

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1415

To amend the Internal Revenue Code of 1986 to clarify provisions relating to church pension benefit plans, to modify certain provisions relating to participants in such plans, to reduce the complexity of and to bring workable consistency to the applicable rules, to promote retirement savings and benefits, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

AUGUST 6 (legislative day, JUNE 30), 1993

Mr. PRYOR (for himself, Mr. SIMON, Mr. BOREN, Mr. DURENBERGER, Mr. WALLOP, Mr. INOUE, Mr. BURNS, Mr. HEFLIN, Mr. LEVIN, Mr. CHAFEE, Mr. BAUCUS, and Mr. COCHRAN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify provisions relating to church pension benefit plans, to modify certain provisions relating to participants in such plans, to reduce the complexity of and to bring workable consistency to the applicable rules, to promote retirement savings and benefits, and for other purposes.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Church Retirement Benefits Simplification Act of 1993”.

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

7 **SEC. 2. NEW QUALIFICATION PROVISION FOR CHURCH**  
8 **PLANS.**

9 (a) IN GENERAL.—Subpart A of part I of subchapter  
10 D of chapter 1 (relating to pension, profit-sharing, stock  
11 bonus plans, etc.) is amended by adding after section 401  
12 the following new section:

13 **“SEC. 401A. QUALIFIED CHURCH PLAN.**

14 “(a) GENERAL RULE.—For purposes of all Federal  
15 laws, including this title, a qualified church plan shall be  
16 treated as satisfying the requirements of section 401(a),  
17 and all references in (or pertaining to) this title and such  
18 laws to a plan described in section 401(a) shall include  
19 a qualified church plan. Except as otherwise provided in  
20 this section, no paragraph of section 401(a) shall apply  
21 to a qualified church plan.

22 “(b) DEFINITION OF QUALIFIED CHURCH PLAN.—  
23 A plan is a qualified church plan if such plan meets the  
24 following requirements:

1           “(1) CHURCH PLAN REQUIREMENT.—The plan  
 2 is a church plan (within the meaning of section  
 3 414(e)), and the election provided by section 410(d)  
 4 has not been made with respect to such plan.

5           “(2) EMPLOYEE CONTRIBUTIONS ARE NON-  
 6 FORFEITABLE.—An employee’s rights in the employ-  
 7 ee’s accrued benefit derived from the employee’s own  
 8 contributions are nonforfeitable.

9           “(3) VESTING REQUIREMENTS.—The plan sat-  
 10 isfies the requirements of subparagraph (A) or (B).

11           “(A) 10-YEAR VESTING.—A plan satisfies  
 12 the requirements of this paragraph if an em-  
 13 ployee who has at least 10 years of service has  
 14 a nonforfeitable right to 100 percent of the em-  
 15 ployee’s accrued benefit derived from employer  
 16 contributions.

17           “(B) 5- TO 15-YEAR VESTING.—A plan sat-  
 18 isfies the requirements of this paragraph if an  
 19 employee who has completed at least 5 years of  
 20 service has a nonforfeitable right to a percent-  
 21 age of the employee’s accrued benefit derived  
 22 from employer contributions which is not less  
 23 than the percentage determined under the fol-  
 24 lowing table:

“Years of service	Nonforfeitable percentage
5 .....	25
6 .....	30

7 .....	35
8 .....	40
9 .....	45
10 .....	50
11 .....	60
12 .....	70
13 .....	80
14 .....	90
15 or more .....	100.

1           “(C) YEARS OF SERVICE.—For purposes of  
2           this paragraph, an employee’s years of service  
3           shall be determined in accordance with any rea-  
4           sonable method selected by the plan adminis-  
5           trator.

6           “(4) FUNDING REQUIREMENTS.—The plan  
7           meets the funding requirements of section 401(a)(7)  
8           as in effect on September 1, 1974.

9           “(5) ADDITIONAL REQUIREMENTS.—

10           “(A) The plan meets the requirements of  
11           paragraphs (1), (2), (8), (9), (16), (17), (25),  
12           (27), and (30) of section 401(a).

13           “(B) If the plan includes employees of an  
14           organization which is not a church, the plan  
15           meets the requirements of sections 401(a)(3)  
16           and 401(a)(6) (as in effect on September 1,  
17           1974) and sections 401(a)(4), 401(a)(5), and  
18           401(m).

19           For purposes of subparagraph (B), the plan admin-  
20           istrator may elect to treat the portion of the plan  
21           maintained by any organization (or organizations)

1 described in subparagraph (B) as a separate plan  
2 (or plans).

