

# Union Calendar No. 433

106<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4843

[Report No. 106-753]

To amend the Internal Revenue Code of 1986 to provide for retirement security and pension reform.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2000

Mr. ARCHER (for himself, Mr. PORTMAN, and Mr. CARDIN) introduced the following bill; which was referred to the Committee on Ways and Means

JULY 17, 2000

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on July 13, 2000]

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for retirement security and pension reform.

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

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

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

6 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*  
 7 *expressly provided, whenever in this Act an amendment or*  
 8 *repeal is expressed in terms of an amendment to, or repeal*  
 9 *of, a section or other provision, the reference shall be consid-*  
 10 *ered to be made to a section or other provision of the Inter-*  
 11 *nal Revenue Code of 1986.*

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

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

**TITLE I—INDIVIDUAL RETIREMENT ACCOUNT PROVISIONS**

*Sec. 101. Modification of IRA contribution limits.*

**TITLE II—EXPANDING COVERAGE**

*Sec. 201. Increase in benefit and contribution limits.*

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

*Sec. 203. Modification of top-heavy rules.*

*Sec. 204. Elective deferrals not taken into account for purposes of deduction lim-*  
*its.*

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

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

*Sec. 207. Deduction limits.*

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

**TITLE III—ENHANCING FAIRNESS FOR WOMEN**

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

*Sec. 302. Equitable treatment for contributions of employees to defined contribu-*  
*tion plans.*

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

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

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

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

**TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS**

*Sec. 401. Rollovers allowed among various types of plans.*  
*Sec. 402. Rollovers of IRAs into workplace retirement plans.*  
*Sec. 403. Rollovers of after-tax contributions.*  
*Sec. 404. Hardship exception to 60-day rule.*  
*Sec. 405. Treatment of forms of distribution.*  
*Sec. 406. Rationalization of restrictions on distributions.*  
*Sec. 407. Purchase of service credit in governmental defined benefit plans.*  
*Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.*  
*Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.*

**TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT**

*Sec. 501. Repeal of 150 percent of current liability funding limit.*  
*Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.*  
*Sec. 503. Excise tax relief for sound pension funding.*  
*Sec. 504. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.*  
*Sec. 505. Treatment of multiemployer plans under section 415.*  
*Sec. 506. Prohibited allocations of stock in S corporation ESOP.*

**TITLE VI—REDUCING REGULATORY BURDENS**

*Sec. 601. Modification of timing of plan valuations.*  
*Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.*  
*Sec. 603. Repeal of transition rule relating to certain highly compensated employees.*  
*Sec. 604. Employees of tax-exempt entities.*  
*Sec. 605. Clarification of treatment of employer-provided retirement advice.*  
*Sec. 606. Reporting simplification.*  
*Sec. 607. Improvement of employee plans compliance resolution system.*  
*Sec. 608. Repeal of the multiple use test.*  
*Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.*  
*Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.*  
*Sec. 611. Notice and consent period regarding distributions.*

**TITLE VII—PLAN AMENDMENTS**

*Sec. 701. Provisions relating to plan amendments.*

1 **TITLE I—INDIVIDUAL**  
 2 **RETIREMENT ACCOUNTS**  
 3 **SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.**  
 4 (a) **INCREASE IN CONTRIBUTION LIMIT.—**

1           (1) *IN GENERAL.*—Paragraph (1)(A) of section  
 2           219(b) (relating to maximum amount of deduction) is  
 3           amended by striking “\$2,000” and inserting “the de-  
 4           ductible amount”.

5           (2) *DEDUCTIBLE AMOUNT.*—Section 219(b) is  
 6           amended by adding at the end the following new  
 7           paragraph:

8           “(5) *DEDUCTIBLE AMOUNT.*—For purposes of  
 9           paragraph (1)(A)—

10           “(A) *IN GENERAL.*—The deductible amount  
 11           shall be determined in accordance with the fol-  
 12           lowing table:

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

13           “(B) *CATCH-UP CONTRIBUTIONS FOR INDI-*  
 14           *VIDUALS 50 OR OLDER.*—In the case of an indi-  
 15           vidual who has attained the age of 50 before the  
 16           close of the taxable year, the deductible amount  
 17           for taxable years beginning in 2001 or 2002  
 18           shall be \$5,000.

19           “(C) *COST-OF-LIVING ADJUSTMENT.*—

20           “(i) *IN GENERAL.*—In the case of any  
 21           taxable year beginning in a calendar year  
 22           after 2003, the \$5,000 amount under sub-

1 paragraph (A) shall be increased by an  
2 amount equal to—

3 “(I) such dollar amount, multi-  
4 plied by

5 “(II) the cost-of-living adjustment  
6 determined under section 1(f)(3) for  
7 the calendar year in which the taxable  
8 year begins, determined by substituting  
9 ‘calendar year 2002’ for ‘calendar year  
10 1992’ in subparagraph (B) thereof.

11 “(ii) *ROUNDING RULES.*—If any  
12 amount after adjustment under clause (i) is  
13 not a multiple of \$500, such amount shall  
14 be rounded to the next lower multiple of  
15 \$500.”.

16 (b) *CONFORMING AMENDMENTS.*—

17 (1) Section 408(a)(1) is amended by striking “in  
18 excess of \$2,000 on behalf of any individual” and in-  
19 sserting “on behalf of any individual in excess of the  
20 amount in effect for such taxable year under section  
21 219(b)(1)(A)”.

22 (2) Section 408(b)(2)(B) is amended by striking  
23 “\$2,000” and inserting “the dollar amount in effect  
24 under section 219(b)(1)(A)”.

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

5           (4) Section 408(j) is amended by striking  
6           “\$2,000”.

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

10          (c) *EFFECTIVE DATE.*—The amendments made by this  
11 section shall apply to taxable years beginning after Decem-  
12 ber 31, 2000.

## 13                           **TITLE II—EXPANDING** 14                           **COVERAGE**

### 15 **SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION** 16                           **LIMITS.**

17          (a) *DEFINED BENEFIT PLANS.*—

18           (1) *DOLLAR LIMIT.*—

19                   (A) Subparagraph (A) of section 415(b)(1)  
20                   (relating to limitation for defined benefit plans)  
21                   is amended by striking “\$90,000” and inserting  
22                   “\$160,000”.

23                   (B) Subparagraphs (C) and (D) of section  
24                   415(b)(2) are each amended by striking

1           “\$90,000” each place it appears in the headings  
2           and the text and inserting “\$160,000”.

3           (C) Paragraph (7) of section 415(b) (relat-  
4           ing to benefits under certain collectively bar-  
5           gained plans) is amended by striking “the great-  
6           er of \$68,212 or one-half the amount otherwise  
7           applicable for such year under paragraph (1)(A)  
8           for ‘\$90,000’” and inserting “one-half the  
9           amount otherwise applicable for such year under  
10          paragraph (1)(A) for ‘\$160,000’”.

11          (2) *LIMIT REDUCED WHEN BENEFIT BEGINS BE-*  
12          *FORE AGE 62.*—Subparagraph (C) of section 415(b)(2)  
13          is amended by striking “the social security retirement  
14          age” each place it appears in the heading and text  
15          and inserting “age 62”.

16          (3) *LIMIT INCREASED WHEN BENEFIT BEGINS*  
17          *AFTER AGE 65.*—Subparagraph (D) of section  
18          415(b)(2) is amended by striking “the social security  
19          retirement age” each place it appears in the heading  
20          and text and inserting “age 65”.

21          (4) *COST-OF-LIVING ADJUSTMENTS.*—Subsection  
22          (d) of section 415 (related to cost-of-living adjust-  
23          ments) is amended—

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

1 (B) in paragraph (3)(A)—

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

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

6 (5) CONFORMING AMENDMENT.—Section  
7 415(b)(2) is amended by striking subparagraph (F).

8 (b) DEFINED CONTRIBUTION PLANS.—

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

13 (2) COST-OF-LIVING ADJUSTMENTS.—Subsection  
14 (d) of section 415 (related to cost-of-living adjust-  
15 ments) is amended—

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

18 (B) in paragraph (3)(D)—

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

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

23 (c) QUALIFIED TRUSTS.—

24 (1) COMPENSATION LIMIT.—Sections 401(a)(17),  
25 404(l), 408(k), and 505(b)(7) are each amended by



1 *striking “\$150,000” each place it appears and insert-*  
2 *ing “\$200,000”.*

3 (2) *BASE PERIOD AND ROUNDING OF COST-OF-*  
4 *LIVING ADJUSTMENT.—Subparagraph (B) of section*  
5 *401(a)(17) is amended—*

6 (A) *by striking “October 1, 1993” and in-*  
7 *serting “July 1, 2000”; and*

8 (B) *by striking “\$10,000” both places it ap-*  
9 *pears and inserting “\$5,000”.*

10 (d) *ELECTIVE DEFERRALS.—*

11 (1) *IN GENERAL.—Paragraph (1) of section*  
12 *402(g) (relating to limitation on exclusion for elective*  
13 *deferrals) is amended to read as follows:*

14 “(1) *IN GENERAL.—*

15 “(A) *LIMITATION.—Notwithstanding sub-*  
16 *sections (e)(3) and (h)(1)(B), the elective defer-*  
17 *rals of any individual for any taxable year shall*  
18 *be included in such individual’s gross income to*  
19 *the extent the amount of such deferrals for the*  
20 *taxable year exceeds the applicable dollar*  
21 *amount.*

22 “(B) *APPLICABLE DOLLAR AMOUNT.—For*  
23 *purposes of subparagraph (A), the applicable*  
24 *dollar amount shall be the amount determined in*  
25 *accordance with the following table:*

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

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

3           “*(5) COST-OF-LIVING ADJUSTMENT.*—In the case  
4           of taxable years beginning after December 31, 2005,  
5           the Secretary shall adjust the \$15,000 amount under  
6           paragraph (1)(B) at the same time and in the same  
7           manner as under section 415(d), except that the base  
8           period shall be the calendar quarter beginning July 1,  
9           2004, and any increase under this paragraph which  
10          is not a multiple of \$500 shall be rounded to the next  
11          lowest multiple of \$500.”.

12          (3) *CONFORMING AMENDMENTS.*—

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

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

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

4           (e) DEFERRED COMPENSATION PLANS OF STATE AND  
 5 LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZA-  
 6 TIONS.—

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

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

13           (B) in subsection (b)(3)(A) by striking  
 14           “\$15,000” and inserting “twice the dollar  
 15           amount in effect under subsection (b)(2)(A)”.

16           (2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIV-  
 17           ING ADJUSTMENT.—Paragraph (15) of section 457(e)  
 18           is amended to read as follows:

19           “(15) APPLICABLE DOLLAR AMOUNT.—

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

<b>“For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2001 .....	\$11,000
2002 .....	\$12,000
2003 .....	\$13,000

2004 .....	\$14,000
2005 or thereafter .....	\$15,000.

1           “(B) *COST-OF-LIVING ADJUSTMENTS.*—*In*  
2           *the case of taxable years beginning after Decem-*  
3           *ber 31, 2005, the Secretary shall adjust the*  
4           *\$15,000 amount specified in the table in sub-*  
5           *paragraph (A) at the same time and in the same*  
6           *manner as under section 415(d), except that the*  
7           *base period shall be the calendar quarter begin-*  
8           *ning July 1, 2004, and any increase under this*  
9           *paragraph which is not a multiple of \$500 shall*  
10           *be rounded to the next lowest multiple of \$500.”.*

11           (f) *SIMPLE RETIREMENT ACCOUNTS.*—

12           (1) *LIMITATION.*—*Clause (ii) of section*  
13           *408(p)(2)(A) (relating to general rule for qualified*  
14           *salary reduction arrangement) is amended by striking*  
15           *“\$6,000” and inserting “the applicable dollar*  
16           *amount”.*

17           (2) *APPLICABLE DOLLAR AMOUNT.*—*Subpara-*  
18           *graph (E) of 408(p)(2) is amended to read as follows:*

19                   “(E) *APPLICABLE DOLLAR AMOUNT; COST-*  
20                   *OF-LIVING ADJUSTMENT.*—

21                           “(i) *IN GENERAL.*—*For purposes of*  
22                           *subparagraph (A)(i), the applicable dollar*  
23                           *amount shall be the amount determined in*  
24                           *accordance with the following table:*

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

1                   “(i) *COST-OF-LIVING ADJUSTMENT.*—  
2                   *In the case of a year beginning after Decem-*  
3                   *ber 31, 2004, the Secretary shall adjust the*  
4                   *\$10,000 amount under clause (i) at the*  
5                   *same time and in the same manner as*  
6                   *under section 415(d), except that the base*  
7                   *period taken into account shall be the cal-*  
8                   *endar quarter beginning July 1, 2003, and*  
9                   *any increase under this subparagraph*  
10                   *which is not a multiple of \$500 shall be*  
11                   *rounded to the next lower multiple of*  
12                   *\$500.”.*

13                   (3) *CONFORMING AMENDMENTS.*—

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

17                   (B) *Section 401(k)(11) is amended by strik-*  
18                   *ing subparagraph (E).*

19                   (g) *ROUNDING RULE RELATING TO DEFINED BENEFIT*  
20 *PLANS AND DEFINED CONTRIBUTION PLANS.*—*Paragraph*  
21 *(4) of section 415(d) is amended to read as follows:*

22                   “(4) *ROUNDING.*—

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

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

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

12          **SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**  
13          **NER, AND SOLE PROPRIETORS.**

14          (a) *IN GENERAL.*—Subparagraph (B) of section  
15          4975(f)(6) (relating to exemptions not to apply to certain  
16          transactions) is amended by adding at the end the following  
17          new clause:

18                          “(iii) *LOAN EXCEPTION.*—For purposes  
19                          of subparagraph (A)(i), the term ‘owner-em-  
20                          ployee’ shall only include a person described  
21                          in subclause (II) or (III) of clause (i).”.

