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NICKLES AMDT

AMENDMENT NO. _____

Calendar No. _____

Purpose: To increase the Federal minimum wage, *and protect small business.*

IN THE SENATE OF THE UNITED STATES—106th Cong., 1st Sess.

S. 625

To amend title 11, United States Code, and for other purposes.

Referred to the Committee on _____
and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by

Viz:

1 At the appropriate place, insert the following:

2 **TITLE ____—AMENDMENTS TO**
3 **FAIR LABOR STANDARDS ACT**
4 **OF 1938**5 **SEC. ____01. MINIMUM WAGE.**6 Section 6(a)(1) of the Fair Labor Standards Act of
7 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:8 “(1) except as otherwise provided in this sec-
9 tion, not less than—10 “(A) \$5.15 an hour beginning September
11 1, 1997,

1 “(B) \$5.50 an hour during the year begin-
2 ning March 1, 2000,

3 “(C) \$5.85 an hour during the year begin-
4 ning March 1, 2001, and

5 “(D) \$6.15 an hour during the year begin-
6 ning March 1, 2002.”.

7 **SEC. ____02. REGULAR RATE FOR OVERTIME PURPOSES.**

8 Section 7(e) of the Fair Labor Standards Act of 1938
9 (29 U.S.C. 207(e)) is amended—

10 (1) by inserting before the semicolon at the end
11 of paragraph (3) the following: “; or (d) the pay-
12 ments are made to reward an employee or group of
13 employees for meeting or exceeding the productivity,
14 quality, efficiency, or sales goals as specified in a
15 gainsharing, incentive bonus, commission, or per-
16 formance contingent bonus plan”; and

17 (2) by inserting after and below paragraph (7)
18 the following:

19 “A plan described in paragraph (3)(d) shall be in writing
20 and made available to employees, provide that the amount
21 of the payments to be made under the plan be based upon
22 a formula that is stated in the plan, and be established
23 and maintained in good faith for the purpose of distribut-
24 ing to employees additional remuneration over and above
25 the wages and salaries that are not dependent upon the

1 existence of such plan or payments made pursuant to such
2 plan.”.

3 **TITLE ____—TAX RELIEF**

4 **SEC. ____00. AMENDMENT OF 1986 CODE.**

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

11 **Subtitle A—Small Business Tax**
12 **Relief**

13 **SEC. ____01. INCREASE IN EXPENSING LIMITATION TO**
14 **\$30,000.**

15 (a) IN GENERAL.—Paragraph (1) of section 179(b)
16 (relating to limitations) is amended to read as follows:

17 “(1) DOLLAR LIMITATION.—The aggregate cost
18 which may be taken into account under subsection

19 (a) for any taxable year shall not exceed \$30,000.”

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

23 **SEC. ____02. REPEAL OF TEMPORARY UNEMPLOYMENT TAX.**

24 Section 3301 (relating to rate of unemployment tax)
25 is amended—

1 (1) by striking "2007" in paragraph (1) and in-
2 serting "2000"; and

3 (2) by striking "2008" in paragraph (2) and in-
4 serting "2001".

5 **SEC. ____03. FULL DEDUCTION OF HEALTH INSURANCE**
6 **COSTS FOR SELF-EMPLOYED INDIVIDUALS.**

7 (a) **IN GENERAL.**—Section 162(l)(1) (relating to al-
8 lowance of deduction) is amended to read as follows:

9 "(1) **ALLOWANCE OF DEDUCTION.**—In the case
10 of an individual who is an employee within the
11 meaning of section 401(c)(1), there shall be allowed
12 as a deduction under this section an amount equal
13 to the amount paid during the taxable year for in-
14 surance which constitutes medical care for the tax-
15 payer and the taxpayer's spouse and dependents."

16 (b) **EFFECTIVE DATE.**—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 1999.

19 **SEC. ____04. PERMANENT EXTENSION OF WORK OPPOR-**
20 **TUNITY TAX CREDIT.**

21 (a) **IN GENERAL.**—Section 51(c) (defining wages) is
22 amended by striking paragraph (4).

23 (b) **EFFECTIVE DATE.**—The amendment made by
24 this section shall apply to individuals who begin work for
25 the employer after June 30, 1999.

1 SEC. ____05. SMALL BUSINESSES ALLOWED INCREASED DE-
2 DUCTION FOR MEAL AND ENTERTAINMENT
3 EXPENSES.

4 (a) IN GENERAL.—Subsection (n) of section 274 (re-
5 lating to only 50 percent of meal and entertainment ex-
6 penses allowed as deduction) is amended by adding at the
7 end the following:

8 “(4) SPECIAL RULE FOR SMALL BUSINESSES.—

9 “(A) IN GENERAL.—In the case of any
10 taxpayer which is a small business, paragraph
11 (1) shall be applied by substituting ‘the applica-
12 ble percentage’ for ‘50 percent’. For purposes
13 of the preceding sentence, the term ‘applicable
14 percentage’ means 55 percent in the case of
15 taxable years beginning in 2001, increased (but
16 not above 80 percent) by 5 percentage points
17 for each succeeding calendar year after 2001
18 with respect to taxable years beginning in each
19 such calendar year.

20 “(B) SMALL BUSINESS.—For purposes of
21 this paragraph, the term ‘small business’
22 means, with respect to expenses paid or in-
23 curred during any taxable year—

24 “(i) any C corporation which meets
25 the requirements of section 55(e)(1) for
26 such year, and

1 “(ii) any S corporation, partnership,
2 or sole proprietorship which would meet
3 such requirements if it were a C corpora-
4 tion.”

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

8 **Subtitle B—Deduction for Health**
9 **and Long-Term Care Insurance**

10 SEC. ____11. DEDUCTION FOR HEALTH AND LONG-TERM
11 CARE INSURANCE COSTS OF INDIVIDUALS
12 NOT PARTICIPATING IN EMPLOYER-SUB-
13 SIDIZED HEALTH PLANS.

14 (a) IN GENERAL.—Part VII of subchapter B of chap-
15 ter 1 is amended by redesignating section 222 as section
16 223 and by inserting after section 221 the following new
17 section:

18 “SEC. 222. HEALTH AND LONG-TERM CARE INSURANCE
19 COSTS.

20 “(a) IN GENERAL.—In the case of an individual,
21 there shall be allowed as a deduction an amount equal to
22 the applicable percentage of the amount paid during the
23 taxable year for insurance which constitutes medical care
24 for the taxpayer and the taxpayer’s spouse and depend-
25 ents.

1 “(b) APPLICABLE PERCENTAGE.—For purposes of
 2 subsection (a), the applicable percentage shall be deter-
 3 mined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2002, 2003, and 2004	25
2005	35
2006	65
2007 and thereafter	100.

4 “(c) LIMITATION BASED ON OTHER COVERAGE.—

5 “(1) COVERAGE UNDER CERTAIN SUBSIDIZED
 6 EMPLOYER PLANS.—

7 “(A) IN GENERAL.—Subsection (a) shall
 8 not apply to any taxpayer for any calendar
 9 month for which the taxpayer participates in
 10 any health plan maintained by any employer of
 11 the taxpayer or of the spouse of the taxpayer if
 12 50 percent or more of the cost of coverage
 13 under such plan (determined under section
 14 4980B and without regard to payments made
 15 with respect to any coverage described in sub-
 16 section (e)) is paid or incurred by the employer.

17 “(B) EMPLOYER CONTRIBUTIONS TO CAF-
 18 ETERIA PLANS, FLEXIBLE SPENDING ARRANGE-
 19 MENTS, AND MEDICAL SAVINGS ACCOUNTS.—
 20 Employer contributions to a cafeteria plan, a
 21 flexible spending or similar arrangement, or a
 22 medical savings account which are excluded

1 from gross income under section 106 shall be
2 treated for purposes of subparagraph (A) as
3 paid by the employer.

4 “(C) AGGREGATION OF PLANS OF EM-
5 PLOYER.—A health plan which is not otherwise
6 described in subparagraph (A) shall be treated
7 as described in such subparagraph if such plan
8 would be so described if all health plans of per-
9 sons treated as a single employer under sub-
10 section (b), (c), (m), or (o) of section 414 were
11 treated as one health plan.

12 “(D) SEPARATE APPLICATION TO HEALTH
13 INSURANCE AND LONG-TERM CARE INSUR-
14 ANCE.—Subparagraphs (A) and (C) shall be
15 applied separately with respect to—

16 “(i) plans which include primarily cov-
17 erage for qualified long-term care services
18 or are qualified long-term care insurance
19 contracts, and

20 “(ii) plans which do not include such
21 coverage and are not such contracts.

22 “(2) COVERAGE UNDER CERTAIN FEDERAL
23 PROGRAMS.—

24 “(A) IN GENERAL.—Subsection (a) shall
25 not apply to any amount paid for any coverage

1 for an individual for any calendar month if, as
2 of the first day of such month, the individual is
3 covered under any medical care program de-
4 scribed in—

5 “(i) title XVIII, XIX, or XXI of the
6 Social Security Act,

7 “(ii) chapter 55 of title 10, United
8 States Code,

9 “(iii) chapter 17 of title 38, United
10 States Code,

11 “(iv) chapter 89 of title 5, United
12 States Code, or

13 “(v) the Indian Health Care Improve-
14 ment Act.