3 “(c) DEFINITIONS AND SPECIAL RULES.—

4 “(1) CHURCH.—For purposes of this section,  
5 the term ‘church’ means a church or a convention or  
6 association of churches, including an organization  
7 described in section 414(e)(3)(A) and an organiza-  
8 tion described in section 414(e)(3)(B)(ii), other  
9 than—

10 “(A) an organization described in section  
11 170(b)(1)(A)(ii) above the secondary school  
12 level (other than a school for religious training),  
13 or

14 “(B) an organization described in section  
15 170(b)(1)(A)(iii)—

16 “(i) which provides community service  
17 for inpatient medical care of the sick or in-  
18 jured (including obstetrical care); and

19 “(ii) not more than 50 percent of the  
20 total patient days of which during any year  
21 are customarily assignable to the cat-  
22 egories of chronic convalescent and rest,  
23 drug and alcoholic, epileptic, mentally defi-  
24 cient, mental, nervous and mental, and tu-  
25 berculosis, and care for the aged.

1           “(2) SATISFACTION OF TRUST PROVISION.—A  
2 plan shall not fail to be described in this section  
3 merely because such plan is funded through an orga-  
4 nization described in section 414(e)(3)(A) if—

5                   “(A) such organization is subject to fidu-  
6 ciary requirements under applicable State law;

7                   “(B) such organization is separately incor-  
8 porated from the church or convention or asso-  
9 ciation of churches which controls it or with  
10 which it is associated;

11                   “(C) the assets which equitably belong to  
12 the plan are separately accounted for; and

13                   “(D) under the plan, at any time prior to  
14 the satisfaction of all liabilities with respect to  
15 participants and their beneficiaries, such assets  
16 cannot be used for, or diverted to, purposes  
17 other than for the exclusive benefit of partici-  
18 pants and their beneficiaries (except that this  
19 paragraph shall not be construed to preclude  
20 the use of plan assets to defray the reasonable  
21 costs associated with administering the plan  
22 and informing employees and employers of the  
23 availability of the plan).

1           “(3) CERTAIN SECTIONS APPLY.—Section 401  
2           (b), (c), and (h) shall apply to a qualified church  
3           plan.

4           “(4) FAILURE OF ONE ORGANIZATION MAIN-  
5           TAINING PLAN NOT TO DISQUALIFY PLAN.—If one or  
6           more organizations maintaining a church plan fail to  
7           satisfy the requirements of subsection (b), such plan  
8           shall not be treated as failing to satisfy the require-  
9           ments of this section with respect to other organiza-  
10          tions maintaining such plan.

11          “(5) CERTAIN EMPLOYEES NOT CONSIDERED  
12          HIGHLY COMPENSATED AND EXCLUDED EMPLOY-  
13          EES.—For purposes of this section, no employee  
14          shall be considered an officer, person whose principal  
15          duties consist in supervising the work of other em-  
16          ployees, or highly compensated employee if such em-  
17          ployee during the year or the preceding year received  
18          compensation from the employer of less than  
19          \$50,000. For purposes of this section, there shall be  
20          excluded from consideration employees described in  
21          section 410(b)(3)(A). The Secretary shall adjust the  
22          \$50,000 amount under this paragraph at the same  
23          time and in the same manner as under section  
24          415(d).

1           “(6) TIME FOR DETERMINATION OF APPLICA-  
2           BLE LAW.—Except where otherwise specified, the  
3           determination of whether a plan meets the require-  
4           ments of subsection (b) shall be made in accordance  
5           with the provisions of this title as in effect imme-  
6           diately following enactment of the Church Retirement  
7           Benefits Simplification Act of 1993.”

8           (b) EFFECT ON EXISTING PLANS.—A church plan  
9           (within the meaning of section 414(e) of the Internal Rev-  
10          enue Code of 1986) which is otherwise subject to the appli-  
11          cable requirements of section 401(a) of such Code and  
12          which has not made the election provided by section  
13          410(d) of such Code shall not be subject to section 401A  
14          of such Code, and shall remain subject to the applicable  
15          requirements of section 401(a) of such Code, unless the  
16          board of directors or trustees of an organization described  
17          in section 414(e)(3)(A) of such Code, or other appropriate  
18          governing body responsible for maintaining the plan,  
19          adopts a resolution under which the church plan is made  
20          subject to section 401A of such Code.