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

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

2 (a) *SIMPLIFICATION OF DEFINITION OF KEY EM-*  
3 *PLOYEE.—*

4 (1) *IN GENERAL.—Section 416(i)(1)(A) (defining*  
5 *key employee) is amended—*

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

8 (B) *by striking clause (i) and inserting the*  
9 *following:*

10 “(i) *an officer of the employer having*  
11 *an annual compensation greater than*  
12 *\$150,000,”;*

13 (C) *by striking clause (ii) and redesign-*  
14 *ating clauses (iii) and (iv) as clauses (ii) and*  
15 *(iii), respectively; and*

16 (D) *by striking the second sentence in the*  
17 *matter following clause (iii), as redesignated by*  
18 *subparagraph (C).*

19 (2) *CONFORMING AMENDMENT.—Section*  
20 *416(i)(1)(B)(iii) is amended by striking “and sub-*  
21 *paragraph (A)(ii)”.*

22 (b) *MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT*  
23 *FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section*  
24 *416(c)(2)(A) (relating to defined contribution plans) is*  
25 *amended by adding at the end the following: “Employer*  
26 *matching contributions (as defined in section*

1 401(m)(4)(A)) shall be taken into account for purposes of  
2 this subparagraph.”.

3 (c) *DISTRIBUTIONS DURING LAST YEAR BEFORE DE-*  
4 *TERMINATION DATE TAKEN INTO ACCOUNT.—*

5 (1) *IN GENERAL.—*Paragraph (3) of section  
6 416(g) is amended to read as follows:

7 “(3) *DISTRIBUTIONS DURING LAST YEAR BEFORE*  
8 *DETERMINATION DATE TAKEN INTO ACCOUNT.—*

9 “(A) *IN GENERAL.—*For purposes of  
10 determining—

11 “(i) *the present value of the cumulative*  
12 *accrued benefit for any employee, or*

13 “(ii) *the amount of the account of any*  
14 *employee,*

15 *such present value or amount shall be increased*  
16 *by the aggregate distributions made with respect*  
17 *to such employee under the plan during the 1-*  
18 *year period ending on the determination date.*

19 *The preceding sentence shall also apply to dis-*  
20 *tributions under a terminated plan which if it*  
21 *had not been terminated would have been re-*  
22 *quired to be included in an aggregation group.*

23 “(B) *5-YEAR PERIOD IN CASE OF IN-SERV-*  
24 *ICE DISTRIBUTION.—*In the case of any distribu-  
25 *tion made for a reason other than separation*



1           *from service, death, or disability, subparagraph*  
2           *(A) shall be applied by substituting ‘5-year pe-*  
3           *riod’ for ‘1-year period’.*”

4           (2) *BENEFITS NOT TAKEN INTO ACCOUNT.*—Sub-  
5           *paragraph (E) of section 416(g)(4) is amended—*

6                     *(A) by striking “LAST 5 YEARS” in the*  
7                     *heading and inserting “LAST YEAR BEFORE DE-*  
8                     *TERMINATION DATE”; and*

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

11           (d) *DEFINITION OF TOP-HEAVY PLANS.*—Paragraph  
12           (4) of section 416(g) (relating to other special rules for top-  
13           heavy plans) is amended by adding at the end the following  
14           new subparagraph:

15                     “(H) *CASH OR DEFERRED ARRANGEMENTS*  
16                     *USING ALTERNATIVE METHODS OF MEETING NON-*  
17                     *DISCRIMINATION REQUIREMENTS.*—The term  
18                     ‘top-heavy plan’ shall not include a plan which  
19                     consists solely of—

20                             “(i) a cash or deferred arrangement  
21                             which meets the requirements of section  
22                             401(k)(12), and

23                             “(ii) matching contributions with re-  
24                             spect to which the requirements of section  
25                             401(m)(11) are met.

1           *If, but for this subparagraph, a plan would be*  
2           *treated as a top-heavy plan because it is a mem-*  
3           *ber of an aggregation group which is a top-heavy*  
4           *group, contributions under the plan may be*  
5           *taken into account in determining whether any*  
6           *other plan in the group meets the requirements*  
7           *of subsection (c)(2).”.*

8           *(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT*  
9           *REQUIREMENT.—Subparagraph (C) of section 416(c)(1)*  
10          *(relating to defined benefit plans) is amended—*

11                   *(A) by striking “clause (ii)” in clause (i)*  
12                   *and inserting “clause (ii) or (iii)”;* and

13                   *(B) by adding at the end the following:*

14                           *“(iii) EXCEPTION FOR FROZEN*  
15                           *PLAN.—For purposes of determining an em-*  
16                           *ployee’s years of service with the employer,*  
17                           *any service with the employer shall be dis-*  
18                           *regarded to the extent that such service oc-*  
19                           *curs during a plan year when the plan ben-*  
20                           *efits (within the meaning of section 410(b))*  
21                           *no employee or former employee.”.*

22           *(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section*  
23           *416(i)(1)(B) (defining 5-percent owner) is amended by add-*  
24           *ing at the end the following new clause:*

1                   “(iv) *FAMILY ATTRIBUTION DIS-*  
 2                   *REGARDED.*—Solely for purposes of apply-  
 3                   ing this paragraph (and not for purposes of  
 4                   any provision of this title which incor-  
 5                   porates by reference the definition of a key  
 6                   employee or 5-percent owner under this  
 7                   paragraph), section 318 shall be applied  
 8                   without regard to subsection (a)(1) thereof  
 9                   in determining whether any person is a 5-  
 10                   percent owner.”.

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

14 **SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**  
 15                   **COUNT FOR PURPOSES OF DEDUCTION LIM-**  
 16                   **ITS.**

17           (a) *IN GENERAL.*—Section 404 (relating to deduction  
 18 for contributions of an employer to an employees’ trust or  
 19 annuity plan and compensation under a deferred payment  
 20 plan) is amended by adding at the end the following new  
 21 subsection:

22           “(n) *ELECTIVE DEFERRALS NOT TAKEN INTO AC-*  
 23 *COUNT FOR PURPOSES OF DEDUCTION LIMITS.*—Elective  
 24 deferrals (as defined in section 402(g)(3)) shall not be sub-  
 25 ject to any limitation contained in paragraph (3), (7), or

1 (9) of subsection (a), and such elective deferrals shall not  
 2 be taken into account in applying any such limitation to  
 3 any other contributions.”.

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

7 **SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR**  
 8 **DEFERRED COMPENSATION PLANS OF STATE**  
 9 **AND LOCAL GOVERNMENTS AND TAX-EXEMPT**  
 10 **ORGANIZATIONS.**

11 (a) *IN GENERAL.*—Subsection (c) of section 457 (relat-  
 12 ing to deferred compensation plans of State and local gov-  
 13 ernments and tax-exempt organizations), as amended by  
 14 section 201, is amended to read as follows:

15 “(c) *LIMITATION.*—The maximum amount of the com-  
 16 pensation of any one individual which may be deferred  
 17 under subsection (a) during any taxable year shall not ex-  
 18 ceed the amount in effect under subsection (b)(2)(A) (as  
 19 modified by any adjustment provided under subsection  
 20 (b)(3)).”.

21 (b) *EFFECTIVE DATE.*—The amendment made by sub-  
 22 section (a) shall apply to years beginning after December  
 23 31, 2000.

1 **SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO**  
2 **IRS REGARDING PENSION PLANS.**

3 (a) *ELIMINATION OF CERTAIN USER FEES.*—The Sec-  
4 retary of the Treasury or the Secretary’s delegate shall not  
5 require payment of user fees under the program established  
6 under section 7527 of the Internal Revenue Code of 1986  
7 for requests to the Internal Revenue Service for determina-  
8 tion letters with respect to the qualified status of a pension  
9 benefit plan maintained solely by one or more eligible em-  
10 ployers or any trust which is part of the plan. The pre-  
11 ceding sentence shall not apply to any request—

12 (1) *made after the fifth plan year the pension*  
13 *benefit plan is in existence; or*

14 (2) *made by the sponsor of any prototype or*  
15 *similar plan which the sponsor intends to market to*  
16 *participating employers.*

17 (b) *PENSION BENEFIT PLAN.*—For purposes of this  
18 section, the term “pension benefit plan” means a pension,  
19 profit-sharing, stock bonus, annuity, or employee stock own-  
20 ership plan.

21 (c) *ELIGIBLE EMPLOYER.*—For purposes of this sec-  
22 tion, the term “eligible employer” has the same meaning  
23 given such term in section 408(p)(2)(C)(i)(I) of the Internal  
24 Revenue Code of 1986. The determination of whether an em-  
25 ployer is an eligible employer under this section shall be

1 *made as of the date of the request described in subsection*  
2 *(a).*

3 *(d) EFFECTIVE DATE.—The provisions of this section*  
4 *shall apply with respect to requests made after December*  
5 *31, 2000.*

6 **SEC. 207. DEDUCTION LIMITS.**

7 *(a) IN GENERAL.—*

8 *(1) STOCK BONUS AND PROFIT SHARING*  
9 *TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i) (re-*  
10 *lating to stock bonus and profit sharing trusts) is*  
11 *amended by striking “15 percent” and inserting “20*  
12 *percent”.*

13 *(2) COMPENSATION.—Section 404(a) (relating to*  
14 *general rule) is amended by adding at the end the fol-*  
15 *lowing:*

16 *“(12) DEFINITION OF COMPENSATION.—For pur-*  
17 *poses of paragraphs (3), (7), (8), and (9), the term*  
18 *‘compensation otherwise paid or accrued during the*  
19 *taxable year’ shall include amounts treated as ‘par-*  
20 *ticipant’s compensation’ under subparagraph (C) or*  
21 *(D) of section 415(c)(3).”.*

22 *(b) CONFORMING AMENDMENTS.—*

23 *(1) Subparagraph (B) of section 404(a)(3) is*  
24 *amended by striking the last sentence thereof.*

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

4           (3) Clause (i) of section 4972(c)(6)(B) is amend-  
5           ed by striking “(within the meaning of section  
6           404(a))” and inserting “(within the meaning of sec-  
7           tion 404(a) and as adjusted under section  
8           404(a)(12))”.

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

12         **SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS**  
13                 **AFTER-TAX CONTRIBUTIONS.**

14          (a) *IN GENERAL.*—Subpart A of part I of subchapter  
15          D of chapter 1 (relating to deferred compensation, etc.) is  
16          amended by inserting after section 402 the following new  
17          section:

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

20          “(a) *GENERAL RULE.*—If an applicable retirement  
21          plan includes a qualified plus contribution program—

22                 “(1) any designated plus contribution made by  
23                 an employee pursuant to the program shall be treated  
24                 as an elective deferral for purposes of this chapter, ex-

1 *cept that such contribution shall not be excludable*  
2 *from gross income, and*

3 *“(2) such plan (and any arrangement which is*  
4 *part of such plan) shall not be treated as failing to*  
5 *meet any requirement of this chapter solely by reason*  
6 *of including such program.*

7 *“(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—*  
8 *For purposes of this section—*

9 *“(1) IN GENERAL.—The term ‘qualified plus con-*  
10 *tribution program’ means a program under which an*  
11 *employee may elect to make designated plus contribu-*  
12 *tions in lieu of all or a portion of elective deferrals*  
13 *the employee is otherwise eligible to make under the*  
14 *applicable retirement plan.*

15 *“(2) SEPARATE ACCOUNTING REQUIRED.—A pro-*  
16 *gram shall not be treated as a qualified plus contribu-*  
17 *tion program unless the applicable retirement plan—*

18 *“(A) establishes separate accounts (‘des-*  
19 *ignated plus accounts’) for the designated plus*  
20 *contributions of each employee and any earnings*  
21 *properly allocable to the contributions, and*

22 *“(B) maintains separate recordkeeping with*  
23 *respect to each account.*



1       “(c) *DEFINITIONS AND RULES RELATING TO DES-*  
2 *IGNATED PLUS CONTRIBUTIONS.*—For purposes of this  
3 *section—*

4           “(1) *DESIGNATED PLUS CONTRIBUTION.*—The  
5 *term ‘designated plus contribution’ means any elec-*  
6 *tive deferral which—*

7               “(A) *is excludable from gross income of an*  
8 *employee without regard to this section, and*

