

115TH CONGRESS
1ST SESSION

H. R. 1720

To amend the Internal Revenue Code of 1986 to modify the rules applicable to length of service award plans.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 2017

Mr. KING of New York (for himself and Mr. PASCRELL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to modify the rules applicable to length of service award plans.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Length of Service
5 Award Program Cap Adjustment Priority Act” or the
6 “LOSAP CAP Act”.

7 **SEC. 2. MODIFICATION OF RULES APPLICABLE TO LENGTH**
8 **OF SERVICE AWARD PLANS.**

9 (a) **MAXIMUM DEFERRAL AMOUNT.**—Clause (ii) of
10 section 457(e)(11)(B) of the Internal Revenue Code of

1 1986 is amended by striking “\$3,000” and inserting
2 “\$6,000”.

3 (b) COST OF LIVING ADJUSTMENT.—Subparagraph
4 (B) of section 457(e)(11) of such Code is amended by add-
5 ing at the end the following:

6 “(iii) COST OF LIVING ADJUST-
7 MENT.—In the case of taxable years begin-
8 ning after December 31, 2017, the Sec-
9 retary shall adjust the \$6,000 amount
10 under clause (ii) at the same time and in
11 the same manner as under section 415(d),
12 except that the base period shall be the
13 calendar quarter beginning July 1, 2016,
14 and any increase under this paragraph
15 that is not a multiple of \$500 shall be
16 rounded to the next lowest multiple of
17 \$500.”.

18 (c) APPLICATION OF LIMITATION ON ACCRUALS.—
19 Subparagraph (B) of section 457(e)(11) of such Code, as
20 amended by subsection (b), is amended by adding at the
21 end the following:

22 “(iv) SPECIAL RULE FOR APPLICA-
23 TION OF LIMITATION ON ACCRUALS FOR
24 CERTAIN PLANS.—In the case of a length
25 of service award plan that is a defined ben-

1 efit plan (as defined in section 414(j)), the
2 limitation on the annual deferral under
3 clause (ii) shall apply to the actuarial
4 present value of the aggregate amount of
5 length of service awards accruing with re-
6 spect to any year of service. Such actuarial
7 present value shall be calculated using rea-
8 sonable actuarial assumptions and methods
9 assuming payment shall be made under the
10 most valuable form of payment of the
11 length of service award under the program
12 with payment commencing at the later of
13 the earliest age at which unreduced bene-
14 fits are payable under the program or the
15 participant's current age.”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this Act shall apply to taxable years beginning after De-
18 cember 31, 2017.

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