21          (c) EFFECTIVE DATES.—

22               (1) IN GENERAL.—The amendment made by  
23               this section shall be effective for years beginning  
24               after December 31, 1992, except that the provisions  
25               of section 401A(b)(3) of the Internal Revenue Code



1 of 1986 shall be effective for years beginning after  
2 December 31, 1994. No regulation or ruling under  
3 section 401(a) of such Code issued after December  
4 31, 1992, shall apply to a qualified church plan de-  
5 scribed in section 401A of such Code unless such  
6 regulation or ruling is specifically made applicable  
7 by its terms to qualified church plans.

8 (2) PRIOR YEARS.—A church plan (within the  
9 meaning of section 414(e) of such Code) shall not be  
10 deemed to have failed to satisfy the applicable re-  
11 quirements of section 401(a) of such Code for any  
12 year beginning prior to January 1, 1993.

13 **SEC. 3. RETIREMENT INCOME ACCOUNTS OF CHURCHES.**

14 (a) IN GENERAL.—Section 403(b)(9) is amended to  
15 read as follows:

16 “(9) RETIREMENT INCOME ACCOUNTS PRO-  
17 VIDED BY CHURCHES, ETC.—

18 “(A) AMOUNTS PAID TREATED AS CON-  
19 TRIBUTIONS.—For purposes of this title—

20 “(i) a retirement income account shall  
21 be treated as an annuity contract described  
22 in this subsection, and

23 “(ii) amounts paid by an employer de-  
24 scribed in paragraph (1)(A) or by a church  
25 or a convention or association of churches,

1 including an organization described in sec-  
2 tion 414(e)(3)(A) or 414(e)(3)(B)(ii), to a  
3 retirement income account shall be treated  
4 as amounts contributed by the employer  
5 for an annuity contract for the employee  
6 on whose behalf such account is main-  
7 tained.

8 “(B) RETIREMENT INCOME ACCOUNT.—

9 For purposes of this paragraph, the term ‘re-  
10 tirement income account’ means a program es-  
11 tablished or maintained by a church, a conven-  
12 tion or association of churches, including an or-  
13 ganization described in section 414(e)(3)(A), to  
14 provide benefits under this subsection for an  
15 employee described in paragraph (1) or an indi-  
16 vidual described in paragraph (13)(F), or their  
17 beneficiaries.”

18 (b) EFFECTIVE DATES.—

19 (1) IN GENERAL.—The amendment made by  
20 this section shall be effective for years beginning  
21 after December 31, 1992.

22 (2) PRIOR YEARS.—A church plan (within the  
23 meaning of section 414(e)) shall not be deemed to  
24 have failed to satisfy the applicable requirements of

1 section 403(b) for any year beginning prior to Janu-  
2 ary 1, 1993.

3 **SEC. 4. CONTRACTS PURCHASED BY A CHURCH.**

4 (a) CLARIFICATION OF APPLICABLE NON-  
5 DISCRIMINATION REQUIREMENTS.—Subparagraph (D) of  
6 section 403(b)(1) is amended to read as follows:

7 “(D) except in the case of a contract pur-  
8 chased by a church, such contract is purchased  
9 under a plan which meets the nondiscrimination  
10 requirements of paragraph (12)(A), and”.

11 (b) CERTAIN COVERAGE RULES APPLY.—Subpara-  
12 graph (B) of section 403(b)(12) is amended to read as  
13 follows:

14 “(B) CERTAIN REQUIREMENTS.—If a con-  
15 tract purchased by a church is purchased under  
16 a church plan (within the meaning of section  
17 414(e)) by—

18 “(i) an organization described in sec-  
19 tion 170(b)(1)(A)(ii) above the secondary  
20 school level (other than a school for reli-  
21 gious training), or

22 “(ii) an organization described in sec-  
23 tion 170(b)(1)(A)(iii)—

24 “(I) which provides community  
25 service for inpatient medical care of

1 the sick or injured (including obstetri-  
2 cal care), and

3 “(II) no more than 50 percent of  
4 the total patient days of which during  
5 any year are customarily assignable to  
6 the categories of chronic convalescent  
7 and rest, drug and alcoholic, epileptic,  
8 mentally deficient, mental, nervous  
9 and mental, and tuberculosis, and  
10 care for the aged,

11 the plan meets the requirements of sec-  
12 tions 401(a)(3) and 401(a)(6), as in effect  
13 on September 1, 1974, and sections  
14 401(a)(4), 401(a)(5), 401(a)(17), and  
15 401(m).

16 For purposes of this subparagraph, the plan ad-  
17 ministrator may elect to treat the portion of the  
18 plan maintained by any organization (or organi-  
19 zations) described in this subparagraph as a  
20 separate plan (or plans).”

