

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David Tseng (CN=David Tseng/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-JUL-2000 18:10:51.00

SUBJECT: LRM KNB42 - - TREASURY Statement of Administration Policy on HR4843/HR1102 Comprehensive Retirement Security and Pension Reform Act of 2000

TO: Sarah Rosen Wartell (CN=Sarah Rosen Wartell/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TEXT:

forgot to mention in previous e-mail, Leslie was fine w/lang. on SAP, but of course will go past her once more.

----- Forwarded by David Tseng/OPD/EOP on 07/17/2000

06:10 PM -----

From: Ingrid M. Schroeder on 07/17/2000 04:54:45 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Karen N. Blank/OMB/EOP@EOP

Subject: LRM KNB42 - - TREASURY Statement of Administration Policy on HR4843/HR1102 Comprehensive Retirement Security and Pension Reform Act of 2000

Please provide comments on the DRAFT SAP strongly opposing H.R. 4843/HR 1102 SAP by 11am Tuesday, July 18th.

We understand that the House Rules Committee will be taking up HR 4843/HR1102 tomorrow, Tuesday, July 18th. Therefore the deadline is FIRM.

The bill text can be found at <http://waysandmeans.house.gov>

----- Forwarded by Ingrid M. Schroeder/OMB/EOP on 07/17/2000 04:46 PM -----

LRM ID: KNB42

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Monday, July 17, 2000

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Ingrid M. Schroeder (for) Assistant Director for Legislative Reference

OMB CONTACT: Karen N. Blank

PHONE: (202)395-7363 FAX: (202)395-6148

SUBJECT: TREASURY Statement of Administration Policy on HR4843
Comprehensive Retirement Security and Pension Reform Act of 2000

DEADLINE: 11:00am Tuesday, July 18, 2000 - FIRM

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The bill text -- Chairman Archer's amendment in the nature of a substitute -- is over 100 pages; therefore, paper copies will not be distributed. The e-mail version of this LRM will contain an attachment with the bill text. In addition, the bill text may be accessed on the House Ways and Means website at "<http://waysandmeans.house.gov>". Please let me know if you need assistance in accessing it.

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Ingrid M. Schroeder

LRM ID: KNB42 SUBJECT: TREASURY Statement of Administration

Policy on HR4843 Comprehensive Retirement Security and Pension Reform Act
of 2000
RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Karen N. Blank Phone: 395-7363 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant):
395-7362

FROM: _____ (Date)

_____ (Name)

____ (Agency)

_____ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

Concur

_____ No Objection

 No Comment

_____ See proposed edits on pages _____

Other: _____

FAX RETURN of _____ pages, attached to this response sheet

Message Sent

To: Barbara Chow/OMB/EOP@EOP
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===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NTNFS302:[ATTACH.D33]ARMS350013HL7.001 to ASCII,
The following is a HEX DUMP:
===== END ATTACHMENT 1 =====

===== ATTACHMENT 2 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NTNFS302:[ATTACH.D33]ARMS350013HL7.002 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 2 =====

DRAFT – NOT FOR RELEASE

July 17, 2000
(House Rules)

H.R. 4843 - Comprehensive Retirement Security and Pension Reform Act of 2000
(Archer (R) Texas and 2 cosponsors)

The Administration strongly opposes H.R. 4843, the Comprehensive Retirement Security and Pension Reform Act, as ordered reported from the House Ways and Means Committee. The Administration is strongly committed to strengthening retirement security for all Americans. Unfortunately, H.R. 4843 is not the right approach. Legislation to expand retirement saving must address the fundamental problem that 75 million Americans are not covered by any employer-sponsored retirement plan. H.R. 4843 does not do so. Moreover, it contains provisions that may lead to reduced retirement security for rank-and-file workers.

H.R. 4843 does include a number of provisions that would make a valuable contribution to the improvement of the employer pension system. Indeed, the President's budget incorporates a number of the proposals either intact or with modifications. But various other provisions of H.R. 4843 are counter-productive. For example, H.R. 4843 would raise the maximum amount of business owners' and executives' compensation that can be considered under the retirement plan and would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers.

Provisions such as these could lead to cuts in retirement benefits for moderate- and lower-income workers, while benefits for highly paid executives are maintained or even increased. This would be particularly unfortunate in light of the severe disparity in the adequacy of retirement savings for moderate- and lower-income workers as compared to high-income individuals. Currently, two thirds of pension tax expenditures go to families in the top 20 percent of the income distribution, while only 12 percent goes to families in the bottom 60 percent.