9               “(B) *the employee designates (at such time*  
10 *and in such manner as the Secretary may pre-*  
11 *scribe) as not being so excludable.*

12           “(2) *DESIGNATION LIMITS.*—The amount of elec-  
13 *tive deferrals which an employee may designate under*  
14 *paragraph (1) shall not exceed the excess (if any) of—*

15               “(A) *the maximum amount of elective defer-*  
16 *als excludable from gross income of the employee*  
17 *for the taxable year (without regard to this sec-*  
18 *tion), over*

19               “(B) *the aggregate amount of elective defer-*  
20 *als of the employee for the taxable year which*  
21 *the employee does not designate under paragraph*  
22 *(1).*

23           “(3) *ROLLOVER CONTRIBUTIONS.*—

24               “(A) *IN GENERAL.*—A rollover contribution  
25 *of any payment or distribution from a des-*

1           *ignated plus account which is otherwise allow-*  
2           *able under this chapter may be made only if the*  
3           *contribution is to—*

4                   “(i) *another designated plus account of*  
5                   *the individual from whose account the pay-*  
6                   *ment or distribution was made, or*

7                   “(ii) *a Roth IRA of such individual.*

8                   “(B) *COORDINATION WITH LIMIT.—Any*  
9                   *rollover contribution to a designated plus ac-*  
10                   *count under subparagraph (A) shall not be taken*  
11                   *into account for purposes of paragraph (1).*

12           “(d) *DISTRIBUTION RULES.—For purposes of this*  
13 *title—*

14                   “(1) *EXCLUSION.—Any qualified distribution*  
15                   *from a designated plus account shall not be includible*  
16                   *in gross income.*

17                   “(2) *QUALIFIED DISTRIBUTION.—For purposes*  
18                   *of this subsection—*

19                           “(A) *IN GENERAL.—The term ‘qualified dis-*  
20                           *tribution’ has the meaning given such term by*  
21                           *section 408A(d)(2)(A) (without regard to clause*  
22                           *(iv) thereof).*

23                           “(B) *DISTRIBUTIONS WITHIN NONEXCLU-*  
24                           *SION PERIOD.—A payment or distribution from*  
25                           *a designated plus account shall not be treated as*

1 a qualified distribution if such payment or dis-  
2 tribution is made within the 5-taxable-year pe-  
3 riod beginning with the earlier of—

4 “(i) the first taxable year for which the  
5 individual made a designated plus con-  
6 tribution to any designated plus account es-  
7 tablished for such individual under the  
8 same applicable retirement plan, or

9 “(ii) if a rollover contribution was  
10 made to such designated plus account from  
11 a designated plus account previously estab-  
12 lished for such individual under another  
13 applicable retirement plan, the first taxable  
14 year for which the individual made a des-  
15 ignated plus contribution to such previously  
16 established account.

17 “(C) DISTRIBUTIONS OF EXCESS DEFER-  
18 RALS AND EARNINGS.—The term ‘qualified dis-  
19 tribution’ shall not include any distribution of  
20 any excess deferral under section 402(g)(2) and  
21 any income on the excess deferral.

22 “(3) AGGREGATION RULES.—Section 72 shall be  
23 applied separately with respect to distributions and  
24 payments from a designated plus account and other  
25 distributions and payments from the plan.

1       “(e) *OTHER DEFINITIONS.*—For purposes of this  
2 section—

3               “(1) *APPLICABLE RETIREMENT PLAN.*—The term  
4 ‘applicable retirement plan’ means—

5                       “(A) an employees’ trust described in sec-  
6 tion 401(a) which is exempt from tax under sec-  
7 tion 501(a), and

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

11               “(2) *ELECTIVE DEFERRAL.*—The term ‘elective  
12 deferral’ means any elective deferral described in sub-  
13 paragraph (A) or (C) of section 402(g)(3).”.

14       (b) *EXCESS DEFERRALS.*—Section 402(g) (relating to  
15 limitation on exclusion for elective deferrals) is amended—

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

21               (2) by inserting “(or would be included but for  
22 the last sentence thereof)” after “paragraph (1)” in  
23 paragraph (2)(A).

24       (c) *ROLLOVERS.*—Subparagraph (B) of section  
25 402(c)(8) is amended by adding at the end the following:

1           *“If any portion of an eligible rollover distribu-*  
2           *tion is attributable to payments or distributions*  
3           *from a designated plus account (as defined in*  
4           *section 402A), an eligible retirement plan with*  
5           *respect to such portion shall include only another*  
6           *designated plus account and a Roth IRA.”.*

7           *(d) REPORTING REQUIREMENTS.—*

8                   *(1) W-2 INFORMATION.—Section 6051(a)(8) is*  
9                   *amended by inserting “, including the amount of des-*  
10                   *ignated plus contributions (as defined in section*  
11                   *402A)” before the comma at the end.*

12                   *(2) INFORMATION.—Section 6047 is amended by*  
13                   *redesignating subsection (f) as subsection (g) and by*  
14                   *inserting after subsection (e) the following new sub-*  
15                   *section:*

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

23           *(e) CONFORMING AMENDMENTS.—*

24                   *(1) Section 408A(e) is amended by adding after*  
25                   *the first sentence the following new sentence: “Such*

1 *term includes a rollover contribution described in sec-*  
 2 *tion 402A(c)(3)(A).”.*

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

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

7 (f) *EFFECTIVE DATE.—The amendments made by this*  
 8 *section shall apply to taxable years beginning after Decem-*  
 9 *ber 31, 2000.*

10 ***TITLE III—ENHANCING***  
 11 ***FAIRNESS FOR WOMEN***

12 ***SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS***  
 13 ***AGE 50 OR OVER.***

14 (a) *IN GENERAL.—Section 414 (relating to definitions*  
 15 *and special rules) is amended by adding at the end the fol-*  
 16 *lowing new subsection:*

17 ***“(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS***  
 18 ***AGE 50 OR OVER.—***

19 ***“(1) IN GENERAL.—An applicable employer plan***  
 20 ***shall not be treated as failing to meet any require-***  
 21 ***ment of this title solely because the plan permits an***  
 22 ***eligible participant to make additional elective defer-***  
 23 ***als in any plan year.***

1           “(2) *LIMITATION ON AMOUNT OF ADDITIONAL*  
2           *DEFERRALS.—A plan shall not permit additional*  
3           *elective deferrals under paragraph (1) for any year in*  
4           *an amount greater than the lesser of—*

5                     “(A) \$5,000, or

6                     “(B) *the excess (if any) of—*

7                             “(i) *the participant’s compensation for*  
8                             *the year, over*

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

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

16                     “(A) *be subject to any otherwise applicable*  
17                     *limitation contained in section 402(g),*  
18                     *402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415,*  
19                     *or 457, or*

20                     “(B) *be taken into account in applying such*  
21                     *limitations to other contributions or benefits*  
22                     *under such plan or any other such plan.*

23           “(4) *ELIGIBLE PARTICIPANT.—For purposes of*  
24           *this subsection, the term ‘eligible participant’ means,*

1       *with respect to any plan year, a participant in a*  
2       *plan—*

3               “(A) *who has attained the age of 50 before*  
4               *the close of the plan year, and*

5               “(B) *with respect to whom no other elective*  
6               *deferrals may (without regard to this subsection)*  
7               *be made to the plan for the plan year by reason*  
8               *of the application of any limitation or other re-*  
9               *striction described in paragraph (3) or com-*  
10              *parable limitation contained in the terms of the*  
11              *plan.*

12              “(5) *OTHER DEFINITIONS AND RULES.—For*  
13              *purposes of this subsection—*

14                      “(A) *APPLICABLE EMPLOYER PLAN.—The*  
15                      *term ‘applicable employer plan’ means—*

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

19                              “(ii) *a plan under which amounts are*  
20                              *contributed by an individual’s employer for*  
21                              *an annuity contract described in section*  
22                              *403(b),*

23                              “(iii) *an eligible deferred compensation*  
24                              *plan under section 457 of an eligible em-*



1            *ployer as defined in section 457(e)(1)(A),*  
2            *and*

3            *“(iv) an arrangement meeting the re-*  
4            *quirements of section 408 (k) or (p).*

5            *“(B) ELECTIVE DEFERRAL.—The term ‘elec-*  
6            *tive deferral’ has the meaning given such term*  
7            *by subsection (u)(2)(C).*

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

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

23           *(b) EFFECTIVE DATE.—The amendment made by this*  
24           *section shall apply to contributions in taxable years begin-*  
25           *ning after December 31, 2000.*

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

4 (a) *EQUITABLE TREATMENT.*—

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

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

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

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

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

20 (3) *CONFORMING AMENDMENTS.*—

21 (A) Subsection (f) of section 72 is amended  
22 by striking “section 403(b)(2)(D)(iii)” and in-  
23 serting “section 403(b)(2)(D)(iii), as in effect be-  
24 fore the enactment of the Comprehensive Retirement  
25 Security and Pension Reform Act of  
26 2000”.

1           (B) Section 404(a)(10)(B) is amended by  
2 striking “, the exclusion allowance under section  
3 403(b)(2),”.

4           (C) Section 415(a)(2) is amended by strik-  
5 ing “, and the amount of the contribution for  
6 such portion shall reduce the exclusion allowance  
7 as provided in section 403(b)(2)”.

8           (D) Section 415(c)(3) is amended by adding  
9 at the end the following new subparagraph:

10           “(E) ANNUITY CONTRACTS.—In the case of  
11 an annuity contract described in section 403(b),  
12 the term ‘participant’s compensation’ means the  
13 participant’s includible compensation deter-  
14 mined under section 403(b)(3).”.

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

17           (F) Section 415(c)(7) is amended to read as  
18 follows:

19           “(7) CERTAIN CONTRIBUTIONS BY CHURCH  
20 PLANS NOT TREATED AS EXCEEDING LIMIT.—

21           “(A) IN GENERAL.—Notwithstanding any  
22 other provision of this subsection, at the election  
23 of a participant who is an employee of a church  
24 or a convention or association of churches, in-  
25 cluding an organization described in section

1           414(e)(3)(B)(ii), contributions and other addi-  
2           tions for an annuity contract or retirement in-  
3           come account described in section 403(b) with re-  
4           spect to such participant, when expressed as an  
5           annual addition to such participant's account,  
6           shall be treated as not exceeding the limitation  
7           of paragraph (1) if such annual addition is not  
8           in excess of \$10,000.

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

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

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

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

1       **(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.**—

2               **(1) IN GENERAL.**—*Subsection (k) of section 415*  
3 *is amended by adding at the end the following new*  
4 *paragraph:*

5               **“(4) SPECIAL RULES FOR SECTIONS 403(b) AND**  
6 **408.**—*For purposes of this section, any annuity con-*  
7 *tract described in section 403(b) for the benefit of a*  
8 *participant shall be treated as a defined contribution*  
9 *plan maintained by each employer with respect to*  
10 *which the participant has the control required under*  
11 *subsection (b) or (c) of section 414 (as modified by*  
12 *subsection (h)). For purposes of this section, any con-*  
13 *tribution by an employer to a simplified employee*  
14 *pension plan for an individual for a taxable year*  
15 *shall be treated as an employer contribution to a de-*  
16 *defined contribution plan for such individual for such*  
17 *year.”.*

18               **(2) EFFECTIVE DATE.**—

19               **(A) IN GENERAL.**—*The amendment made*  
20 *by paragraph (1) shall apply to limitation years*  
21 *beginning after December 31, 1999.*

22               **(B) EXCLUSION ALLOWANCE.**—*Effective for*  
23 *limitation years beginning in 2000, in the case*  
24 *of any annuity contract described in section*  
25 *403(b) of the Internal Revenue Code of 1986, the*

1           *amount of the contribution disqualified by rea-*  
2           *son of section 415(g) of such Code shall reduce*  
3           *the exclusion allowance as provided in section*  
4           *403(b)(2) of such Code.*

5           (3) *MODIFICATION OF 403(b) EXCLUSION ALLOW-*  
6           *ANCE TO CONFORM TO 415 MODIFICATION.—The Sec-*  
7           *retary of the Treasury shall modify the regulations re-*  
8           *garding the exclusion allowance under section*  
9           *403(b)(2) of the Internal Revenue Code of 1986 to*  
10          *render void the requirement that contributions to a*  
11          *defined benefit pension plan be treated as previously*  
12          *excluded amounts for purposes of the exclusion allow-*  
13          *ance. For taxable years beginning after December 31,*  
14          *1999, such regulations shall be applied as if such re-*  
15          *quirement were void.*

16          (c) *DEFERRED COMPENSATION PLANS OF STATE AND*  
17          *LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZA-*  
18          *TIONS.—*

19                 (1) *IN GENERAL.—Subparagraph (B) of section*  
20                 *457(b)(2) (relating to salary limitation on eligible de-*  
21                 *ferred compensation plans) is amended by striking*  
22                 *“33<sup>1</sup>/<sub>3</sub> percent” and inserting “100 percent”.*

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

1 **SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCH-**  
 2 **ING CONTRIBUTIONS.**

3 (a) *IN GENERAL.*—Section 411(a) (relating to min-  
 4 *imum vesting standards*) is amended—

5 (1) *in paragraph (2), by striking “A plan” and*  
 6 *inserting “Except as provided in paragraph (12), a*  
 7 *plan”;* and

8 (2) *by adding at the end the following:*

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

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

15 “(B) *by substituting the following table for*  
 16 *the table contained in subparagraph (B):*

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

17 (b) *EFFECTIVE DATES.*—

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

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

10                   (A) *the later of—*

11                           (i) *the date on which the last of such*  
12                           *collective bargaining agreements terminates*  
13                           *(determined without regard to any exten-*  
14                           *sion thereof on or after such date of the en-*  
15                           *actment); or*

16                           (ii) *January 1, 2001; or*

17                   (B) *January 1, 2005.*

18           (3) *SERVICE REQUIRED.*—*With respect to any*  
19           *plan, the amendments made by this section shall not*  
20           *apply to any employee before the date that such em-*  
21           *ployee has 1 hour of service under such plan in any*  
22           *plan year to which the amendments made by this sec-*  
23           *tion apply.*



1 **SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**  
2

3 (a) *SIMPLIFICATION AND FINALIZATION OF MINIMUM*  
4 *DISTRIBUTION REQUIREMENTS.*—

5 (1) *IN GENERAL.*—*The Secretary of the Treasury*  
6 *shall—*

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

12 (B) *modify such regulations to—*

13 (i) *reflect current life expectancy; and*

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

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

1       and to elect a new method of calculating life expect-  
2       ancy.