21 (c) SPECIAL RULES FOR CHURCHES.—Section  
22 403(b) is amended by adding the following new paragraph  
23 at the end thereof:

24 “(13) DEFINITIONS AND SPECIAL RULES.—

1           “(A) CONTRACT PURCHASED BY A  
2 CHURCH.—For purposes of this subsection, the  
3 term ‘contract purchased by a church’ includes  
4 an annuity described in section 403(b)(1), a  
5 custodial account described in section  
6 403(b)(7), and a retirement income account de-  
7 scribed in section 403(b)(9).

8           “(B) CHURCH.—For purposes of this sub-  
9 section, the term ‘church’ means a church or a  
10 convention or association of churches, including  
11 an organization described in section  
12 414(e)(3)(A) or section 414(e)(3)(B)(ii).

13           “(C) VESTING.—In the case of a contract  
14 purchased by a church under a church plan  
15 (within the meaning of section 414(e))—

16                   “(i) sections 403(b)(1)(C) and  
17 403(b)(6) shall not apply;

18                   “(ii) such contract is not described in  
19 this subsection unless an employee’s rights  
20 in the employee’s accrued benefit under  
21 such contract which is attributable to con-  
22 tributions made pursuant to a salary re-  
23 duction agreement are nonforfeitable; and

1           “(iii) such contract is not described in  
 2 this subsection unless the plan satisfies the  
 3 requirements of either of the following:

4           “(I) The plan provides that an  
 5 employee who has at least 10 years of  
 6 service has a nonforfeitable right to  
 7 100 percent of the employee’s accrued  
 8 benefit derived from employer con-  
 9 tributions.

10           “(II) The plan provides that an  
 11 employee who has completed at least  
 12 5 years of service has a nonforfeitable  
 13 right to a percentage of the employ-  
 14 ee’s accrued benefit derived from em-  
 15 ployer contributions which percentage  
 16 is not less than the percentage deter-  
 17 mined under the following table:

<b>“Years of service</b>	<b>Nonforfeitable percentage</b>
5 .....	25
6 .....	30
7 .....	35
8 .....	40
9 .....	45
10 .....	50
11 .....	60
12 .....	70
13 .....	80
14 .....	90
15 or more .....	100.

18           For purposes of clause (iii), an employee’s years  
 19 of service shall be determined in accordance

1 with any reasonable method selected by the  
2 plan administrator.

3 “(D) FAILURE OF ONE ORGANIZATION  
4 MAINTAINING PLAN NOT TO DISQUALIFY  
5 PLAN.—In the case of a contract purchased by  
6 a church under a church plan (within the mean-  
7 ing of section 414(e)), if one or more organiza-  
8 tions maintaining the church plan fails to sat-  
9 isfy the requirements of this section, such plan  
10 shall not be treated as failing to satisfy the re-  
11 quirements of this section with respect to other  
12 organizations maintaining such plan.

13 “(E) CERTAIN EMPLOYEES NOT CONSID-  
14 ERED HIGHLY COMPENSATED AND EXCLUDED  
15 EMPLOYEES.—For purposes of this subsection,  
16 no employee for whom a contract is purchased  
17 by a church shall be considered an officer, per-  
18 son whose principal duties consist in super-  
19 vising the work of other employees, or highly  
20 compensated employee if such employee during  
21 the year or the preceding year received com-  
22 pensation from the employer of less than  
23 \$50,000. For purposes of this subsection, there  
24 shall be excluded employees described in section  
25 410(b)(3)(A). The Secretary shall adjust the

1           \$50,000 amount under this subparagraph at  
2           the same time and in the same manner as  
3           under section 415(d).

4           “(F) CERTAIN MINISTERS MAY PARTICI-  
5           PATE.—For purposes of this subsection—

6                   “(i) IN GENERAL.—The term ‘em-  
7                   ployee’ shall include a duly ordained, com-  
8                   missioned, or licensed minister of a church  
9                   in the exercise of his or her ministry who  
10                  is a self-employed individual (within the  
11                  meaning of section 401(c)(1)(B)) or any  
12                  duly ordained, commissioned, or licensed  
13                  minister of a church in the exercise of his  
14                  or her ministry who is employed by an or-  
15                  ganization other than an organization de-  
16                  scribed in section 501(c)(3).

17                   “(ii) TREATMENT AS EMPLOYER AND  
18                   EMPLOYEE.—A self-employed minister de-  
19                   scribed in clause (i) shall be treated as his  
20                   or her own employer which is an organiza-  
21                   tion described in section 501(c)(3) and  
22                   which is exempt from tax under section  
23                   501(a). Such an employee who is employed  
24                   by an organization other than an organiza-  
25                   tion described in section 501(c)(3) shall be



1 treated as employed by an organization de-  
2 scribed in section 501(c)(3) and which is  
3 exempt from tax under section 501(a).

