLICABLE DOLLAR AMOUNT; COST-
 14 OF-LIVING ADJUSTMENT.—

15 “(i) IN GENERAL.—For purposes of
 16 subparagraph (A)(ii), the applicable dollar
 17 amount shall be the amount determined in
 18 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.

19 “(ii) COST-OF-LIVING ADJUSTMENT.—

20 In the case of a year beginning after De-
 21 cember 31, 2004, the Secretary shall ad-
 22 just the \$10,000 amount under clause (i)

1 at the same time and in the same manner
2 as under section 415(d), except that the
3 base period taken into account shall be the
4 calendar quarter beginning July 1, 2003,
5 and any increase under this subparagraph
6 which is not a multiple of \$500 shall be
7 rounded to the next lower multiple of
8 \$500.”.

9 (3) CONFORMING AMENDMENTS.—

10 (A) Clause (I) of section 401(k)(11)(B)(i)
11 is amended by striking “\$6,000” and inserting
12 “the amount in effect under section
13 408(p)(2)(A)(ii)”.

14 (B) Section 401(k)(11) is amended by
15 striking subparagraph (E).

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

18 Paragraph (4) of section 415(d) is amended to read as
19 follows:

20 “(4) ROUNDING.—

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

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

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

5 (B) by striking clause (i) and inserting the
6 following:

7 “(i) an officer of the employer having
8 an annual compensation greater than
9 \$150,000,”;

10 (C) by striking clause (ii) and redesignig-
11 nating clauses (iii) and (iv) as clauses (ii) and
12 (iii), respectively; and

13 (D) by striking the second sentence in the
14 matter following clause (iii), as redesignated by
15 subparagraph (C).

16 (2) CONFORMING AMENDMENT.—Section
17 416(i)(1)(B)(iii) is amended by striking “and sub-
18 paragraph (A)(ii)”.

19 (b) MATCHING CONTRIBUTIONS TAKEN INTO AC-
20 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—

21 Section 416(c)(2)(A) (relating to defined contribution
22 plans) is amended by adding at the end the following:

23 “Employer matching contributions (as defined in section
24 401(m)(4)(A)) shall be taken into account for purposes
25 of this subparagraph.”.

1 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE
2 DETERMINATION DATE TAKEN INTO ACCOUNT.—

3 (1) IN GENERAL.—Paragraph (3) of section
4 416(g) is amended to read as follows:

5 “(3) DISTRIBUTIONS DURING LAST YEAR BE-
6 FORE DETERMINATION DATE TAKEN INTO AC-
7 COUNT.—

8 “(A) IN GENERAL.—For purposes of
9 determining—

10 “(i) the present value of the cumu-
11 lative accrued benefit for any employee, or

12 “(ii) the amount of the account of any
13 employee,

14 such present value or amount shall be increased
15 by the aggregate distributions made with re-
16 spect to such employee under the plan during
17 the 1-year period ending on the determination
18 date. The preceding sentence shall also apply to
19 distributions under a terminated plan which if
20 it had not been terminated would have been re-
21 quired to be included in an aggregation group.

22 “(B) 5-YEAR PERIOD IN CASE OF IN-SERV-
23 ICE DISTRIBUTION.—In the case of any dis-
24 tribution made for a reason other than separa-
25 tion from service, death, or disability, subpara-

1 graph (A) shall be applied by substituting ‘5-
2 year period’ for ‘1-year period’.”.

3 (2) BENEFITS NOT TAKEN INTO ACCOUNT.—
4 Subparagraph (E) of section 416(g)(4) is
5 amended—

6 (A) by striking “LAST 5 YEARS” in the
7 heading and inserting “LAST YEAR BEFORE DE-
8 TERMINATION DATE”; and

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

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

15 “(H) CASH OR DEFERRED ARRANGEMENTS
16 USING ALTERNATIVE METHODS OF MEETING
17 NONDISCRIMINATION REQUIREMENTS.—The
18 term ‘top-heavy plan’ shall not include a plan
19 which consists solely of—

20 “(i) a cash or deferred arrangement
21 which meets the requirements of section
22 401(k)(12), and

23 “(ii) matching contributions with re-
24 spect to which the requirements of section
25 401(m)(11) are met.

1 If, but for this subparagraph, a plan would be
2 treated as a top-heavy plan because it is a
3 member of an aggregation group which is a top-
4 heavy group, contributions under the plan may
5 be taken into account in determining whether
6 any other plan in the group meets the require-
7 ments of subsection (c)(2).”.

8 (e) FROZEN PLAN EXEMPT FROM MINIMUM BEN-
9 EFIT REQUIREMENT.—Subparagraph (C) of section
10 416(c)(1) (relating to defined benefit plans) is amended—

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

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

14 “(iii) EXCEPTION FOR FROZEN
15 PLAN.—For purposes of determining an
16 employee’s years of service with the em-
17 ployer, any service with the employer shall
18 be disregarded to the extent that such
19 service occurs during a plan year when the
20 plan benefits (within the meaning of sec-
21 tion 410(b)) no employee or former em-
22 ployee.”.

23 (f) ELIMINATION OF FAMILY ATTRIBUTION.—Sec-
24 tion 416(i)(1)(B) (defining 5-percent owner) is amended
25 by adding at the end the following new clause:

1 “(iv) FAMILY ATTRIBUTION DIS-
2 REGARDED.—Solely for purposes of apply-
3 ing this paragraph (and not for purposes
4 of any provision of this title which incor-
5 porates by reference the definition of a key
6 employee or 5-percent owner under this
7 paragraph), section 318 shall be applied
8 without regard to subsection (a)(1) thereof
9 in determining whether any person is a 5-
10 percent owner.”.

11 (g) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to years beginning after December
13 31, 2000.

14 **SEC. 1204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
15 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
16 **ITS.**

17 (a) IN GENERAL.—Section 404 (relating to deduction
18 for contributions of an employer to an employees’ trust
19 or annuity plan and compensation under a deferred pay-
20 ment plan) is amended by adding at the end the following
21 new subsection:

22 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
23 COUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective
24 deferrals (as defined in section 402(g)(3)) shall not be
25 subject to any limitation contained in paragraph (3), (7),

1 or (9) of subsection (a), and such elective deferrals shall
2 not be taken into account in applying any such limitation
3 to any other contributions.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to years beginning after December
6 31, 2000.

7 **SEC. 1205. REPEAL OF COORDINATION REQUIREMENTS**
8 **FOR DEFERRED COMPENSATION PLANS OF**
9 **STATE AND LOCAL GOVERNMENTS AND TAX-**
10 **EXEMPT ORGANIZATIONS.**

11 (a) IN GENERAL.—Subsection (c) of section 457 (re-
12 lating to deferred compensation plans of State and local
13 governments and tax-exempt organizations), as amended
14 by section 1201, is amended to read as follows:

15 “(c) LIMITATION.—The maximum amount of the
16 compensation of any one individual which may be deferred
17 under subsection (a) during any taxable year shall not ex-
18 ceed the amount in effect under subsection (b)(2)(A) (as
19 modified by any adjustment provided under subsection
20 (b)(3)).”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to years beginning after Decem-
23 ber 31, 2000.