3               (3) *EFFECTIVE DATE FOR REGULATIONS.*—Regu-  
4       lations referred to in paragraph (1) shall be effective  
5       for years beginning after December 31, 2000, and  
6       shall apply in such years without regard to whether  
7       an individual had previously begun receiving min-  
8       imum distributions.

9               (b) *REPEAL OF RULE WHERE DISTRIBUTIONS HAD*  
10      *BEGUN BEFORE DEATH OCCURS.*—

11              (1) *IN GENERAL.*—Subparagraph (B) of section  
12      401(a)(9) is amended by striking clause (i) and redesi-  
13      gnating clauses (ii), (iii), and (iv) as clauses (i),  
14      (ii), and (iii), respectively.

15              (2) *CONFORMING CHANGES.*—

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

18                      (i) by striking “FOR OTHER CASES” in  
19                      the heading; and

20                      (ii) by striking “the distribution of the  
21                      employee’s interest has begun in accordance  
22                      with subparagraph (A)(ii)” and inserting  
23                      “his entire interest has been distributed to  
24                      him”.

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

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

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

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

11                (iii) by striking “the date on which the  
12 employee would have attained age 70<sup>1</sup>/<sub>2</sub>,” in  
13 subclause (I) and inserting “April 1 of the  
14 calendar year following the calendar year  
15 in which the spouse attains 70<sup>1</sup>/<sub>2</sub>,”; and

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

20           (3) *EFFECTIVE DATE.*—The amendments made  
21 by this subsection shall apply to years beginning after  
22 December 31, 2000.

23           (c) *REDUCTION IN EXCISE TAX.*—

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

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

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

10          (a) *IN GENERAL.*—Section 414(p)(11) (relating to ap-  
11          plication of rules to governmental and church plans) is  
12          amended—

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

16               (2) in the heading, by striking “GOVERNMENTAL  
17          AND CHURCH PLANS” and inserting “CERTAIN OTHER  
18          PLANS”.

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

23          (c) *TAX TREATMENT OF PAYMENTS FROM A SECTION*  
24          *457 PLAN.*—Subsection (p) of section 414 is amended by

1 redesignating paragraph (12) as paragraph (13) and in-  
2 serting after paragraph (11) the following new paragraph:

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

10          (d) *EFFECTIVE DATE.*—The amendments made by this  
11 section shall apply to transfers, distributions, and pay-  
12 ments made after December 31, 2000.

13 **SEC. 306. MODIFICATION OF SAFE HARBOR RELIEF FOR**  
14                           **HARDSHIP WITHDRAWALS FROM CASH OR DE-**  
15                           **FERRED ARRANGEMENTS.**

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

23          (b) *EFFECTIVE DATE.*—The revised regulations under  
24 subsection (a) shall apply to years beginning after Decem-  
25 ber 31, 2000.

1 **TITLE IV—INCREASING PORT-**  
2 **ABILITY FOR PARTICIPANTS**

3 **SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF**  
4 **PLANS.**

5 *(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—*

6 *(1) ROLLOVERS FROM SECTION 457 PLANS.—*

7 *(A) IN GENERAL.—Section 457(e) (relating*  
8 *to other definitions and special rules) is amend-*  
9 *ed by adding at the end the following:*

10 *“(16) ROLLOVER AMOUNTS.—*

11 *“(A) GENERAL RULE.—In the case of an el-*  
12 *igible deferred compensation plan established*  
13 *and maintained by an employer described in*  
14 *subsection (e)(1)(A), if—*

15 *“(i) any portion of the balance to the*  
16 *credit of an employee in such plan is paid*  
17 *to such employee in an eligible rollover dis-*  
18 *tribution (within the meaning of section*  
19 *402(c)(4) without regard to subparagraph*  
20 *(C) thereof),*

21 *“(ii) the employee transfers any por-*  
22 *tion of the property such employee receives*  
23 *in such distribution to an eligible retire-*  
24 *ment plan described in section 402(c)(8)(B),*  
25 *and*

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

8                   “(B) CERTAIN RULES MADE APPLICABLE.—  
9                   The rules of paragraphs (2) through (7) (other  
10                  than paragraph (4)(C)) and (9) of section 402(c)  
11                  and section 402(f) shall apply for purposes of  
12                  subparagraph (A).

13                  “(C) REPORTING.—Rollovers under this  
14                  paragraph shall be reported to the Secretary in  
15                  the same manner as rollovers from qualified re-  
16                  tirement plans (as defined in section 4974(c)).”.

17                  (B) DEFERRAL LIMIT DETERMINED WITH-  
18                  OUT REGARD TO ROLLOVER AMOUNTS.—Section  
19                  457(b)(2) (defining eligible deferred compensa-  
20                  tion plan) is amended by inserting “(other than  
21                  rollover amounts)” after “taxable year”.

22                  (C) DIRECT ROLLOVER.—Paragraph (1) of  
23                  section 457(d) is amended by striking “and” at  
24                  the end of subparagraph (A), by striking the pe-  
25                  riod at the end of subparagraph (B) and insert-

1           ing “, and”, and by inserting after subpara-  
2           graph (B) the following:

3                   “(C) in the case of a plan maintained by  
4                   an employer described in subsection (e)(1)(A),  
5                   the plan meets requirements similar to the re-  
6                   quirements of section 401(a)(31).

7           Any amount transferred in a direct trustee-to-trustee  
8           transfer in accordance with section 401(a)(31) shall  
9           not be includible in gross income for the taxable year  
10          of transfer.”.

11                   (D) WITHHOLDING.—

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

15                                   “(E) under or to an eligible deferred com-  
16                                   pensation plan which, at the time of such pay-  
17                                   ment, is a plan described in section 457(b)  
18                                   maintained by an employer described in section  
19                                   457(e)(1)(A); or”.

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

22   “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For  
23   purposes of this subsection, the term ‘eligible rollover  
24   distribution’ has the meaning given such term by sec-  
25   tion 402(f)(2)(A).”.



1                   (iii) *LIABILITY FOR WITHHOLDING.*—  
2                   Subparagraph (B) of section 3405(d)(2) is  
3                   amended by striking “or” at the end of  
4                   clause (ii), by striking the period at the end  
5                   of clause (iii) and inserting “, or”, and by  
6                   adding at the end the following:

7                   “(iv) section 457(b).”.

8                   (2) *ROLLOVERS TO SECTION 457 PLANS.*—

9                   (A) *IN GENERAL.*—Section 402(c)(8)(B)  
10                  (defining eligible retirement plan) is amended by  
11                  striking “and” at the end of clause (iii), by  
12                  striking the period at the end of clause (iv) and  
13                  inserting “, and”, and by inserting after clause  
14                  (iv) the following new clause:

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

18                  (B) *SEPARATE ACCOUNTING.*—Section  
19                  402(c) is amended by adding at the end the fol-  
20                  lowing new paragraph:

21                  “(11) *SEPARATE ACCOUNTING.*—Unless a plan  
22                  described in clause (v) of paragraph (8)(B) agrees to  
23                  separately account for amounts rolled into such plan  
24                  from eligible retirement plans not described in such  
25                  clause, the plan described in such clause may not ac-

1 *cept transfers or rollovers from such retirement*  
2 *plans.”.*

3 (C) 10 PERCENT ADDITIONAL TAX.—Sub-  
4 section (t) of section 72 (relating to 10-percent  
5 additional tax on early distributions from quali-  
6 fied retirement plans) is amended by adding at  
7 the end the following new paragraph:

8 “(9) SPECIAL RULE FOR ROLLOVERS TO SECTION  
9 457 PLANS.—For purposes of this subsection, a dis-  
10 tribution from an eligible deferred compensation plan  
11 (as defined in section 457(b)) of an employer de-  
12 scribed in section 457(e)(1)(A) shall be treated as a  
13 distribution from a qualified retirement plan de-  
14 scribed in 4974(c)(1) to the extent that such distribu-  
15 tion is attributable to an amount transferred to an el-  
16 igible deferred compensation plan from a qualified re-  
17 tirement plan (as defined in section 4974(c)).”.

18 (b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b)  
19 PLANS.—

20 (1) ROLLOVERS FROM SECTION 403(b) PLANS.—  
21 Section 403(b)(8)(A)(ii) (relating to rollover  
22 amounts) is amended by striking “such distribution”  
23 and all that follows and inserting “such distribution  
24 to an eligible retirement plan described in section  
25 402(c)(8)(B), and”.

1           (2) *ROLLOVERS TO SECTION 403(b) PLANS.*—Section  
2           *402(c)(8)(B) (defining eligible retirement plan),*  
3           *as amended by subsection (a), is amended by striking*  
4           *“and” at the end of clause (iv), by striking the period*  
5           *at the end of clause (v) and inserting “, and”, and*  
6           *by inserting after clause (v) the following new clause:*

7                           *“(vi) an annuity contract described in*  
8                           *section 403(b).”.*

9           (c) *EXPANDED EXPLANATION TO RECIPIENTS OF*  
10          *ROLLOVER DISTRIBUTIONS.*—Paragraph (1) of section  
11          *402(f) (relating to written explanation to recipients of dis-*  
12          *tributions eligible for rollover treatment) is amended by*  
13          *striking “and” at the end of subparagraph (C), by striking*  
14          *the period at the end of subparagraph (D) and inserting*  
15          *“, and”, and by adding at the end the following new sub-*  
16          *paragraph:*

17                           *“(E) of the provisions under which distribu-*  
18                           *tions from the eligible retirement plan receiving*  
19                           *the distribution may be subject to restrictions*  
20                           *and tax consequences which are different from*  
21                           *those applicable to distributions from the plan*  
22                           *making such distribution.”.*

23          (d) *SPOUSAL ROLLOVERS.*—Section 402(c)(9) (relat-  
24          *ing to rollover where spouse receives distribution after death*

1 of employee) is amended by striking “; except that” and  
2 all that follows up to the end period.

3 (e) *CONFORMING AMENDMENTS.*—

4 (1) Section 72(o)(4) is amended by striking “and  
5 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and  
6 457(e)(16)”.

7 (2) Section 219(d)(2) is amended by striking “or  
8 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

9 (3) Section 401(a)(31)(B) is amended by strik-  
10 ing “and 403(a)(4)” and inserting “, 403(a)(4),  
11 403(b)(8), and 457(e)(16)”.

12 (4) Subparagraph (A) of section 402(f)(2) is  
13 amended by striking “or paragraph (4) of section  
14 403(a)” and inserting “, paragraph (4) of section  
15 403(a), subparagraph (A) of section 403(b)(8), or sub-  
16 paragraph (A) of section 457(e)(16)”.

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

19 (6) Subparagraphs (A) and (B) of section  
20 402(f)(1) are amended by striking “another eligible  
21 retirement plan” and inserting “an eligible retire-  
22 ment plan”.

