

106TH CONGRESS  
2D SESSION

**H. R. 1102**

---

---

**AN ACT**

To provide for pension reform, and for other  
purposes.



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

# H. R. 1102

---

## AN ACT

To provide for pension reform, and for other purposes.

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

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 other-  
 7 wise expressly provided, whenever in this Act an amend-  
 8 ment or repeal is expressed in terms of an amendment  
 9 to, or repeal of, a section or other provision, the reference  
 10 shall be considered to be made to a section or other provi-  
 11 sion of the Internal Revenue Code of 1986.

12 (c) **TABLE OF CONTENTS.**—The table of contents of  
 13 this 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  
 limits.

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 con-  
 tribution 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.

**TITLE I—INDIVIDUAL  
RETIREMENT ACCOUNTS**

**SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.**

(a) INCREASE IN CONTRIBUTION LIMIT.—

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

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

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

“(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following 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.

“(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2001 or 2002 shall be \$5,000.

“(C) COST-OF-LIVING ADJUSTMENT.—

1           “(i) IN GENERAL.—In the case of any  
2 taxable year beginning in a calendar year  
3 after 2003, the \$5,000 amount under sub-  
4 paragraph (A) shall be increased by an  
5 amount equal to—

6                   “(I) such dollar amount, multi-  
7 plied by

8                   “(II) the cost-of-living adjust-  
9 ment determined under section  
10 1(f)(3) for the calendar year in which  
11 the taxable year begins, determined by  
12 substituting ‘calendar year 2002’ for  
13 ‘calendar year 1992’ in subparagraph  
14 (B) thereof.

15           “(ii) ROUNDING RULES.—If any  
16 amount after adjustment under clause (i)  
17 is not a multiple of \$500, such amount  
18 shall be rounded to the next lower multiple  
19 of \$500.”.

20 (b) CONFORMING AMENDMENTS.—

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

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

4           (3) Section 408(b) is amended by striking  
5           “\$2,000” in the matter following paragraph (4) and  
6           inserting “the dollar amount in effect under section  
7           219(b)(1)(A)”.

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

10          (5) Section 408(p)(8) is amended by striking  
11          “\$2,000” and inserting “the dollar amount in effect  
12          under section 219(b)(1)(A)”.

13          (c) EFFECTIVE DATE.—The amendments made by  
14          this section shall apply to taxable years beginning after  
15          December 31, 2000.

## 16                           **TITLE II—EXPANDING** 17                           **COVERAGE**

### 18          **SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION**

#### 19                           **LIMITS.**

#### 20           (a) DEFINED BENEFIT PLANS.—

##### 21                   (1) DOLLAR LIMIT.—

22                           (A) Subparagraph (A) of section 415(b)(1)  
23                           (relating to limitation for defined benefit plans)  
24                           is amended by striking “\$90,000” and inserting  
25                           “\$160,000”.



1 (B) Subparagraphs (C) and (D) of section  
2 415(b)(2) are each amended by striking  
3 “\$90,000” each place it appears in the head-  
4 ings and the text and inserting “\$160,000”.

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

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

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

23 (4) COST-OF-LIVING ADJUSTMENTS.—Sub-  
24 section (d) of section 415 (related to cost-of-living  
25 adjustments) is amended—

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

3 (B) in paragraph (3)(A)—

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

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

8 (5) CONFORMING AMENDMENT.—Section  
9 415(b)(2) is amended by striking subparagraph (F).

10 (b) DEFINED CONTRIBUTION PLANS.—

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

15 (2) COST-OF-LIVING ADJUSTMENTS.—Sub-  
16 section (d) of section 415 (related to cost-of-living  
17 adjustments) is amended—

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

20 (B) in paragraph (3)(D)—

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

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

25 (c) QUALIFIED TRUSTS.—

1           (1)       COMPENSATION       LIMIT.—Sections  
2       401(a)(17), 404(l), 408(k), and 505(b)(7) are each  
3       amended by striking “\$150,000” each place it ap-  
4       pears and inserting “\$200,000”.

5           (2) BASE PERIOD AND ROUNDING OF COST-OF-  
6       LIVING ADJUSTMENT.—Subparagraph (B) of section  
7       401(a)(17) is amended—

8                   (A) by striking “October 1, 1993” and in-  
9                   serting “July 1, 2000”; and

10                   (B) by striking “\$10,000” both places it  
11                   appears and inserting “\$5,000”.