1 **SEC. 1206. ELIMINATION OF USER FEE FOR REQUESTS TO**
2 **IRS REGARDING PENSION PLANS.**

3 (a) **ELIMINATION OF CERTAIN USER FEES.**—The
4 Secretary of the Treasury or the Secretary’s delegate shall
5 not require payment of user fees under the program estab-
6 lished under section 7527 of the Internal Revenue Code
7 of 1986 for requests to the Internal Revenue Service for
8 determination letters with respect to the qualified status
9 of a pension benefit plan maintained solely by one or more
10 eligible employers or any trust which is part of the plan.

11 The preceding sentence shall not apply to any request—

12 (1) made after the fifth plan year the pension
13 benefit plan is in existence; or

14 (2) made by the sponsor of any prototype or
15 similar plan which the sponsor intends to market to
16 participating employers.

17 (b) **PENSION BENEFIT PLAN.**—For purposes of this
18 section, the term “pension benefit plan” means a pension,
19 profit-sharing, stock bonus, annuity, or employee stock
20 ownership plan.

21 (c) **ELIGIBLE EMPLOYER.**—For purposes of this sec-
22 tion, the term “eligible employer” has the same meaning
23 given such term in section 408(p)(2)(C)(i)(I) of the Inter-
24 nal Revenue Code of 1986. The determination of whether
25 an employer is an eligible employer under this section shall

1 be made as of the date of the request described in sub-
2 section (a).

3 (d) EFFECTIVE DATE.—The provisions of this sec-
4 tion shall apply with respect to requests made after De-
5 cember 31, 2000.

6 **SEC. 1207. DEDUCTION LIMITS.**

7 (a) IN GENERAL.—

8 (1) STOCK BONUS AND PROFIT SHARING
9 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)
10 (relating to stock bonus and profit sharing trusts) is
11 amended by striking “15 percent” and inserting “20
12 percent”.

13 (2) COMPENSATION.—Section 404(a) (relating
14 to general rule) is amended by adding at the end the
15 following:

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

22 (b) CONFORMING AMENDMENTS.—

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

1 ter, except that such contribution shall not be ex-
2 cludable from gross income, and

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

7 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—
8 For purposes of this section—

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

15 “(2) SEPARATE ACCOUNTING REQUIRED.—A
16 program shall not be treated as a qualified plus con-
17 tribution program unless the applicable retirement
18 plan—

19 “(A) establishes separate accounts (‘des-
20 ignated plus accounts’) for the designated plus
21 contributions of each employee and any earn-
22 ings properly allocable to the contributions, and

23 “(B) maintains separate recordkeeping
24 with respect to each account.

1 “(c) DEFINITIONS AND RULES RELATING TO DES-
2 IGNATED PLUS CONTRIBUTIONS.—For purposes of this
3 section—

4 “(1) DESIGNATED PLUS CONTRIBUTION.—The
5 term ‘designated plus contribution’ means any elec-
6 tive deferral which—

7 “(A) is excludable from gross income of an
8 employee without regard to this section, and

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

12 “(2) DESIGNATION LIMITS.—The amount of
13 elective deferrals which an employee may designate
14 under paragraph (1) shall not exceed the excess (if
15 any) of—

16 “(A) the maximum amount of elective de-
17 ferrals excludable from gross income of the em-
18 ployee for the taxable year (without regard to
19 this section), over

20 “(B) the aggregate amount of elective de-
21 ferrals of the employee for the taxable year
22 which the employee does not designate under
23 paragraph (1).

24 “(3) ROLLOVER CONTRIBUTIONS.—

1 “(A) IN GENERAL.—A rollover contribu-
2 tion of any payment or distribution from a des-
3 ignated plus account which is otherwise allow-
4 able under this chapter may be made only if the
5 contribution is to—

6 “(i) another designated plus account
7 of the individual from whose account the
8 payment or distribution was made, or

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

10 “(B) COORDINATION WITH LIMIT.—Any
11 rollover contribution to a designated plus ac-
12 count under subparagraph (A) shall not be
13 taken into account for purposes of paragraph
14 (1).

15 “(d) DISTRIBUTION RULES.—For purposes of this
16 title—

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

20 “(2) QUALIFIED DISTRIBUTION.—For purposes
21 of this subsection—

22 “(A) IN GENERAL.—The term ‘qualified
23 distribution’ has the meaning given such term
24 by section 408A(d)(2)(A) (without regard to
25 clause (iv) thereof).

1 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
2 SION PERIOD.—A payment or distribution from
3 a designated plus account shall not be treated
4 as a qualified distribution if such payment or
5 distribution is made within the 5-taxable-year
6 period beginning with the earlier of—

7 “(i) the first taxable year for which
8 the individual made a designated plus con-
9 tribution to any designated plus account
10 established for such individual under the
11 same applicable retirement plan, or

12 “(ii) if a rollover contribution was
13 made to such designated plus account from
14 a designated plus account previously estab-
15 lished for such individual under another
16 applicable retirement plan, the first taxable
17 year for which the individual made a des-
18 ignated plus contribution to such pre-
19 viously established account.

20 “(C) DISTRIBUTIONS OF EXCESS DEFER-
21 RALS AND EARNINGS.—The term ‘qualified dis-
22 tribution’ shall not include any distribution of
23 any excess deferral under section 402(g)(2) and
24 any income on the excess deferral.

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

5 “(e) OTHER DEFINITIONS.—For purposes of this
6 section—

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

9 “(A) an employees’ trust described in sec-
10 tion 401(a) which is exempt from tax under
11 section 501(a), and

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

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

18 (b) EXCESS DEFERRALS.—Section 402(g) (relating
19 to limitation on exclusion for elective deferrals) is
20 amended—

21 (1) by adding at the end of paragraph (1) the
22 following new sentence: “The preceding sentence
23 shall not apply to so much of such excess as does
24 not exceed the designated plus contributions of the
25 individual for the taxable year.”; and

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

4 (c) ROLLOVERS.—Subparagraph (B) of section
5 402(c)(8) is amended by adding at the end the following:

6 “If any portion of an eligible rollover distribu-
7 tion is attributable to payments or distributions
8 from a designated plus account (as defined in
9 section 402A), an eligible retirement plan with
10 respect to such portion shall include only an-
11 other designated plus account and a Roth
12 IRA.”.

13 (d) REPORTING REQUIREMENTS.—

14 (1) W-2 INFORMATION.—Section 6051(a)(8) is
15 amended by inserting “, including the amount of
16 designated plus contributions (as defined in section
17 402A)” before the comma at the end.

18 (2) INFORMATION.—Section 6047 is amended
19 by redesignating subsection (f) as subsection (g) and
20 by inserting after subsection (e) the following new
21 subsection:

22 “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-
23 retary shall require the plan administrator of each applica-
24 ble retirement plan (as defined in section 402A) to make
25 such returns and reports regarding designated plus con-

1 tributions (as so defined) to the Secretary, participants
2 and beneficiaries of the plan, and such other persons as
3 the Secretary may prescribe.”.

4 (e) CONFORMING AMENDMENTS.—

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

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

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

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

16 **TITLE XIII—ENHANCING**
17 **FAIRNESS FOR WOMEN**

18 **SEC. 1301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**
19 **AGE 50 OR OVER.**

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

23 “(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS
24 AGE 50 OR OVER.—

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

6 “(2) LIMITATION ON AMOUNT OF ADDITIONAL
7 DEFERRALS.—A plan shall not permit additional
8 elective deferrals under paragraph (1) for any year
9 in an amount greater than the lesser of—

10 “(A) \$5,000, or

11 “(B) the excess (if any) of—

12 “(i) the participant’s compensation for
13 the year, over

14 “(ii) any other elective deferrals of the
15 participant for such year which are made
16 without regard to this subsection.