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

1                   “(B) *CERTAIN RULES MADE APPLICABLE.*—  
2                   *The rules of paragraphs (2) through (7) and (9)*  
3                   *of section 402(c) and section 402(f) shall apply*  
4                   *for purposes of subparagraph (A), except that*  
5                   *section 402(f) shall be applied to the payor in*  
6                   *lieu of the plan administrator.”.*

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

9                   (9) *Subparagraphs (A) and (B) of section*  
10                  *415(b)(2) are each amended by striking “and*  
11                  *408(d)(3)” and inserting “403(b)(8), 408(d)(3), and*  
12                  *457(e)(16)”.*

13                  (10) *Section 415(c)(2) is amended by striking*  
14                  *“and 408(d)(3)” and inserting “408(d)(3), and*  
15                  *457(e)(16)”.*

16                  (11) *Section 4973(b)(1)(A) is amended by strik-*  
17                  *ing “or 408(d)(3)” and inserting “408(d)(3), or*  
18                  *457(e)(16)”.*

19                  (f) *EFFECTIVE DATE; SPECIAL RULE.*—

20                  (1) *EFFECTIVE DATE.*—*The amendments made*  
21                  *by this section shall apply to distributions after De-*  
22                  *cember 31, 2000.*

23                  (2) *SPECIAL RULE.*—*Notwithstanding any other*  
24                  *provision of law, subsections (h)(3) and (h)(5) of sec-*  
25                  *tion 1122 of the Tax Reform Act of 1986 shall not*

1       *apply to any distribution from an eligible retirement*  
2       *plan (as defined in clause (iii) or (iv) of section*  
3       *402(c)(8)(B) of the Internal Revenue Code of 1986) on*  
4       *behalf of an individual if there was a rollover to such*  
5       *plan on behalf of such individual which is permitted*  
6       *solely by reason of any amendment made by this sec-*  
7       *tion.*

8   **SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**  
9                        **MENT PLANS.**

10       *(a) IN GENERAL.—Subparagraph (A) of section*  
11       *408(d)(3) (relating to rollover amounts) is amended by add-*  
12       *ing “or” at the end of clause (i), by striking clauses (ii)*  
13       *and (iii), and by adding at the end the following:*

14                        *“(ii) the entire amount received (in-*  
15                        *cluding money and any other property) is*  
16                        *paid into an eligible retirement plan for the*  
17                        *benefit of such individual not later than the*  
18                        *60th day after the date on which the pay-*  
19                        *ment or distribution is received, except that*  
20                        *the maximum amount which may be paid*  
21                        *into such plan may not exceed the portion*  
22                        *of the amount received which is includible*  
23                        *in gross income (determined without regard*  
24                        *to this paragraph).*

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

5           (b) *CONFORMING AMENDMENTS.*—

6           (1) Paragraph (1) of section 403(b) is amended  
7           by striking “section 408(d)(3)(A)(iii)” and inserting  
8           “section 408(d)(3)(A)(ii)”.

9           (2) Clause (i) of section 408(d)(3)(D) is amended  
10          by striking “(i), (ii), or (iii)” and inserting “(i) or  
11          (ii)”.

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

14                 “(G) *SIMPLE RETIREMENT ACCOUNTS.*—In  
15                 the case of any payment or distribution out of  
16                 a simple retirement account (as defined in sub-  
17                 section (p)) to which section 72(t)(6) applies,  
18                 this paragraph shall not apply unless such pay-  
19                 ment or distribution is paid into another simple  
20                 retirement account.”.

21          (c) *EFFECTIVE DATE; SPECIAL RULE.*—

22                 (1) *EFFECTIVE DATE.*—The amendments made  
23                 by this section shall apply to distributions after De-  
24                 cember 31, 2000.

1           (2) *SPECIAL RULE.*—Notwithstanding any other  
2           provision of law, subsections (h)(3) and (h)(5) of sec-  
3           tion 1122 of the Tax Reform Act of 1986 shall not  
4           apply to any distribution from an eligible retirement  
5           plan (as defined in clause (iii) or (iv) of section  
6           402(c)(8)(B) of the Internal Revenue Code of 1986) on  
7           behalf of an individual if there was a rollover to such  
8           plan on behalf of such individual which is permitted  
9           solely by reason of the amendments made by this sec-  
10          tion.

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

12          (a) *ROLLOVERS FROM EXEMPT TRUSTS.*—Paragraph  
13          (2) of section 402(c) (relating to maximum amount which  
14          may be rolled over) is amended by adding at the end the  
15          following: “The preceding sentence shall not apply to such  
16          distribution to the extent—

17                         “(A) such portion is transferred in a direct  
18                         trustee-to-trustee transfer to a qualified trust  
19                         which is part of a plan which is a defined con-  
20                         tribution plan and which agrees to separately  
21                         account for amounts so transferred, including  
22                         separately accounting for the portion of such dis-  
23                         tribution which is includible in gross income  
24                         and the portion of such distribution which is not  
25                         so includible, or



1                   “(B) such portion is transferred to an eligi-  
2                   ble retirement plan described in clause (i) or (ii)  
3                   of paragraph (8)(B).”.

4           (b) *OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLL-*  
5 *OVER DISTRIBUTIONS.*—Subparagraph (B) of section  
6 401(a)(31) (relating to limitation) is amended by adding  
7 at the end the following: “The preceding sentence shall not  
8 apply to such distribution if the plan to which such dis-  
9 tribution is transferred—

10                   “(i) agrees to separately account for  
11                   amounts so transferred, including sepa-  
12                   rately accounting for the portion of such  
13                   distribution which is includible in gross in-  
14                   come and the portion of such distribution  
15                   which is not so includible, or

16                   “(ii) is an eligible retirement plan de-  
17                   scribed in clause (i) or (ii) of section  
18                   402(c)(8)(B).”.

19           (c) *RULES FOR APPLYING SECTION 72 TO IRAS.*—  
20 Paragraph (3) of section 408(d) (relating to special rules  
21 for applying section 72) is amended by inserting at the end  
22 the following:

23                   “(H) *APPLICATION OF SECTION 72.*—

24                   “(i) *IN GENERAL.*—If—

1           “(I) a distribution is made from  
2           an individual retirement plan, and

3           “(II) a rollover contribution is  
4           made to an eligible retirement plan de-  
5           scribed in section 402(c)(8)(B)(iii),  
6           (iv), (v), or (vi) with respect to all or  
7           part of such distribution,

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

11          “(ii) *APPLICABLE RULES.*—In the case  
12          of a distribution described in clause (i)—

13               “(I) section 72 shall be applied  
14               separately to such distribution,

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

1                   “(III) appropriate adjustments  
2                   shall be made in applying section 72 to  
3                   other distributions in such taxable year  
4                   and subsequent taxable years.”.

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

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

9           (a) *EXEMPT TRUSTS.*—Paragraph (3) of section  
10 402(c) (relating to transfer must be made within 60 days  
11 of receipt) is amended to read as follows:

12                   “(3) *TRANSFER MUST BE MADE WITHIN 60 DAYS*  
13 *OF RECEIPT.*—

14                           “(A) *IN GENERAL.*—Except as provided in  
15 subparagraph (B), paragraph (1) shall not  
16 apply to any transfer of a distribution made  
17 after the 60th day following the day on which the  
18 distributee received the property distributed.

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

1       (b) *IRAS.*—*Paragraph (3) of section 408(d) (relating*  
2 *to rollover contributions), as amended by section 403, is*  
3 *amended by adding after subparagraph (H) the following*  
4 *new subparagraph:*

5               “(I) *WAIVER OF 60-DAY REQUIREMENT.*—  
6       *The Secretary may waive the 60-day require-*  
7       *ment under subparagraphs (A) and (D) where*  
8       *the failure to waive such requirement would be*  
9       *against equity or good conscience, including cas-*  
10       *ualty, disaster, or other events beyond the rea-*  
11       *sonable control of the individual subject to such*  
12       *requirement.”.*

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

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

16       (a) *PLAN TRANSFERS.*—

17               (1) *IN GENERAL.*—*Paragraph (6) of section*  
18 *411(d) (relating to accrued benefit not to be decreased*  
19 *by amendment) is amended by adding at the end the*  
20 *following:*

21               “(D) *PLAN TRANSFERS.*—

22               “(i) *IN GENERAL.*—*A defined contribu-*  
23 *tion plan (in this subparagraph referred to*  
24 *as the ‘transferee plan’) shall not be treated*  
25 *as 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 (in*  
5            *this subparagraph referred to as the ‘trans-*  
6            *feror plan’) to the extent that—*

7                            *“(I) the forms of distribution pre-*  
8                            *viously available under the transferor*  
9                            *plan applied to the account of a par-*  
10                           *ticipant 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 transfer*  
14                           *rather than pursuant to a distribution*  
15                           *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 par-  
3           ticipant or beneficiary received a no-  
4           tice 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 trans-  
10          fer is made with the consent of the par-  
11          ticipant’s spouse (if any), and such  
12          consent meets requirements similar to  
13          the requirements imposed by section  
14          417(a)(2), and

15          “(VI) the transferee plan allows  
16          the participant or beneficiary described  
17          in subclause (III) to receive any dis-  
18          tribution to which the participant or  
19          beneficiary is entitled under the trans-  
20          feree plan in the form of a single sum  
21          distribution.

22          “(ii) EXCEPTION.—Clause (i) shall  
23          apply to plan mergers and other trans-  
24          actions having the effect of a direct transfer,  
25          including consolidations of benefits attrib-

1                    *utable to different employers within a mul-*  
2                    *tiiple employer plan.*

3                    “(E) *ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-*  
4                    *tions, a defined contribution plan shall not be*  
5                    *treated as failing to meet the requirements of this*  
6                    *section merely because of the elimination of a*  
7                    *form of distribution previously available there-*  
8                    *under. This subparagraph shall not apply to the*  
9                    *elimination of a form of distribution with re-*  
10                    *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 based*  
17                    *on the same or greater portion of the par-*  
18                    *ticipant’s account as the form of distribu-*  
19                    *tion being eliminated.”.*

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

23                    (b) *REGULATIONS.—*

24                    (1) *IN GENERAL.—The last sentence of para-*  
25                    *graph (6)(B) of section 411(d) (relating to accrued*

1 *benefit not to be decreased by amendment) is amended*  
2 *to read as follows: “The Secretary shall by regulations*  
3 *provide that this subparagraph shall not apply to*  
4 *any plan amendment that does not adversely affect*  
5 *the rights of participants in a material manner.”.*

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

15 **SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DIS-**  
16 **TRIBUTIONS.**

17 (a) *MODIFICATION OF SAME DESK EXCEPTION.—*

18 (1) *SECTION 401(k).—*

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

23 (B) *Subparagraph (A) of section 401(k)(10)*  
24 *(relating to distributions upon termination of*



1           *plan or disposition of assets or subsidiary) is*  
2           *amended to read as follows:*

3           “(A) *IN GENERAL.*—*An event described in*  
4           *this subparagraph is the termination of the plan*  
5           *without establishment or maintenance of another*  
6           *defined contribution plan (other than an em-*  
7           *ployee stock ownership plan as defined in section*  
8           *4975(e)(7)).”.*

9           (C) *Section 401(k)(10) is amended—*

10           (i) *in subparagraph (B)—*

11           (I) *by striking “An event” in*  
12           *clause (i) and inserting “A termi-*  
13           *nation”; and*

14           (II) *by striking “the event” in*  
15           *clause (i) and inserting “the termi-*  
16           *nation”;*

17           (ii) *by striking subparagraph (C); and*

18           (iii) *by striking “OR DISPOSITION OF*

19           *ASSETS OR SUBSIDIARY” in the heading.*

20           (2) *SECTION 403(b).*—

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

1           (B) The heading for paragraph (11) of sec-  
2           tion 403(b) is amended by striking “SEPARATION  
3           FROM SERVICE” and inserting “SEVERANCE  
4           FROM EMPLOYMENT”.

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

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

11       **SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERN-**  
12       **MENTAL DEFINED BENEFIT PLANS.**

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

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 ben-  
19          efit governmental plan (as defined in section 414(d))  
20          if such transfer is—

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

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

4           (b) 457 PLANS.—Subsection (e) of section 457 is  
5 amended by adding after paragraph (16) the following new  
6 paragraph:

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

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

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

19           (c) EFFECTIVE DATE.—The amendments made by this  
20 section shall apply to trustee-to-trustee transfers after De-  
21 cember 31, 2000.

1 **SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**  
2 **PURPOSES OF CASH-OUT AMOUNTS.**

3 (a) *QUALIFIED PLANS.*—Section 411(a)(11) (relating  
4 to restrictions on certain mandatory distributions) is  
5 amended by adding at the end the following:

6 “(D) *SPECIAL RULE FOR ROLLOVER CON-*  
7 *TRIBUTIONS.*—A plan shall not fail to meet the  
8 requirements of this paragraph if, under the  
9 terms of the plan, the present value of the non-  
10 forfeitable accrued benefit is determined without  
11 regard to that portion of such benefit which is  
12 attributable to rollover contributions (and earn-  
13 ings allocable thereto). For purposes of this sub-  
14 paragraph, the term ‘rollover contributions’  
15 means any rollover contribution under sections  
16 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),  
17 and 457(e)(16).”.