In addition, H.R. 4843 would raise the contribution limits for employee-financed savings vehicles such as 401(k) plans and IRAs. These increases could lead to a displacement of traditional employer-financed pensions in favor of such employee-financed vehicles, shifting the burden of initiating retirement saving onto workers. These self-financed vehicles historically have had lower participation rates for lower- and moderate-income workers, for whom saving is hardest and who derive little or no benefit from existing tax incentives. Thus, the limit increases would not significantly increase plan coverage or national savings.

A better approach is to enact pension and retirement savings incentives to reach the tens of

millions of working Americans who do not participate in an employer-provided pension plan and have little or no other retirement savings. The President's budget proposals would provide enhanced incentives for employers to cover such workers. The Retirement Savings Account approach would provide progressive tax incentives for moderate- and lower-income workers to contribute to employer plans and IRAs. Similarly, the proposed small business tax credit for employer contributions to qualified plans on behalf of non-highly compensated employees would target benefits to those who need them most. This approach builds on the current system to expand access rather than conveying additional benefits to those who already have adequate retirement savings.

The importance of protecting workers' retirement benefits has been demonstrated also in the context of conversions to cash balance pension plans. The Administration believes that legislation imposing meaningful disclosure requirements, such as the Administration's proposal which received strong bipartisan support last year, and a prohibition on cash balance wear-aways - both normal retirement benefits and early retirement benefits - should be enacted, and should be a part of any broad-based retirement savings legislation. H.R. 4843 fails to require adequate disclosure and does not call for any additional protections for workers affected by cash balance conversions.

The Administration also strongly opposes any provisions that would weaken protections for participants by allowing biased investment advice from persons with a conflict of interest or that would otherwise weaken our ability to protect workers' pension and health benefits.

Finally, this approach of passing large tax cuts that are not paid for seriatim represents an unwise abandonment of fiscal discipline. Pension legislation should be considered in a fiscal framework that guarantees that important national priorities -- such as providing affordable prescription drug coverage and rebuilding our crumbling schools -- are met, and that protects the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt. In that context, the Administration would like to work with Congress to build on the current system to help all Americans to save for retirement.

Pay-As-You-Go Scoring

H.R. 4843 would affect receipts; therefore, it is subject to the pay-as-you-go requirements of the Omnibus Budget Reconciliation Act of 1990. The Administration has not yet completed its estimates of the costs of the bill; however, based on the estimates of revenue losses made by the Joint Committee on Taxation (\$1.1 billion for FY 2001 and \$16.1 billion for FYs 2001-2005) , the absence of any offsets to H.R. 4843 could cause a sequester of Federal resources.

* * * * *

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
OFFERED BY MR. ARCHER**

Strike all after the enacting clause and insert the following:

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

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

6 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference
10 shall be considered to be made to a section or other provi-
11 sion of the Internal Revenue Code of 1986.

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

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

TITLE I—INDIVIDUAL RETIREMENT ACCOUNT PROVISIONS

Sec. 101. Modification of IRA contribution limits.

TITLE II—EXPANDING COVERAGE

Sec. 201. Increase in benefit and contribution limits.

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

Sec. 203. Modification of top-heavy rules.

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

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

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

Sec. 207. Deduction limits.

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

TITLE III—ENHANCING FAIRNESS FOR WOMEN

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

Sec. 302. Equitable treatment for contributions of employees to defined contribution plans.

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

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

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

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

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

Sec. 401. Rollovers allowed among various types of plans.

Sec. 402. Rollovers of IRAs into workplace retirement plans.

Sec. 403. Rollovers of after-tax contributions.

Sec. 404. Hardship exception to 60-day rule.

Sec. 405. Treatment of forms of distribution.

Sec. 406. Rationalization of restrictions on distributions.

Sec. 407. Purchase of service credit in governmental defined benefit plans.

Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.

Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

Sec. 501. Repeal of 150 percent of current liability funding limit.

Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.

Sec. 503. Exeise tax relief for sound pension funding.

Sec. 504. Exeise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Sec. 505. Treatment of multiemployer plans under section 415.

Sec. 506. Prohibited allocations of stock in S corporation ESOP.