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

21 “(A) be subject to any otherwise applicable
22 limitation contained in section 402(g),
23 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii),
24 415, or 457, or

1 “(B) be taken into account in applying
2 such limitations to other contributions or bene-
3 fits under such plan or any other such plan.

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

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

10 “(B) with respect to whom no other elec-
11 tive deferrals may (without regard to this sub-
12 section) be made to the plan for the plan year
13 by reason of the application of any limitation or
14 other restriction described in paragraph (3) or
15 comparable limitation contained in the terms of
16 the plan.

17 “(5) OTHER DEFINITIONS AND RULES.—For
18 purposes of this subsection—

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

21 “(i) an employees’ trust described in
22 section 401(a) which is exempt from tax
23 under section 501(a),

24 “(ii) a plan under which amounts are
25 contributed by an individual’s employer for

1 an annuity contract described in section
2 403(b),

3 “(iii) an eligible deferred compensa-
4 tion plan under section 457 of an eligible
5 employer as defined in section
6 457(e)(1)(A), and

7 “(iv) an arrangement meeting the re-
8 quirements of section 408 (k) or (p).

9 “(B) ELECTIVE DEFERRAL.—The term
10 ‘elective deferral’ has the meaning given such
11 term by subsection (u)(2)(C).

12 “(C) EXCEPTION FOR SECTION 457
13 PLANS.—This subsection shall not apply to an
14 applicable employer plan described in subpara-
15 graph (A)(iii) for any year to which section
16 457(b)(3) applies.

17 “(D) COST-OF-LIVING ADJUSTMENT.—For
18 years beginning after December 31, 2005, the
19 Secretary shall adjust annually the \$5,000
20 amount in subparagraph (A) for increases in
21 the cost-of-living at the same time and in the
22 same manner as adjustments under section
23 415(d); except that the base period shall be the
24 calendar quarter beginning July 1, 2004, and
25 any increase which is not a multiple of \$500

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

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to contributions in taxable years
5 beginning after December 31, 2000.

6 **SEC. 1302. EQUITABLE TREATMENT FOR CONTRIBUTIONS**
7 **OF EMPLOYEES TO DEFINED CONTRIBUTION**
8 **PLANS.**

9 (a) **EQUITABLE TREATMENT.**—

10 (1) **IN GENERAL.**—Subparagraph (B) of section
11 415(c)(1) (relating to limitation for defined con-
12 tribution plans) is amended by striking “25 percent”
13 and inserting “100 percent”.

14 (2) **APPLICATION TO SECTION 403(b).**—Section
15 403(b) is amended—

16 (A) by striking “the exclusion allowance
17 for such taxable year” in paragraph (1) and in-
18 serting “the applicable limit under section
19 415”;

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

21 (C) by inserting “or any amount received
22 by a former employee after the fifth taxable
23 year following the taxable year in which such
24 employee was terminated” before the period at

1 the end of the second sentence of paragraph
2 (3).

3 (3) CONFORMING AMENDMENTS.—

4 (A) Subsection (f) of section 72 is amend-
5 ed by striking “section 403(b)(2)(D)(iii)” and
6 inserting “section 403(b)(2)(D)(iii), as in effect
7 before the enactment of the Debt Relief and
8 Retirement Security Reconciliation Act”.

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

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

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

18 “(E) ANNUITY CONTRACTS.—In the case
19 of an annuity contract described in section
20 403(b), the term ‘participant’s compensation’
21 means the participant’s includible compensation
22 determined under section 403(b)(3).”.

23 (E) Section 415(c) is amended by striking
24 paragraph (4).

1 (F) Section 415(c)(7) is amended to read
2 as follows:

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

5 “(A) IN GENERAL.—Notwithstanding any
6 other provision of this subsection, at the elec-
7 tion of a participant who is an employee of a
8 church or a convention or association of church-
9 es, including an organization described in sec-
10 tion 414(e)(3)(B)(ii), contributions and other
11 additions for an annuity contract or retirement
12 income account described in section 403(b) with
13 respect to such participant, when expressed as
14 an annual addition to such participant’s ac-
15 count, shall be treated as not exceeding the lim-
16 itation of paragraph (1) if such annual addition
17 is not in excess of \$10,000.

18 “(B) \$40,000 AGGREGATE LIMITATION.—
19 The total amount of additions with respect to
20 any participant which may be taken into ac-
21 count for purposes of this subparagraph for all
22 years may not exceed \$40,000.

23 “(C) ANNUAL ADDITION.—For purposes of
24 this paragraph, the term ‘annual addition’ has

1 the meaning given such term by paragraph
2 (2).”.

3 (G) Subparagraph (B) of section 402(g)(7)
4 (as redesignated by section 211) is amended by
5 inserting before the period at the end the fol-
6 lowing: “(as in effect before the enactment of
7 the Debt Relief and Retirement Security Rec-
8 onciliation Act)”.

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

12 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
13 408.—

14 (1) IN GENERAL.—Subsection (k) of section
15 415 is amended by adding at the end the following
16 new paragraph:

17 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
18 408.—For purposes of this section, any annuity con-
19 tract described in section 403(b) for the benefit of
20 a participant shall be treated as a defined contribu-
21 tion plan maintained by each employer with respect
22 to which the participant has the control required
23 under subsection (b) or (c) of section 414 (as modi-
24 fied by subsection (h)). For purposes of this section,
25 any contribution by an employer to a simplified em-

1 ployee pension plan for an individual for a taxable
2 year shall be treated as an employer contribution to
3 a defined contribution plan for such individual for
4 such year.”.

5 (2) EFFECTIVE DATE.—

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

9 (B) EXCLUSION ALLOWANCE.—Effective
10 for limitation years beginning in 2000, in the
11 case of any annuity contract described in sec-
12 tion 403(b) of the Internal Revenue Code of
13 1986, the amount of the contribution disquali-
14 fied by reason of section 415(g) of such Code
15 shall reduce the exclusion allowance as provided
16 in section 403(b)(2) of such Code.

17 (3) MODIFICATION OF 403(b) EXCLUSION AL-
18 LOWANCE TO CONFORM TO 415 MODIFICATION.—The
19 Secretary of the Treasury shall modify the regula-
20 tions regarding the exclusion allowance under section
21 403(b)(2) of the Internal Revenue Code of 1986 to
22 render void the requirement that contributions to a
23 defined benefit pension plan be treated as previously
24 excluded amounts for purposes of the exclusion al-
25 lowance. For taxable years beginning after Decem-

1 ber 31, 1999, such regulations shall be applied as if
2 such requirement were void.

3 (c) DEFERRED COMPENSATION PLANS OF STATE
4 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
5 ZATIONS.—

6 (1) IN GENERAL.—Subparagraph (B) of section
7 457(b)(2) (relating to salary limitation on eligible
8 deferred compensation plans) is amended by striking
9 “33 $\frac{1}{3}$ percent” and inserting “100 percent”.

10 (2) EFFECTIVE DATE.—The amendment made
11 by this subsection shall apply to years beginning
12 after December 31, 2000.