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

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

1 **SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION RE-**  
2 **QUIREMENTS FOR SECTION 457 PLANS.**

3 (a) *MINIMUM DISTRIBUTION REQUIREMENTS.*—Para-  
4 *graph (2) of section 457(d) (relating to distribution require-*  
5 *ments) is amended to read as follows:*

6 “(2) *MINIMUM DISTRIBUTION REQUIREMENTS.*—  
7 *A plan meets the minimum distribution requirements*  
8 *of this paragraph if such plan meets the requirements*  
9 *of section 401(a)(9).”*

10 (b) *INCLUSION IN GROSS INCOME.*—

11 (1) *YEAR OF INCLUSION.*—*Subsection (a) of sec-*  
12 *tion 457 (relating to year of inclusion in gross in-*  
13 *come) is amended to read as follows:*

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

15 “(1) *IN GENERAL.*—*Any amount of compensa-*  
16 *tion deferred under an eligible deferred compensation*  
17 *plan, and any income attributable to the amounts so*  
18 *deferred, shall be includible in gross income only for*  
19 *the taxable year in which such compensation or other*  
20 *income—*

21 “(A) *is paid to the participant or other ben-*  
22 *eficiary, in the case of a plan of an eligible em-*  
23 *ployer described in subsection (e)(1)(A), and*

24 “(B) *is paid or otherwise made available to*  
25 *the participant or other beneficiary, in the case*

1           of a plan of an eligible employer described in  
2           subsection (e)(1)(B).

3           “(2) *SPECIAL RULE FOR ROLLOVER AMOUNTS.*—  
4           *To the extent provided in section 72(t)(9), section*  
5           *72(t) shall apply to any amount includible in gross*  
6           *income under this subsection.*”.

7           (2) *CONFORMING AMENDMENTS.*—

8                   (A) *So much of paragraph (9) of section*  
9                   *457(e) as precedes subparagraph (A) is amended*  
10                   *to read as follows:*

11                   “(9) *BENEFITS OF TAX EXEMPT ORGANIZATION*  
12                   *PLANS NOT TREATED AS MADE AVAILABLE BY REASON*  
13                   *OF CERTAIN ELECTIONS, ETC.*—*In the case of an eligi-*  
14                   *ble deferred compensation plan of an employer de-*  
15                   *scribed in subsection (e)(1)(B)—”.*

16                   (B) *Section 457(d) is amended by adding at*  
17                   *the end the following new paragraph:*

18                   “(3) *SPECIAL RULE FOR GOVERNMENT PLAN.*—  
19                   *An eligible deferred compensation plan of an em-*  
20                   *ployer described in subsection (e)(1)(A) shall not be*  
21                   *treated as failing to meet the requirements of this sub-*  
22                   *section solely by reason of making a distribution de-*  
23                   *scribed in subsection (e)(9)(A).*”.

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

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

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

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

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

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

14 “(F) *APPLICABLE PERCENTAGE.*—For pur-  
 15 poses of subparagraph (A)(i)(I), the applicable  
 16 percentage shall be determined in accordance  
 17 with the following table:

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

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

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

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

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

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

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



1           *amendment which is made or becomes effec-*  
2           *tive, whichever is later, within the last 2*  
3           *years before the termination date.*

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

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

20           (b) *CONFORMING AMENDMENT.—Paragraph (6) of sec-*  
21           *tion 4972(c) is amended to read as follows:*

22           “(6) *EXCEPTIONS.—In determining the amount*  
23           *of nondeductible contributions for any taxable year,*  
24           *there shall not be taken into account so much of the*  
25           *contributions to one or more defined contribution*

1        *plans which are not deductible when contributed sole-*  
2        *ly because of section 404(a)(7) as does not exceed the*  
3        *greater of—*

4                *“(A) the amount of contributions not in ex-*  
5                *cess of 6 percent of compensation (within the*  
6                *meaning of section 404(a)) paid or accrued (dur-*  
7                *ing the taxable year for which the contributions*  
8                *were made) to beneficiaries under the plans, or*

9                *“(B) the sum of—*

10                    *“(i) the amount of contributions de-*  
11                    *scribed in section 401(m)(4)(A), plus*

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

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

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

21        **SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUND-**  
22                    **ING.**

23                *(a) IN GENERAL.—Subsection (c) of section 4972 (re-*  
24                *lating to nondeductible contributions) is amended by add-*  
25                *ing at the end the following new paragraph:*

1           “(7) *DEFINED BENEFIT PLAN EXCEPTION.*—In  
2           *determining the amount of nondeductible contribu-*  
3           *tions for any taxable year, an employer may elect for*  
4           *such year not to take into account any contributions*  
5           *to a defined benefit plan except to the extent that such*  
6           *contributions exceed the full-funding limitation (as*  
7           *defined in section 412(c)(7), determined without re-*  
8           *gard to subparagraph (A)(i)(I) thereof). For purposes*  
9           *of this paragraph, the deductible limits under section*  
10           *404(a)(7) shall first be applied to amounts contrib-*  
11           *uted to defined contribution plans and then to*  
12           *amounts described in this paragraph. If an employer*  
13           *makes an election under this paragraph for a taxable*  
14           *year, paragraph (6) shall not apply to such employer*  
15           *for such taxable year.”.*

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

19           **SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY**  
20                                    **DEFINED BENEFIT PLANS SIGNIFICANTLY RE-**  
21                                    **DUCING FUTURE BENEFIT ACCRUALS.**

22           **(a) IN GENERAL.**—*Chapter 43 (relating to qualified*  
23           *pension, etc., plans) is amended by adding at the end the*  
24           *following new section:*

1 **“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING**  
2 **BENEFIT ACCRUALS TO SATISFY NOTICE RE-**  
3 **QUIREMENTS.**

4 “(a) *IMPOSITION OF TAX.*—*There is hereby imposed a*  
5 *tax on the failure of any applicable pension plan to meet*  
6 *the requirements of subsection (e) with respect to any appli-*  
7 *cable individual.*

8 “(b) *AMOUNT OF TAX.*—

9 “(1) *IN GENERAL.*—*The amount of the tax im-*  
10 *posed by subsection (a) on any failure with respect to*  
11 *any applicable individual shall be \$100 for each day*  
12 *in the noncompliance period with respect to such fail-*  
13 *ure.*

14 “(2) *NONCOMPLIANCE PERIOD.*—*For purposes of*  
15 *this section, the term ‘noncompliance period’ means,*  
16 *with respect to any failure, the period beginning on*  
17 *the date the failure first occurs and ending on the*  
18 *date the failure is corrected.*

19 “(c) *LIMITATIONS ON AMOUNT OF TAX.*—

20 “(1) *OVERALL LIMITATION FOR UNINTENTIONAL*  
21 *FAILURES.*—*In the case of failures that are due to*  
22 *reasonable cause and not to willful neglect, the tax*  
23 *imposed by subsection (a) for failures during the tax-*  
24 *able year of the employer (or, in the case of a multi-*  
25 *employer plan, the taxable year of the trust forming*  
26 *part of the plan) shall not exceed \$500,000. For pur-*

1       poses of the preceding sentence, all multiemployer  
2       plans of which the same trust forms a part shall be  
3       treated as one plan. For purposes of this paragraph,  
4       if not all persons who are treated as a single em-  
5       ployer for purposes of this section have the same tax-  
6       able year, the taxable years taken into account shall  
7       be determined under principles similar to the prin-  
8       ciples of section 1561.

9               “(2) *WAIVER BY SECRETARY.*—In the case of a  
10       failure which is due to reasonable cause and not to  
11       willful neglect, the Secretary may waive part or all  
12       of the tax imposed by subsection (a) to the extent that  
13       the payment of such tax would be excessive relative to  
14       the failure involved.

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

17               “(1) In the case of a plan other than a multiem-  
18       ployer plan, the employer.

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

21              “(e) *NOTICE REQUIREMENTS FOR PLANS SIGNIFI-*  
22       *CANTLY REDUCING BENEFIT ACCRUALS.*—

23               “(1) *IN GENERAL.*—If an applicable pension  
24       plan is amended to provide for a significant reduc-  
25       tion in the rate of future benefit accrual, the plan ad-

1        *administrator shall provide written notice to each ap-*  
2        *plicable individual (and to each employee organiza-*  
3        *tion representing applicable individuals).*

4                *“(2) NOTICE.—The notice required by paragraph*  
5        *(1) shall be written in a manner calculated to be un-*  
6        *derstood by the average plan participant and shall*  
7        *provide sufficient information (as determined in ac-*  
8        *cordance with regulations prescribed by the Sec-*  
9        *retary) to allow applicable individuals to understand*  
10       *the effect of the plan amendment.*

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

15               *“(4) DESIGNEES.—Any notice under paragraph*  
16       *(1) may be provided to a person designated, in writ-*  
17       *ing, by the person to which it would otherwise be pro-*  
18       *vided.*

19               *“(5) NOTICE BEFORE ADOPTION OF AMEND-*  
20       *MENT.—A plan shall not be treated as failing to meet*  
21       *the requirements of paragraph (1) merely because no-*  
22       *tice is provided before the adoption of the plan*  
23       *amendment if no material modification of the amend-*  
24       *ment occurs before the amendment is adopted.*

1       “(f) *APPLICABLE INDIVIDUAL; APPLICABLE PENSION*  
2 *PLAN.—For purposes of this section—*

3               “(1) *APPLICABLE INDIVIDUAL.—The term ‘appli-*  
4 *cable individual’ means, with respect to any plan*  
5 *amendment—*

6                       “(A) *any participant in the plan, and*

7                       “(B) *any beneficiary who is an alternate*  
8 *payee (within the meaning of section 414(p)(8))*  
9 *under an applicable qualified domestic relations*  
10 *order (within the meaning of section*  
11 *414(p)(1)(A)),*

12 *who may reasonably be expected to be affected by such*  
13 *plan amendment.*

14               “(2) *APPLICABLE PENSION PLAN.—The term ‘ap-*  
15 *plicable pension plan’ means—*

16                       “(A) *any defined benefit plan, or*

17                       “(B) *an individual account plan which is*  
18 *subject to the funding standards of section 412,*  
19 *which had 100 or more participants who had accrued*  
20 *a benefit, or with respect to whom contributions were*  
21 *made, under the plan (whether or not vested) as of the*  
22 *last day of the plan year preceding the plan year in*  
23 *which the plan amendment becomes effective. Such*  
24 *term shall not include a governmental plan (within*  
25 *the meaning of section 414(d)) or a church plan*

1       *(within the meaning of section 414(e)) with respect to*  
2       *which the election provided by section 410(d) has not*  
3       *been made.”.*

4       **(b) CLERICAL AMENDMENT.**—*The table of sections for*  
5       *chapter 43 is amended by adding at the end the following*  
6       *new item:*

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

7       **(c) EFFECTIVE DATES.**—

8               **(1) IN GENERAL.**—*The amendments made by*  
9       *this section shall apply to plan amendments taking*  
10       *effect on or after the date of the enactment of this Act.*

11               **(2) TRANSITION.**—*Until such time as the Sec-*  
12       *retary of the Treasury issues regulations under sec-*  
13       *tions 4980F(e)(2) and (3) of the Internal Revenue*  
14       *Code of 1986 (as added by the amendments made by*  
15       *this section), a plan shall be treated as meeting the*  
16       *requirements of such sections if it makes a good faith*  
17       *effort to comply with such requirements.*

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

22       **(d) STUDY.**—*The Secretary of the Treasury shall pre-*  
23       *pare a report on the effects of conversions of traditional de-*  
24       *finied benefit plans to cash balance or hybrid formula plans.*



1 *Such study shall examine the effect of such conversions on*  
2 *longer service participants, including the incidence and ef-*  
3 *fects of “wear away” provisions under which participants*  
4 *earn no additional benefits for a period of time after the*  
5 *conversion. As soon as practicable, but not later than 60*  
6 *days after the date of the enactment of this Act, the Sec-*  
7 *retary shall submit such report, together with recommenda-*  
8 *tions thereon, to the Committee on Ways and Means of the*  
9 *House of Representatives and the Committee on Finance*  
10 *of the Senate.*

11 **SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER**

12 **SECTION 415.**

13 *(a) COMPENSATION LIMIT.—Paragraph (11) of section*  
14 *415(b) (relating to limitation for defined benefit plans) is*  
15 *amended to read as follows:*

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

21 *(b) COMBINING AND AGGREGATION OF PLANS.—*

22 *(1) COMBINING OF PLANS.—Subsection (f) of sec-*  
23 *tion 415 (relating to combining of plans) is amended*  
24 *by adding at the end the following:*

1           “(3) *EXCEPTION FOR MULTIEMPLOYER PLANS.*—  
2           *Notwithstanding paragraph (1) and subsection (g), a*  
3           *multiemployer plan (as defined in section 414(f))*  
4           *shall not be combined or aggregated with any other*  
5           *plan maintained by an employer for purposes of ap-*  
6           *plying the limitations established in this section, ex-*  
7           *cept that such plan shall be combined or aggregated*  
8           *with another plan which is not such a multiemployer*  
9           *plan solely for purposes of determining whether such*  
10           *other plan meets the requirements of subsections*  
11           *(b)(1)(A) and (c).”.*

12           (2) *CONFORMING AMENDMENT FOR AGGREGATION*  
13           *OF PLANS.*—*Subsection (g) of section 415 (relating to*  
14           *aggregation of plans) is amended by striking “The*  
15           *Secretary” and inserting “Except as provided in sub-*  
16           *section (f)(3), the Secretary”.*

