II

115TH CONGRESS
1ST SESSION

S. 1239

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

IN THE SENATE OF THE UNITED STATES

MAY 25, 2017

Ms. COLLINS (for herself, Mr. CARDIN, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Length of Service Award Program Cap Adjustment Priority Act" or the "LOSAP CAP Act".

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

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

1986 is amended by striking "$3,000" and inserting "$6,000".

(b) Cost of Living Adjustment.—Subparagraph (B) of section 457(e)(11) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(iii) Cost of living adjustment.—In the case of taxable years beginning after December 31, 2017, the Secretary shall adjust the $6,000 amount under clause (ii) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2016, and any increase under this paragraph that is not a multiple of $500 shall be rounded to the next lowest multiple of $500.".

(c) Application of Limitation on Accruals.—Subparagraph (B) of section 457(e)(11) of the Internal Revenue Code of 1986, as amended by subsection (b), is amended by adding at the end the following:

"(iv) Special rule for application of limitation on accruals for certain plans.—In the case of a plan described in subparagraph (A)(ii) which is a defined benefit plan (as defined in section 414(j)), the limitation under clause (ii) shall apply to the actuarial present value of the aggregate amount of length of service awards accruing with respect to any year of service. Such actuarial present value with respect to any year shall be calculated using reasonable actuarial assumptions and methods, assuming payment will be made under the most valuable form of payment under the plan with payment commencing at the later of the earliest age at which unreduced benefits are payable under the plan or the participant's age at the time of the calculation.''.

(d) EFFECTIVE DATE.—The amendments made by this Act shall apply to taxable years beginning after December 31, 2017.

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