TITLE VI—REDUCING REGULATORY BURDENS

Sec. 601. Modification of timing of plan valuations.

Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.

Sec. 603. Repeal of transition rule relating to certain highly compensated employees.

Sec. 604. Employees of tax-exempt entities.

Sec. 605. Clarification of treatment of employer-provided retirement advice.

Sec. 606. Reporting simplification.

Sec. 607. Improvement of employee plans compliance resolution system.

Sec. 608. Repeal of the multiple use test.

Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.

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

Sec. 611. Notice and consent period regarding distributions.

TITLE VII—PLAN AMENDMENTS

Sec. 701. Provisions relating to plan amendments.

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

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

4 (a) INCREASE IN CONTRIBUTION LIMIT.—

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

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

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

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

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

17 “(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible

1 amount for taxable years beginning in 2001 or
2 2002 shall be \$5,000.

3 “(C) COST-OF-LIVING ADJUSTMENT.—

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

9 “(I) such dollar amount, multi-
10 plied by

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

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

23 (b) CONFORMING AMENDMENTS.—

24 (1) Section 408(a)(1) is amended by striking
25 “in excess of \$2,000 on behalf of any individual”

1 and inserting “on behalf of any individual in excess
2 of the amount in effect for such taxable year under
3 section 219(b)(1)(A)”.

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

7 (3) Section 408(b) is amended by striking
8 “\$2,000” in the matter following paragraph (4) and
9 inserting “the dollar amount in effect under section
10 219(b)(1)(A)”.

11 (4) Section 408(j) is amended by striking
12 “\$2,000”.

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

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

19 **TITLE II—EXPANDING** 20 **COVERAGE**

21 **SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIM-**
22 **ITS.**

23 (a) DEFINED BENEFIT PLANS.—

24 (1) DOLLAR LIMIT.—

1 (A) Subparagraph (A) of section 415(b)(1)
2 (relating to limitation for defined benefit plans)
3 is amended by striking “\$90,000” and inserting
4 “\$160,000”.

5 (B) Subparagraphs (C) and (D) of section
6 415(b)(2) are each amended by striking
7 “\$90,000” each place it appears in the head-
8 ings and the text and inserting “\$160,000”.

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

17 (2) LIMIT REDUCED WHEN BENEFIT BEGINS
18 BEFORE AGE 62.—Subparagraph (C) of section
19 415(b)(2) is amended by striking “the social security
20 retirement age” each place it appears in the heading
21 and text and inserting “age 62”.

22 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
23 AFTER AGE 65.—Subparagraph (D) of section
24 415(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 65”.

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

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

8 (B) in paragraph (3)(A)—

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

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

13 (5) CONFORMING AMENDMENT.—Section
14 415(b)(2) is amended by striking subparagraph (F).
15 (b) DEFINED CONTRIBUTION PLANS.—

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

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

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

25 (B) in paragraph (3)(D)—

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

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

5 (c) QUALIFIED TRUSTS.—

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

10 (2) BASE PERIOD AND ROUNDING OF COST-OF-
11 LIVING ADJUSTMENT.—Subparagraph (B) of section
12 401(a)(17) is amended—

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

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

17 (d) ELECTIVE DEFERRALS.—

18 (1) IN GENERAL.—Paragraph (1) of section
19 402(g) (relating to limitation on exclusion for elec-
20 tive deferrals) is amended to read as follows:

21 “(1) IN GENERAL.—

22 “(A) LIMITATION.—Notwithstanding sub-
23 sections (e)(3) and (h)(1)(B), the elective defer-
24 rals of any individual for any taxable year shall
25 be included in such individual’s gross income to

1 the extent the amount of such deferrals for the
2 taxable year exceeds the applicable dollar
3 amount.

4 “(B) APPLICABLE DOLLAR AMOUNT.—For
5 purposes of subparagraph (A), the applicable
6 dollar amount shall be the amount determined
7 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.”.

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

10 “(5) COST-OF-LIVING ADJUSTMENT.—In the
11 case of taxable years beginning after December 31,
12 2005, the Secretary shall adjust the \$15,000
13 amount under paragraph (1)(B) at the same time
14 and in the same manner as under section 415(d),
15 except that the base period shall be the calendar
16 quarter beginning July 1, 2004, and any increase
17 under this paragraph which is not a multiple of
18 \$500 shall be rounded to the next lowest multiple of
19 \$500.”.