4 “(iii) COMPENSATION.—In determin-  
5 ing the compensation of a self-employed  
6 minister described in clause (i), the earned  
7 income (within the meaning of section  
8 401(c)(2)) of such minister shall be sub-  
9 stituted for ‘the amount of compensation  
10 which is received from the employer’ under  
11 paragraph (3).

12 In determining the years of service of a self-em-  
13 ployed minister described in clause (i), the  
14 years (and portions of years) in which such  
15 minister was a self-employed individual (within  
16 the meaning of section 401(c)(1)(B)) shall be  
17 included for purposes of paragraph (4).

18 “(G) TIME FOR DETERMINATION OF AP-  
19 PPLICABLE LAW.—Except where otherwise speci-  
20 fied, the determination of whether a contract  
21 purchased by a church meets the requirements  
22 of this subsection shall be made in accordance  
23 with the provisions of this title as in effect im-  
24 mediately following enactment of the Church

1 Retirement Benefits Simplification Act of  
2 1993.”

3 (d) EFFECTIVE DATES.—

4 (1) IN GENERAL.—The amendments made by  
5 this section shall be effective for years beginning  
6 after December 31, 1992, except that the provisions  
7 of section 403(b)(13)(C)(iii) of the Internal Revenue  
8 Code of 1986 shall be effective for years beginning  
9 after December 31, 1994. No regulation or ruling is-  
10 sued under section 401(a) or 403(b) of such Code  
11 after December 31, 1992, shall apply to a contract  
12 purchased by a church unless such regulation or rul-  
13 ing is specifically made applicable by its terms to  
14 such contracts. For purposes of applying the exclu-  
15 sion allowance of section 403(b)(2) of such Code and  
16 the limitations of section 415 of such Code, any con-  
17 tribution made after December 31, 1994, which is  
18 forfeitable pursuant to section 403(b)(13)(C) of such  
19 Code shall be treated as an amount contributed to  
20 the contract in the year for which such contribution  
21 is made and not in the year the contribution be-  
22 comes nonforfeitable.

23 (2) PRIOR YEARS.—A church plan (within the  
24 meaning of section 414(e) of such Code) shall not be  
25 deemed to have failed to satisfy the applicable re-



1 **SEC. 7. PARTICIPATION OF MINISTERS IN CHURCH PLANS.**

2 (a) IN GENERAL.—Section 414 is amended by adding  
3 the following new subsection:

4 “(u) SPECIAL RULES FOR MINISTERS.—Notwith-  
5 standing any other provision of this title, if a duly or-  
6 dained, commissioned, or licensed minister of a church in  
7 the exercise of his or her ministry participates in a church  
8 plan (within the meaning of section 414(e)), then—

9 “(1) such minister shall be excluded from con-  
10 sideration for purposes of applying sections  
11 401(a)(3), 401(a)(4), and 401(a)(5), as in effect on  
12 September 1, 1974, and sections 401(a)(4),  
13 401(a)(5), 401(a)(26), 401(k)(3), 401(m),  
14 403(b)(1)(D) (including section 403(b)(12)), and  
15 410 to any stock bonus, pension, profit-sharing, or  
16 annuity plan (including an annuity described in sec-  
17 tion 403(b) or a retirement income account de-  
18 scribed in section 403(b)(9)) described in this part.  
19 For purposes of this part, the church plan in which  
20 such minister participates shall be treated as a plan  
21 or contract meeting the requirements of section  
22 401(a), 401A, or 403(b) (including section  
23 403(b)(9)) with respect to such minister’s participa-  
24 tion; and

25 “(2) such minister shall be excluded from con-  
26 sideration for purposes of applying an applicable sec-

1       tion to any plan providing benefits described in an  
2       applicable section.

3 For purposes of paragraph (2), the term ‘applicable sec-  
4 tion’ means section 79(d), section 105(h), paragraphs (1),  
5 (2), and (3) of section 120(c), section 125(b), section  
6 127(b)(2), and paragraphs (2), (3), and (8) of section  
7 129(d).’’

8       (b) EFFECTIVE DATE.—The amendment made by  
9 this section shall be effective for years beginning before,  
10 on, or after December 31, 1992.

