

109TH CONGRESS
1ST SESSION

S. 1706

To amend the Internal Revenue Code of 1986 to provide that distributions from a section 401(k) plan or a section 403(b) contract shall not be includible in gross income to the extent used to pay long-term care insurance premiums

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 15, 2005

Mr. ALLEN (for himself and Mr. MARTINEZ) 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 that distributions from a section 401(k) plan or a section 403(b) contract shall not be includible in gross income to the extent used to pay long-term care insurance premiums

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Long-Term Care Act
5 of 2005”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME FOR DISTRIBUTU-**
2 **TIONS FROM SECTION 401(K) PLANS AND SEC-**
3 **TION 403(B) CONTRACTS WHICH ARE USED TO**
4 **PAY LONG-TERM CARE INSURANCE PRE-**
5 **MIUMS.**

6 (a) IN GENERAL.—Part III of subchapter B of chap-
7 ter 1 of the Internal Revenue Code of 1986 (relating to
8 items specifically excluded from gross income) is amended
9 by inserting after section 139A the following new item:

10 **“SEC. 139B. DISTRIBUTIONS FROM SECTION 401(K) PLANS**
11 **AND SECTION 403(B) CONTRACTS WHICH ARE**
12 **USED TO PAY LONG-TERM CARE INSURANCE**
13 **PREMIUMS.**

14 “(a) IN GENERAL.—Gross income shall not include
15 any distribution to an individual from amounts attrib-
16 utable to employer contributions made pursuant to elective
17 deferrals described in subparagraph (A) or (C) of section
18 402(g)(3), to the extent that such distributions do not ex-
19 ceed the long-term care insurance premiums paid during
20 the taxable year for insurance covering the individual or
21 the individual’s spouse.

22 “(b) DENIAL OF DOUBLE BENEFIT.—The limitation
23 in section 213(d)(10) shall be reduced by the amount
24 which would (but for subsection (a)) be includible in the
25 taxpayer’s gross income for the taxable year.

1 “(c) NO EFFECT ON QUALIFICATION.—An arrange-
2 ment shall not fail to be treated as a qualified cash or
3 deferred arrangement (as defined in section 401(k)) or a
4 contract described in section 403(b) by reason of permit-
5 ting distributions for the payment of long-term care insur-
6 ance premiums.”.

7 (b) CLERICAL AMENDMENT.—The table of sections
8 for such part III is amended by inserting after the item
9 relating to section 139A the following new item:

“Sec. 139B. Distributions from section 401(k) plans and section 403(b) con-
tracts which are used to pay long-term care insurance pre-
miums.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to distributions after the date of
12 the enactment of this Act.

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