12       (d) ELECTIVE DEFERRALS.—

13           (1) IN GENERAL.—Paragraph (1) of section  
14       402(g) (relating to limitation on exclusion for elec-  
15       tive deferrals) is amended to read as follows:

16                   “(1) IN GENERAL.—

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

24                           “(B) APPLICABLE DOLLAR AMOUNT.—For  
25                           purposes of subparagraph (A), the applicable

1           dollar amount shall be the amount determined  
2           in 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.”.

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

5           “(5) COST-OF-LIVING ADJUSTMENT.—In the  
6           case of taxable years beginning after December 31,  
7           2005, the Secretary shall adjust the \$15,000  
8           amount under paragraph (1)(B) at the same time  
9           and in the same manner as under section 415(d),  
10          except that the base period shall be the calendar  
11          quarter beginning July 1, 2004, and any increase  
12          under this paragraph which is not a multiple of  
13          \$500 shall be rounded to the next lowest multiple of  
14          \$500.”.

15          (3) CONFORMING AMENDMENTS.—

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

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

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

7 (e) DEFERRED COMPENSATION PLANS OF STATE  
8 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-  
9 ZATIONS.—

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

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

16 (B) in subsection (b)(3)(A) by striking  
17 “\$15,000” and inserting “twice the dollar  
18 amount in effect under subsection (b)(2)(A)”.

19 (2) APPLICABLE DOLLAR AMOUNT; COST-OF-  
20 LIVING ADJUSTMENT.—Paragraph (15) of section  
21 457(e) is amended to read as follows:

22 “(15) APPLICABLE DOLLAR AMOUNT.—

23 “(A) IN GENERAL.—The applicable dollar  
24 amount shall be the amount determined in ac-  
25 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 De-  
3           cember 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  
6           same manner as under section 415(d), except  
7           that the base period shall be the calendar quar-  
8           ter beginning July 1, 2004, and any increase  
9           under this paragraph which is not a multiple of  
10          \$500 shall be rounded to the next lowest mul-  
11          tiple of \$500.”.

12          (f) SIMPLE RETIREMENT ACCOUNTS.—

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

18           (2) APPLICABLE DOLLAR AMOUNT.—Subpara-  
19          graph (E) of 408(p)(2) is amended to read as fol-  
20          lows:

1                   “(E) APPLICABLE DOLLAR AMOUNT; COST-  
2                   OF-LIVING ADJUSTMENT.—

3                   “(i) IN GENERAL.—For purposes of  
4                   subparagraph (A)(ii), the applicable dollar  
5                   amount shall be the amount determined in  
6                   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.

7                   “(ii) COST-OF-LIVING ADJUSTMENT.—

8                   In the case of a year beginning after De-  
9                   cember 31, 2004, the Secretary shall ad-  
10                  just the \$10,000 amount under clause (i)  
11                  at the same time and in the same manner  
12                  as under section 415(d), except that the  
13                  base period taken into account shall be the  
14                  calendar quarter beginning July 1, 2003,  
15                  and any increase under this subparagraph  
16                  which is not a multiple of \$500 shall be  
17                  rounded to the next lower multiple of  
18                  \$500.”.

19                  (3) CONFORMING AMENDMENTS.—

20                  (A) Clause (I) of section 401(k)(11)(B)(i)  
21                  is amended by striking “\$6,000” and inserting

1 “the amount in effect under section  
2 408(p)(2)(A)(ii)”.

3 (B) Section 401(k)(11) is amended by  
4 striking subparagraph (E).

5 (g) **ROUNDING RULE RELATING TO DEFINED BEN-  
6 EFIT PLANS AND DEFINED CONTRIBUTION PLANS.—**  
7 Paragraph (4) of section 415(d) is amended to read as  
8 follows:

9 “(4) **ROUNDING.—**

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

14 “(B) **\$40,000 AMOUNT.—**Any increase  
15 under subparagraph (C) of paragraph (1) which  
16 is not a multiple of \$1,000 shall be rounded to  
17 the next lowest multiple of \$1,000.”.