11 **SEC. 8. CERTAIN RULES AGGREGATING EMPLOYEES NOT**  
12 **TO APPLY TO CHURCHES, ETC.**

13       (a) IN GENERAL.—Section 414 is amended by adding  
14 the following new subsection:

15       “(v) CERTAIN RULES AGGREGATING EMPLOYEES  
16 NOT TO APPLY TO CHURCHES, ETC.—

17               “(1) IN GENERAL.—If the election provided by  
18 paragraph (3) is made, for purposes of sections  
19 401(a)(3), 401(a)(4), and 401(a)(5), as in effect on  
20 September 1, 1974, and sections 401(a)(4),  
21 401(a)(5), 401(a)(17), 401(a)(26), 401(h), 401(m),  
22 410(b), 411(d)(1), and 416, subsections (b), (c),  
23 (m), (o), and (t) of this section shall not apply to  
24 treat the employees of church-related organizations  
25 as employed by a single employer, except in the case

1 of employees of church-related organizations which  
2 are not exempt from tax under section 501(a) and  
3 which have a common, immediate parent.

4 “(2) DEFINITION OF CHURCH-RELATED ORGA-  
5 NIZATION.—For purposes of this subsection, the  
6 term ‘church-related organization’ means a church  
7 or a convention or association of churches, an orga-  
8 nization described in section 414(e)(3)(A), an orga-  
9 nization described in section 414(e)(3)(B)(ii), or an  
10 organization the employees of which would be aggre-  
11 gated with the employees of such organizations but  
12 for the election provided by paragraph (3).

13 “(3) ELECTION TO DISAGGREGATE.—The provi-  
14 sions of this subsection shall apply if a church-relat-  
15 ed organization makes an election for itself and  
16 other church-related organizations (in such form and  
17 manner as the Secretary may by regulations pre-  
18 scribe) on or before the last day of the first plan  
19 year beginning on or after January 1, 1996.”

20 (b) EFFECTIVE DATE.—The amendment made by  
21 this section shall be effective as if included in the provi-  
22 sions of Public Law 93–406, Public Law 98–369, and  
23 Public Law 99–514 to which such amendment relates.

1 **SEC. 9. SELF-EMPLOYED MINISTERS TREATED AS EMPLOY-**  
2 **EES FOR PURPOSES OF CERTAIN WELFARE**  
3 **BENEFIT PLANS AND RETIREMENT INCOME**  
4 **ACCOUNTS.**

5 (a) IN GENERAL.—Section 7701(a)(20) is amended  
6 to read as follows:

7 “(20) EMPLOYEE.—For the purpose of apply-  
8 ing the provisions of section 79 with respect to  
9 group-term life insurance purchased for employees,  
10 for the purpose of applying the provisions of sections  
11 104, 105, and 106 with respect to accident or health  
12 insurance or accident or health plans, for the pur-  
13 pose of applying the provisions of section 101(b)  
14 with respect to employees’ death benefits, for the  
15 purpose of applying the provisions of subtitle A with  
16 respect to contributions to or under a stock bonus,  
17 pension, profit-sharing, or annuity plan, and with re-  
18 spect to distributions under such a plan, or by a  
19 trust forming part of such a plan, and for purposes  
20 of applying section 125 with respect to cafeteria  
21 plans, the term ‘employee’ shall include a duly or-  
22 dained, commissioned, or licensed minister of a  
23 church in the exercise of his or her ministry who is  
24 a self-employed individual (within the meaning of  
25 section 401(c)(1)(B)) or a full-time life insurance  
26 salesman who is considered an employee for the pur-

1 pose of chapter 21, or in the case of services per-  
2 formed before January 1, 1951, who would be con-  
3 sidered an employee if his services were performed  
4 during 1951.”

5 (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall be effective for years beginning before,  
7 on, or after December 31, 1992.

8 **SEC. 10. DEDUCTIONS FOR CONTRIBUTIONS BY CERTAIN**  
9 **MINISTERS TO RETIREMENT INCOME AC-**  
10 **COUNTS.**

11 (a) IN GENERAL.—Section 404(a) is amended by  
12 adding the following new paragraph:

13 “(10) CONTRIBUTIONS BY CERTAIN MINISTERS  
14 TO RETIREMENT INCOME ACCOUNTS.—In case con-  
15 tributions are made by a minister described in sec-  
16 tion 403(b)(13)(F) to a retirement income account  
17 described in section 403(b)(9) and not by a person  
18 other than such minister, such contributions shall be  
19 treated as made to a trust which is exempt from tax  
20 under section 501(a) which is part of a plan which  
21 is described in section 401(a) and shall be deductible  
22 under this subsection to the extent such contribu-  
23 tions do not exceed the exclusion allowance of such  
24 minister, determined under section 403(b)(2).”