13 **SEC. 1303. FASTER VESTING OF CERTAIN EMPLOYER**
14 **MATCHING CONTRIBUTIONS.**

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

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

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

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

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

3 “(B) by substituting the following table for
 4 the table contained in subparagraph (B):

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

5 (b) EFFECTIVE DATES.—

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

10 (2) COLLECTIVE BARGAINING AGREEMENTS.—

11 In the case of a plan maintained pursuant to one or
 12 more collective bargaining agreements between em-
 13 ployee representatives and one or more employers
 14 ratified by the date of the enactment of this Act, the
 15 amendments made by this section shall not apply to
 16 contributions on behalf of employees covered by any
 17 such agreement for plan years beginning before the
 18 earlier of—

19 (A) the later of—

20 (i) the date on which the last of such
 21 collective bargaining agreements termi-
 22 nates (determined without regard to any

1 extension thereof on or after such date of
2 the enactment); or

3 (ii) January 1, 2001; or

4 (B) January 1, 2005.

5 (3) SERVICE REQUIRED.—With respect to any
6 plan, the amendments made by this section shall not
7 apply to any employee before the date that such em-
8 ployee has 1 hour of service under such plan in any
9 plan year to which the amendments made by this
10 section apply.

11 **SEC. 1304. SIMPLIFY AND UPDATE THE MINIMUM DIS-**
12 **TRIBUTION RULES.**

13 (a) SIMPLIFICATION AND FINALIZATION OF MIN-
14 IMUM DISTRIBUTION REQUIREMENTS.—

15 (1) IN GENERAL.—The Secretary of the Treas-
16 ury shall—

17 (A) simplify and finalize the regulations re-
18 lating to minimum distribution requirements
19 under sections 401(a)(9), 408(a)(6) and (b)(3),
20 403(b)(10), and 457(d)(2) of the Internal Rev-
21 enue Code of 1986; and

22 (B) modify such regulations to—

23 (i) reflect current life expectancy; and

24 (ii) revise the required distribution
25 methods so that, under reasonable assump-

1 tions, the amount of the required minimum
2 distribution does not decrease over a par-
3 ticipant's life expectancy.

4 (2) FRESH START.—Notwithstanding subpara-
5 graph (D) of section 401(a)(9) of such Code, during
6 the first year that regulations are in effect under
7 this subsection, required distributions for future
8 years may be redetermined to reflect changes under
9 such regulations. Such redetermination shall include
10 the opportunity to choose a new designated bene-
11 ficiary and to elect a new method of calculating life
12 expectancy.

13 (3) EFFECTIVE DATE FOR REGULATIONS.—
14 Regulations referred to in paragraph (1) shall be ef-
15 fective for years beginning after December 31, 2000,
16 and shall apply in such years without regard to
17 whether an individual had previously begun receiving
18 minimum distributions.

19 (b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
20 BEGUN BEFORE DEATH OCCURS.—

21 (1) IN GENERAL.—Subparagraph (B) of section
22 401(a)(9) is amended by striking clause (i) and re-
23 designating clauses (ii), (iii), and (iv) as clauses (i),
24 (ii), and (iii), respectively.

25 (2) CONFORMING CHANGES.—

1 (A) Clause (i) of section 401(a)(9)(B) (as
2 so redesignated) is amended—

3 (i) by striking “FOR OTHER CASES” in
4 the heading; and

5 (ii) by striking “the distribution of the
6 employee’s interest has begun in accord-
7 ance with subparagraph (A)(ii)” and in-
8 serting “his entire interest has been dis-
9 tributed to him”.

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

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

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

17 (ii) by striking “clause (iii)(III)” in
18 subclause (I) and inserting “clause
19 (ii)(III)”;

20 (iii) by striking “the date on which
21 the employee would have attained age
22 70¹/₂,” in subclause (I) and inserting
23 “April 1 of the calendar year following the
24 calendar year in which the spouse attains
25 70¹/₂,”; and

1 (iv) by striking “the distributions to
2 such spouse begin,” in subclause (II) and
3 inserting “his entire interest has been dis-
4 tributed to him,”.

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

8 (c) REDUCTION IN EXCISE TAX.—

9 (1) IN GENERAL.—Subsection (a) of section
10 4974 is amended by striking “50 percent” and in-
11 sserting “10 percent”.

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall apply to years beginning
14 after December 31, 2000.

15 **SEC. 1305. CLARIFICATION OF TAX TREATMENT OF DIVI-**
16 **SION OF SECTION 457 PLAN BENEFITS UPON**
17 **DIVORCE.**

18 (a) IN GENERAL.—Section 414(p)(11) (relating to
19 application of rules to governmental and church plans) is
20 amended—

21 (1) by inserting “or an eligible deferred com-
22 pensation plan (within the meaning of section
23 457(b))” after “subsection (e)”; and

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

4 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
5 MENTS.—Paragraph (10) of section 414(p) is amended by
6 striking “and section 409(d)” and inserting “section
7 409(d), and section 457(d)”.

8 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-
9 TION 457 PLAN.—Subsection (p) of section 414 is amend-
10 ed by redesignating paragraph (12) as paragraph (13) and
11 inserting after paragraph (11) the following new para-
12 graph:

13 “(12) TAX TREATMENT OF PAYMENTS FROM A
14 SECTION 457 PLAN.—If a distribution or payment
15 from an eligible deferred compensation plan de-
16 scribed in section 457(b) is made pursuant to a
17 qualified domestic relations order, rules similar to
18 the rules of section 402(e)(1)(A) shall apply to such
19 distribution or payment.”.

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

1 **SEC. 1306. MODIFICATION OF SAFE HARBOR RELIEF FOR**
2 **HARDSHIP WITHDRAWALS FROM CASH OR**
3 **DEFERRED ARRANGEMENTS.**

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

11 (b) EFFECTIVE DATE.—The revised regulations
12 under subsection (a) shall apply to years beginning after
13 December 31, 2000.

14 **TITLE XIV—INCREASING PORT-**
15 **ABILITY FOR PARTICIPANTS**

16 **SEC. 1401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**
17 **OF PLANS.**

18 (a) ROLLOVERS FROM AND TO SECTION 457
19 PLANS.—

20 (1) ROLLOVERS FROM SECTION 457 PLANS.—

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

24 “(16) ROLLOVER AMOUNTS.—

25 “(A) GENERAL RULE.—In the case of an
26 eligible deferred compensation plan established

1 and maintained by an employer described in
2 subsection (e)(1)(A), if—

3 “(i) any portion of the balance to the
4 credit of an employee in such plan is paid
5 to such employee in an eligible rollover dis-
6 tribution (within the meaning of section
7 402(c)(4) without regard to subparagraph
8 (C) thereof),

9 “(ii) the employee transfers any por-
10 tion of the property such employee receives
11 in such distribution to an eligible retire-
12 ment plan described in section
13 402(c)(8)(B), and

14 “(iii) in the case of a distribution of
15 property other than money, the amount so
16 transferred consists of the property distrib-
17 uted,

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

21 “(B) CERTAIN RULES MADE APPLICA-
22 BLE.—The rules of paragraphs (2) through (7)
23 (other than paragraph (4)(C)) and (9) of sec-
24 tion 402(c) and section 402(f) shall apply for
25 purposes of subparagraph (A).

1 “(C) REPORTING.—Rollovers under this
2 paragraph shall be reported to the Secretary in
3 the same manner as rollovers from qualified re-
4 tirement plans (as defined in section
5 4974(c)).”.

6 (B) DEFERRAL LIMIT DETERMINED WITH-
7 OUT REGARD TO ROLLOVER AMOUNTS.—Section
8 457(b)(2) (defining eligible deferred compensa-
9 tion plan) is amended by inserting “(other than
10 rollover amounts)” after “taxable year”.