20 (3) CONFORMING AMENDMENTS.—

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

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

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

13 (e) DEFERRED COMPENSATION PLANS OF STATE
14 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
15 ZATIONS.—

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

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

22 (B) in subsection (b)(3)(A) by striking
23 “\$15,000” and inserting “twice the dollar
24 amount in effect under subsection (b)(2)(A)”.

1 (2) APPLICABLE DOLLAR AMOUNT; COST-OF-
 2 LIVING ADJUSTMENT.—Paragraph (15) of section
 3 457(e) is amended to read as follows:

4 “(15) APPLICABLE DOLLAR AMOUNT.—

5 “(A) IN GENERAL.—The applicable dollar
 6 amount shall be the amount determined in ac-
 7 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.

8 “(B) COST-OF-LIVING ADJUSTMENTS.—In
 9 the case of taxable years beginning after De-
 10 cember 31, 2005, the Secretary shall adjust the
 11 \$15,000 amount specified in the table in sub-
 12 paragraph (A) at the same time and in the
 13 same manner as under section 415(d), except
 14 that the base period shall be the calendar quar-
 15 ter beginning July 1, 2004, and any increase
 16 under this paragraph which is not a multiple of
 17 \$500 shall be rounded to the next lowest mul-
 18 tiple of \$500.”.

19 (f) SIMPLE RETIREMENT ACCOUNTS.—

20 (1) LIMITATION.—Clause (ii) of section
 21 408(p)(2)(A) (relating to general rule for qualified

1 salary reduction arrangement) is amended by strik-
 2 ing “\$6,000” and inserting “the applicable dollar
 3 amount”.

4 (2) APPLICABLE DOLLAR AMOUNT.—Subpara-
 5 graph (E) of 408(p)(2) is amended to read as fol-
 6 lows:

7 “(E) APPLICABLE DOLLAR AMOUNT; COST-
 8 OF-LIVING ADJUSTMENT.—

9 “(i) IN GENERAL.—For purposes of
 10 subparagraph (A)(ii), the applicable dollar
 11 amount shall be the amount determined in
 12 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.

13 “(ii) COST-OF-LIVING ADJUSTMENT.—

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

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

3 (3) CONFORMING AMENDMENTS.—

4 (A) Clause (I) of section 401(k)(11)(B)(i)
5 is amended by striking “\$6,000” and inserting
6 “the amount in effect under section
7 408(p)(2)(A)(ii)”.

8 (B) Section 401(k)(11) is amended by
9 striking subparagraph (E).

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

12 Paragraph (4) of section 415(d) is amended to read as
13 follows:

14 “(4) ROUNDING.—

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

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

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

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

3 (a) IN GENERAL.—Subparagraph (B) of section
4 4975(f)(6) (relating to exemptions not to apply to certain
5 transactions) is amended by adding at the end the fol-
6 lowing new clause:

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

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to loans made after December 31,
14 2000.

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

16 (a) SIMPLIFICATION OF DEFINITION OF KEY EM-
17 PLOYEE.—

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

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

22 (B) by striking clause (i) and inserting the
23 following:

24 “(i) an officer of the employer having
25 an annual compensation greater than
26 \$150,000,”;

1 (C) by striking clause (ii) and redesignig-
2 nating clauses (iii) and (iv) as clauses (ii) and
3 (iii), respectively; and

4 (D) by striking the second sentence in the
5 matter following clause (iii), as redesignated by
6 subparagraph (C).

7 (2) CONFORMING AMENDMENT.—Section
8 416(i)(1)(B)(iii) is amended by striking “and sub-
9 paragraph (A)(ii)”.

10 (b) MATCHING CONTRIBUTIONS TAKEN INTO AC-
11 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
12 Section 416(c)(2)(A) (relating to defined contribution
13 plans) is amended by adding at the end the following:
14 “Employer matching contributions (as defined in section
15 401(m)(4)(A)) shall be taken into account for purposes
16 of this subparagraph.”.

17 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE
18 DETERMINATION DATE TAKEN INTO ACCOUNT.—

19 (1) IN GENERAL.—Paragraph (3) of section
20 416(g) is amended to read as follows:

21 “(3) DISTRIBUTIONS DURING LAST YEAR BE-
22 FORE DETERMINATION DATE TAKEN INTO AC-
23 COUNT.—

24 “(A) IN GENERAL.—For purposes of
25 determining—

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

3 “(ii) the amount of the account of any
4 employee,

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

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

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

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

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

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

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

12 “(i) a cash or deferred arrangement
13 which meets the requirements of section
14 401(k)(12), and

15 “(ii) matching contributions with re-
16 spect to which the requirements of section
17 401(m)(11) are met.