15 “(B) EXCEPTIONS.—

16 “(i) QUALIFIED LONG-TERM CARE.—
17 Subparagraph (A) shall not apply to
18 amounts paid for coverage under a quali-
19 fied long-term care insurance contract.

20 “(ii) CONTINUATION COVERAGE OF
21 FEHBP.—Subparagraph (A)(iv) shall not
22 apply to coverage which is comparable to
23 continuation coverage under section
24 4980B.

1 “(d) LONG-TERM CARE DEDUCTION LIMITED TO
2 QUALIFIED LONG-TERM CARE INSURANCE CON-
3 TRACTS.—In the case of a qualified long-term care insur-
4 ance contract, only eligible long-term care premiums (as
5 defined in section 213(d)(10)) may be taken into account
6 under subsection (a).

7 “(e) DEDUCTION NOT AVAILABLE FOR PAYMENT OF
8 ANCILLARY COVERAGE PREMIUMS.—Any amount paid as
9 a premium for insurance which provides for—

10 “(1) coverage for accidents, disability, dental
11 care, vision care, or a specified illness, or

12 “(2) making payments of a fixed amount per
13 day (or other period) by reason of being hospitalized.
14 shall not be taken into account under subsection (a).

15 “(f) SPECIAL RULES.—

16 “(1) COORDINATION WITH DEDUCTION FOR
17 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
18 DIVIDUALS.—The amount taken into account by the
19 taxpayer in computing the deduction under section
20 162(l) shall not be taken into account under this
21 section.

22 “(2) COORDINATION WITH MEDICAL EXPENSE
23 DEDUCTION.—The amount taken into account by
24 the taxpayer in computing the deduction under this

1 section shall not be taken into account under section
2 213.

3 “(g) REGULATIONS.—The Secretary shall prescribe
4 such regulations as may be appropriate to carry out this
5 section, including regulations requiring employers to re-
6 port to their employees and the Secretary such informa-
7 tion as the Secretary determines to be appropriate.”.

8 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
9 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
10 of section 62 is amended by inserting after paragraph (17)
11 the following new item:

12 “(18) HEALTH AND LONG-TERM CARE INSUR-
13 ANCE COSTS.—The deduction allowed by section
14 222.”.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 for part VII of subchapter B of chapter 1 is amended by
17 striking the last item and inserting the following new
18 items:

“Sec. 222. Health and long-term care insurance costs.

“Sec. 223. Cross reference.”.

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

Subtitle C—Pension Tax Relief

PART I—EXPANDING COVERAGE

SEC. ____21. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

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

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

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking “the greater of \$68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for ‘\$90,000’ ” and inserting “one-half the amount otherwise applicable for such year under paragraph (1)(A) for ‘\$160,000’ ”.

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

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

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

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

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

13 (B) in paragraph (3)(A)—

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

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

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

20 (b) DEFINED CONTRIBUTION PLANS.—

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

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

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

6 (B) in paragraph (3)(D)—

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

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

11 (c) QUALIFIED TRUSTS.—

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

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

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

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

23 (d) ELECTIVE DEFERRALS.—

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

4 “(1) IN GENERAL.—

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

12 “(B) APPLICABLE DOLLAR AMOUNT.—For
 13 purposes of subparagraph (A), the applicable
 14 dollar amount shall be the amount determined
 15 in accordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.”

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

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

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

7 (3) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

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

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

10 “(15) APPLICABLE DOLLAR AMOUNT.—

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

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.

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

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

4 (f) SIMPLE RETIREMENT ACCOUNTS.—

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

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

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

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

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$7,000
2002	\$8,000
2003	\$9,000
2004 or thereafter	\$10,000.

19 “(ii) COST-OF-LIVING ADJUSTMENT.—

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

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

9 (3) CONFORMING AMENDMENTS.—

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

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

16 (g) ROUNDING RULE RELATING TO DEFINED BENE-
17 FIT PLANS AND DEFINED CONTRIBUTION PLANS.—Para-
18 graph (4) of section 415(d) is amended to read as follows:

19 “(4) ROUNDING.—

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

24 “(B) \$40,000 AMOUNT.—Any increase
25 under subparagraph (C) of paragraph (1) which

1 is not a multiple of \$1,000 shall be rounded to
2 the next lowest multiple of \$1,000.”.

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

6 **SEC. ____22. PLAN LOANS FOR SUBCHAPTER S OWNERS,**
7 **PARTNERS, AND SOLE PROPRIETORS.**

8 (a) AMENDMENT TO 1986 CODE.—Subparagraph
9 (B) of section 4975(f)(6) (relating to exemptions not to
10 apply to certain transactions) is amended by adding at the
11 end the following new clause:

12 “(iii) LOAN EXCEPTION.—For pur-
13 poses of subparagraph (A)(i), the term
14 ‘owner-employee’ shall only include a per-
15 son described in subclause (II) or (III) of
16 clause (i).”.

17 (b) AMENDMENT TO ERISA.—Section 408(d)(2) of
18 the Employee Retirement Income Security Act of 1974
19 (29 U.S.C. 1108(d)(2)) is amended by adding at the end
20 the following new subparagraph:

21 “(C) For purposes of paragraph (1)(A), the term
22 ‘owner-employee’ shall only include a person described in
23 clause (ii) or (iii) of subparagraph (A).”.

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

4 **SEC. ____ 23. MODIFICATION OF TOP-HEAVY RULES.**

5 (a) SIMPLIFICATION OF DEFINITION OF KEY EM-
6 PLOYEE.—

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

9 (A) by striking “or any of the 4 preceding
10 plan years” in the matter preceding clause (i),

11 (B) by striking clause (i) and inserting the
12 following:

13 “(i) an officer of the employer having
14 an annual compensation greater than
15 \$150,000,”,

16 (C) by striking clause (ii) and redesignat-
17 ing clauses (iii) and (iv) as clauses (ii) and (iii),
18 respectively, and

19 (D) by striking the second sentence in the
20 matter following clause (iii), as redesignated by
21 subparagraph (C).

22 (2) CONFORMING AMENDMENT.—Section
23 416(i)(1)(B)(iii) is amended by striking “and sub-
24 paragraph (A)(ii)”.

1 (b) MATCHING CONTRIBUTIONS TAKEN INTO AC-
2 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
3 Section 416(c)(2)(A) (relating to defined contribution
4 plans) is amended by adding at the end the following:
5 “Employer matching contributions (as defined in section
6 401(m)(4)(A)) shall be taken into account for purposes
7 of this subparagraph.”.

8 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE
9 DETERMINATION DATE TAKEN INTO ACCOUNT.—

10 (1) IN GENERAL.—Paragraph (3) of section
11 416(g) is amended to read as follows:

12 “(3) DISTRIBUTIONS DURING LAST YEAR BE-
13 FORE DETERMINATION DATE TAKEN INTO AC-
14 COUNT.—

15 “(A) IN GENERAL.—For purposes of deter-
16 mining—

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

19 “(ii) the amount of the account of any
20 employee,

21 such present value or amount shall be increased
22 by the aggregate distributions made with re-
23 spect to such employee under the plan during
24 the 1-year period ending on the determination
25 date. The preceding sentence shall also apply to

1 distributions under a terminated plan which if
2 it had not been terminated would have been re-
3 quired to be included in an aggregation group.

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

10 (2) BENEFITS NOT TAKEN INTO ACCOUNT.—
11 Subparagraph (E) of section 416(g)(4) is amend-
12 ed—

13 (A) by striking “LAST 5 YEARS” in the
14 heading and inserting “LAST YEAR BEFORE DE-
15 TERMINATION DATE”, and

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

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

22 “(H) CASH OR DEFERRED ARRANGEMENTS
23 USING ALTERNATIVE METHODS OF MEETING
24 NONDISCRIMINATION REQUIREMENTS.—The

1 term 'top-heavy plan' shall not include a plan
2 which consists solely of—

3 “(i) a cash or deferred arrangement
4 which meets the requirements of section
5 401(k)(12), and

6 “(ii) matching contributions with re-
7 spect to which the requirements of section
8 401(m)(11) are met.

9 If, but for this subparagraph, a plan would be
10 treated as a top-heavy plan because it is a
11 member of an aggregation group which is a top-
12 heavy group, contributions under the plan may
13 be taken into account in determining whether
14 any other plan in the group meets the require-
15 ments of subsection (c)(2).”.

16 (e) FROZEN PLAN EXEMPT FROM MINIMUM BENE-
17 FIT REQUIREMENT.—Subparagraph (C) of section
18 416(c)(1) (relating to defined benefit plans) is amended—

19 (A) by striking “clause (ii)” in clause (i)
20 and inserting “clause (ii) or (iii)”, and

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

22 “(iii) EXCEPTION FOR FROZEN
23 PLAN.—For purposes of determining an
24 employee's years of service with the em-
25 ployer, any service with the employer shall

1 be disregarded to the extent that such
2 service occurs during a plan year when the
3 plan benefits (within the meaning of sec-
4 tion 410(b)) no employee or former em-
5 ployee.”.

