

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 12

To amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1995

Mr. ROTH (for himself, Mr. BREAUX, Mr. PRYOR, and Mr. MURKOWSKI) 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 encourage savings and investment through individual retirement accounts, 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 “Savings and Investment Incentive Act of 1995”.

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

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

3 **TITLE I—RETIREMENT SAVINGS**  
 4 **INCENTIVES**  
 5 **Subtitle A—Restoration of IRA**  
 6 **Deduction**

7 **SEC. 101. RESTORATION OF IRA DEDUCTION.**

8 (a) PHASE-UP OF INCOME LIMITS.—

9 (1) IN GENERAL.—Subparagraph (B) of section  
 10 219(g)(3) (relating to applicable dollar amount) is  
 11 amended to read as follows:

12 “(B) APPLICABLE DOLLAR AMOUNT.—The  
 13 term ‘applicable dollar amount’ means the fol-  
 14 lowing:

15 “(i) In the case of a taxpayer filing a  
 16 joint return:

<b>“For taxable years beginning in:</b>	<b>The applicable dollar amount is:</b>
1995 .....	\$65,000
1996 .....	\$90,000
1997 .....	\$115,000
1998 .....	\$140,000.

17 “(ii) In the case of any other taxpayer  
 18 (other than a married individual filing a  
 19 separate return):

<b>“For taxable years beginning in:</b>	<b>The applicable dollar amount is:</b>
1995 .....	\$50,000
1996 .....	\$75,000
1997 .....	\$100,000
1998 .....	\$125,000.

1                   “(iii) In the case of a married individ-  
2                   ual filing a separate return, zero.”.

3                   (2) UNLINKING OF SPOUSAL RULE.—Paragraph  
4                   (1) of section 219(g) (relating to limitation on de-  
5                   duction for active participants in certain pension  
6                   plans) is amended by striking “or the individual’s  
7                   spouse”.

8                   (b) TERMINATION OF INCOME LIMITS.—

9                   (1) IN GENERAL.—Section 219 (relating to de-  
10                  duction for retirement savings), as amended by sec-  
11                  tion 102, is amended by striking subsection (g) and  
12                  by redesignating subsections (h) and (i) as sub-  
13                  section (g) and (h), respectively.

14                  (2) TECHNICAL AND CONFORMING AMEND-  
15                  MENTS.—

16                  (A) Subsection (f) of section 219 is amend-  
17                  ed by striking paragraph (7).

18                  (B) Paragraph (5) of section 408(d) is  
19                  amended by striking the last sentence.

20                  (C) Section 408(o) is amended by adding  
21                  at the end the following new paragraph:

22                  “(5) TERMINATION.—This subsection shall not  
23                  apply to any designated nondeductible contribution  
24                  for any taxable year beginning after December 31,  
25                  1998.”.

1 (D) Section 408A(c)(2)(A), as added by  
2 section 111, is amended by striking “(computed  
3 without regard to subsections (b)(4) and (g) of  
4 such section)” and inserting “(computed with-  
5 out regard to section 219(b)(4))”.

6 (E) Subsection (b) of section 4973 is  
7 amended by striking the last sentence.

8 (c) EFFECTIVE DATES.—

9 (1) PHASE-UP.—The amendments made by  
10 subsection (a) shall apply to taxable years beginning  
11 after December 31, 1994.

12 (2) TERMINATION.—The amendments made by  
13 subsection (b) shall apply to taxable years beginning  
14 after December 31, 1998.

15 **SEC. 102. INFLATION ADJUSTMENT FOR DEDUCTIBLE**  
16 **AMOUNT.**

17 (a) IN GENERAL.—Section 219, as amended by sec-  
18 tion 101(a), is amended by redesignating subsection (h)  
19 as subsection (i) and by inserting after subsection (g) the  
20 following new subsection:

21 “(h) COST-OF-LIVING ADJUSTMENTS.—

22 “(1) DEDUCTION AMOUNT.—

23 “(A) IN GENERAL.—In the case of any  
24 taxable year beginning in a calendar year after  
25 1995, the \$2,000 amount under subsection

1 (b)(1)(A) shall be increased by an amount equal  
2 to the product of \$2,000 and the cost-of-living  
3 adjustment for the calendar year.

4 “(B) ROUNDING TO NEXT LOWEST \$500.—  
5 If the amount to which \$2,000 would be in-  
6 creased under subparagraph (A) is not a mul-  
7 tiple of \$500, such amount shall be rounded to  
8 the next lowest multiple of \$500.