11 (C) DIRECT ROLLOVER.—Paragraph (1) of
12 section 457(d) is amended by striking “and” at
13 the end of subparagraph (A), by striking the
14 period at the end of subparagraph (B) and in-
15 serting “, and”, and by inserting after subpara-
16 graph (B) the following:

17 “(C) in the case of a plan maintained by
18 an employer described in subsection (e)(1)(A),
19 the plan meets requirements similar to the re-
20 quirements of section 401(a)(31).

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

25 (D) WITHHOLDING.—

1 (i) Paragraph (12) of section 3401(a)
2 is amended by adding at the end the fol-
3 lowing:

4 “(E) under or to an eligible deferred com-
5 pensation plan which, at the time of such pay-
6 ment, is a plan described in section 457(b)
7 maintained by an employer described in section
8 457(e)(1)(A); or”.

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

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

15 (iii) LIABILITY FOR WITHHOLDING.—
16 Subparagraph (B) of section 3405(d)(2) is
17 amended by striking “or” at the end of
18 clause (ii), by striking the period at the
19 end of clause (iii) and inserting “, or”, and
20 by adding at the end the following:

21 “(iv) section 457(b).”.

22 (2) ROLLOVERS TO SECTION 457 PLANS.—

23 (A) IN GENERAL.—Section 402(c)(8)(B)
24 (defining eligible retirement plan) is amended
25 by striking “and” at the end of clause (iii), by

1 striking the period at the end of clause (iv) and
2 inserting “, and”, and by inserting after clause
3 (iv) the following new clause:

4 “(v) an eligible deferred compensation
5 plan described in section 457(b) of an em-
6 ployer described in section 457(e)(1)(A).”.

7 (B) SEPARATE ACCOUNTING.—Section
8 402(c) is amended by adding at the end the fol-
9 lowing new paragraph:

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

17 (C) 10 PERCENT ADDITIONAL TAX.—Sub-
18 section (t) of section 72 (relating to 10-percent
19 additional tax on early distributions from quali-
20 fied retirement plans) is amended by adding at
21 the end the following new paragraph:

22 “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-
23 TION 457 PLANS.—For purposes of this subsection,
24 a distribution from an eligible deferred compensation
25 plan (as defined in section 457(b)) of an employer

1 described in section 457(e)(1)(A) shall be treated as
2 a distribution from a qualified retirement plan de-
3 scribed in 4974(c)(1) to the extent that such dis-
4 tribution is attributable to an amount transferred to
5 an eligible deferred compensation plan from a quali-
6 fied retirement plan (as defined in section
7 4974(c)).”.

8 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
9 403(b) PLANS.—

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

11 Section 403(b)(8)(A)(ii) (relating to rollover
12 amounts) is amended by striking “such distribution”
13 and all that follows and inserting “such distribution
14 to an eligible retirement plan described in section
15 402(c)(8)(B), and”.

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

17 Section 402(c)(8)(B) (defining eligible retirement
18 plan), as amended by subsection (a), is amended by
19 striking “and” at the end of clause (iv), by striking
20 the period at the end of clause (v) and inserting “,
21 and”, and by inserting after clause (v) the following
22 new clause:

23 “(vi) an annuity contract described in
24 section 403(b).”.

1 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
2 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
3 402(f) (relating to written explanation to recipients of dis-
4 tributions eligible for rollover treatment) is amended by
5 striking “and” at the end of subparagraph (C), by striking
6 the period at the end of subparagraph (D) and inserting
7 “, and”, and by adding at the end the following new sub-
8 paragraph:

9 “(E) of the provisions under which dis-
10 tributions from the eligible retirement plan re-
11 ceiving the distribution may be subject to re-
12 strictions and tax consequences which are dif-
13 ferent from those applicable to distributions
14 from the plan making such distribution.”.

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

19 (e) CONFORMING AMENDMENTS.—

20 (1) Section 72(o)(4) is amended by striking
21 “and 408(d)(3)” and inserting “403(b)(8),
22 408(d)(3), and 457(e)(16)”.

23 (2) Section 219(d)(2) is amended by striking
24 “or 408(d)(3)” and inserting “408(d)(3), or
25 457(e)(16)”.

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

4 (4) Subparagraph (A) of section 402(f)(2) is
5 amended by striking “or paragraph (4) of section
6 403(a)” and inserting “, paragraph (4) of section
7 403(a), subparagraph (A) of section 403(b)(8), or
8 subparagraph (A) of section 457(e)(16)”.

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

11 (6) Subparagraphs (A) and (B) of section
12 402(f)(1) are amended by striking “another eligible
13 retirement plan” and inserting “an eligible retire-
14 ment plan”.

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

17 “(B) CERTAIN RULES MADE APPLICA-
18 BLE.—The rules of paragraphs (2) through (7)
19 and (9) of section 402(c) and section 402(f)
20 shall apply for purposes of subparagraph (A),
21 except that section 402(f) shall be applied to
22 the payor in lieu of the plan administrator.”.

23 (8) Section 408(a)(1) is amended by striking
24 “or 403(b)(8),” and inserting “403(b)(8), or
25 457(e)(16)”.

1 (9) Subparagraphs (A) and (B) of section
2 415(b)(2) are each amended by striking “and
3 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
4 457(e)(16)”.

5 (10) Section 415(c)(2) is amended by striking
6 “and 408(d)(3)” and inserting “408(d)(3), and
7 457(e)(16)”.

8 (11) Section 4973(b)(1)(A) is amended by
9 striking “or 408(d)(3)” and inserting “408(d)(3), or
10 457(e)(16)”.

11 (f) EFFECTIVE DATE; SPECIAL RULE.—

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

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

1 **SEC. 1402. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**
2 **MENT PLANS.**

3 (a) IN GENERAL.—Subparagraph (A) of section
4 408(d)(3) (relating to rollover amounts) is amended by
5 adding “or” at the end of clause (i), by striking clauses
6 (ii) and (iii), and by adding at the end the following:

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

18 For purposes of clause (ii), the term ‘eligible re-
19 tirement plan’ means an eligible retirement plan
20 described in clause (iii), (iv), (v), or (vi) of sec-
21 tion 402(c)(8)(B).”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Paragraph (1) of section 403(b) is amended
24 by striking “section 408(d)(3)(A)(iii)” and inserting
25 “section 408(d)(3)(A)(ii)”.

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

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

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

13 (c) EFFECTIVE DATE; SPECIAL RULE.—

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

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

1 mitted solely by reason of the amendments made by
2 this section.

3 **SEC. 1403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

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

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

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

21 (b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE
22 ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of sec-
23 tion 401(a)(31) (relating to limitation) is amended by add-
24 ing at the end the following: “The preceding sentence shall

1 not apply to such distribution if the plan to which such
2 distribution is transferred—

3 “(i) agrees to separately account for
4 amounts so transferred, including sepa-
5 rately accounting for the portion of such
6 distribution which is includible in gross in-
7 come and the portion of such distribution
8 which is not so includible, or

9 “(ii) is an eligible retirement plan de-
10 scribed in clause (i) or (ii) of section
11 402(c)(8)(B).”.