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

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

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

1 **SEC. ____24. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
2 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
3 **ITS.**

4 (a) **IN GENERAL.**—Section 404 (relating to deduction
5 for contributions of an employer to an employees' trust
6 or annuity plan and compensation under a deferred pay-
7 ment plan) is amended by adding at the end the following
8 new subsection:

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

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

19 **SEC. ____25. REPEAL OF COORDINATION REQUIREMENTS**
20 **FOR DEFERRED COMPENSATION PLANS OF**
21 **STATE AND LOCAL GOVERNMENTS AND TAX-**
22 **EXEMPT ORGANIZATIONS.**

23 (a) **IN GENERAL.**—Subsection (c) of section 457 (re-
24 lating to deferred compensation plans of State and local
25 governments and tax-exempt organizations), as amended
26 by section ____21, is amended to read as follows:

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

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

10 **SEC. ____26. ELIMINATION OF USER FEE FOR REQUESTS TO**
11 **IRS REGARDING PENSION PLANS.**

12 (a) ELIMINATION OF CERTAIN USER FEES.—The
13 Secretary of the Treasury or the Secretary’s delegate shall
14 not require payment of user fees under the program estab-
15 lished under section 7527 of the Internal Revenue Code
16 of 1986 for requests to the Internal Revenue Service for
17 determination letters with respect to the qualified status
18 of a pension benefit plan maintained solely by one or more
19 eligible employers or any trust which is part of the plan.
20 The preceding sentence shall not apply to any request—

21 (1) made after the 5th plan year the pension
22 benefit plan is in existence, or

23 (2) made by the sponsor of any prototype or
24 similar plan which the sponsor intends to market to
25 participating employers.

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

5 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-
6 tion, the term “eligible employer” has the same meaning
7 given such term in section 408(p)(2)(C)(i)(I) of the Inter-
8 nal Revenue Code of 1986. The determination of whether
9 an employer is an eligible employer under this section shall
10 be made as of the date of the request described in sub-
11 section (a).

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

15 **SEC. ____27. DEDUCTION LIMITS.**

16 (a) IN GENERAL.—Section 404(a) (relating to gen-
17 eral rule) is amended by adding at the end the following:

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

23 (b) CONFORMING AMENDMENT.—Subparagraph (B)
24 of section 404(a)(3) is amended by striking the last sen-
25 tence thereof.

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

4 **SEC. ____28. 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 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 amend-
12 ed—

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)
12 and by inserting after subsection (e) the following
13 new 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(e) 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).”.

1 (2) The table of sections for subpart A of part
2 I of subchapter D of chapter 1 is amended by insert-
3 ing after the item relating to section 402 the follow-
4 ing new item:

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

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

8 **PART II—ENHANCING FAIRNESS FOR WOMEN**

9 **SEC. ____ 31. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS**

10 **AGE 50 OR OVER.**

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

14 “(v) **CATCHUP CONTRIBUTIONS FOR INDIVIDUALS**
15 **AGE 50 OR OVER.**—

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

21 “(2) **LIMITATION ON AMOUNT OF ADDITIONAL**
22 **DEFERRALS.**—

23 “(A) **IN GENERAL.**—A plan shall not per-
24 mit additional elective deferrals under para-

1 graph (1) for any year in an amount greater
2 than the lesser of—

3 “(i) the applicable percentage of the
4 applicable dollar amount for such elective
5 deferrals for such year, or

6 “(ii) the excess (if any) of—

7 “(I) the participant’s compensa-
8 tion for the year, over

9 “(II) any other elective deferrals
10 of the participant for such year which
11 are made without regard to this sub-
12 section.

13 “(B) APPLICABLE PERCENTAGE.—For
14 purposes of this paragraph, the applicable per-
15 centage shall be determined in accordance with
16 the following table:

“For taxable years beginning in:	The applicable percentage is:
2001	10 percent
2002	20 percent
2003	30 percent
2004	40 percent
2005 and thereafter	50 percent.

17 “(3) TREATMENT OF CONTRIBUTIONS.—In the
18 case of any contribution to a plan under paragraph
19 (1)—

20 “(A) such contribution shall not, with re-
21 spect to the year in which the contribution is
22 made—

1 “(i) be subject to any otherwise appli-
2 cable limitation contained in section
3 402(g), 402(h), 403(b), 404(a), 404(h),
4 408, 415, or 457, or

5 “(ii) be taken into account in applying
6 such limitations to other contributions or
7 benefits under such plan or any other such
8 plan, and

9 “(B) such plan shall not be treated as fail-
10 ing to meet the requirements of section
11 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11),
12 401(k)(12), 401(m), 403(b)(12), 408(k),
13 408(p), 408B, 410(b), or 416 by reason of the
14 making of (or the right to make) such contribu-
15 tion.

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

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

22 “(B) with respect to whom no other elec-
23 tive deferrals may (without regard to this sub-
24 section) be made to the plan for the plan year
25 by reason of the application of any limitation or

1 other restriction described in paragraph (3) or
2 contained in the terms of the plan.

3 “(5) OTHER DEFINITIONS AND RULES.—For
4 purposes of this subsection—

5 “(A) APPLICABLE DOLLAR AMOUNT.—The
6 term ‘applicable dollar amount’ means, with re-
7 spect to any year, the amount in effect under
8 section 402(g)(1)(B), 408(p)(2)(E)(i), or
9 457(e)(15)(A), whichever is applicable to an ap-
10 plicable employer plan, for such year.

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

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

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

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

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

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

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

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

12 **SEC. ____32. EQUITABLE TREATMENT FOR CONTRIBUTIONS**
13 **OF EMPLOYEES TO DEFINED CONTRIBUTION**
14 **PLANS.**

15 (a) EQUITABLE TREATMENT.—

16 (1) IN GENERAL.—Subparagraph (B) of section
17 415(c)(1) (relating to limitation for defined con-
18 tribution plans) is amended by striking “25 percent”
19 and inserting “100 percent”.

20 (2) APPLICATION TO SECTION 403(b).—Section
21 403(b) is amended—

22 (A) by striking “the exclusion allowance
23 for such taxable year” in paragraph (1) and in-
24 serting “the applicable limit under section
25 415”,

1 (B) by striking paragraph (2), and

2 (C) by inserting “or any amount received
3 by a former employee after the 5th taxable year
4 following the taxable year in which such em-
5 ployee was terminated” before the period at the
6 end of the second sentence of paragraph (3).

7 (3) CONFORMING AMENDMENTS.—

8 (A) Subsection (f) of section 72 is amend-
9 ed by striking “section 403(b)(2)(D)(iii))” and
10 inserting “section 403(b)(2)(D)(iii), as in effect
11 before the enactment of the Taxpayer Refund
12 and Relief Act of 1999”.

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

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

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

22 “(E) ANNUITY CONTRACTS.—In the case
23 of an annuity contract described in section
24 403(b), the term ‘participant’s compensation’

1 means the participant's includible compensation
2 determined under section 403(b)(3).".

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

5 (F) Section 415(c)(7) is amended to read
6 as follows:

7 "(7) CERTAIN CONTRIBUTIONS BY CHURCH
8 PLANS NOT TREATED AS EXCEEDING LIMIT.—

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

22 "(B) \$40,000 AGGREGATE LIMITATION.—
23 The total amount of additions with respect to
24 any participant which may be taken into ac-

1 count for purposes of this subparagraph for all
2 years may not exceed \$40,000.

3 “(C) ANNUAL ADDITION.—For purposes of
4 this paragraph, the term ‘annual addition’ has
5 the meaning given such term by paragraph
6 (2).”.

7 (G) Subparagraph (B) of section 402(g)(7)
8 (as redesignated by section 1201) is amended
9 by inserting before the period at the end the
10 following: “(as in effect before the enactment of
11 the Taxpayer Refund and Relief Act of 1999)”.

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

15 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
16 408.—

17 (1) IN GENERAL.—Subsection (k) of section
18 415 is amended by adding at the end the following
19 new paragraph:

20 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
21 408.—For purposes of this section, any annuity con-
22 tract described in section 403(b) for the benefit of
23 a participant shall be treated as a defined contribu-
24 tion plan maintained by each employer with respect
25 to which the participant has the control required

1 under subsection (b) or (c) of section 414 (as modi-
2 fied by subsection (h)). For purposes of this section,
3 any contribution by an employer to a simplified em-
4 ployee pension plan for an individual for a taxable
5 year shall be treated as an employer contribution to
6 a defined contribution plan for such individual for
7 such year.”.

8 (2) EFFECTIVE DATE.—

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

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

20 (3) MODIFICATION OF 403(b) EXCLUSION AL-
21 LOWANCE TO CONFORM TO 415 MODIFICATION.—The
22 Secretary of the Treasury shall modify the regula-
23 tions regarding the exclusion allowance under section
24 403(b)(2) of the Internal Revenue Code of 1986 to
25 render void the requirement that contributions to a

1 defined benefit pension plan be treated as previously
2 excluded amounts for purposes of the exclusion al-
3 lowance. For taxable years beginning after Decem-
4 ber 31, 1999, such regulations shall be applied as if
5 such requirement were void.

6 (c) DEFERRED COMPENSATION PLANS OF STATE
7 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
8 ZATIONS.—

9 (1) IN GENERAL.—Subparagraph (B) of section
10 457(b)(2) (relating to salary limitation on eligible
11 deferred compensation plans) is amended by striking
12 “33 $\frac{1}{3}$ percent” and inserting “100 percent”.