9 “(2) RELATED AMOUNTS.—Each of the dollar  
10 amounts contained in subsection (c)(2) shall be in-  
11 creased at the same time, and by the same amount,  
12 as the increase under paragraph (1).

13 “(3) COST-OF-LIVING ADJUSTMENT.—For pur-  
14 poses of this subsection:

15 “(A) IN GENERAL.—The cost-of-living ad-  
16 justment for any calendar year is the percent-  
17 age (if any) by which—

18 “(i) the CPI for such calendar year,  
19 exceeds

20 “(ii) the CPI for 1994.

21 “(B) CPI FOR ANY CALENDAR YEAR.—The  
22 CPI for any calendar year shall be determined  
23 in the same manner as under section 1(f)(4).”.

24 (b) CONFORMING AMENDMENTS.—

1           (1) Section 408(a)(1) is amended by striking  
2           “in excess of \$2,000 on behalf of any individual”  
3           and inserting “on behalf of any individual in excess  
4           of the amount in effect for such taxable year under  
5           section 219(b)(1)(A)”.

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

9           (3) Section 408(j) is amended by striking  
10          “\$2,000”.

11 **SEC. 103. HOMEMAKERS ELIGIBLE FOR FULL IRA DEDUC-**  
12 **TION.**

13          (a) SPOUSAL IRA COMPUTED ON BASIS OF COM-  
14 PENSATION OF BOTH SPOUSES.—Subsection (c) of section  
15 219 (relating to special rules for certain married individ-  
16 uals) is amended to read as follows:

17          “(c) SPECIAL RULES FOR CERTAIN MARRIED INDI-  
18 VIDUALS.—

19               “(1) IN GENERAL.—In the case of an individual  
20               to whom this paragraph applies for the taxable year,  
21               the limitation of paragraph (1) of subsection (b)  
22               shall be equal to the lesser of—

23                       “(A) \$2,000, or

24                       “(B) the sum of—

1           “(i) the compensation includible in  
2           such individual’s gross income for the tax-  
3           able year, plus

4           “(ii) the compensation includible in  
5           the gross income of such individual’s  
6           spouse for the taxable year reduced by the  
7           amount allowable as a deduction under  
8           subsection (a) to such spouse for such tax-  
9           able year.

10           “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)  
11           APPLIES.—Paragraph (1) shall apply to any individ-  
12           ual if—

13                   “(A) such individual files a joint return for  
14                   the taxable year, and

15                   “(B) the amount of compensation (if any)  
16                   includible in such individual’s gross income for  
17                   the taxable year is less than the compensation  
18                   includible in the gross income of such individ-  
19                   ual’s spouse for the taxable year.”.

20           (b) CONFORMING AMENDMENTS.—

21                   (1) Paragraph (2) of section 219(f) (relating to  
22                   other definitions and special rules) is amended by  
23                   striking “subsections (b) and (c)” and inserting  
24                   “subsection (b)”.

1           (2) Paragraph (2) of section 219(h), as added  
2           by section 102, is amended by striking “Each of the  
3           dollar amounts” and inserting “The dollar amount”.

4           (3) Section 408(d)(5) is amended by striking  
5           “\$2,250” and inserting “\$2,000”.

6           (c) EFFECTIVE DATE.—The amendments made by  
7           this section shall apply to taxable years beginning after  
8           December 31, 1994.

9           **SEC. 104. CERTAIN COINS AND BULLION NOT TREATED AS**  
10           **COLLECTIBLES.**

11           (a) IN GENERAL.—Paragraph (3) of section 408(m)  
12           (relating to exception for certain coin) is amended to read  
13           as follows:

14           “(3) EXCEPTION FOR CERTAIN COINS AND BUL-  
15           LION.—For purposes of this subsection, the term  
16           ‘collectible’ shall not include—

17                   “(A) any coin certified by a recognized  
18                   grading service and traded on a nationally rec-  
19                   ognized electronic network, or listed by a recog-  
20                   nized wholesale reporting service, and—

21                           “(i) which is or was at any time legal  
22                           tender in the country of issuance, or

23                           “(ii) issued under the laws of any  
24                           State, and





1           “(A) the maximum amount of elective de-  
2           ferrals of the individual which are excludable  
3           from gross income for the taxable year under  
4           section 402(g)(1), over

5           “(B) the amount so excluded.”.