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

1 (e) FROZEN PLAN EXEMPT FROM MINIMUM BEN-
2 EFIT REQUIREMENT.—Subparagraph (C) of section
3 416(c)(1) (relating to defined benefit plans) is amended—

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

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

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

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

19 “(iv) FAMILY ATTRIBUTION DIS-
20 REGARDED.—Solely for purposes of apply-
21 ing this paragraph (and not for purposes
22 of any provision of this title which incor-
23 porates by reference the definition of a key
24 employee or 5-percent owner under this
25 paragraph), section 318 shall be applied

1 without regard to subsection (a)(1) thereof
2 in determining whether any person is a 5-
3 percent owner.”.

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

7 **SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
8 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
9 **ITS.**

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

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

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

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

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

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

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

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

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

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

2 The preceding sentence shall not apply to any request—

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

5 (2) made by the sponsor of any prototype or
6 similar plan which the sponsor intends to market to
7 participating employers.

8 (b) PENSION BENEFIT PLAN.—For purposes of this
9 section, the term “pension benefit plan” means a pension,
10 profit-sharing, stock bonus, annuity, or employee stock
11 ownership plan.

12 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-
13 tion, the term “eligible employer” has the same meaning
14 given such term in section 408(p)(2)(C)(i)(I) of the Inter-
15 nal Revenue Code of 1986. The determination of whether
16 an employer is an eligible employer under this section shall
17 be made as of the date of the request described in sub-
18 section (a).

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

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

23 (a) IN GENERAL.—

24 (1) STOCK BONUS AND PROFIT SHARING
25 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)

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

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

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

13 (b) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 “(3) ROLLOVER CONTRIBUTIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (d) REPORTING REQUIREMENTS.—

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

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

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

21 (e) CONFORMING AMENDMENTS.—

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

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

“Sec. 402A. Optional treatment of elective deferrals as plus contributions.”.

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

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

10 SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS

11 AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

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

“(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

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

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

3 “(A) \$5,000, or

4 “(B) the excess (if any) of—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (a) **EQUITABLE TREATMENT.**—

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

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

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

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

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

22 (3) **CONFORMING AMENDMENTS.**—

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

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

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

6 (C) 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 (D) Section 415(e)(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 (E) Section 415(c) is amended by striking
18 paragraph (4).

19 (F) Section 415(e)(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 or a convention or association of church-
2 es, including an organization described in sec-
3 tion 414(e)(3)(B)(ii), contributions and other
4 additions for an annuity contract or retirement
5 income account described in section 403(b) with
6 respect to such participant, when expressed as
7 an annual addition to such participant's ac-
8 count, shall be treated as not exceeding the lim-
9 itation of paragraph (1) if such annual addition
10 is not in excess of \$10,000.

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

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

20 (G) Subparagraph (B) of section 402(g)(7)
21 (as redesignated by section 211) is amended by
22 inserting before the period at the end the fol-
23 lowing: “(as in effect before the enactment of
24 the Comprehensive Retirement Security and
25 Pension Reform Act of 2000)”.

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

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

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

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

22 (2) EFFECTIVE DATE.—

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

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

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

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

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

1 deferred compensation plans) is amended by striking
 2 “33 $\frac{1}{3}$ percent” and inserting “100 percent”.

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

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

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

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

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

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

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

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

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

22 (b) EFFECTIVE DATES.—

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

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

14 (A) the later of—

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

20 (ii) January 1, 2001; or

21 (B) January 1, 2005.

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

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

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

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

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

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

14 (B) modify such regulations to—

15 (i) reflect current life expectancy; and

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

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

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

5 (3) EFFECTIVE DATE FOR REGULATIONS.—

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

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

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

17 (2) CONFORMING CHANGES.—

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

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

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

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

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

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

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

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

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

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

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

1 (c) REDUCTION IN EXCISE TAX.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (1) ROLLOVERS FROM SECTION 457 PLANS.—

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

14 “(16) ROLLOVER AMOUNTS.—

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

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

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

6 “(iii) in the case of a distribution of
7 property other than money, the amount so
8 transferred consists of the property distrib-
9 uted,
10 then such distribution (to the extent so trans-
11 ferred) shall not be includible in gross income
12 for the taxable year in which paid.