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

16 **SEC. ____33. FASTER VESTING OF CERTAIN EMPLOYER**
17 **MATCHING CONTRIBUTIONS.**

18 (a) AMENDMENTS TO 1986 CODE.—Section 411(a)
19 (relating to minimum vesting standards) is amended—

20 (1) in paragraph (2), by striking “A plan” and
21 inserting “Except as provided in paragraph (12), a
22 plan”, and

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

24 “(12) FASTER VESTING FOR MATCHING CON-
25 TRIBUTIONS.—In the case of matching contributions

1 (as defined in section 401(m)(4)(A)), paragraph (2)
 2 shall be applied—

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

5 “(B) by substituting the following table for
 6 the table contained in subparagraph (B):

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

7 (b) AMENDMENTS TO ERISA.—Section 203(a) of the
 8 Employee Retirement Income Security Act of 1974 (29
 9 U.S.C. 1053(a)) is amended—

10 (1) in paragraph (2), by striking “A plan” and
 11 inserting “Except as provided in paragraph (4), a
 12 plan”, and

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

14 “(4) FASTER VESTING FOR MATCHING CON-
 15 TRIBUTIONS.—In the case of matching contributions
 16 (as defined in section 401(m)(4)(A) of the Internal
 17 Revenue Code of 1986), paragraph (2) shall be ap-
 18 plied—

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

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

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

1 (c) EFFECTIVE DATES.—

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

6 (2) COLLECTIVE BARGAINING AGREEMENTS.—

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

15 (A) the later of—

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

21 (ii) January 1, 2001, or

22 (B) January 1, 2005.

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

7 **SEC. ____34. SIMPLIFY AND UPDATE THE MINIMUM DIS-**
8 **TRIBUTION RULES.**

9 (a) SIMPLIFICATION AND FINALIZATION OF MINI-
10 MUM DISTRIBUTION REQUIREMENTS.—

11 (1) IN GENERAL.—The Secretary of the Treas-
12 ury shall—

13 (A) simplify and finalize the regulations re-
14 lating to minimum distribution requirements
15 under sections 401(a)(9), 408(a)(6) and (b)(3),
16 403(b)(10), and 457(d)(2) of the Internal Reve-
17 nue Code of 1986, and

18 (B) modify such regulations to—

19 (i) reflect current life expectancy, and

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

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

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

16 (b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
17 BEGUN BEFORE DEATH OCCURS.—

18 (1) IN GENERAL.—Subparagraph (B) of section
19 401(a)(9) is amended by striking clause (i) and re-
20 designating clauses (ii), (iii), and (iv) as clauses (i),
21 (ii), and (iii), respectively.

22 (2) CONFORMING CHANGES.—

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

1 (i) by striking "FOR OTHER CASES" in
2 the heading, and

3 (ii) by striking "the distribution of the
4 employee's interest has begun in accord-
5 ance with subparagraph (A)(ii)" and in-
6 serting "his entire interest has been dis-
7 tributed to him,".

8 (B) Clause (ii) of section 401(a)(9)(B) (as
9 so redesignated) is amended by striking "clause
10 (ii)" and inserting "clause (i)".

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

13 (i) by striking "clause (iii)(I)" and in-
14 serting "clause (ii)(I)",

15 (ii) by striking "clause (iii)(III)" in
16 subclause (I) and inserting "clause
17 (ii)(III)",

18 (iii) by striking "the date on which
19 the employee would have attained the age
20 70½," in subclause (I) and inserting
21 "April 1 of the calendar year following the
22 calendar year in which the spouse attains
23 70½," and

24 (iv) by striking "the distributions to
25 such spouse begin," in subclause (II) and

1 inserting "his entire interest has been dis-
2 tributed to him,".

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

6 (c) REDUCTION IN EXCISE TAX.—

7 (1) IN GENERAL.—Subsection (a) of section
8 4974 is amended by striking "50 percent" and in-
9 serting "10 percent".

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

13 **SEC. ____ 35. CLARIFICATION OF TAX TREATMENT OF DIVI-**
14 **SION OF SECTION 457 PLAN BENEFITS UPON**
15 **DIVORCE.**

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

19 (1) by inserting "or an eligible deferred com-
20 pensation plan (within the meaning of section
21 457(b))" after "subsection (e))", and

22 (2) in the heading, by striking "GOVERN-
23 MENTAL AND CHURCH PLANS" and inserting "CER-
24 TAIN OTHER PLANS".

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

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

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

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

20 **SEC. ____36. MODIFICATION OF SAFE HARBOR RELIEF FOR**
21 **HARDSHIP WITHDRAWALS FROM CASH OR**
22 **DEFERRED ARRANGEMENTS.**

23 (a) IN GENERAL.—The Secretary of the Treasury
24 shall revise the regulations relating to hardship distribu-
25 tions under section 401(k)(2)(B)(i)(IV) of the Internal

1 Revenue Code of 1986 to provide that the period an em-
2 ployee is prohibited from making elective and employee
3 contributions in order for a distribution to be deemed nec-
4 essary to satisfy financial need shall be equal to 6 months.

5 (b) EFFECTIVE DATE.—The revised regulations
6 under subsection (a) shall apply to years beginning after
7 December 31, 2000.

8 **PART III—INCREASING PORTABILITY FOR**
9 **PARTICIPANTS**

10 **SEC. ____ 41. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**
11 **OF PLANS.**

12 (a) ROLLOVERS FROM AND TO SECTION 457
13 PLANS.—

14 (1) ROLLOVERS FROM SECTION 457 PLANS.—

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

18 “(16) ROLLOVER AMOUNTS.—

19 “(A) GENERAL RULE.—In the case of an
20 eligible deferred compensation plan established
21 and maintained by an employer described in
22 subsection (e)(1)(A), if—

23 “(i) any portion of the balance to the
24 credit of an employee in such plan is paid
25 to such employee in an eligible rollover dis-

1 tribution (within the meaning of section
2 402(c)(4) without regard to subparagraph
3 (C) thereof),

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

9 “(iii) in the case of a distribution of
10 property other than money, the amount so
11 transferred consists of the property distrib-
12 uted,

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

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

21 “(C) REPORTING.—Rollovers under this
22 paragraph shall be reported to the Secretary in
23 the same manner as rollovers from qualified re-
24 tirement plans (as defined in section
25 4974(c)).”.

1 (B) DEFERRAL LIMIT DETERMINED WITH-
2 OUT REGARD TO ROLLOVER AMOUNTS.—Section
3 457(b)(2) (defining eligible deferred compensa-
4 tion plan) is amended by inserting “(other than
5 rollover amounts)” after “taxable year”.

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

12 “(C) in the case of a plan maintained by
13 an employer described in subsection (e)(1)(A),
14 the plan meets requirements similar to the re-
15 quirements of section 401(a)(31).

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

20 (D) WITHHOLDING.—

21 (i) Paragraph (12) of section 3401(a)
22 is amended by adding at the end the fol-
23 lowing:

24 “(E) under or to an eligible deferred com-
25 pensation plan which, at the time of such pay-

1 ment, is a plan described in section 457(b)
2 maintained by an employer described in section
3 457(e)(1)(A); or”.

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

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

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

16 “(iv) section 457(b).”.

17 (2) ROLLOVERS TO SECTION 457 PLANS.—

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

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

4 (B) SEPARATE ACCOUNTING.—Section
5 402(c) is amended by adding at the end the fol-
6 lowing new paragraph:

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

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

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

1 tribution is attributable to an amount transferred to
2 an eligible deferred compensation plan from a quali-
3 fied retirement plan (as defined in section
4 4974(c)).”.

5 (b) ALLOWANCE OF ROLLOVERS FROM AND TO 403
6 (b) PLANS.—

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

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

20 “(vi) an annuity contract described in
21 section 403(b).”.

22 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
23 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
24 402(f) (relating to written explanation to recipients of dis-
25 tributions eligible for rollover treatment) is amended by

1 striking “and” at the end of subparagraph (C), by striking
2 the period at the end of subparagraph (D) and inserting
3 “, and”, and by adding at the end the following new sub-
4 paragraph:

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

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

15 (e) CONFORMING AMENDMENTS.—

16 (1) Section 72(o)(4) is amended by striking
17 “and 408(d)(3)” and inserting “403(b)(8),
18 408(d)(3), and 457(e)(16)”.

19 (2) Section 219(d)(2) is amended by striking
20 “or 408(d)(3)” and inserting “408(d)(3), or
21 457(e)(16)”.

22 (3) Section 401(a)(31)(B) is amended by strik-
23 ing “and 403(a)(4)” and inserting “, 403(a)(4),
24 403(b)(8), and 457(e)(16)”.

1 (4) Subparagraph (A) of section 402(f)(2) is
2 amended by striking “or paragraph (4) of section
3 403(a)” and inserting “, paragraph (4) of section
4 403(a), subparagraph (A) of section 403(b)(8), or
5 subparagraph (A) of section 457(e)(16)”.

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

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

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

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

20 (8) Section 408(a)(1) is amended by striking
21 “or 403(b)(8)” and inserting “, 403(b)(8), or
22 457(e)(16)”.

23 (9) Subparagraphs (A) and (B) of section
24 415(b)(2) are each amended by striking “and

1 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
2 457(e)(16)”.