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

21 **SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-  
22 NERS, AND SOLE PROPRIETORS.**

23 (a) **IN GENERAL.—**Subparagraph (B) of section  
24 4975(f)(6) (relating to exemptions not to apply to certain



1 transactions) is amended by adding at the end the fol-  
2 lowing new clause:

3                   “(iii) LOAN EXCEPTION.—For pur-  
4                   poses of subparagraph (A)(i), the term  
5                   ‘owner-employee’ shall only include a per-  
6                   son described in subclause (II) or (III) of  
7                   clause (i).”.

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

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

12           (a) SIMPLIFICATION OF DEFINITION OF KEY EM-  
13 PLOYEE.—

14                   (1) IN GENERAL.—Section 416(i)(1)(A) (defin-  
15                   ing key employee) is amended—

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

18                           (B) by striking clause (i) and inserting the  
19                           following:

20                                   “(i) an officer of the employer having  
21                                   an annual compensation greater than  
22                                   \$150,000,”;

23                           (C) by striking clause (ii) and redesign-  
24                           nating clauses (iii) and (iv) as clauses (ii) and  
25                           (iii), respectively; and

1 (D) by striking the second sentence in the  
2 matter following clause (iii), as redesignated by  
3 subparagraph (C).

4 (2) CONFORMING AMENDMENT.—Section  
5 416(i)(1)(B)(iii) is amended by striking “and sub-  
6 paragraph (A)(ii)”.

7 (b) MATCHING CONTRIBUTIONS TAKEN INTO AC-  
8 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—  
9 Section 416(c)(2)(A) (relating to defined contribution  
10 plans) is amended by adding at the end the following:  
11 “Employer matching contributions (as defined in section  
12 401(m)(4)(A)) shall be taken into account for purposes  
13 of this subparagraph.”.

14 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE  
15 DETERMINATION DATE TAKEN INTO ACCOUNT.—

16 (1) IN GENERAL.—Paragraph (3) of section  
17 416(g) is amended to read as follows:

18 “(3) DISTRIBUTIONS DURING LAST YEAR BE-  
19 FORE DETERMINATION DATE TAKEN INTO AC-  
20 COUNT.—

21 “(A) IN GENERAL.—For purposes of  
22 determining—

23 “(i) the present value of the cumu-  
24 lative accrued benefit for any employee, or

1           “(ii) the amount of the account of any  
2           employee,  
3           such present value or amount shall be increased  
4           by the aggregate distributions made with re-  
5           spect to such employee under the plan during  
6           the 1-year period ending on the determination  
7           date. The preceding sentence shall also apply to  
8           distributions under a terminated plan which if  
9           it had not been terminated would have been re-  
10          quired to be included in an aggregation group.

11           “(B) 5-YEAR PERIOD IN CASE OF IN-SERV-  
12          ICE DISTRIBUTION.—In the case of any dis-  
13          tribution made for a reason other than separa-  
14          tion from service, death, or disability, subpara-  
15          graph (A) shall be applied by substituting ‘5-  
16          year period’ for ‘1-year period.’”.

17          (2) BENEFITS NOT TAKEN INTO ACCOUNT.—  
18          Subparagraph (E) of section 416(g)(4) is  
19          amended—

20                 (A) by striking “LAST 5 YEARS” in the  
21                 heading and inserting “LAST YEAR BEFORE DE-  
22                 TERMINATION DATE”; and

23                 (B) by striking “5-year period” and insert-  
24                 ing “1-year period”.

1 (d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph  
2 (4) of section 416(g) (relating to other special rules for  
3 top-heavy plans) is amended by adding at the end the fol-  
4 lowing new subparagraph:

5 “(H) CASH OR DEFERRED ARRANGEMENTS  
6 USING ALTERNATIVE METHODS OF MEETING  
7 NONDISCRIMINATION REQUIREMENTS.—The  
8 term ‘top-heavy plan’ shall not include a plan  
9 which consists solely of—

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

13 “(ii) matching contributions with re-  
14 spect to which the requirements of section  
15 401(m)(11) are met.

16 If, but for this subparagraph, a plan would be  
17 treated as a top-heavy plan because it is a  
18 member of an aggregation group which is a top-  
19 heavy group, contributions under the plan may  
20 be taken into account in determining whether  
21 any other plan in the group meets the require-  
22 ments of subsection (c)(2).”.