6           (b) CONFORMING AMENDMENT.—Section 219(c), as  
7           amended by section 104, is amended by adding at the end  
8           the following new paragraph:

9           “(3) CROSS REFERENCE.—

**“For reduction in paragraph (1) amount, see sub-  
                  section (b)(4).”.**

10          (c) EFFECTIVE DATE.—The amendments made by  
11          this section shall apply to taxable years beginning after  
12          December 31, 1994.

13           **Subtitle B—Nondeductible Tax-**  
14           **Free IRAs**

15          **SEC. 111. ESTABLISHMENT OF NONDEDUCTIBLE TAX-FREE**  
16           **INDIVIDUAL RETIREMENT ACCOUNTS.**

17          (a) IN GENERAL.—Subpart A of part I of subchapter  
18          D of chapter 1 (relating to pension, profit-sharing, stock  
19          bonus plans, etc.) is amended by inserting after section  
20          408 the following new section:

21          **“SEC. 408A. IRA PLUS ACCOUNTS.**

22           “(a) GENERAL RULE.—Except as provided in this  
23          section, an IRA Plus account shall be treated for purposes

1 of this title in the same manner as an individual retire-  
2 ment plan.

3 “(b) IRA PLUS ACCOUNT.—For purposes of this  
4 title, the term ‘IRA Plus account’ means an individual re-  
5 tirement plan which is designated at the time of establish-  
6 ment of the plan as an IRA Plus account.

7 “(c) TREATMENT OF CONTRIBUTIONS.—

8 “(1) NO DEDUCTION ALLOWED.—No deduction  
9 shall be allowed under section 219 for a contribution  
10 to an IRA Plus account.

11 “(2) CONTRIBUTION LIMIT.—The aggregate  
12 amount of contributions for any taxable year to all  
13 IRA Plus accounts maintained for the benefit of an  
14 individual shall not exceed the excess (if any) of—

15 “(A) the maximum amount allowable as a  
16 deduction under section 219 with respect to  
17 such individual for such taxable year (computed  
18 without regard to subsections (b)(4) and (g) of  
19 such section), over

20 “(B) the amount so allowed.

21 “(3) ROLLOVER CONTRIBUTIONS.—

22 “(A) IN GENERAL.—No rollover contribu-  
23 tion may be made to an IRA Plus account un-  
24 less it is a qualified transfer.

1           “(B) COORDINATION WITH LIMIT.—A roll-  
2           over contribution shall not be taken into ac-  
3           count for purposes of paragraph (2).

4           “(d) TAX TREATMENT OF DISTRIBUTIONS.—

5           “(1) IN GENERAL.—Except as provided in this  
6           subsection, any amount paid or distributed out of an  
7           IRA Plus account shall not be included in the gross  
8           income of the distributee.

9           “(2) EXCEPTION FOR EARNINGS ON CONTRIBU-  
10          TIONS HELD LESS THAN 5 YEARS.—

11          “(A) IN GENERAL.—Any amount distrib-  
12          uted out of an IRA Plus account which consists  
13          of earnings allocable to contributions made to  
14          the account during the 5-year period ending on  
15          the day before such distribution shall be in-  
16          cluded in the gross income of the distributee for  
17          the taxable year in which the distribution oc-  
18          curs.

19          “(B) CROSS REFERENCE.—

**“For additional tax for early withdrawal, see sec-  
tion 72(t).**

20          “(C) ORDERING RULE.—

21          “(i) FIRST-IN, FIRST-OUT RULE.—  
22          Distributions from an IRA Plus account  
23          shall be treated as having been made—

1           “(I) first from the earliest con-  
2           tribution (and earnings allocable  
3           thereto) remaining in the account at  
4           the time of the distribution, and

5           “(II) then from other contribu-  
6           tions (and earnings allocable thereto)  
7           in the order in which made.

8           “(ii) ALLOCATIONS BETWEEN CON-  
9           TRIBUTIONS AND EARNINGS.—Any portion  
10          of a distribution allocated to a contribution  
11          (and earnings allocable thereto) shall be  
12          treated as allocated first to the earnings  
13          and then to the contribution.

14          “(iii) ALLOCATION OF EARNINGS.—  
15          Earnings shall be allocated to a contribu-  
16          tion in such manner as the Secretary may  
17          by regulations prescribe.