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

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

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

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

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

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

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

17 (D) WITHHOLDING.—

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

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

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

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

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

13 “(iv) section 457(b).”.

14 (2) ROLLOVERS TO SECTION 457 PLANS.—

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

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

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

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

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

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

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

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

5 (1) ROLLOVERS FROM SECTION 403 (b)
6 PLANS.—Section 403(b)(8)(A)(ii) (relating to roll-
7 over amounts) is amended by striking “such dis-
8 tribution” and all that follows and inserting “such
9 distribution to an eligible retirement plan described
10 in section 402(c)(8)(B), and”.

11 (2) ROLLOVERS TO SECTION 403 (b) PLANS.—
12 Section 402(c)(8)(B) (defining eligible retirement
13 plan), as amended by subsection (a), is amended by
14 striking “and” at the end of clause (iv), by striking
15 the period at the end of clause (v) and inserting “,
16 and”, and by inserting after clause (v) the following
17 new clause:

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

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

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

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

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

13 (e) CONFORMING AMENDMENTS.—

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

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

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

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

1 403(a), subparagraph (A) of section 403(b)(8), or
2 subparagraph (A) of section 457(e)(16)”.
3

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

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

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

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

18 (8) Section 408(a)(1) is amended by striking
19 “or 403(b)(8)” and inserting “, 403(b)(8), or
20 457(e)(16)”.

21 (9) Subparagraphs (A) and (B) of section
22 415(b)(2) are each amended by striking “and
23 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
24 457(e)(16)”.

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

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

7 (f) EFFECTIVE DATE; SPECIAL RULE.—

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

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

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

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

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

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

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

18 (b) CONFORMING AMENDMENTS.—

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

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

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

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

10 (c) EFFECTIVE DATE; SPECIAL RULE.—

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

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

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

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

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

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

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

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

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

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

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

12 “(H) APPLICATION OF SECTION 72.—

13 “(i) IN GENERAL.—If—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (a) **PLAN TRANSFERS.**—

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

15 “(D) **PLAN TRANSFERS.**—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (b) REGULATIONS.—

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

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

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

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

14 (a) MODIFICATION OF SAME DESK EXCEPTION.—

15 (1) SECTION 401(k).—

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

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

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

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

5 (C) Section 401(k)(10) is amended—

6 (i) in subparagraph (B)—

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

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

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

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

16 (2) SECTION 403(b).—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (b) INCLUSION IN GROSS INCOME.—

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

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

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

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

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

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

25 (2) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 “(B) the sum of—

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

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

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

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

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

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

6 “(7) DEFINED BENEFIT PLAN EXCEPTION.—In
7 determining the amount of nondeductible contribu-
8 tions for any taxable year, an employer may elect for
9 such year not to take into account any contributions
10 to a defined benefit plan except to the extent that
11 such contributions exceed the full-funding limitation
12 (as defined in section 412(e)(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 amendments made by
22 this section shall apply to years beginning after December
23 31, 2000.

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

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

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

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

14 “(b) AMOUNT OF TAX.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 “(A) any defined benefit plan, or

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

1 which had 100 or more participants who had ac-
2 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. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
21 **SECTION 415.**

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

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

7 (b) COMBINING AND AGGREGATION OF PLANS.—

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

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

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

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

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

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

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

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

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

24 “(2) FAILURE TO MEET REQUIREMENTS.—

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

7 “(B) CROSS REFERENCE.—

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

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

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

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

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

20 “(B) ATTRIBUTION 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),

9 (B) by striking the period at the end of
10 paragraph (2) and inserting a comma, and

11 (C) by striking all that follows paragraph
12 (2) and inserting the following:

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

18 “(4) any synthetic equity is owned by a dis-
19 qualified person in any nonallocation year,
20 there is hereby imposed a tax on such allocation or owner-
21 ship equal to 50 percent of the amount involved.”.