1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall be effective for years beginning after De-  
3 cember 31, 1992.

4 **SEC. 11. MODIFICATION FOR CHURCH PLANS OF RULES**  
5 **FOR PLANS MAINTAINED BY MORE THAN ONE**  
6 **EMPLOYER.**

7 (a) IN GENERAL.—Section 413(c) is amended by  
8 adding the following new paragraph:

9 “(8) CHURCH PLANS MAINTAINED BY MORE  
10 THAN ONE EMPLOYER.—A church plan (within the  
11 meaning of section 414(e)) maintained by more than  
12 one employer, and with respect to which the election  
13 provided by section 410(d) has not been made,  
14 which commingles assets solely for purposes of in-  
15 vestment and pooling for mortality experience to  
16 provide to participants annuities computed with ref-  
17 erence to the balance in the participants’ accounts  
18 when such accounts become payable shall not be  
19 treated as a single plan maintained by more than  
20 one employer under this subsection. The rules pro-  
21 vided by this paragraph shall apply for purposes of  
22 applying section 403(b)(12) to such church plan.”

23 (b) EFFECTIVE DATE.—The amendment made by  
24 this section shall be effective for years beginning before,  
25 on, or after December 31, 1992.

1 **SEC. 12. SECTION 457 NOT TO APPLY TO DEFERRED COM-**  
2 **PENSATION OF A CHURCH.**

3 (a) IN GENERAL.—Paragraph (13) of section 457(e)  
4 is amended to read as follows:

5 “(13) SPECIAL RULE FOR CHURCHES.—The  
6 term ‘eligible employer’ shall not include a church  
7 (within the meaning of section 401A(c)(1)).”

8 (b) EFFECTIVE DATE.—The amendment made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 1978.

11 **SEC. 13. CHURCH PLAN MODIFICATION TO SEPARATE AC-**  
12 **COUNT REQUIREMENT OF SECTION 401(h).**

13 (a) EXCEPTION TO SEPARATE ACCOUNT REQUIRE-  
14 MENT.—Section 401(h) is amended by adding the follow-  
15 ing new sentence at the end thereof: “Notwithstanding the  
16 preceding sentence, in the case of a pension or annuity  
17 plan that is a church plan (within the meaning of section  
18 414(e)) which is maintained by more than one employer,  
19 paragraph (6) shall not apply to an employee who is a  
20 key employee for purposes of section 416 solely because  
21 such employee is described in section 416(i)(1)(A)(i) (re-  
22 lating to officers having an annual compensation greater  
23 than 150 percent of the amount in effect under section  
24 415(c)(1)(A)).”

25 (b) APPLICATION OF SECTION 415(l).—Section  
26 415(l)(1) is amended to read as follows:

1           “(1) IN GENERAL.—For purposes of this sec-  
2           tion, the following shall be treated as an annual ad-  
3           dition to a defined contribution plan for purposes of  
4           subsection (c):

5                   “(A) Contributions allocated to any indi-  
6                   vidual medical account which is part of a pen-  
7                   sion or annuity plan.

8                   “(B) The actuarially determined amount of  
9                   prefunding for the insurance value of benefits  
10                  which are—

11                           “(i) described in section 401(h);

12                           “(ii) paid under a pension or annuity  
13                           plan that is a church plan (within the  
14                           meaning of section 414(e));

15                           “(iii) paid under a plan maintained by  
16                           more than one employer; and

17                           “(iv) payable solely to an employee  
18                           who is a key employee for purposes of sec-  
19                           tion 415 solely because such employee is  
20                           described in section 416(i)(1)(A)(i) (relat-  
21                           ing to officers having an annual compensa-  
22                           tion greater than 150 percent of the  
23                           amount in effect under section  
24                           415(c)(1)(A)), his spouse, or his depend-  
25                           ents.

1           Subparagraph (B) of section (c)(1) shall not  
2           apply to any amount treated as an annual addi-  
3           tion under the preceding sentence.”

4           (c) EFFECTIVE DATE.—The amendment made by  
5 this section shall apply to years beginning after March 31,  
6 1984.

7 **SEC. 14. RULE RELATING TO INVESTMENT IN CONTRACT**  
8 **NOT TO APPLY TO FOREIGN MISSIONARIES.**

9           (a) IN GENERAL.—The last sentence of section 72(f)  
10 is amended to read as follows: “The preceding sentence  
11 shall not apply to amounts which were contributed by the  
12 employer, as determined under regulations prescribed by  
13 the Secretary, to provide pension or annuity credits, to  
14 the extent such credits are attributable to services per-  
15 formed before January 1, 1963, and are provided pursu-  
16 ant to pension or annuity plan provisions in existence on  
17 March 12, 1962, and on that date applicable to such serv-  
18 ices, or to provide pension or annuity credits for foreign  
19 missionaries (within the meaning of section  
20 403(b)(2)(D)(iii)).”