18          “(iv) CONTRIBUTIONS IN SAME  
19          YEAR.—Except as provided in regulations,  
20          all contributions made during the same  
21          taxable year may be treated as 1 contribu-  
22          tion for purposes of this subparagraph.

23          “(3) ROLLOVERS.—

24                 “(A) IN GENERAL.—Paragraph (2) shall  
25                 not apply to any distribution which is trans-

1           ferred in a qualified transfer to another IRA  
2 Plus account.

3           “(B) CONTRIBUTION PERIOD.—For pur-  
4 poses of paragraph (2), the IRA Plus account  
5 to which any contributions are transferred from  
6 another IRA Plus account shall be treated as  
7 having held such contributions during any pe-  
8 riod such contributions were held (or are treat-  
9 ed as held under this subparagraph) by the ac-  
10 count from which transferred.

11           “(4) SPECIAL RULES RELATING TO CERTAIN  
12 TRANSFERS.—

13           “(A) IN GENERAL.—Notwithstanding any  
14 other provision of law, in the case of a qualified  
15 transfer to an IRA Plus account from an indi-  
16 vidual retirement plan which is not an IRS Plus  
17 account—

18                   “(i) there shall be included in gross  
19 income any amount which, but for the  
20 qualified transfer, would be includible in  
21 gross income, but

22                   “(ii) section 72(t) shall not apply to  
23 such amount.

24           “(B) TIME FOR INCLUSION.—In the case  
25 of any qualified transfer which occurs before

1           January 1, 1997, any amount includible in  
2           gross income under subparagraph (A) with re-  
3           spect to such contribution shall be includible  
4           ratably over the 4-taxable year period beginning  
5           in the taxable year in which the amount was  
6           paid or distributed out of the individual retire-  
7           ment plan.

8           “(e) QUALIFIED TRANSFER.—For purposes of this  
9           section, the term ‘qualified transfer’ means a transfer to  
10          an IRA Plus account from another such account or from  
11          an individual retirement plan but only if such transfer  
12          meets the requirements of section 408(d)(3).”.

13          (b) EARLY WITHDRAWAL PENALTY.—Section 72(t),  
14          as amended by section 201(c), is amended by adding at  
15          the end the following new paragraph:

16                 “(8) RULES RELATING TO IRA PLUS AC-  
17                 COUNTS.—In the case of an IRA Plus account under  
18                 section 408A—

19                         “(A) this subsection shall only apply to  
20                         distributions out of such account which consist  
21                         of earnings allocable to contributions made to  
22                         the account during the 5-year period ending on  
23                         the day before such distribution, and

1           “(B) paragraph (2)(A)(i) shall not apply to  
2           any distribution described in subparagraph  
3           (A).”.

4           (c) EXCESS CONTRIBUTIONS.—Section 4973(b) is  
5 amended by adding at the end the following new sentence:  
6 “For purposes of paragraphs (1)(B) and (2)(C), the  
7 amount allowable as a deduction under section 219 shall  
8 be computed without regard to section 408A.”

9           (d) CONFORMING AMENDMENT.—The table of sec-  
10 tions for subpart A of part I of subchapter D of chapter  
11 1 is amended by inserting after the item relating to section  
12 408 the following new item:

          “Sec. 408A. IRA Plus accounts.”.

13          (e) EFFECTIVE DATES.—

14           (1) IN GENERAL.—Except as provided in para-  
15 graph (2), the amendments made by this section  
16 shall apply to taxable years beginning after Decem-  
17 ber 31, 1994.

18           (2) QUALIFIED TRANSFERS IN 1994.—The  
19 amendments made by this section shall apply to any  
20 qualified transfer during any taxable year beginning  
21 in 1994.



1           **TITLE II—PENALTY-FREE**  
2                           **DISTRIBUTIONS**

3   **SEC. 201. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**  
4                           **USED WITHOUT PENALTY TO PURCHASE**  
5                           **FIRST HOMES OR TO PAY HIGHER EDU-**  
6                           **CATION OR FINANCIALLY DEVASTATING**  
7                           **MEDICAL EXPENSES.**

8           (a) IN GENERAL.—Paragraph (2) of section 72(t)  
9 (relating to exceptions to 10-percent additional tax on  
10 early distributions from qualified retirement plans) is  
11 amended by adding at the end the following new subpara-  
12 graph:

13                   “(D) DISTRIBUTIONS FROM CERTAIN PLANS  
14                   FOR FIRST HOME PURCHASES OR EDUCATIONAL EX-  
15                   PENSES.—Distributions to an individual from an in-  
16                   dividual retirement plan, or from amounts attrib-  
17                   utable to employer contributions made pursuant to  
18                   elective deferrals described in subparagraph (A) or  
19                   (C) of section 402(g)(3) or section  
20                   501(c)(18)(D)(iii)—

21                           “(i) which are qualified first-time home-  
22                           buyer distributions (as defined in paragraph  
23                           (6)), or

24                           “(ii) to the extent such distributions do not  
25                           exceed the qualified higher education expenses

1 (as defined in paragraph (7)) of the taxpayer  
2 for the taxable year.”.

3 (b) FINANCIALLY DEVASTATING MEDICAL EX-  
4 PENSES.—

5 (1) IN GENERAL.—Section 72(t)(3)(A) is  
6 amended by striking “(B),”.

7 (2) CERTAIN LINEAL DESCENDANTS AND AN-  
8 CESTORS TREATED AS DEPENDENTS.—Subpara-  
9 graph (B) of section 72(t)(2) is amended by striking  
10 “medical care” and all that follows and inserting  
11 “medical care determined—

12 “(i) without regard to whether the  
13 employee itemizes deductions for such tax-  
14 able year, and

15 “(ii) by treating such employee’s de-  
16 pendents as including—

17 “(I) all children and grand-  
18 children of the employee or such em-  
19 ployee’s spouse, and

20 “(II) all ancestors of the em-  
21 ployee or such employee’s spouse.”.

22 (3) CONFORMING AMENDMENT.—Subparagraph  
23 (B) of section 72(t)(2) is amended by striking “or  
24 (C)” and inserting “, (C) or (D)”.

1 (c) DEFINITIONS.—Section 72(t) is amended by add-  
2 ing at the end the following new paragraphs:

3 “(6) QUALIFIED FIRST-TIME HOMEBUYER DIS-  
4 TRIBUTIONS.—For purposes of paragraph (2)(D)(i):

5 “(A) IN GENERAL.—The term ‘qualified  
6 first-time homebuyer distribution’ means any  
7 payment or distribution received by an individ-  
8 ual to the extent such payment or distribution  
9 is used by the individual before the close of the  
10 60th day after the day on which such payment  
11 or distribution is received to pay qualified ac-  
12 quisition costs with respect to a principal resi-  
13 dence of a first-time homebuyer who is such in-  
14 dividual, the spouse of such individual, or any  
15 child, grandchild, or ancestor of such individual  
16 or the individual’s spouse.

17 “(B) QUALIFIED ACQUISITION COSTS.—  
18 For purposes of this paragraph, the term  
19 ‘qualified acquisition costs’ means the costs of  
20 acquiring, constructing, or reconstructing a res-  
21 idence. Such term includes any usual or reason-  
22 able settlement, financing, or other closing  
23 costs.

24 “(C) FIRST-TIME HOMEBUYER; OTHER  
25 DEFINITIONS.—For purposes of this paragraph:

1           “(i) FIRST-TIME HOMEBUYER.—The  
2 term ‘first-time homebuyer’ means any in-  
3 dividual if—

4           “(I) such individual (and if mar-  
5 ried, such individual’s spouse) had no  
6 present ownership interest in a prin-  
7 cipal residence during the 2-year pe-  
8 riod ending on the date of acquisition  
9 of the principal residence to which  
10 this paragraph applies, and

11           “(II) subsection (a)(6), (h), or  
12 (k) of section 1034 did not suspend  
13 the running of any period of time  
14 specified in section 1034 with respect  
15 to such individual on the day before  
16 the date the distribution is applied  
17 pursuant to subparagraph (A)(ii).

18           “(ii) PRINCIPAL RESIDENCE.—The  
19 term ‘principal residence’ has the same  
20 meaning as when used in section 1034.

21           “(iii) DATE OF ACQUISITION.—The  
22 term ‘date of acquisition’ means the date—

23           “(I) on which a binding contract  
24 to acquire the principal residence to

1                   which subparagraph (A) applies is en-  
2                   tered into, or

3                   “(II) on which construction or re-  
4                   construction of such a principal resi-  
5                   dence is commenced.