12 (c) RULES FOR APPLYING SECTION 72 TO IRAS.—
13 Paragraph (3) of section 408(d) (relating to special rules
14 for applying section 72) is amended by inserting at the
15 end the following:

16 “(H) APPLICATION OF SECTION 72.—

17 “(i) IN GENERAL.—If—

18 “(I) a distribution is made from
19 an individual retirement plan, and

20 “(II) a rollover contribution is
21 made to an eligible retirement plan
22 described in section 402(c)(8)(B)(iii),
23 (iv), (v), or (vi) with respect to all or
24 part of such distribution,

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

4 “(ii) APPLICABLE RULES.—In the
5 case of a distribution described in clause
6 (i)—

7 “(I) section 72 shall be applied
8 separately to such distribution,

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

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

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

4 **SEC. 1404. HARDSHIP EXCEPTION TO 60-DAY RULE.**

5 (a) EXEMPT TRUSTS.—Paragraph (3) of section
6 402(c) (relating to transfer must be made within 60 days
7 of receipt) is amended to read as follows:

8 “(3) TRANSFER MUST BE MADE WITHIN 60
9 DAYS OF RECEIPT.—

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

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

23 (b) IRAS.—Paragraph (3) of section 408(d) (relating
24 to rollover contributions), as amended by section 1403, is

1 amended by adding after subparagraph (H) the following
2 new subparagraph:

3 “(I) WAIVER OF 60-DAY REQUIREMENT.—
4 The Secretary may waive the 60-day require-
5 ment under subparagraphs (A) and (D) where
6 the failure to waive such requirement would be
7 against equity or good conscience, including
8 casualty, disaster, or other events beyond the
9 reasonable control of the individual subject to
10 such requirement.”.

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

14 **SEC. 1405. TREATMENT OF FORMS OF DISTRIBUTION.**

15 (a) PLAN TRANSFERS.—

16 (1) IN GENERAL.—Paragraph (6) of section
17 411(d) (relating to accrued benefit not to be de-
18 creased by amendment) is amended by adding at the
19 end the following:

20 “(D) PLAN TRANSFERS.—

21 “(i) IN GENERAL.—A defined con-
22 tribution plan (in this subparagraph re-
23 ferred to as the ‘transferee plan’) shall not
24 be treated as failing to meet the require-
25 ments of this subsection merely because

1 the transferee plan does not provide some
2 or all of the forms of distribution pre-
3 viously available under another defined
4 contribution plan (in this subparagraph re-
5 ferred to as the ‘transferor plan’) to the
6 extent that—

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

16 “(II) the terms of both the trans-
17 feror plan and the transferee plan au-
18 thorize the transfer described in sub-
19 clause (I),

20 “(III) the transfer described in
21 subclause (I) was made pursuant to a
22 voluntary election by the participant
23 or beneficiary whose account was
24 transferred to the transferee plan,

1 “(IV) the election described in
2 subclause (III) was made after the
3 participant or beneficiary received a
4 notice describing the consequences of
5 making the election,

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

15 “(VI) the transferee plan allows
16 the participant or beneficiary de-
17 scribed in subclause (III) to receive
18 any distribution to which the partici-
19 pant or beneficiary is entitled under
20 the transferee plan in the form of a
21 single sum distribution.

22 “(ii) EXCEPTION.—Clause (i) shall
23 apply to plan mergers and other trans-
24 actions having the effect of a direct trans-
25 fer, including consolidations of benefits at-

1 tributable to different employers within a
2 multiple employer plan.

3 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-
4 tions, a defined contribution plan shall not be
5 treated as failing to meet the requirements of
6 this section merely because of the elimination of
7 a form of distribution previously available there-
8 under. This subparagraph shall not apply to the
9 elimination of a form of distribution with re-
10 spect to any participant unless—

11 “(i) a single sum payment is available
12 to such participant at the same time or
13 times as the form of distribution being
14 eliminated, and
15

16 “(ii) such single sum payment is
17 based on the same or greater portion of
18 the participant’s account as the form of
19 distribution being eliminated.”.

20 (2) EFFECTIVE DATE.—The amendment made
21 by this subsection shall apply to years beginning
22 after December 31, 2000.

23 (b) REGULATIONS.—

24 (1) IN GENERAL.—The last sentence of para-
25 graph (6)(B) of section 411(d) (relating to accrued

1 benefit not to be decreased by amendment) is
2 amended to read as follows: “The Secretary shall by
3 regulations provide that this subparagraph shall not
4 apply to any plan amendment that does not ad-
5 versely affect the rights of participants in a material
6 manner.”.

7 (2) SECRETARY DIRECTED.—Not later than
8 December 31, 2001, the Secretary of the Treasury
9 is directed to issue final regulations under section
10 411(d)(6) of the Internal Revenue Code of 1986, in-
11 cluding the regulations required by the amendments
12 made by this subsection. Such regulations shall
13 apply to plan years beginning after December 31,
14 2001, or such earlier date as is specified by the Sec-
15 retary of the Treasury.

16 **SEC. 1406. RATIONALIZATION OF RESTRICTIONS ON DIS-**
17 **TRIBUTIONS.**

18 (a) MODIFICATION OF SAME DESK EXCEPTION.—

19 (1) SECTION 401(k).—

20 (A) Section 401(k)(2)(B)(i)(I) (relating to
21 qualified cash or deferred arrangements) is
22 amended by striking “separation from service”
23 and inserting “severance from employment”.

24 (B) Subparagraph (A) of section
25 401(k)(10) (relating to distributions upon ter-

1 mination of plan or disposition of assets or sub-
2 sidiary) is amended to read as follows:

3 “(A) IN GENERAL.—An event described in
4 this subparagraph is the termination of the
5 plan without establishment or maintenance of
6 another defined contribution plan (other than
7 an employee stock ownership plan as defined in
8 section 4975(e)(7)).”.

9 (C) Section 401(k)(10) is amended—

10 (i) in subparagraph (B)—

11 (I) by striking “An event” in
12 clause (i) and inserting “A termi-
13 nation”; and

14 (II) by striking “the event” in
15 clause (i) and inserting “the termi-
16 nation”;

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

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

20 (2) SECTION 403(b).—

21 (A) Paragraphs (7)(A)(ii) and (11)(A) of
22 section 403(b) are each amended by striking
23 “separates from service” and inserting “has a
24 severance from employment”.

1 (B) The heading for paragraph (11) of
2 section 403(b) is amended by striking “SEPARA-
3 TION FROM SERVICE” and inserting “SEVER-
4 ANCE FROM EMPLOYMENT”.

5 (3) SECTION 457.—Clause (ii) of section
6 457(d)(1)(A) is amended by striking “is separated
7 from service” and inserting “has a severance from
8 employment”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to distributions after December 31,
11 2000.

12 **SEC. 1407. PURCHASE OF SERVICE CREDIT IN GOVERN-**
13 **MENTAL DEFINED BENEFIT PLANS.**

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

17 “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO
18 PURCHASE PERMISSIVE SERVICE CREDIT.—No
19 amount shall be includible in gross income by reason
20 of a direct trustee-to-trustee transfer to a defined
21 benefit governmental plan (as defined in section
22 414(d)) if such transfer is—

23 “(A) for the purchase of permissive service
24 credit (as defined in section 415(n)(3)(A))
25 under such plan, or

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

4 (b) 457 PLANS.—Subsection (e) of section 457 is
5 amended by adding after paragraph (16) the following
6 new paragraph:

7 “(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO
8 PURCHASE PERMISSIVE SERVICE CREDIT.—No
9 amount shall be includible in gross income by reason
10 of a direct trustee-to-trustee transfer to a defined
11 benefit governmental plan (as defined in section
12 414(d)) if such transfer is—

13 “(A) for the purchase of permissive service
14 credit (as defined in section 415(n)(3)(A))
15 under such plan, or

16 “(B) a repayment to which section 415
17 does not apply by reason of subsection (k)(3)
18 thereof.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to trustee-to-trustee transfers after
21 December 31, 2000.

