

106TH CONGRESS
1ST SESSION

S. 60

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

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

Mr. GRASSLEY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

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

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

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Enhanced Savings Opportunities Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

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

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

6 (a) EQUITABLE TREATMENT.—

7 (1) IN GENERAL.—Subparagraph (B) of section
 8 415(c)(1) (relating to limitation for defined con-
 9 tribution plans) is amended to read as follows:

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

11 (2) CONFORMING AMENDMENTS.—

12 (A) Subsection (f) of section 72 is amend-
 13 ed by striking “section 403(b)(2)(D)(iii)” and
 14 inserting “section 403(b)(2)(D)(iii), as in effect
 15 on December 31, 1998”.

16 (B) Section 403(b) is amended—

17 (i) by striking “the exclusion allow-
 18 ance for such taxable year” in paragraph
 19 (I) and inserting “the applicable limit
 20 under section 415”,

21 (ii) by striking paragraph (2), and

22 (iii) by inserting “or any amount re-
 23 ceived by a former employee after the 5th
 24 taxable year following the taxable year in
 25 which such employee was terminated” be-

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

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

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

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

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

17 (F) Section 415(c) is amended by striking
18 paragraph (4).

19 (G) Section 415(c)(7) is amended to read
20 as follows:

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

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

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

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

16 “(C) ANNUAL ADDITION.—For purposes of
 17 this paragraph, the term ‘annual addition’ has
 18 the meaning given such term by paragraph
 19 (2).”

20 (H) Section 415(e)(5) is amended—

21 (i) by striking “(except in the case of
 22 a participant who has elected under sub-
 23 section (e)(4)(D) to have the provisions of
 24 subsection (e)(4)(C) apply)”, and

25 (ii) by striking the last sentence.

1 (I) Section 415(n)(2)(B) is amended by
2 striking “percentage”.

3 (J) Subparagraph (B) of section 402(g)(7)
4 is amended by inserting before the period at the
5 end the following: “(as in effect on the date of
6 the enactment of the Enhanced Savings Oppor-
7 tunity Act)”.

8 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
9 408.—Subsection (k) of section 415 is amended by adding
10 at the end the following new paragraph:

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

24 (c) DEFERRED COMPENSATION PLANS OF STATE
25 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-

1 ZATIONS.—Subparagraph (B) of section 457(b)(2) (relat-
 2 ing to salary limitation on eligible deferred compensation
 3 plans” is amended by striking “33 $\frac{1}{3}$ percent” and insert-
 4 ing “100 percent”.

5 (d) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in para-
 7 graph (2), the amendments made by this section
 8 shall apply to years beginning after December 31,
 9 1999.

10 (2) SPECIAL RULES FOR SECTIONS 403(B) AND
 11 408.—The amendment made by subsection (b) shall
 12 apply to limitation years beginning after December
 13 31, 2000.

14 **SEC. 3. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT**
 15 **FOR PURPOSES OF LIMITS.**

16 (a) IN GENERAL.—Section 404 is amended by adding
 17 at the end the following new subsection:

18 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
 19 COUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as
 20 defined in section 402(g)(3)) shall not be subject to any
 21 limitations described in this section (other than subsection
 22 (a)), and such elective deferrals shall not be taken into
 23 account in applying such limitations to any other contribu-
 24 tions.”

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to years beginning after December
3 31, 1999.

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