21           (b) EFFECTIVE DATE.—The amendment made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 1992.

1 **SEC. 15. REPEAL OF ELECTIVE DEFERRAL CATCH-UP LIM-**  
2 **TATION FOR RETIREMENT INCOME AC-**  
3 **COUNTS.**

4 (a) IN GENERAL.—Clause (iii) of section  
5 402(g)(8)(A) is amended to read as follows:

6 “(iii) except in the case of elective de-  
7 ferrals under a retirement income account  
8 described in section 403(b)(9), the excess  
9 of \$5,000 multiplied by the number of  
10 years of service of the employee with the  
11 qualified organization over the employer  
12 contributions described in paragraph (3)  
13 made by the organization on behalf of such  
14 employee for prior taxable years (deter-  
15 mined in the manner prescribed by the  
16 Secretary).”

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall be effective as if included in the provision  
19 of the Tax Reform Act of 1986 to which such amendment  
20 relates.

21 **SEC. 16. CHURCH PLANS MAY ANNUITIZE BENEFITS.**

22 (a) IN GENERAL.—A retirement income account de-  
23 scribed in section 403(b)(9) of the Internal Revenue Code  
24 of 1986, a church plan (within the meaning of section  
25 414(e) of such Code) that is a plan described in section  
26 401(a) or 401A of such Code, or an account which consists

1 of qualified voluntary employee contributions described in  
2 section 219(e)(2) of such Code (as in effect before the date  
3 of the enactment of the Tax Reform Act of 1986) and  
4 earnings thereon, shall not fail to be described in such sec-  
5 tions merely because it pays benefits to participants (and  
6 their beneficiaries) from a pool of assets administered or  
7 funded by an organization described in section  
8 414(e)(3)(A) of such Code, rather than through the pur-  
9 chase of annuities from an insurance company.

10 (b) EFFECTIVE DATE.—This provision shall be effec-  
11 tive for years beginning before, on, or after December 31,  
12 1992.

13 **SEC. 17. CHURCH PLANS MAY INCREASE BENEFIT PAY-**  
14 **MENTS.**

15 (a) IN GENERAL.—A retirement income account de-  
16 scribed in section 403(b)(9) of the Internal Revenue Code  
17 of 1986, a church plan (within the meaning of section  
18 414(e) of such Code) that is a plan described in section  
19 401(a) or 401A of such Code, or an account which consists  
20 of qualified voluntary employee contributions described in  
21 section 219(e)(2) of such Code (as in effect before the date  
22 of the enactment of the Tax Reform Act of 1986) and  
23 earnings thereon, shall not fail to be described in such sec-  
24 tions merely because it provides benefit payments to par-  
25 ticipants (and their beneficiaries)—

1 (1) to take into account the investment per-  
2 formance of the underlying assets or favorable inter-  
3 est or mortality experience, or

4 (2) that increase in an amount not in excess of  
5 5 percent per year.

6 (b) EFFECTIVE DATE.—This provision shall be effec-  
7 tive for years beginning before, on, or after December 31,  
8 1992.

9 **SEC. 18. RULES APPLICABLE TO SELF-INSURED MEDICAL**  
10 **REIMBURSEMENT PLANS NOT TO APPLY TO**  
11 **PLANS OF CHURCHES.**

12 (a) IN GENERAL.—Section 105(h) is amended by  
13 adding the following new paragraph:

14 “(11) PLANS OF CHURCHES.—This subsection  
15 shall not apply to a plan maintained by a church  
16 (within the meaning of section 401A(c)(1)).”

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall be effective for years beginning before,  
19 on, or after December 31, 1992.

20 **SEC. 19. RETIREMENT BENEFITS OF MINISTERS NOT SUB-**  
21 **JECT TO TAX ON NET EARNINGS FROM SELF-**  
22 **EMPLOYMENT.**

23 (a) IN GENERAL.—Section 1402(a)(8) (defining net  
24 earning from self-employment) is amended by inserting “,  
25 but shall not include in such net earning from self-employ-

1 ment any retirement benefit received by such individual  
2 from a church plan (as defined in section 414(e))” before  
3 the semicolon at the end.

4 (b) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to years beginning before, on, or  
6 after December 31, 1992.

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