1 **SEC. 1408. 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 with-
11 out regard to that portion of such benefit which
12 is attributable to rollover contributions (and
13 earnings allocable thereto). For purposes of this
14 subparagraph, 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
24 this section shall apply to distributions after December 31,
25 2000.

1 **SEC. 1409. MINIMUM DISTRIBUTION AND INCLUSION RE-**
2 **QUIREMENTS FOR SECTION 457 PLANS.**

3 (a) MINIMUM DISTRIBUTION REQUIREMENTS.—
4 Paragraph (2) of section 457(d) (relating to distribution
5 requirements) is amended to read as follows:

6 “(2) MINIMUM DISTRIBUTION REQUIRE-
7 MENTS.—A plan meets the minimum distribution re-
8 quirements of this paragraph if such plan meets the
9 requirements of section 401(a)(9).”.

10 (b) INCLUSION IN GROSS INCOME.—

11 (1) YEAR OF INCLUSION.—Subsection (a) of
12 section 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 compensa-
17 tion plan, and any income attributable to the
18 amounts so deferred, shall be includible in gross in-
19 come only for the taxable year in which such com-
20 pensation or other income—

21 “(A) is paid to the participant or other
22 beneficiary, in the case of a plan of an eligible
23 employer 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
4 AMOUNTS.—To the extent provided in section
5 72(t)(9), section 72(t) shall apply to any amount in-
6 cludible in gross 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 amend-
10 ed to read as follows:

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

16 (B) Section 457(d) is amended by adding
17 at 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
22 subsection solely by reason of making a distribution
23 described in subsection (e)(9)(A).”.

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

4 **TITLE XV—STRENGTHENING**
 5 **PENSION SECURITY AND EN-**
 6 **FORCEMENT**

7 **SEC. 1501. REPEAL OF 150 PERCENT OF CURRENT LIABIL-**
 8 **ITY FUNDING LIMIT.**

9 (a) IN GENERAL.—Section 412(c)(7) (relating to
 10 full-funding limitation) is amended—

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

15 (2) by amending subparagraph (F) to read as
 16 follows:

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

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

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

1 **SEC. 1502. 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 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to plan years beginning after De-
22 cember 31, 2000.

1 **SEC. 1503. 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. 1504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE**
2 **BY 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 crued 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. 1505. 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. 1506. 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(c) (defining li-
21 ability for tax) is amended to read as follows:

22 “(c) 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 XVI—REDUCING**
17 **REGULATORY BURDENS**

18 **SEC. 1601. MODIFICATION OF TIMING OF PLAN VALU-**
19 **ATIONS.**

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

23 “(9) ANNUAL VALUATION.—

24 “(A) IN GENERAL.—For purposes of this
25 section, a determination of experience gains and

1 losses and a valuation of the plan’s liability
2 shall be made not less frequently than once
3 every year, except that such determination shall
4 be made more frequently to the extent required
5 in particular cases under regulations prescribed
6 by the Secretary.

7 “(B) VALUATION DATE.—

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

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

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

22 “(II) as of such date, the value
23 of the assets of the plan are not less
24 than 125 percent of the plan’s current

1 liability (as defined in paragraph
2 (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) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to plan years beginning after De-
12 cember 31, 2000.

13 **SEC. 1602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
14 **LOSS OF DIVIDEND DEDUCTION.**

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

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

22 “(I) payable as provided in clause
23 (i) or (ii), or

1 “(II) paid to the plan and rein-
2 vested in qualifying employer securi-
3 ties, or”.

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

7 **SEC. 1603. REPEAL OF TRANSITION RULE RELATING TO**
8 **CERTAIN HIGHLY COMPENSATED EMPLOY-**
9 **EES.**

10 (a) IN GENERAL.—Paragraph (4) of section 1114(c)
11 of the Tax Reform Act of 1986 is hereby repealed.

12 (b) EFFECTIVE DATE.—The repeal made by sub-
13 section (a) shall apply to plan years beginning after De-
14 cember 31, 2000.

15 **SEC. 1604. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

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

1 “(m) QUALIFIED RETIREMENT PLANNING SERV-
2 ICES.—

3 “(1) IN GENERAL.—For purposes of this sec-
4 tion, the term ‘qualified retirement planning serv-
5 ices’ means any retirement planning service provided
6 to an employee and his spouse by an employer main-
7 taining a qualified employer plan.

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

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

19 “(c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to years beginning after December
21 31, 2000.

22 **SEC. 1606. REPORTING SIMPLIFICATION.**

23 “(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
24 OWNERS AND THEIR SPOUSES.—

1 (1) IN GENERAL.—The Secretary of the Treas-
2 ury shall modify the requirements for filing annual
3 returns with respect to one-participant retirement
4 plans to ensure that such plans with assets of
5 \$250,000 or less as of the close of the plan year
6 need not file a return for that year.

7 (2) ONE-PARTICIPANT RETIREMENT PLAN DE-
8 FINED.—For purposes of this subsection, the term
9 “one-participant retirement plan” means a retire-
10 ment plan that—

11 (A) on the first day of the plan year—

12 (i) covered only the employer (and the
13 employer’s spouse) and the employer
14 owned the entire business (whether or not
15 incorporated); or

16 (ii) covered only one or more partners
17 (and their spouses) in a business partner-
18 ship (including partners in an S or C cor-
19 poration);

20 (B) meets the minimum coverage require-
21 ments of section 410(b) of the Internal Revenue
22 Code of 1986 without being combined with any
23 other plan of the business that covers the em-
24 ployees of the business;

1 (C) does not provide benefits to anyone ex-
2 cept the employer (and the employer's spouse)
3 or the partners (and their spouses);

4 (D) does not cover a business that is a
5 member of an affiliated service group, a con-
6 trolled group of corporations, or a group of
7 businesses under common control; and

8 (E) does not cover a business that leases
9 employees.

10 (3) OTHER DEFINITIONS.—Terms used in para-
11 graph (2) which are also used in section 414 of the
12 Internal Revenue Code of 1986 shall have the re-
13 spective meanings given such terms by such section.

14 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
15 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case
16 of a retirement plan which covers less than 25 employees
17 on the first day of the plan year and meets the require-
18 ments described in subparagraphs (B), (D), and (E) of
19 subsection (a)(2), the Secretary of the Treasury shall pro-
20 vide for the filing of a simplified annual return that is
21 substantially similar to the annual return required to be
22 filed by a one-participant retirement plan.

23 (c) EFFECTIVE DATE.—The provisions of this section
24 shall take effect on January 1, 2001.

1 **SEC. 1607. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**
2 **ANCE RESOLUTION SYSTEM.**

3 The Secretary of the Treasury shall continue to up-
4 date and improve the Employee Plans Compliance Resolu-
5 tion System (or any successor program) giving special at-
6 tention to—

7 (1) increasing the awareness and knowledge of
8 small employers concerning the availability and use
9 of the program;

10 (2) taking into account special concerns and
11 circumstances that small employers face with respect
12 to compliance and correction of compliance failures;

13 (3) extending the duration of the self-correction
14 period under the Administrative Policy Regarding
15 Self-Correction for significant compliance failures;

16 (4) expanding the availability to correct insig-
17 nificant compliance failures under the Administra-
18 tive Policy Regarding Self-Correction during audit;
19 and

20 (5) assuring that any tax, penalty, or sanction
21 that is imposed by reason of a compliance failure is
22 not excessive and bears a reasonable relationship to
23 the nature, extent, and severity of the failure.