6                   “(D) SPECIAL RULE WHERE DELAY IN AC-  
7                   QUISITION.—If any distribution from any indi-  
8                   vidual retirement plan fails to meet the require-  
9                   ments of subparagraph (A) solely by reason of  
10                  a delay or cancellation of the purchase or con-  
11                  struction of the residence, the amount of the  
12                  distribution may be contributed to an individual  
13                  retirement plan as provided in section  
14                  408(d)(3)(A)(i) (determined by substituting  
15                  ‘120 days’ for ‘60 days’ in such section), except  
16                  that—

17                  “(i) section 408(d)(3)(B) shall not be  
18                  applied to such contribution, and

19                  “(ii) such amount shall not be taken  
20                  into account in determining whether sec-  
21                  tion 408(d)(3)(A)(i) applies to any other  
22                  amount.

23                  “(7) QUALIFIED HIGHER EDUCATION EX-  
24                  PENSES.—For purposes of paragraph (2)(D)(ii):

1           “(A) IN GENERAL.—The term ‘qualified  
2 higher education expenses’ means tuition, fees,  
3 books, supplies, and equipment required for the  
4 enrollment or attendance of—

5                   “(i) the taxpayer,

6                   “(ii) the taxpayer’s spouse, or

7                   “(iii) any child (as defined in section  
8 151(c)(3)), grandchild, or ancestor of the  
9 taxpayer or the taxpayer’s spouse,  
10 at an eligible educational institution (as defined  
11 in section 135(c)(3)).

12           “(B) COORDINATION WITH SAVINGS BOND  
13 PROVISIONS.—The amount of qualified higher  
14 education expenses for any taxable year shall be  
15 reduced by any amount excludable from gross  
16 income under section 135.’”.

17           (d) PENALTY-FREE DISTRIBUTIONS FOR CERTAIN  
18 UNEMPLOYED INDIVIDUALS.—Paragraph (2) of section  
19 72(t) is amended by adding at the end the following new  
20 subparagraph:

21                   “(E) DISTRIBUTIONS TO UNEMPLOYED IN-  
22 DIVIDUALS.—A distribution from an individual  
23 retirement plan to an individual after separa-  
24 tion from employment, if—

1           “(i) such individual has received un-  
2           employment compensation for 12 consecu-  
3           tive weeks under any Federal or State un-  
4           employment compensation law by reason of  
5           such separation, and

6           “(ii) such distributions are made dur-  
7           ing any taxable year during which such un-  
8           employment compensation is paid or the  
9           succeeding taxable year.

10           To the extent provided in regulations, a self-em-  
11           ployed individual shall be treated as meeting  
12           the requirements of clause (i) if, under Federal  
13           or State law, the individual would have received  
14           unemployment compensation but for the fact  
15           the individual was self-employed.”.

16           (e) CONFORMING AMENDMENTS.—

17           (1) Section 401(k)(2)(B)(i) is amended by  
18           striking “or” at the end of subclause (III), by strik-  
19           ing “and” at the end of subclause (IV) and inserting  
20           “or”, and by inserting after subclause (IV) the fol-  
21           lowing new subclause:

22                           “(V) the date on which qualified  
23                           first-time homebuyer distributions (as  
24                           defined in section 72(t)(6)) or dis-  
25                           tributions for qualified higher edu-

1 cation expenses (as defined in section  
2 72(t)(7)) are made, and”.

3 (2) Section 403(b)(11) is amended by striking  
4 “or” at the end of subparagraph (A), by striking the  
5 period at the end of subparagraph (B) and inserting  
6 “, or”, and by inserting after subparagraph (B) the  
7 following new subparagraph:

8 “(C) for qualified first-time homebuyer dis-  
9 tributions (as defined in section 72(t)(6)) or for  
10 the payment of qualified higher education ex-  
11 penses (as defined in section 72(t)(7)).”.

12 (f) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to payments and distributions after  
14 the date of the enactment of this Act.

15 **TITLE III—AID TO FAMILIES**  
16 **WITH DEPENDENT CHILDREN**

17 **SEC. 301. DISREGARD OF INCOME AND RESOURCES DES-**  
18 **IGNATED FOR EDUCATION, TRAINING, AND**  
19 **EMPLOYABILITY.**

20 (a) DISREGARD AS RESOURCE.—Section  
21 402(a)(7)(B) of the Social Security Act (42 U.S.C.  
22 602(a)(7)(B)) is amended—

23 (1) by striking “or” before “(iv)”, and

24 (2) by inserting “, or (v) at the option of the  
25 State, in the case of a family receiving aid under the



1 State plan (and a family not receiving such aid but  
2 which received such aid in at least 1 of the preced-  
3 ing 4 months or became ineligible for such aid dur-  
4 ing the preceding 12 months because of excessive  
5 earnings), any amount not to exceed \$8,000 in a  
6 qualified asset account (as defined in section 406(i))  
7 of such family” before “; and”.