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

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

9 (f) EFFECTIVE DATE; SPECIAL RULE.—

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

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

1 SEC. ____42. ROLLOVERS OF IRAS INTO WORKPLACE RE-
2 TIREMENT PLANS.

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

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

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

22 (b) CONFORMING AMENDMENTS.—

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

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

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

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

13 (c) EFFECTIVE DATE; SPECIAL RULE.—

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

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

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

3 **SEC. ____43. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

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

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

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

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

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

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

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

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

16 “(H) APPLICATION OF SECTION 72.—

17 “(i) IN GENERAL.—If—

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

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

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

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

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

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

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

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

4 **SEC. ____ 44. HARDSHIP EXCEPTION TO 60-DAY RULE.**

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

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

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

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

23 (b) IRAS.—Paragraph (3) of section 408(d) (relating
24 to rollover contributions), as amended by section ____ 43,

1 is amended by adding after subparagraph (H) the follow-
2 ing new subparagraph:

3 “(I) WAIVER OF 60-DAY REQUIREMENT.—

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

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

14 **SEC. ____45. TREATMENT OF FORMS OF DISTRIBUTION.**

15 (a) PLAN TRANSFERS.—

16 (1) AMENDMENT TO INTERNAL REVENUE CODE
17 OF 1986.—Paragraph (6) of section 411(d) (relating
18 to accrued benefit not to be decreased by amend-
19 ment) is amended by adding at the end the follow-
20 ing:

21 “(D) PLAN TRANSFERS.—

22 “(i) A defined contribution plan (in
23 this subparagraph referred to as the
24 ‘transferee plan’) shall not be treated as
25 failing to meet the requirements of this

1 subsection merely because the transferee
2 plan does not provide some or all of the
3 forms of distribution previously available
4 under another defined contribution plan
5 (in this subparagraph referred to as the
6 'transferor plan') to the extent that—

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

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

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

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

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

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

22 “(ii) Clause (i) shall apply to plan
23 mergers and other transactions having the
24 effect of a direct transfer, including con-
25 solidations of benefits attributable to dif-

1 ferent employers within a multiple em-
2 ployer plan.

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

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

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

20 (2) AMENDMENT TO ERISA.—Section 204(g) of
21 the Employee Retirement Income Security Act of
22 1974 (29 U.S.C. 1054(g)) is amended by adding at
23 the end the following:

24 “(4)(A) A defined contribution plan (in this subpara-
25 graph referred to as the ‘transferee plan’) shall not be

1 treated as failing to meet the requirements of this sub-
2 section merely because the transferee plan does not pro-
3 vide some or all of the forms of distribution previously
4 available under another defined contribution plan (in this
5 subparagraph referred to as the 'transferor plan') to the
6 extent that—

7 “(i) the forms of distribution previously avail-
8 able under the transferor plan applied to the account
9 of a participant or beneficiary under the transferor
10 plan that was transferred from the transferor plan
11 to the transferee plan pursuant to a direct transfer
12 rather than pursuant to a distribution from the
13 transferor plan;

14 “(ii) the terms of both the transferor plan and
15 the transferee plan authorize the transfer described
16 in clause (i);

17 “(iii) the transfer described in clause (i) was
18 made pursuant to a voluntary election by the partici-
19 pant or beneficiary whose account was transferred to
20 the transferee plan;

21 “(iv) the election described in clause (iii) was
22 made after the participant or beneficiary received a
23 notice describing the consequences of making the
24 election;

1 “(v) if the transferor plan provides for an annu-
2 ity as the normal form of distribution under the plan
3 in accordance with section 205, the transfer is made
4 with the consent of the participant’s spouse (if any),
5 and such consent meets requirements similar to the
6 requirements imposed by section 205(c)(2); and

7 “(vi) the transferee plan allows the participant
8 or beneficiary described in clause (iii) to receive any
9 distribution to which the participant or beneficiary is
10 entitled under the transferee plan in the form of a
11 single sum distribution.

12 “(B) Subparagraph (A) shall apply to plan mergers
13 and other transactions having the effect of a direct trans-
14 fer, including consolidations of benefits attributable to dif-
15 ferent employers within a multiple employer plan.

16 “(5) ELIMINATION OF FORM OF DISTRIBUTION.—Ex-
17 cept to the extent provided in regulations, a defined con-
18 tribution plan shall not be treated as failing to meet the
19 requirements of this section merely because of the elimi-
20 nation of a form of distribution previously available there-
21 under. This paragraph shall not apply to the elimination
22 of a form of distribution with respect to any participant
23 unless—

1 “(A) a single sum payment is available to such
2 participant at the same time or times as the form
3 of distribution being eliminated; and

4 “(B) such single sum payment is based on the
5 same or greater portion of the participant’s account
6 as the form of distribution being eliminated.”.

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

10 (b) REGULATIONS.—

11 (1) AMENDMENT TO INTERNAL REVENUE CODE
12 OF 1986.—The last sentence of paragraph (6)(B) of
13 section 411(d) (relating to accrued benefit not to be
14 decreased by amendment) is amended to read as fol-
15 lows: “The Secretary shall by regulations provide
16 that this subparagraph shall not apply to any plan
17 amendment that does not adversely affect the rights
18 of participants in a material manner.”.

19 (2) AMENDMENT TO ERISA.—The last sentence
20 of section 204(g)(2) of the Employee Retirement In-
21 come Security Act of 1974 (29 U.S.C. 1054(g)(2))
22 is amended to read as follows: “The Secretary of the
23 Treasury shall by regulations provide that this para-
24 graph shall not apply to any plan amendment that

1 does not adversely affect the rights of participants in
2 a material manner.”.

3 (3) 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 and
7 section 204(g) of the Employee Retirement Income
8 Security Act of 1974, including the regulations re-
9 quired by the amendments made by this subsection.
10 Such regulations shall apply to plan years beginning
11 after December 31, 2001, or such earlier date as is
12 specified by the Secretary of the Treasury.

13 **SEC. ____46. RATIONALIZATION OF RESTRICTIONS ON DIS-**
14 **TRIBUTIONS.**

15 (a) MODIFICATION OF SAME DESK EXCEPTION.—

16 (1) SECTION 401(k).—

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

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

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

7 (C) Section 401(k)(10) is amended—

8 (i) in subparagraph (B)—

9 (I) by striking “An event” in
10 clause (i) and inserting “A termi-
11 nation”, and

12 (II) by striking “the event” in
13 clause (i) and inserting “the termi-
14 nation”,

15 (ii) by striking subparagraph (C), and

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

18 (2) SECTION 403(b).—

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

23 (B) The heading for paragraph (11) of
24 section 403(b) is amended by striking “SEPARA-

1 TION FROM SERVICE” and inserting “SEVER-
2 ANCE FROM EMPLOYMENT”.

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

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

10 **SEC. ____47. PURCHASE OF SERVICE CREDIT IN GOVERN-**
11 **MENTAL DEFINED BENEFIT PLANS.**

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

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

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

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

4 (b) 457 PLANS.—

5 (1) Subsection (e) of section 457 is amended by
6 adding after paragraph (16) the following new para-
7 graph:

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

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

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

20 (2) Section 457(b)(2) is amended by striking
21 “(other than rollover amounts)” and inserting
22 “(other than rollover amounts and amounts received
23 in a transfer referred to in subsection (e)(17))”.

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

4 **SEC. ____48. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**
5 **PURPOSES OF CASH-OUT AMOUNTS.**

6 (a) QUALIFIED PLANS.—

7 (1) AMENDMENT TO INTERNAL REVENUE CODE
8 OF 1986.—Section 411(a)(11) (relating to restric-
9 tions on certain mandatory distributions) is amended
10 by adding at the end the following:

11 “(D) SPECIAL RULE FOR ROLLOVER CON-
12 TRIBUTIONS.—A plan shall not fail to meet the
13 requirements of this paragraph if, under the
14 terms of the plan, the present value of the non-
15 forfeitable accrued benefit is determined with-
16 out regard to that portion of such benefit which
17 is attributable to rollover contributions (and
18 earnings allocable thereto). For purposes of this
19 subparagraph, the term ‘rollover contributions’
20 means any rollover contribution under sections
21 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),
22 and 457(e)(16).”.

23 (2) AMENDMENT TO ERISA.—Section 203(e) of
24 the Employee Retirement Income Security Act of

1 1974 (29 U.S.C. 1053(c)) is amended by adding at
2 the end the following:

3 “(4) A plan shall not fail to meet the requirements
4 of this subsection if, under the terms of the plan, the
5 present value of the nonforfeitable accrued benefit is de-
6 termined without regard to that portion of such benefit
7 which is attributable to rollover contributions (and earn-
8 ings allocable thereto). For purposes of this subparagraph,
9 the term ‘rollover contributions’ means any rollover con-
10 tribution under sections 402(c), 403(a)(4), 403(b)(8),
11 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue
12 Code of 1986.”.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—

Clause (i) of section 457(e)(9)(A) is amended by striking “such amount” and inserting “the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to distributions after December 31,
20 2000.