24 **SEC. 1608. REPEAL OF THE MULTIPLE USE TEST.**

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

1 “(9) REGULATIONS.—The Secretary shall pre-
2 scribe such regulations as may be necessary to carry
3 out the purposes of this subsection and subsection
4 (k), including regulations permitting appropriate ag-
5 gregation of plans and contributions.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to years beginning after December
8 31, 2000.

9 **SEC. 1609. FLEXIBILITY IN NONDISCRIMINATION, COV-**
10 **ERAGE, AND LINE OF BUSINESS RULES.**

11 (a) NONDISCRIMINATION.—

12 (1) IN GENERAL.—The Secretary of the Treas-
13 ury shall, by regulation, provide that a plan shall be
14 deemed to satisfy the requirements of section
15 401(a)(4) of the Internal Revenue Code of 1986 if
16 such plan satisfies the facts and circumstances test
17 under section 401(a)(4) of such Code, as in effect
18 before January 1, 1994, but only if—

19 (A) the plan satisfies conditions prescribed
20 by the Secretary to appropriately limit the
21 availability of such test; and

22 (B) the plan is submitted to the Secretary
23 for a determination of whether it satisfies such
24 test.

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

3 (2) EFFECTIVE DATES.—

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

7 (B) CONDITIONS OF AVAILABILITY.—Any
8 condition of availability prescribed by the Sec-
9 retary under paragraph (1)(A) shall not apply
10 before the first year beginning not less than
11 120 days after the date on which such condition
12 is prescribed.

13 (b) COVERAGE TEST.—

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

17 “(D) In the case that the plan fails to
18 meet the requirements of subparagraphs (A),
19 (B) and (C), the plan—

20 “(i) satisfies subparagraph (B), as in
21 effect immediately before the enactment of
22 the Tax Reform Act of 1986,

23 “(ii) is submitted to the Secretary for
24 a determination of whether it satisfies the
25 requirement described in clause (i), and

1 “(iii) satisfies conditions prescribed by
2 the Secretary by regulation that appro-
3 priately limit the availability of this sub-
4 paragraph.

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

7 (2) EFFECTIVE DATES.—

8 (A) IN GENERAL.—The amendment made
9 by paragraph (1) shall apply to years beginning
10 after December 31, 2000.

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

19 (c) LINE OF BUSINESS RULES.—The Secretary of
20 the Treasury shall, on or before December 31, 2000, mod-
21 ify the existing regulations issued under section 414(r) of
22 the Internal Revenue Code of 1986 in order to expand
23 (to the extent that the Secretary determines appropriate)
24 the ability of a pension plan to demonstrate compliance
25 with the line of business requirements based upon the

1 facts and circumstances surrounding the design and oper-
2 ation of the plan, even though the plan is unable to satisfy
3 the mechanical tests currently used to determine compli-
4 ance.

5 **SEC. 1610. EXTENSION TO ALL GOVERNMENTAL PLANS OF**
6 **MORATORIUM ON APPLICATION OF CERTAIN**
7 **NONDISCRIMINATION RULES APPLICABLE TO**
8 **STATE AND LOCAL PLANS.**

9 (a) IN GENERAL.—

10 (1) Subparagraph (G) of section 401(a)(5) and
11 subparagraph (H) of section 401(a)(26) are each
12 amended by striking “section 414(d)” and all that
13 follows and inserting “section 414(d).”.

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

20 (b) CONFORMING AMENDMENTS.—

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

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

4 (3) Subparagraph (G) of section 401(k)(3) is
5 amended by inserting “GOVERNMENTAL PLANS.—”
6 after “(G)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to years beginning after December
9 31, 2000.

10 **SEC. 1611. NOTICE AND CONSENT PERIOD REGARDING DIS-**
11 **TRIBUTIONS.**

12 (a) EXPANSION OF PERIOD.—

13 (1) IN GENERAL.—Subparagraph (A) of section
14 417(a)(6) is amended by striking “90-day” and in-
15 serting “180-day”.

16 (2) MODIFICATION OF REGULATIONS.—The
17 Secretary of the Treasury shall modify the regula-
18 tions under sections 402(f), 411(a)(11), and 417 of
19 the Internal Revenue Code of 1986 to substitute
20 “180 days” for “90 days” each place it appears in
21 Treasury Regulations sections 1.402(f)-1, 1.411(a)-
22 11(c), and 1.417(e)-1(b).

23 (3) EFFECTIVE DATE.—The amendment made
24 by paragraph (1) and the modifications required by

1 paragraph (2) shall apply to years beginning after
2 December 31, 2000.

3 (b) CONSENT REGULATION INAPPLICABLE TO CER-
4 TAIN DISTRIBUTIONS.—

5 (1) IN GENERAL.—The Secretary of the Treas-
6 ury shall modify the regulations under section
7 411(a)(11) of the Internal Revenue Code of 1986 to
8 provide that the description of a participant's right,
9 if any, to defer receipt of a distribution shall also de-
10 scribe the consequences of failing to defer such re-
11 ceipt.

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

15 **TITLE XVII—PLAN AMENDMENTS**

16 **SEC. 1701. PROVISIONS RELATING TO PLAN AMENDMENTS.**

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

19 (1) such plan or contract shall be treated as
20 being operated in accordance with the terms of the
21 plan during the period described in subsection
22 (b)(2)(A); and

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

1 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

2 (1) IN GENERAL.—This section shall apply to
3 any amendment to any plan or annuity contract
4 which is made—

5 (A) pursuant to any amendment made by
6 this Act, or pursuant to any regulation issued
7 under this Act, and

8 (B) on or before the last day of the first
9 plan year beginning on or after January 1,
10 2003.

11 In the case of a governmental plan (as defined in
12 section 414(d) of the Internal Revenue Code of
13 1986), this paragraph shall be applied by sub-
14 stituting “2005” for “2003”.

15 (2) CONDITIONS.—This section shall not apply
16 to any amendment unless—

17 (A) during the period—

18 (i) beginning on the date the legisla-
19 tive or regulatory amendment described in
20 paragraph (1)(A) takes effect (or in the
21 case of a plan or contract amendment not
22 required by such legislative or regulatory
23 amendment, the effective date specified by
24 the plan); and

1 (ii) ending on the date described in
2 paragraph (1)(B) (or, if earlier, the date
3 the plan or contract amendment is adopt-
4 ed),
5 the plan or contract is operated as if such plan
6 or contract amendment were in effect; and
7 (B) such plan or contract amendment ap-
8 plies retroactively for such period.

Passed the House of Representatives September 19,
2000.

Attest:

JEFF TRANDAHL,

Clerk.

Calendar No. 818

106TH CONGRESS
2D SESSION

H. R. 5203

AN ACT

To provide for reconciliation pursuant to sections 103(a)(2), 103(b)(2), and 213(b)(2)(C) of the concurrent resolution on the budget for fiscal year 2001 to reduce the public debt and to decrease the statutory limit on the public debt, and to amend the Internal Revenue Code of 1986 to provide for retirement security.

SEPTEMBER 21, 2000

Read the second time and placed on the calendar