8 (b) DISREGARD AS INCOME.—

9 (1) IN GENERAL.—Section 402(a)(8)(A) of such  
10 Act (42 U.S.C. 602(a)(8)(A)) is amended—

11 (A) by striking “and” at the end of clause  
12 (vii), and

13 (B) by inserting after clause (viii) the fol-  
14 lowing new clause:

15 “(ix) shall disregard any interest or  
16 income earned on a qualified asset account  
17 (as defined in section 406(i)); and”.

18 (2) NONRECURRING LUMP SUM EXEMPT FROM  
19 LUMP SUM RULE.—Section 402(a)(17) of such Act  
20 (42 U.S.C. 602(a)(17)) is amended by adding at the  
21 end the following: “; and that this paragraph shall  
22 not apply to earned or unearned income received in  
23 a month on a nonrecurring basis to the extent that  
24 such income is placed in a qualified asset account  
25 (as defined in section 406(i)) the total amount in

1 which, after such placement, does not exceed  
2 \$8,000;”.

3 (3) TREATMENT AS INCOME.—Section  
4 402(a)(7) of such Act (42 U.S.C. 602(a)(7)) is  
5 amended—

6 (A) by striking “and” at the end of sub-  
7 paragraph (B),

8 (B) by striking the semicolon at the end of  
9 subparagraph (C) and inserting “; and”, and

10 (C) by adding at the end the following new  
11 subparagraph:

12 “(D) shall treat as income any distribu-  
13 tions from a qualified asset account (as defined  
14 in section 406(i)(1)) which do not meet the def-  
15 inition of a qualified distribution under section  
16 406(i)(2);”.

17 (c) QUALIFIED ASSET ACCOUNTS.—Section 406 of  
18 such Act (42 U.S.C. 606) is amended by adding at the  
19 end the following:

20 “(i)(1) The term ‘qualified asset account’ means a  
21 mechanism approved by the State (such as individual re-  
22 tirement accounts, escrow accounts, or savings bonds) that  
23 allows savings of a family receiving aid to families with  
24 dependent children to be used for qualified distributions.

1       “(2) The term ‘qualified distributions’ means dis-  
2 tributions for expenses directly related to one or more of  
3 the following purposes:

4           “(A) The attendance of a member of the family  
5 at any education or training program.

6           “(B) The improvement of the employability (in-  
7 cluding self-employment) of a member of the family  
8 (such as through the purchase of an automobile).

9           “(C) The purchase of a home for the family.

10          “(D) A change of the family residence.”.

11       (d) STUDY OF USE OF QUALIFIED ASSET ACCOUNTS;  
12 REPORT.—The Secretary of Health and Human Services  
13 shall conduct a study of the use of qualified asset accounts  
14 established pursuant to the amendments made by this sec-  
15 tion, and shall report on such study and any recommenda-  
16 tions for modifications of such amendments to the Com-  
17 mittee on Finance of the Senate and the Committee on  
18 Ways and Means of the House of Representatives not later  
19 than January 1, 1998.

20       (e) REPORT ON AFDC ASSET LIMIT ON AUTO-  
21 MOBILES.—Within 3 months after the date of the enact-  
22 ment of this section, the Secretary of Health and Human  
23 Services shall submit to the Congress a report on—

24           (1) the need to revise the limitation, established  
25 in regulations pursuant to section 402(a)(7)(B)(i) of

1 the Social Security Act, on the value of a family  
2 automobile required to be disregarded by a State in  
3 determining the eligibility of the family for aid to  
4 families with dependent children under the State  
5 plan approved under part A of title IV of such Act,  
6 and

7 (2) the extent to which such a revision would  
8 increase the employability of recipients of such aid.

9 (f) EFFECTIVE DATE.—The amendments made by  
10 this section shall take effect on October 1, 1995, with re-  
11 spect to accounts approved on or after such date and be-  
12 fore October 1, 1998.

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