22 (2) LIABILITY.—Section 4979A(c) (defining li-
23 ability for tax) is amended to read as follows:

24 “(c) LIABILITY FOR TAX.—The tax imposed by this
25 section shall be paid—

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

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

4 “(B) the eligible worker-owned cooperative,
5 which made the written statement described in sec-
6 tion 664(g)(1)(E) or in section 1042(b)(3)(B) (as
7 the case may be), and

8 “(2) in the case of an allocation or ownership
9 referred to in paragraph (3) or (4) of subsection (a),
10 by the S corporation the stock in which was so allo-
11 cated or owned.”.

12 (3) DEFINITIONS.—Section 4979A(e) (relating
13 to definitions) is amended to read as follows:

14 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
15 poses of this section—

16 “(1) DEFINITIONS.—Except as provided in
17 paragraph (2), terms used in this section have the
18 same respective meanings as when used in sections
19 409 and 4978.

20 “(2) SPECIAL RULES RELATING TO TAX IM-
21 POSED BY REASON OF PARAGRAPH (3) OR (4) OF
22 SUBSECTION (a).—

23 “(A) PROHIBITED ALLOCATIONS.—The
24 amount involved with respect to any tax im-
25 posed by reason of subsection (a)(3) is the

1 amount allocated to the account of any person
2 in violation of section 409(p)(1).

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

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

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

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

1 “(ii) the date on which the Secretary
2 is notified of such allocation or owner-
3 ship.”.

4 (d) EFFECTIVE DATES.—

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

8 (2) EXCEPTION FOR CERTAIN PLANS.—In the
9 case of any—

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

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

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

20 **TITLE VI—REDUCING** 21 **REGULATORY BURDENS**

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

23 (a) IN GENERAL.—Paragraph (9) of section
24 412(c)(9) (relating to annual valuation) is amended to
25 read as follows:

1 “(9) ANNUAL VALUATION.—

2 “(A) IN GENERAL.—For purposes of this
3 section, a determination of experience gains and
4 losses and a valuation of the plan’s liability
5 shall be made not less frequently than once
6 every year, except that such determination shall
7 be made more frequently to the extent required
8 in particular cases under regulations prescribed
9 by the Secretary.

10 “(B) VALUATION DATE.—

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

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

22 “(I) an election is in effect under
23 this clause with respect to the plan,
24 and

1 “(II) as of such date, the value
2 of the assets of the plan are not less
3 than 125 percent of the plan’s current
4 liability (as defined in paragraph
5 (7)(B)).

6 “(iii) ADJUSTMENTS.—Information
7 under clause (ii) shall, in accordance with
8 regulations, be actuarially adjusted to re-
9 flect significant differences in participants.

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

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

16 **SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
17 **LOSS OF DIVIDEND DEDUCTION.**

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

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

1 “(I) payable as provided in clause
2 (i) or (ii), or
3 “(II) paid to the plan and rein-
4 vested in qualifying employer securi-
5 ties, or”.

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

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

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

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

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

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

1 under the same general arrangement as a plan under such
2 section 401(k), if—

3 (1) no employee of an organization described in
4 section 403(b)(1)(A)(i) of such Code is eligible to
5 participate in such section 401(k) plan or section
6 401(m) plan; and

7 (2) 95 percent of the employees who are not
8 employees of an organization described in section
9 403(b)(1)(A)(i) of such Code are eligible to partici-
10 pate in such plan under such section 401(k) or (m).

11 (b) EFFECTIVE DATE.—The modification required by
12 subsection (a) shall apply as of the same date set forth
13 in section 1426(b) of the Small Business Job Protection
14 Act of 1996.

15 **SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-**
16 **PROVIDED RETIREMENT ADVICE.**

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

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

23 (b) QUALIFIED RETIREMENT PLANNING SERVICES
24 DEFINED.—Section 132 is amended by redesignating sub-

1 section (m) as subsection (n) and by inserting after sub-
2 section (l) the following:

3 “(m) QUALIFIED RETIREMENT PLANNING SERV-
4 ICES.—

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

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

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

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

1 **SEC. 606. REPORTING SIMPLIFICATION.**

2 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
3 OWNERS AND THEIR SPOUSES.—

4 (1) IN GENERAL.—The Secretary of the Treas-
5 ury shall modify the requirements for filing annual
6 returns with respect to one-participant retirement
7 plans to ensure that such plans with assets of
8 \$250,000 or less as of the close of the plan year
9 need not file a return for that year.