23 (e) FROZEN PLAN EXEMPT FROM MINIMUM BEN-  
24 EFIT REQUIREMENT.—Subparagraph (C) of section  
25 416(c)(1) (relating to defined benefit plans) is amended—

1 (A) by striking “clause (ii)” in clause (i)  
2 and inserting “clause (ii) or (iii)”; and

3 (B) by adding at the end the following:

4 “(iii) EXCEPTION FOR FROZEN  
5 PLAN.—For purposes of determining an  
6 employee’s years of service with the em-  
7 ployer, any service with the employer shall  
8 be disregarded to the extent that such  
9 service occurs during a plan year when the  
10 plan benefits (within the meaning of sec-  
11 tion 410(b)) no employee or former em-  
12 ployee.”.

13 (f) ELIMINATION OF FAMILY ATTRIBUTION.—Sec-  
14 tion 416(i)(1)(B) (defining 5-percent owner) is amended  
15 by adding at the end the following new clause:

16 “(iv) FAMILY ATTRIBUTION DIS-  
17 REGARDED.—Solely for purposes of apply-  
18 ing this paragraph (and not for purposes  
19 of any provision of this title which incor-  
20 porates by reference the definition of a key  
21 employee or 5-percent owner under this  
22 paragraph), section 318 shall be applied  
23 without regard to subsection (a)(1) thereof  
24 in determining whether any person is a 5-  
25 percent owner.”.

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

4 **SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**  
5 **COUNT FOR PURPOSES OF DEDUCTION LIM-**  
6 **ITS.**

7 (a) IN GENERAL.—Section 404 (relating to deduction  
8 for contributions of an employer to an employees' trust  
9 or annuity plan and compensation under a deferred pay-  
10 ment plan) is amended by adding at the end the following  
11 new subsection:

12 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-  
13 COUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective  
14 deferrals (as defined in section 402(g)(3)) shall not be  
15 subject to any limitation contained in paragraph (3), (7),  
16 or (9) of subsection (a), and such elective deferrals shall  
17 not be taken into account in applying any such limitation  
18 to any other contributions.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to years beginning after December  
21 31, 2000.

1 **SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR**  
2 **DEFERRED COMPENSATION PLANS OF STATE**  
3 **AND LOCAL GOVERNMENTS AND TAX-EX-**  
4 **EMPT ORGANIZATIONS.**

5 (a) IN GENERAL.—Subsection (c) of section 457 (re-  
6 lating to deferred compensation plans of State and local  
7 governments and tax-exempt organizations), as amended  
8 by section 201, is amended to read as follows:

9 “(c) LIMITATION.—The maximum amount of the  
10 compensation of any one individual which may be deferred  
11 under subsection (a) during any taxable year shall not ex-  
12 ceed the amount in effect under subsection (b)(2)(A) (as  
13 modified by any adjustment provided under subsection  
14 (b)(3)).”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 subsection (a) shall apply to years beginning after Decem-  
17 ber 31, 2000.

18 **SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO**  
19 **IRS REGARDING PENSION PLANS.**

20 (a) ELIMINATION OF CERTAIN USER FEES.—The  
21 Secretary of the Treasury or the Secretary’s delegate shall  
22 not require payment of user fees under the program estab-  
23 lished under section 7527 of the Internal Revenue Code  
24 of 1986 for requests to the Internal Revenue Service for  
25 determination letters with respect to the qualified status  
26 of a pension benefit plan maintained solely by one or more

1 eligible employers or any trust which is part of the plan.

2 The preceding sentence shall not apply to any request—

3           (1) made after the fifth plan year the pension  
4 benefit plan is in existence; or

5           (2) made by the sponsor of any prototype or  
6 similar plan which the sponsor intends to market to  
7 participating employers.

8       (b) PENSION BENEFIT PLAN.—For purposes of this  
9 section, the term “pension benefit plan” means a pension,  
10 profit-sharing, stock bonus, annuity, or employee stock  
11 ownership plan.