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

20           **SEC. 506. PROHIBITED ALLOCATIONS OF STOCK IN S COR-**  
21           **PORATION ESOP.**

22           (a) *IN GENERAL.*—*Section 409 (relating to qualifica-*  
23           *tions for tax credit employee stock ownership plans) is*  
24           *amended by redesignating subsection (p) as subsection (q)*

1 *and by inserting after subsection (o) the following new sub-*  
2 *section:*

3 “(p) *PROHIBITED ALLOCATIONS OF SECURITIES IN AN*  
4 *S CORPORATION.—*

5 “(1) *IN GENERAL.—An employee stock ownership*  
6 *plan holding employer securities consisting of stock in*  
7 *an S corporation shall provide that no portion of the*  
8 *assets of the plan attributable to (or allocable in lieu*  
9 *of) such employer securities may, during a nonalloca-*  
10 *tion year, accrue (or be allocated directly or indi-*  
11 *rectly under any plan of the employer meeting the re-*  
12 *quirements of section 401(a)) for the benefit of any*  
13 *disqualified person.*

14 “(2) *FAILURE TO MEET REQUIREMENTS.—*

15 “(A) *IN GENERAL.—If a plan fails to meet*  
16 *the requirements of paragraph (1), the plan shall*  
17 *be treated as having distributed to any disquali-*  
18 *fied person the amount allocated to the account*  
19 *of such person in violation of paragraph (1) at*  
20 *the time of such allocation.*

21 “(B) *CROSS REFERENCE.—*

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

22 “(3) *NONALLOCATION YEAR.—For purposes of*  
23 *this subsection—*

1           “(A) *IN GENERAL.*—*The term ‘nonallocation year’ means any plan year of an employee*  
2           *stock ownership plan if, at any time during such*  
3           *plan year—*

4                   “(i) *such plan holds employer securities*  
5                   *consisting of stock in an S corporation,*  
6                   *and*

7                   “(ii) *disqualified persons own at least*  
8                   *50 percent of the number of shares of stock*  
9                   *in the S corporation.*

10           “(B) *ATTRIBUTION RULES.*—*For purposes*  
11           *of subparagraph (A)—*

12                   “(i) *IN GENERAL.*—*The rules of section*  
13                   *318(a) shall apply for purposes of deter-*  
14                   *mining ownership, except that—*

15                           “(I) *in applying paragraph (1)*  
16                           *thereof, the members of an individual’s*  
17                           *family shall include members of the*  
18                           *family described in paragraph (4)(D),*  
19                           *and*

20                           “(II) *paragraph (4) thereof shall*  
21                           *not apply.*

22                   “(ii) *DEEMED-OWNED SHARES.*—*Not-*  
23                   *withstanding the employee trust exception*  
24                   *in section 318(a)(2)(B)(i), individual shall*  
25

1           *be treated as owning deemed-owned shares*  
2           *of the individual.*

3           *Solely for purposes of applying paragraph (5),*  
4           *this subparagraph shall be applied after the at-*  
5           *tribution rules of paragraph (5) have been ap-*  
6           *plied.*

7           “(4) *DISQUALIFIED PERSON.*—*For purposes of*  
8           *this subsection—*

9                   “(A) *IN GENERAL.*—*The term ‘disqualified*  
10           *person’ means any person if—*

11                           “(i) *the aggregate number of deemed-*  
12                           *owned shares of such person and the mem-*  
13                           *bers of such person’s family is at least 20*  
14                           *percent of the number of deemed-owned*  
15                           *shares of stock in the S corporation, or*

16                           “(ii) *in the case of a person not de-*  
17                           *scribed in clause (i), the number of deemed-*  
18                           *owned shares of such person is at least 10*  
19                           *percent of the number of deemed-owned*  
20                           *shares of stock in such corporation.*

21                   “(B) *TREATMENT OF FAMILY MEMBERS.*—  
22           *In the case of a disqualified person described in*  
23           *subparagraph (A)(i), any member of such per-*  
24           *son’s family with deemed-owned shares shall be*  
25           *treated as a disqualified person if not otherwise*

1           *treated as a disqualified person under subpara-*  
2           *graph (A).*

3           “(C) *DEEMED-OWNED SHARES.*—

4           “(i) *IN GENERAL.*—*The term ‘deemed-*  
5           *owned shares’ means, with respect to any*  
6           *person—*

7                   “(I) *the stock in the S corporation*  
8                   *constituting employer securities of an*  
9                   *employee stock ownership plan which*  
10                   *is allocated to such person under the*  
11                   *plan, and*

12                   “(II) *such person’s share of the*  
13                   *stock in such corporation which is held*  
14                   *by such plan but which is not allocated*  
15                   *under the plan to participants.*

16           “(ii)    *PERSON’S SHARE OF*  
17            *UNALLOCATED STOCK.*—*For purposes of*  
18            *clause (i)(II), a person’s share of*  
19            *unallocated S corporation stock held by*  
20            *such plan is the amount of the unallocated*  
21            *stock which would be allocated to such per-*  
22            *son if the unallocated stock were allocated to*  
23            *all participants in the same proportions as*  
24            *the most recent stock allocation under the*  
25            *plan.*

1                   “(D) *MEMBER OF FAMILY.*—For purposes of  
2                   this paragraph, the term ‘member of the family’  
3                   means, with respect to any individual—

4                   “(i) *the spouse of the individual,*

5                   “(ii) *an ancestor or lineal descendant*  
6                   *of the individual or the individual’s spouse,*

7                   “(iii) *a brother or sister of the indi-*  
8                   *vidual or the individual’s spouse and any*  
9                   *lineal descendant of the brother or sister,*  
10                  *and*

11                  “(iv) *the spouse of any individual de-*  
12                  *scribed in clause (i) or (iii).*

13                  *A spouse of an individual who is legally sepa-*  
14                  *rated from such individual under a decree of di-*  
15                  *vorce or separate maintenance shall not be treat-*  
16                  *ed as such individual’s spouse for purposes of*  
17                  *this subparagraph.*

18                  “(5) *TREATMENT OF SYNTHETIC EQUITY.*—For  
19                  purposes of paragraphs (3) and (4), in the case of a  
20                  person who owns synthetic equity in the S corpora-  
21                  tion, except to the extent provided in regulations, the  
22                  shares of stock in such corporation on which such  
23                  synthetic equity is based shall be treated as out-  
24                  standing stock in such corporation and deemed-owned

1 *shares of such person if such treatment of synthetic*  
2 *equity of 1 or more such persons results in—*

3 *“(A) the treatment of any person as a dis-*  
4 *qualified person, or*

5 *“(B) the treatment of any year as a non-*  
6 *allocation year.*

7 *For purposes of this paragraph, synthetic equity shall*  
8 *be treated as owned by a person in the same manner*  
9 *as stock is treated as owned by a person under the*  
10 *rules of paragraphs (2) and (3) of section 318(a). If,*  
11 *without regard to this paragraph, a person is treated*  
12 *as a disqualified person or a year is treated as a non-*  
13 *allocation year, this paragraph shall not be construed*  
14 *to result in the person or year not being so treated.*

15 *“(6) DEFINITIONS.—For purposes of this*  
16 *subsection—*

17 *“(A) EMPLOYEE STOCK OWNERSHIP*  
18 *PLAN.—The term ‘employee stock ownership*  
19 *plan’ has the meaning given such term by sec-*  
20 *tion 4975(e)(7).*

21 *“(B) EMPLOYER SECURITIES.—The term*  
22 *‘employer security’ has the meaning given such*  
23 *term by section 409(l).*

24 *“(C) SYNTHETIC EQUITY.—The term ‘syn-*  
25 *thetic equity’ means any stock option, warrant,*



1           *restricted stock, deferred issuance stock right, or*  
2           *similar interest or right that gives the holder the*  
3           *right to acquire or receive stock of the S corpora-*  
4           *tion in the future. Except to the extent provided*  
5           *in regulations, synthetic equity also includes a*  
6           *stock appreciation right, phantom stock unit, or*  
7           *similar right to a future cash payment based on*  
8           *the value of such stock or appreciation in such*  
9           *value.*

10           “(7) *REGULATIONS.*—*The Secretary shall pre-*  
11           *scribe such regulations as may be necessary to carry*  
12           *out the purposes of this subsection.”.*

13           “(b) *COORDINATION WITH SECTION 4975(e)(7).*—*The*  
14           *last sentence of section 4975(e)(7) (defining employee stock*  
15           *ownership plan) is amended by inserting “, section 409(p),”*  
16           *after “409(n)”.*

17           “(c) *EXCISE TAX.*—

18           “(1) *APPLICATION OF TAX.*—*Subsection (a) of sec-*  
19           *tion 4979A (relating to tax on certain prohibited allo-*  
20           *cations of employer securities) is amended—*

21                   “(A) *by striking “or” at the end of para-*  
22                   *graph (1), and*

23                   “(B) *by striking all that follows paragraph*

24                   “(2) *and inserting the following:*

1           “(3) there is any allocation of employer securi-  
2           ties which violates the provisions of section 409(p), or  
3           a nonallocation year described in subsection (e)(2)(C)  
4           with respect to an employee stock ownership plan, or

5           “(4) any synthetic equity is owned by a dis-  
6           qualified person in any nonallocation year,

7 there is hereby imposed a tax on such allocation or owner-  
8 ship equal to 50 percent of the amount involved.”.

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

11           “(c) *LIABILITY FOR TAX*.—The tax imposed by this  
12 section shall be paid—

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

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

16           “(B) the eligible worker-owned cooperative,  
17 which made the written statement described in section  
18 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case  
19 may be), and

20           “(2) in the case of an allocation or ownership re-  
21 ferred to in paragraph (3) or (4) of subsection (a), by  
22 the S corporation the stock in which was so allocated  
23 or owned.”.

24           (3) *DEFINITIONS*.—Section 4979A(e) (relating to  
25 definitions) is amended to read as follows:

1       “(e) *DEFINITIONS AND SPECIAL RULES.*—For pur-  
2 *poses of this section—*

3               “(1) *DEFINITIONS.*—Except as provided in para-  
4 *graph (2), terms used in this section have the same*  
5 *respective meanings as when used in sections 409 and*  
6 *4978.*

7               “(2) *SPECIAL RULES RELATING TO TAX IMPOSED*  
8 *BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION*  
9 *(a).*—

10               “(A) *PROHIBITED ALLOCATIONS.*—The  
11 *amount involved with respect to any tax imposed*  
12 *by reason of subsection (a)(3) is the amount allo-*  
13 *cated to the account of any person in violation*  
14 *of section 409(p)(1).*

15               “(B) *SYNTHETIC EQUITY.*—The amount in-  
16 *volved with respect to any tax imposed by reason*  
17 *of subsection (a)(4) is the value of the shares on*  
18 *which the synthetic equity is based.*

19               “(C) *SPECIAL RULE DURING FIRST NON-*  
20 *ALLOCATION YEAR.*—For purposes of subpara-  
21 *graph (A), the amount involved for the first non-*  
22 *allocation year of any employee stock ownership*  
23 *plan shall be determined by taking into account*  
24 *the total value of all the deemed-owned shares of*

1           *all disqualified persons with respect to such*  
2           *plan.*

3           “(D) *STATUTE OF LIMITATIONS.*—*The stat-*  
4           *utory period for the assessment of any tax im-*  
5           *posed by this section by reason of paragraph (3)*  
6           *or (4) of subsection (a) shall not expire before the*  
7           *date which is 3 years from the later of—*

8                     “(i) *the allocation or ownership re-*  
9                     *ferred to in such paragraph giving rise to*  
10                    *such tax, or*

11                   “(ii) *the date on which the Secretary is*  
12                    *notified of such allocation or ownership.*”.