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

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

15 (i) covered only the employer (and the
16 employer’s spouse) and the employer
17 owned the entire business (whether or not
18 incorporated); or

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

23 (B) meets the minimum coverage require-
24 ments of section 410(b) of the Internal Revenue
25 Code of 1986 without being combined with any

1 other plan of the business that covers the em-
2 ployees of the business;

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

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

10 (E) does not cover a business that leases
11 employees.

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

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

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

3 **SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**
4 **ANCE RESOLUTION SYSTEM.**

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

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

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

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

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

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

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

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

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

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

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

14 (a) NONDISCRIMINATION.—

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

22 (Λ) the plan satisfies conditions prescribed
23 by the Secretary to appropriately limit the
24 availability of such test; and

1 (B) the plan is submitted to the Secretary
2 for a determination of whether it satisfies such
3 test.

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

6 (2) EFFECTIVE DATES.—

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

10 (B) CONDITIONS OF AVAILABILITY.—Any
11 condition of availability prescribed by the Sec-
12 retary under paragraph (1)(A) shall not apply
13 before the first year beginning not less than
14 120 days after the date on which such condition
15 is prescribed.

16 (b) COVERAGE TEST.—

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

20 “(D) In the case that the plan fails to
21 meet the requirements of subparagraphs (A),
22 (B) and (C), the plan—

23 “(i) satisfies subparagraph (B), as in
24 effect immediately before the enactment of
25 the Tax Reform Act of 1986,

1 “(ii) is submitted to the Secretary for
2 a determination of whether it satisfies the
3 requirement described in clause (i), and

4 “(iii) satisfies conditions prescribed by
5 the Secretary by regulation that appro-
6 priately limit the availability of this sub-
7 paragraph.

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

10 (2) EFFECTIVE DATES.—

11 (A) IN GENERAL.—The amendment made
12 by paragraph (1) shall apply to years beginning
13 after December 31, 2000.

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

22 (c) LINE OF BUSINESS RULES.—The Secretary of
23 the Treasury shall, on or before December 31, 2000, mod-
24 ify the existing regulations issued under section 414(r) of
25 the Internal Revenue Code of 1986 in order to expand

1 (to the extent that the Secretary determines appropriate)
2 the ability of a pension plan to demonstrate compliance
3 with the line of business requirements based upon the
4 facts and circumstances surrounding the design and oper-
5 ation of the plan, even though the plan is unable to satisfy
6 the mechanical tests currently used to determine compli-
7 ance.

8 **SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF**
9 **MORATORIUM ON APPLICATION OF CERTAIN**
10 **NONDISCRIMINATION RULES APPLICABLE TO**
11 **STATE AND LOCAL PLANS.**

12 (a) IN GENERAL.—

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

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

23 (b) CONFORMING AMENDMENTS.—

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

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

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

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

13 SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DIS-
14 TRIBUTIONS.

15 (a) EXPANSION OF PERIOD.—

16 (1) IN GENERAL.—Subparagraph (A) of section
17 417(a)(6) is amended by striking “90-day” and in-
18 serting “180-day”.

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

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

5 (b) CONSENT REGULATION INAPPLICABLE TO CER-
6 TAIN DISTRIBUTIONS.—

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

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

17 **TITLE VII—PLAN AMENDMENTS**

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

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

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

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

4 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

5 (1) IN GENERAL.—This section shall apply to
6 any amendment to any plan or annuity contract
7 which is made—

8 (A) pursuant to any amendment made by
9 this Act, or pursuant to any regulation issued
10 under this Act, and

11 (B) on or before the last day of the first
12 plan year beginning on or after January 1,
13 2003.

14 In the case of a governmental plan (as defined in
15 section 414(d) of the Internal Revenue Code of
16 1986), this paragraph shall be applied by sub-
17 stituting “2005” for “2003”.

18 (2) CONDITIONS.—This section shall not apply
19 to any amendment unless—

20 (A) during the period—

21 (i) beginning on the date the legisla-
22 tive or regulatory amendment described in
23 paragraph (1)(A) takes effect (or in the
24 case of a plan or contract amendment not
25 required by such legislative or regulatory

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1 amendment, the effective date specified by
2 the plan); and

3 (ii) ending on the date described in
4 paragraph (1)(B) (or, if earlier, the date
5 the plan or contract amendment is adopt-
6 ed),

7 the plan or contract is operated as if such plan
8 or contract amendment were in effect; and

9 (B) such plan or contract amendment ap-
10 plies retroactively for such period.