21 SEC. ____ 49. MINIMUM DISTRIBUTION AND INCLUSION RE-
22 QUIREMENTS FOR SECTION 457 PLANS.

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

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

5 (b) INCLUSION IN GROSS INCOME.—

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

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

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

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

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

23 “(2) SPECIAL RULE FOR ROLLOVER
24 AMOUNTS.—To the extent provided in section

1 72(t)(9), section 72(t) shall apply to any amount in-
2 cludible in gross income under this subsection.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) So much of paragraph (9) of section
5 457(e) as precedes subparagraph (A) is amend-
6 ed to read as follows:

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

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

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

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

1 **PART IV—STRENGTHENING PENSION SECURITY**
 2 **AND ENFORCEMENT**

3 **SEC. ____ 51. REPEAL OF 150 PERCENT OF CURRENT LIABIL-**
 4 **ITY FUNDING LIMIT.**

5 (a) AMENDMENT TO INTERNAL REVENUE CODE OF
 6 1986.—Section 412(c)(7) (relating to full-funding limita-
 7 tion) 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) AMENDMENT TO ERISA.—Section 302(c)(7) of
 19 the Employee Retirement Income Security Act of 1974
 20 (29 U.S.C. 1082(c)(7)) is amended—

21 (1) by striking “the applicable percentage” in
 22 subparagraph (A)(i)(I) and inserting “in the case of

1 • plan years beginning before January 1, 2004, the
2 applicable percentage”, and

3 (2) by amending subparagraph (F) to read as
4 follows:

5 “(F) APPLICABLE PERCENTAGE.—For
6 purposes of subparagraph (A)(i)(I), the applica-
7 ble percentage shall be determined in accord-
8 ance with the following table:

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

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

12 **SEC. ____52. MAXIMUM CONTRIBUTION DEDUCTION RULES**
13 **MODIFIED AND APPLIED TO ALL DEFINED**
14 **BENEFIT PLANS.**

15 (a) IN GENERAL.—Subparagraph (D) of section
16 404(a)(1) (relating to special rule in case of certain plans)
17 is amended to read as follows:

18 “(D) SPECIAL RULE IN CASE OF CERTAIN
19 PLANS.—

20 “(i) IN GENERAL.—In the case of any
21 defined benefit plan, except as provided in
22 regulations, the maximum amount deduct-
23 ible under the limitations of this paragraph

1 shall not be less than the unfunded termi-
2 nation liability (determined as if the pro-
3 posed termination date referred to in sec-
4 tion 4041(b)(2)(A)(i)(II) of the Employee
5 Retirement Income Security Act of 1974
6 were the last day of the plan year).

7 “(ii) PLANS WITH LESS THAN 100
8 PARTICIPANTS.—For purposes of this sub-
9 paragraph, in the case of a plan which has
10 less than 100 participants for the plan
11 year, termination liability shall not include
12 the liability attributable to benefit in-
13 creases for highly compensated employees
14 (as defined in section 414(q)) resulting
15 from a plan amendment which is made or
16 becomes effective, whichever is later, within
17 the last 2 years before the termination
18 date.

19 “(iii) RULE FOR DETERMINING NUM-
20 BER OF PARTICIPANTS.—For purposes of
21 determining whether a plan has more than
22 100 participants, all defined benefit plans
23 maintained by the same employer (or any
24 member of such employer’s controlled
25 group (within the meaning of section

1 412(l)(8)(C))) shall be treated as one plan,
2 but only employees of such member or em-
3 ployer shall be taken into account.

4 “(iv) PLANS ESTABLISHED AND MAIN-
5 TAIN BY PROFESSIONAL SERVICE EMPLOY-
6 ERS.—Clause (i) shall not apply to a plan
7 described in section 4021(b)(13) of the
8 Employee Retirement Income Security Act
9 of 1974.”.

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

12 “(6) EXCEPTIONS.—In determining the amount
13 of nondeductible contributions for any taxable year,
14 there shall not be taken into account so much of the
15 contributions to one or more defined contribution
16 plans which are not deductible when contributed
17 solely because of section 404(a)(7) as does not ex-
18 ceed the greater of—

19 “(A) the amount of contributions not in
20 excess of 6 percent of compensation (within the
21 meaning of section 404(a)) paid or accrued
22 (during the taxable year for which the contribu-
23 tions were made) to beneficiaries under the
24 plans, or

25 “(B) the sum of—

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

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

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

9 (c) **EFFECTIVE DATE.**—The amendments made by
10 this section shall apply to plan years beginning after De-
11 cember 31, 2000.

12 **SEC. ____53. EXCISE TAX RELIEF FOR SOUND PENSION**
13 **FUNDING.**

14 (a) **IN GENERAL.**—Subsection (c) of section 4972
15 (relating to nondeductible contributions) is amended by
16 adding at the end the following new paragraph:

17 “(7) **DEFINED BENEFIT PLAN EXCEPTION.**—In
18 determining the amount of nondeductible contribu-
19 tions for any taxable year, an employer may elect for
20 such year not to take into account any contributions
21 to a defined benefit plan except to the extent that
22 such contributions exceed the full-funding limitation
23 (as defined in section 412(c)(7), determined without
24 regard to subparagraph (A)(i)(I) thereof). For pur-
25 poses of this paragraph, the deductible limits under

1 section 404(a)(7) shall first be applied to amounts
2 contributed to defined contribution plans and then
3 to amounts described in this paragraph. If an em-
4 ployer makes an election under this paragraph for a
5 taxable year, paragraph (6) shall not apply to such
6 employer for such taxable year.”.

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

10 **SEC. ____54. EXCISE TAX ON FAILURE TO PROVIDE NOTICE**
11 **BY DEFINED BENEFIT PLANS SIGNIFICANTLY**
12 **REDUCING FUTURE BENEFIT ACCRUALS.**

13 (a) AMENDMENT TO 1986 CODE.—Chapter 43 of
14 subtitle D (relating to qualified pension, etc., plans) is
15 amended by adding at the end the following new section:
16 **“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING**
17 **BENEFIT ACCRUALS TO SATISFY NOTICE RE-**
18 **QUIREMENTS.**

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

23 “(b) AMOUNT OF TAX.—

24 “(1) IN GENERAL.—The amount of the tax im-
25 posed by subsection (a) on any failure with respect

1 to any applicable individual shall be \$100 for each
2 day in the noncompliance period with respect to such
3 failure.

4 “(2) NONCOMPLIANCE PERIOD.—For purposes
5 of this section, the term ‘noncompliance period’
6 means, with respect to any failure, the period begin-
7 ning on the date the failure first occurs and ending
8 on the date the failure is corrected.

9 “(c) LIMITATIONS ON AMOUNT OF TAX.—

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

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

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

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

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

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

15 “(1) IN GENERAL.—If an applicable pension
16 plan is amended to provide for a significant reduc-
17 tion in the rate of future benefit accrual, the plan
18 administrator shall provide written notice to each
19 applicable individual (and to each employee organi-
20 zation representing applicable individuals).

21 “(2) NOTICE.—The notice required by para-
22 graph (1) shall be written in a manner calculated to
23 be understood by the average plan participant and
24 shall provide sufficient information (as determined
25 in accordance with regulations prescribed by the

1 Secretary) to allow applicable individuals to under-
2 stand the effect of the plan amendment.

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

7 “(4) DESIGNEES.—Any notice under paragraph
8 (1) may be provided to a person designated, in writ-
9 ing, by the person to which it would otherwise be
10 provided.

11 “(5) NOTICE BEFORE ADOPTION OF AMEND-
12 MENT.—A plan shall not be treated as failing to
13 meet the requirements of paragraph (1) merely be-
14 cause notice is provided before the adoption of the
15 plan amendment if no material modification of the
16 amendment occurs before the amendment is adopt-
17 ed.

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

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

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

24 “(B) any beneficiary who is an alternate
25 payee (within the meaning of section 414(p)(8))

1 under an applicable qualified domestic relations
2 order (within the meaning of section
3 414(p)(1)(A)),
4 who may reasonably be expected to be affected by
5 such plan amendment.

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

8 “(A) any defined benefit plan, or

9 “(B) an individual account plan which is
10 subject to the funding standards of section 412,
11 which had 100 or more participants who had ac-
12 crued a benefit, or with respect to whom contribu-
13 tions were made, under the plan (whether or not
14 vested) as of the last day of the plan year preceding
15 the plan year in which the plan amendment becomes
16 effective. Such term shall not include a governmental
17 plan (within the meaning of section 414(d)) or a
18 church plan (within the meaning of section 414(e))
19 with respect to which the election provided by sec-
20 tion 410(d) has not been made.”.

21 (b) AMENDMENT TO ERISA.—Section 204(h) of the
22 Employee Retirement Income Security Act of 1974 (29
23 U.S.C. 1054(h)) is amended by adding at the end the fol-
24 lowing new paragraph:

1 “(3)(A) A plan to which paragraph (1) applies shall
2 not be treated as meeting the requirements of such para-
3 graph unless, in addition to any notice required to be pro-
4 vided to an individual or organization under such para-
5 graph, the plan administrator provides the notice de-
6 scribed in subparagraph (B).

7 “(B) The notice required by subparagraph (A) shall
8 be written in a manner calculated to be understood by the
9 average plan participant and shall provide sufficient infor-
10 mation (as determined in accordance with regulations pre-
11 scribed by the Secretary of the Treasury) to allow individ-
12 uals to understand the effect of the plan amendment.