13       (d) *EFFECTIVE DATES.*—

14           (1) *IN GENERAL.*—*The amendments made by*  
15           *this section shall apply to plan years beginning after*  
16           *December 31, 2001.*

17           (2) *EXCEPTION FOR CERTAIN PLANS.*—*In the*  
18           *case of any—*

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

21                   (B) *employee stock ownership plan estab-*  
22                    *lished on or before such date if employer securi-*  
23                    *ties held by the plan consist of stock in a cor-*  
24                    *poration with respect to which an election under*

1            *section 1362(a) of the Internal Revenue Code of*  
2            *1986 is not in effect on such date,*  
3            *the amendments made by this section shall apply to*  
4            *plan years ending after July 11, 2000.*

5            ***TITLE VI—REDUCING***  
6            ***REGULATORY BURDENS***

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

8            *(a) IN GENERAL.—Paragraph (9) of section 412(c)(9)*  
9            *(relating to annual valuation) is amended to read as fol-*  
10           *lows:*

11            *“(9) ANNUAL VALUATION.—*

12            *“(A) IN GENERAL.—For purposes of this*  
13            *section, a determination of experience gains and*  
14            *losses and a valuation of the plan’s liability*  
15            *shall be made not less frequently than once every*  
16            *year, except that such determination shall be*  
17            *made more frequently to the extent required in*  
18            *particular cases under regulations prescribed by*  
19            *the Secretary.*

20            *“(B) VALUATION DATE.—*

21            *“(i) CURRENT YEAR.—Except as pro-*  
22            *vided in clause (ii), the valuation referred*  
23            *to in subparagraph (A) shall be made as of*  
24            *a date within the plan year to which the*

1                   *valuation refers or within one month prior*  
2                   *to the beginning of such year.*

3                   “(ii) *ELECTION TO USE PRIOR YEAR*  
4                   *VALUATION.—The valuation referred to in*  
5                   *subparagraph (A) may be made as of a date*  
6                   *within the plan year prior to the year to*  
7                   *which the valuation refers if—*

8                                 “(I) *an election is in effect under*  
9                                 *this clause with respect to the plan,*  
10                                *and*

11                               “(II) *as of such date, the value of*  
12                                *the assets of the plan are not less than*  
13                                *125 percent of the plan’s current liabil-*  
14                                *ity (as defined in paragraph (7)(B)).*

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

19                               “(iv) *ELECTION.—An election under*  
20                                *clause (ii), once made, shall be irrevocable*  
21                                *without the consent of the Secretary.”.*

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

1 **SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**  
2 **LOSS OF DIVIDEND DEDUCTION.**

3 (a) *IN GENERAL.*—Section 404(k)(2)(A) (defining ap-  
4 plicable dividends) is amended by striking “or” at the end  
5 of clause (ii), by redesignating clause (iii) as clause (iv),  
6 and by inserting after clause (ii) the following new clause:

7 “(iii) is, at the election of such partici-  
8 pants or their beneficiaries—

9 “(I) payable as provided in clause  
10 (i) or (ii), or

11 “(II) paid to the plan and rein-  
12 vested in qualifying employer securi-  
13 ties, or”.

14 (b) *EFFECTIVE DATE.*—The amendments made by this  
15 section shall apply to taxable years beginning after Decem-  
16 ber 31, 2000.

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

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

21 (b) *EFFECTIVE DATE.*—The repeal made by subsection  
22 (a) shall apply to plan years beginning after December 31,  
23 2000.

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

25 (a) *IN GENERAL.*—The Secretary of the Treasury shall  
26 modify Treasury Regulations section 1.410(b)–6(g) to pro-

1 *vide that employees of an organization described in section*  
2 *403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who*  
3 *are eligible to make contributions under section 403(b) of*  
4 *such Code pursuant to a salary reduction agreement may*  
5 *be treated as excludable with respect to a plan under section*  
6 *401(k) or (m) of such Code that is provided under the same*  
7 *general arrangement as a plan under such section 401(k),*  
8 *if—*

9           (1) *no employee of an organization described in*  
10 *section 403(b)(1)(A)(i) of such Code is eligible to par-*  
11 *ticipate in such section 401(k) plan or section 401(m)*  
12 *plan; and*

13           (2) *95 percent of the employees who are not em-*  
14 *ployees of an organization described in section*  
15 *403(b)(1)(A)(i) of such Code are eligible to partici-*  
16 *pate in such plan under such section 401(k) or (m).*

17       (b) *EFFECTIVE DATE.—The modification required by*  
18 *subsection (a) shall apply as of the same date set forth in*  
19 *section 1426(b) of the Small Business Job Protection Act*  
20 *of 1996.*

21 **SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-**  
22 **PROVIDED RETIREMENT ADVICE.**

23       (a) *IN GENERAL.—Subsection (a) of section 132 (relat-*  
24 *ing to exclusion from gross income) is amended by striking*  
25 *“or” at the end of paragraph (5), by striking the period*



1 *at the end of paragraph (6) and inserting “, or”, and by*  
2 *adding at the end the following new paragraph:*

3 *“(7) qualified retirement planning services.”.*

4 *(b) QUALIFIED RETIREMENT PLANNING SERVICES DE-*  
5 *FINED.—Section 132 is amended by redesignating sub-*  
6 *section (m) as subsection (n) and by inserting after sub-*  
7 *section (l) the following:*

8 *“(m) QUALIFIED RETIREMENT PLANNING SERV-*  
9 *ICES.—*

10 *“(1) IN GENERAL.—For purposes of this section,*  
11 *the term ‘qualified retirement planning services’*  
12 *means any retirement planning service provided to*  
13 *an employee and his spouse by an employer main-*  
14 *taining a qualified employer plan.*

15 *“(2) NONDISCRIMINATION RULE.—Subsection*  
16 *(a)(7) shall apply in the case of highly compensated*  
17 *employees only if such services are available on sub-*  
18 *stantially the same terms to each member of the group*  
19 *of employees normally provided education and infor-*  
20 *mation regarding the employer’s qualified employer*  
21 *plan.*

22 *“(3) QUALIFIED EMPLOYER PLAN.—For purposes*  
23 *of this subsection, the term ‘qualified employer plan’*  
24 *means a plan, contract, pension, or account described*  
25 *in section 219(g)(5).”.*

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

4 **SEC. 606. REPORTING SIMPLIFICATION.**

5           (a) *SIMPLIFIED ANNUAL FILING REQUIREMENT FOR*  
6 *OWNERS AND THEIR SPOUSES.*—

7                   (1) *IN GENERAL.*—*The Secretary of the Treasury*  
8 *shall modify the requirements for filing annual re-*  
9 *turns with respect to one-participant retirement plans*  
10 *to ensure that such plans with assets of \$250,000 or*  
11 *less as of the close of the plan year need not file a*  
12 *return for that year.*

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

17                           (A) *on the first day of the plan year—*

18                                   (i) *covered only the employer (and the*  
19 *employer’s spouse) and the employer owned*  
20 *the entire business (whether or not incor-*  
21 *porated); or*

22                                   (ii) *covered only one or more partners*  
23 *(and their spouses) in a business partner-*  
24 *ship (including partners in an S or C cor-*  
25 *poration);*

1           (B) meets the minimum coverage require-  
2           ments of section 410(b) of the Internal Revenue  
3           Code of 1986 without being combined with any  
4           other plan of the business that covers the employ-  
5           ees of the business;

6           (C) does not provide benefits to anyone ex-  
7           cept the employer (and the employer's spouse) or  
8           the partners (and their spouses);

9           (D) does not cover a business that is a  
10          member of an affiliated service group, a con-  
11          trolled group of corporations, or a group of busi-  
12          nesses under common control; and

13          (E) does not cover a business that leases em-  
14          ployees.

15          (3) *OTHER DEFINITIONS.*—Terms used in para-  
16          graph (2) which are also used in section 414 of the  
17          Internal Revenue Code of 1986 shall have the respec-  
18          tive meanings given such terms by such section.

19          (b) *SIMPLIFIED ANNUAL FILING REQUIREMENT FOR*  
20          *PLANS WITH FEWER THAN 25 EMPLOYEES.*—In the case  
21          of a retirement plan which covers less than 25 employees  
22          on the first day of the plan year and meets the requirements  
23          described in subparagraphs (B), (D), and (E) of subsection  
24          (a)(2), the Secretary of the Treasury shall provide for the  
25          filing of a simplified annual return that is substantially

1 *similar to the annual return required to be filed by a one-*  
2 *participant retirement plan.*

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

5 **SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**  
6 **ANCE RESOLUTION SYSTEM.**

7 *The Secretary of the Treasury shall continue to update*  
8 *and improve the Employee Plans Compliance Resolution*  
9 *System (or any successor program) giving special attention*  
10 *to—*

11 (1) *increasing the awareness and knowledge of*  
12 *small employers concerning the availability and use*  
13 *of the program;*

14 (2) *taking into account special concerns and cir-*  
15 *cumstances that small employers face with respect to*  
16 *compliance and correction of compliance failures;*

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

20 (4) *expanding the availability to correct insig-*  
21 *nificant compliance failures under the Administrative*  
22 *Policy Regarding Self-Correction during audit; and*

23 (5) *assuring that any tax, penalty, or sanction*  
24 *that is imposed by reason of a compliance failure is*

1       *not excessive and bears a reasonable relationship to*  
2       *the nature, extent, and severity of the failure.*

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

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

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

11       *(b) EFFECTIVE DATE.—The amendment made by this*  
12       *section shall apply to years beginning after December 31,*  
13       *2000.*

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

16       *(a) NONDISCRIMINATION.—*

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

1           (A) *the plan satisfies conditions prescribed*  
2           *by the Secretary to appropriately limit the*  
3           *availability of such test; and*

4           (B) *the plan is submitted to the Secretary*  
5           *for a determination of whether it satisfies such*  
6           *test.*

7           *Subparagraph (B) shall only apply to the extent pro-*  
8           *vided by the Secretary.*

9           (2) *EFFECTIVE DATES.—*

10           (A) *REGULATIONS.—The regulation re-*  
11           *quired by paragraph (1) shall apply to years be-*  
12           *ginning after December 31, 2000.*

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

19           (b) *COVERAGE TEST.—*

20           (1) *IN GENERAL.—Section 410(b)(1) (relating to*  
21           *minimum coverage requirements) is amended by add-*  
22           *ing at the end the following:*

23                   “(D) *In the case that the plan fails to meet*  
24                   *the requirements of subparagraphs (A), (B) and*  
25                   *(C), the plan—*

1           “(i) satisfies subparagraph (B), as in  
2           effect immediately before the enactment of  
3           the Tax Reform Act of 1986,

4           “(ii) is submitted to the Secretary for  
5           a determination of whether it satisfies the  
6           requirement described in clause (i), and

7           “(iii) satisfies conditions prescribed by  
8           the Secretary by regulation that appro-  
9           priately limit the availability of this sub-  
10          paragraph.

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

13          (2) *EFFECTIVE DATES.*—

14           (A) *IN GENERAL.*—The amendment made  
15           by paragraph (1) shall apply to years beginning  
16           after December 31, 2000.

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

24           (c) *LINE OF BUSINESS RULES.*—The Secretary of the  
25          Treasury shall, on or before December 31, 2000, modify the

1 *existing regulations issued under section 414(r) of the Inter-*  
2 *nal Revenue Code of 1986 in order to expand (to the extent*  
3 *that the Secretary determines appropriate) the ability of*  
4 *a pension plan to demonstrate compliance with the line of*  
5 *business requirements based upon the facts and cir-*  
6 *cumstances surrounding the design and operation of the*  
7 *plan, even though the plan is unable to satisfy the mechan-*  
8 *ical tests currently used to determine compliance.*

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

13 *(a) IN GENERAL.—*

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

18 *(2) Subparagraph (G) of section 401(k)(3) and*  
19 *paragraph (2) of section 1505(d) of the Taxpayer Re-*  
20 *lief Act of 1997 are each amended by striking “main-*  
21 *tained by a State or local government or political*  
22 *subdivision thereof (or agency or instrumentality*  
23 *thereof)”.*

24 *(b) CONFORMING AMENDMENTS.—*



1           (1) *The heading for subparagraph (G) of section*  
2 *401(a)(5) is amended to read as follows: “GOVERN-*  
3 *MENTAL PLANS”.*

4           (2) *The heading for subparagraph (H) of section*  
5 *401(a)(26) is amended to read as follows: “EXCEP-*  
6 *TION FOR GOVERNMENTAL PLANS”.*

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

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

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

15          (a) *EXPANSION OF PERIOD.—*

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

19           (2) *MODIFICATION OF REGULATIONS.—The Sec-*  
20 *retary of the Treasury shall modify the regulations*  
21 *under sections 402(f), 411(a)(11), and 417 of the In-*  
22 *ternal Revenue Code of 1986 to substitute “180 days”*  
23 *for “90 days” each place it appears in Treasury Reg-*  
24 *ulations sections 1.402(f)–1, 1.411(a)–11(c), and*  
25 *1.417(e)–1(b).*

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

5           (b) *CONSENT REGULATION INAPPLICABLE TO CERTAIN*  
6           *DISTRIBUTIONS.*—

7           (1) *IN GENERAL.*—*The Secretary of the Treasury*  
8           *shall modify the regulations under section 411(a)(11)*  
9           *of the Internal Revenue Code of 1986 to provide that*  
10           *the description of a participant’s right, if any, to*  
11           *defer receipt of a distribution shall also describe the*  
12           *consequences of failing to defer such receipt.*

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

## 16       **TITLE VII—PLAN AMENDMENTS**

### 17       **SEC. 701. PROVISIONS RELATING TO PLAN AMENDMENTS.**

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

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

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

4 *(b) AMENDMENTS TO WHICH SECTION APPLIES.—*

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

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

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

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

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

20           (A) *during the period—*

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

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

3                   *(ii) ending on the date described in*  
4                   *paragraph (1)(B) (or, if earlier, the date the*  
5                   *plan or contract amendment is adopted),*  
6                   *the plan or contract is operated as if such plan*  
7                   *or contract amendment were in effect; and*

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



**Union Calendar No. 433**

106TH CONGRESS  
2D SESSION

**H. R. 4843**

**[Report No. 106-753]**

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**A BILL**

To amend the Internal Revenue Code of 1986 to  
provide for retirement security and pension reform.

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JULY 17, 2000

Reported with an amendment, committed to the Com-  
mittee of the Whole House on the State of the Union,  
and ordered to be printed