13 “(C) Except as provided in regulations prescribed by
14 the Secretary of the Treasury, the notice required by sub-
15 paragraph (A) shall be provided within a reasonable time
16 before the effective date of the plan amendment.

17 “(D) A plan shall not be treated as failing to meet
18 the requirements of subparagraph (A) merely because no-
19 tice is provided before the adoption of the plan amendment
20 if no material modification of the amendment occurs be-
21 fore the amendment is adopted.”.

22 (c) CLERICAL AMENDMENT.—The table of sections
23 for chapter 43 of subtitle D is amended by adding at the
24 end the following new item:

“Sec. 4980F. Failure of applicable plans reducing benefit accruals
to satisfy notice requirements.”.

1 (d) EFFECTIVE DATES.—

2 (1) IN GENERAL.—The amendments made by
3 this section shall apply to plan amendments taking
4 effect on or after the date of the enactment of this
5 Act.

6 (2) TRANSITION.—Until such time as the Sec-
7 retary of the Treasury issues regulations under sec-
8 tions 4980F(e)(2) and (3) of the Internal Revenue
9 Code of 1986 and section 204(h)(3) of the Employee
10 Retirement Income Security Act of 1974 (as added
11 by the amendments made by this section), a plan
12 shall be treated as meeting the requirements of such
13 sections if it makes a good faith effort to comply
14 with such requirements.

15 (3) SPECIAL RULE.—The period for providing
16 any notice required by the amendments made by this
17 section shall not end before the date which is 3
18 months after the date of the enactment of this Act.

19 **SEC. ____55. PROTECTION OF INVESTMENT OF EMPLOYEE**
20 **CONTRIBUTIONS TO 401(K) PLANS.**

21 (a) IN GENERAL.—Section 1524(b) of the Taxpayer
22 Relief Act of 1997 is amended to read as follows:

23 “(b) EFFECTIVE DATE.—

24 “(1) IN GENERAL.—Except as provided in para-
25 graph (2), the amendments made by this section

1 shall apply to elective deferrals for plan years begin-
2 ning after December 31, 1998.

3 “(2) NONAPPLICATION TO PREVIOUSLY AC-
4 QUIRED PROPERTY.—The amendments made by this
5 section shall not apply to any elective deferral which
6 is invested in assets consisting of qualifying em-
7 ployer securities, qualifying employer real property,
8 or both, if such assets were acquired before January
9 1, 1999.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply as if included in the provision of
12 the Taxpayer Relief Act of 1997 to which it relates.

13 **SEC. ____56. TREATMENT OF MULTIEMPLOYER PLANS**
14 **UNDER SECTION 415.**

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

18 “(11) SPECIAL LIMITATION RULE FOR GOVERN-
19 MENTAL AND MULTIEMPLOYER PLANS.—In the case
20 of a governmental plan (as defined in section
21 414(d)) or a multiemployer plan (as defined in sec-
22 tion 414(f)), subparagraph (B) of paragraph (1)
23 shall not apply.”.

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

4 **PART V—REDUCING REGULATORY BURDENS**

5 **SEC. ____61. MODIFICATION OF TIMING OF PLAN VALU-**
6 **ATIONS.**

7 (a) IN GENERAL.—Section 412(c)(9) (relating to an-
8 nual valuation) is amended—

9 (1) by striking “For purposes” and inserting
10 the following:

11 “(A) IN GENERAL.—For purposes”, and

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

13 “(B) ELECTION TO USE PRIOR YEAR
14 VALUATION.—

15 “(i) IN GENERAL.—Except as pro-
16 vided in clause (ii), if, for any plan year—

17 “(I) an election is in effect under
18 this subparagraph with respect to a
19 plan, and

20 “(II) the assets of the plan are
21 not less than 125 percent of the
22 plan’s current liability (as defined in
23 paragraph (7)(B)), determined as of
24 the valuation date for the preceding
25 plan year,

1 then this section shall be applied using the
2 information available as of such valuation
3 date.

4 “(ii) EXCEPTIONS.—

5 “(I) ACTUAL VALUATION EVERY
6 3 YEARS.—Clause (i) shall not apply
7 for more than 2 consecutive plan
8 years and valuation shall be under
9 subparagraph (A) with respect to any
10 plan year to which clause (i) does not
11 apply by reason of this subclause.

12 “(II) REGULATIONS.—Clause (i)
13 shall not apply to the extent that
14 more frequent valuations are required
15 under the regulations under subpara-
16 graph (A).

17 “(iii) ADJUSTMENTS.—Information
18 under clause (i) shall, in accordance with
19 regulations, be actuarially adjusted to re-
20 flect significant differences in participants.

21 “(iv) ELECTION.—An election under
22 this subparagraph, once made, shall be ir-
23 revocable without the consent of the Sec-
24 retary.”.

1 (b) AMENDMENTS TO ERISA.—Paragraph (9) of
2 section 302(c) of the Employee Retirement Income Secu-
3 rity Act of 1974 (29 U.S.C. 1053(c)) is amended—

4 (1) by inserting “(A)” after “(9)”, and

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

6 “(B)(i) Except as provided in clause (ii), if, for any
7 plan year—

8 “(I) an election is in effect under this subpara-
9 graph with respect to a plan, and

10 “(II) the assets of the plan are not less than
11 125 percent of the plan’s current liability (as defined
12 in paragraph (7)(B)), determined as of the valuation
13 date for the preceding plan year,

14 then this section shall be applied using the information
15 available as of such valuation date.

16 “(ii)(I) Clause (i) shall not apply for more than 2
17 consecutive plan years and valuation shall be under sub-
18 paragraph (A) with respect to any plan year to which
19 clause (i) does not apply by reason of this subclause.

20 “(II) Clause (i) shall not apply to the extent that
21 more frequent valuations are required under the regula-
22 tions under subparagraph (A).

23 “(iii) Information under clause (i) shall, in accord-
24 ance with regulations, be actuarially adjusted to reflect
25 significant differences in participants.

1 “(iv) An election under this subparagraph, once
2 made, shall be irrevocable without the consent of the Sec-
3 retary of the Treasury.”.

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

7 **SEC. ____62. ESOP DIVIDENDS MAY BE REINVESTED WITH-**
8 **OUT LOSS OF DIVIDEND DEDUCTION.**

9 (a) IN GENERAL.—Section 404(k)(2)(A) (defining
10 applicable dividends) is amended by striking “or” at the
11 end of clause (ii), by redesignating clause (iii) as clause
12 (iv), and by inserting after clause (ii) the following new
13 clause:

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

16 “(I) payable as provided in clause
17 (i) or (ii), or

18 “(II) paid to the plan and rein-
19 vested in qualifying employer securi-
20 ties, or”.

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

1 SEC. ____63. REPEAL OF TRANSITION RULE RELATING TO
2 CERTAIN HIGHLY COMPENSATED EMPLOY-
3 EES.

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

6 (b) EFFECTIVE DATE.—The repeal made by sub-
7 section (a) shall apply to plan years beginning after De-
8 cember 31, 1999.

9 SEC. ____64. EMPLOYEES OF TAX-EXEMPT ENTITIES.

10 (a) IN GENERAL.—The Secretary of the Treasury
11 shall modify Treasury Regulations section 1.410(b)–6(g)
12 to provide that employees of an organization described in
13 section 403(b)(1)(A)(i) of the Internal Revenue Code of
14 1986 who are eligible to make contributions under section
15 403(b) of such Code pursuant to a salary reduction agree-
16 ment may be treated as excludable with respect to a plan
17 under section 401 (k) or (m) of such Code that is provided
18 under the same general arrangement as a plan under such
19 section 401(k), if—

20 (1) no employee of an organization described in
21 section 403(b)(1)(A)(i) of such Code is eligible to
22 participate in such section 401(k) plan or section
23 401(m) plan, and

24 (2) 95 percent of the employees who are not
25 employees of an organization described in section

1 403(b)(1)(A)(i) of such Code are eligible to partici-
2 pate in such plan under such section 401 (k) or (m).

3 (b) EFFECTIVE DATE.—The modification required by
4 subsection (a) shall apply as of the same date set forth
5 in section 1426(b) of the Small Business Job Protection
6 Act of 1996.

7 **SEC. ____65. CLARIFICATION OF TREATMENT OF EM-**
8 **LOYER-PROVIDED RETIREMENT ADVICE.**

9 (a) IN GENERAL.—Subsection (a) of section 132 (re-
10 lating to exclusion from gross income) is amended by
11 striking “or” at the end of paragraph (5), by striking the
12 period at the end of paragraph (6) and inserting “, or”,
13 and by adding at the end the following new paragraph:
14 “(7) qualified retirement planning services.”.

15 (b) QUALIFIED RETIREMENT PLANNING SERVICES
16 DEFINED.—Section 132 is amended by redesignating sub-
17 section (m) as subsection (n) and by inserting after sub-
18 section (l) the following:

19 “(m) QUALIFIED RETIREMENT PLANNING SERV-
20 ICES.—

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

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

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

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

15 **SEC. ____ 66. REPORTING SIMPLIFICATION.**

16 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
17 OWNERS AND THEIR SPOUSES.—

18 (1) IN GENERAL.—The Secretary of the Treas-
19 ury shall modify the requirements for filing annual
20 returns with respect to one-participant retirement
21 plans to ensure that such plans with assets of
22 \$250,000 or less as of the close of the plan year
23 need not file a return for that year.

24 (2) ONE-PARTICIPANT RETIREMENT PLAN DE-
25 FINED.—For purposes of this subsection, the term

1 “one-participant retirement plan” means a retire-
2 ment plan that—

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

4 (i) covered only the employer (and the
5 employer’s spouse) and the employer
6 owned the entire business (whether or not
7 incorporated), or

8 (ii) covered only one or more partners
9 (and their spouses) in a business partner-
10 ship (including partners in an S or C cor-
11 poration),

12 (B) meets the minimum coverage require-
13 ments of section 410(b) of the Internal Revenue
14 Code of 1986 without being combined with any
15 other plan of the business that covers the em-
16 ployees of the business,

17 (C) does not provide benefits to anyone ex-
18 cept the employer (and the employer’s spouse)
19 or the partners (and their spouses),

20 (D) does not cover a business that is a
21 member of an affiliated service group, a con-
22 trolled group of corporations, or a group of
23 businesses under common control, and

24 (E) does not cover a business that leases
25 employees.

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

5 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
6 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case
7 of a retirement plan which covers less than 25 employees
8 on the first day of the plan year and meets the require-
9 ments described in subparagraphs (B), (D), and (E) of
10 subsection (a)(2), the Secretary of the Treasury shall pro-
11 vide for the filing of a simplified annual return that is
12 substantially similar to the annual return required to be
13 filed by a one-participant retirement plan.

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

16 **SEC. ____67. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**
17 **ANCE RESOLUTION SYSTEM.**

18 The Secretary of the Treasury shall continue to up-
19 date and improve the Employee Plans Compliance Resolu-
20 tion System (or any successor program) giving special at-
21 tention to—

22 (1) increasing the awareness and knowledge of
23 small employers concerning the availability and use
24 of the program,

- 1 (2) taking into account special concerns and
2 circumstances that small employers face with respect
3 to compliance and correction of compliance failures,
4 (3) extending the duration of the self-correction
5 period under the Administrative Policy Regarding
6 Self-Correction for significant compliance failures,
7 (4) expanding the availability to correct insig-
8 nificant compliance failures under the Administra-
9 tive Policy Regarding Self-Correction during audit,
10 and
11 (5) assuring that any tax, penalty, or sanction
12 that is imposed by reason of a compliance failure is
13 not excessive and bears a reasonable relationship to
14 the nature, extent, and severity of the failure.

15 **SEC. ____68. MODIFICATION OF EXCLUSION FOR EMPLOYER**
16 **PROVIDED TRANSIT PASSES.**

17 (a) **IN GENERAL.**—Section 132(f)(3) (relating to
18 cash reimbursements) is amended by striking the last sen-
19 tence.

20 (b) **EFFECTIVE DATE.**—The amendment made by
21 this section shall apply to taxable years beginning after
22 December 31, 1999.

23 **SEC. ____69. REPEAL OF THE MULTIPLE USE TEST.**

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

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

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

9 **SEC. ____70. FLEXIBILITY IN NONDISCRIMINATION, COV-**
10 **ERAGE, AND LINE OF BUSINESS RULES.**

11 (a) NONDISCRIMINATION.—

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

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

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

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

3 (2) EFFECTIVE DATES.—

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

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

13 (b) COVERAGE TEST.—

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

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

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

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

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

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

7 (2) EFFECTIVE DATES.—

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

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

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

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

5 **SEC. ____71. EXTENSION TO INTERNATIONAL ORGANIZA-**
6 **TIONS OF MORATORIUM ON APPLICATION OF**
7 **CERTAIN NONDISCRIMINATION RULES APPLI-**
8 **CABLE TO STATE AND LOCAL PLANS.**

9 (a) IN GENERAL.—Subparagraph (G) of section
10 401(a)(5), subparagraph (H) of section 401(a)(26), sub-
11 paragraph (G) of section 401(k)(3), and paragraph (2) of
12 section 1505(d) of the Taxpayer Relief Act of 1997 are
13 each amended by inserting “or by an international organi-
14 zation which is described in section 414(d)” after “or in-
15 strumentality thereof”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) The headings for subparagraph (G) of sec-
18 tion 401(a)(5) and subparagraph (H) of section
19 401(a)(26) are each amended by inserting “AND
20 INTERNATIONAL ORGANIZATION” after “GOVERN-
21 MENTAL”.

22 (2) Subparagraph (G) of section 401(k)(3) is
23 amended by inserting “STATE AND LOCAL GOVERN-
24 MENTAL AND INTERNATIONAL ORGANIZATION
25 PLANS.—” after “(G)”.

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

4 **PART VI—PLAN AMENDMENTS**

5 **SEC. ____81. PROVISIONS RELATING TO PLAN AMEND-**
6 **MENTS.**

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

9 (1) such plan or contract shall be treated as
10 being operated in accordance with the terms of the
11 plan during the period described in subsection
12 (b)(2)(A), and

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

16 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

17 (1) IN GENERAL.—This section shall apply to
18 any amendment to any plan or annuity contract
19 which is made—

20 (A) pursuant to any amendment made by
21 this title, or pursuant to any regulation issued
22 under this title, and

23 (B) on or before the last day of the first
24 plan year beginning on or after January 1,
25 2003.

1 In the case of a government plan (as defined in sec-
2 tion 414(d) of the Internal Revenue Code of 1986),
3 this paragraph shall be applied by substituting
4 “2005” for “2003”.

5 (2) CONDITIONS.—This section shall not apply
6 to any amendment unless—

7 (A) during the period—

8 (i) beginning on the date the legisla-
9 tive or regulatory amendment described in
10 paragraph (1)(A) takes effect (or in the
11 case of a plan or contract amendment not
12 required by such legislative or regulatory
13 amendment, the effective date specified by
14 the plan), and

15 (ii) ending on the date described in
16 paragraph (1)(B) (or, if earlier, the date
17 the plan or contract amendment is adopt-
18 ed),

19 the plan or contract is operated as if such plan
20 or contract amendment were in effect, and

21 (B) such plan or contract amendment ap-
22 plies retroactively for such period.

1 **Subtitle D—Revenue Provisions**

2 **SEC. ____91. MODIFICATION OF INSTALLMENT METHOD**
3 **AND REPEAL OF INSTALLMENT METHOD FOR**
4 **ACCRUAL METHOD TAXPAYERS.**

5 (a) REPEAL OF INSTALLMENT METHOD FOR AC-
6 CRUAL BASIS TAXPAYERS.—

7 (1) IN GENERAL.—Subsection (a) of section
8 453 (relating to installment method) is amended to
9 read as follows:

10 “(a) USE OF INSTALLMENT METHOD.—

11 “(1) IN GENERAL.—Except as otherwise pro-
12 vided in this section, income from an installment
13 sale shall be taken into account for purposes of this
14 title under the installment method.

15 “(2) ACCRUAL METHOD TAXPAYER.—The in-
16 stallment method shall not apply to income from an
17 installment sale if such income would be reported
18 under an accrual method of accounting without re-
19 gard to this section. The preceding sentence shall
20 not apply to a disposition described in subparagraph
21 (A) or (B) of subsection (1)(2).”.

22 (2) CONFORMING AMENDMENTS.—Sections
23 453(d)(1), 453(i)(1), and 453(k) of such Code are
24 each amended by striking “(a)” each place it ap-
25 pears and inserting “(a)(1)”.

1 (b) MODIFICATION OF PLEDGE RULES.—Paragraph
2 (4) of section 453A(d) (relating to pledges, etc., of install-
3 ment obligations) is amended by adding at the end the
4 following: “A payment shall be treated as directly secured
5 by an interest in an installment obligation to the extent
6 an arrangement allows the taxpayer to satisfy all or a por-
7 tion of the indebtedness with the installment obligation.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to sales or other dispositions occur-
10 ring on or after the date of the enactment of this Act.

11 **SEC. ____ 92. MODIFICATION OF ESTIMATED TAX RULES FOR**

12 **CLOSELY HELD REAL ESTATE INVESTMENT**
13 **TRUSTS.**

14 (a) IN GENERAL.—Subsection (e) of section 6655
15 (relating to estimated tax by corporations) is amended by
16 adding at the end the following new paragraph:

17 “(5) TREATMENT OF CERTAIN REIT DIVI-
18 DENDS.—

19 “(A) IN GENERAL.—Any dividend received
20 from a closely held real estate investment trust
21 by any person which owns (after application of
22 subsections (d)(5) and (l)(3)(B) of section 856)
23 10 percent or more (by vote or value) of the
24 stock or beneficial interests in the trust shall be
25 taken into account in computing annualized in-

1 come installments under paragraph (2) in a
2 manner similar to the manner under which
3 partnership income inclusions are taken into ac-
4 count.

5 “(B) CLOSELY HELD REIT.—For purposes
6 of subparagraph (A), the term ‘closely held real
7 estate investment trust’ means a real estate in-
8 vestment trust with respect to which 5 or fewer
9 persons own (after application of subsections
10 (d)(5) and (l)(3)(B) of section 856) 50 percent
11 or more (by vote or value) of the stock or bene-
12 ficial interests in the trust.”

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to estimated tax payments due
15 on or after November 15, 1999.