12       (c) ELIGIBLE EMPLOYER.—For purposes of this sec-  
13 tion, the term “eligible employer” has the same meaning  
14 given such term in section 408(p)(2)(C)(i)(I) of the Inter-  
15 nal Revenue Code of 1986. The determination of whether  
16 an employer is an eligible employer under this section shall  
17 be made as of the date of the request described in sub-  
18 section (a).

19       (d) EFFECTIVE DATE.—The provisions of this sec-  
20 tion shall apply with respect to requests made after De-  
21 cember 31, 2000.

22 **SEC. 207. DEDUCTION LIMITS.**

23       (a) IN GENERAL.—

24           (1) STOCK BONUS AND PROFIT SHARING  
25 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)



1 (relating to stock bonus and profit sharing trusts) is  
2 amended by striking “15 percent” and inserting “20  
3 percent”.

4 (2) COMPENSATION.—Section 404(a) (relating  
5 to general rule) is amended by adding at the end the  
6 following:

7 “(12) DEFINITION OF COMPENSATION.—For  
8 purposes of paragraphs (3), (7), (8), and (9), the  
9 term ‘compensation otherwise paid or accrued dur-  
10 ing the taxable year’ shall include amounts treated  
11 as ‘participant’s compensation’ under subparagraph  
12 (C) or (D) of section 415(c)(3).”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (B) of section 404(a)(3) is  
15 amended by striking the last sentence thereof.

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

19 (3) Clause (i) of section 4972(c)(6)(B) is  
20 amended by striking “(within the meaning of section  
21 404(a))” and inserting “(within the meaning of sec-  
22 tion 404(a) and as adjusted under section  
23 404(a)(12))”.

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

4 **SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS**  
5 **AFTER-TAX CONTRIBUTIONS.**

6 (a) IN GENERAL.—Subpart A of part I of subchapter  
7 D of chapter 1 (relating to deferred compensation, etc.)  
8 is amended by inserting after section 402 the following  
9 new section:

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

12 “(a) GENERAL RULE.—If an applicable retirement  
13 plan includes a qualified plus contribution program—

14 “(1) any designated plus contribution made by  
15 an employee pursuant to the program shall be treat-  
16 ed as an elective deferral for purposes of this chap-  
17 ter, except that such contribution shall not be ex-  
18 cludable from gross income, and

19 “(2) such plan (and any arrangement which is  
20 part of such plan) shall not be treated as failing to  
21 meet any requirement of this chapter solely by rea-  
22 son of including such program.

23 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—  
24 For purposes of this section—

1           “(1) IN GENERAL.—The term ‘qualified plus  
2           contribution program’ means a program under which  
3           an employee may elect to make designated plus con-  
4           tributions in lieu of all or a portion of elective deferr-  
5           als the employee is otherwise eligible to make under  
6           the applicable retirement plan.

7           “(2) SEPARATE ACCOUNTING REQUIRED.—A  
8           program shall not be treated as a qualified plus con-  
9           tribution program unless the applicable retirement  
10          plan—

11                   “(A) establishes separate accounts (‘des-  
12                   ignated plus accounts’) for the designated plus  
13                   contributions of each employee and any earn-  
14                   ings properly allocable to the contributions, and

15                   “(B) maintains separate recordkeeping  
16                   with respect to each account.

17          “(c) DEFINITIONS AND RULES RELATING TO DES-  
18          IGNATED PLUS CONTRIBUTIONS.—For purposes of this  
19          section—

20                   “(1) DESIGNATED PLUS CONTRIBUTION.—The  
21                   term ‘designated plus contribution’ means any elec-  
22                   tive deferral which—

23                   “(A) is excludable from gross income of an  
24                   employee without regard to this section, and

1           “(B) the employee designates (at such time  
2           and in such manner as the Secretary may pre-  
3           scribe) as not being so excludable.

4           “(2) DESIGNATION LIMITS.—The amount of  
5           elective deferrals which an employee may designate  
6           under paragraph (1) shall not exceed the excess (if  
7           any) of—

8           “(A) the maximum amount of elective de-  
9           ferrals excludable from gross income of the em-  
10          ployee for the taxable year (without regard to  
11          this section), over

12          “(B) the aggregate amount of elective de-  
13          ferrals of the employee for the taxable year  
14          which the employee does not designate under  
15          paragraph (1).

16          “(3) ROLLOVER CONTRIBUTIONS.—

17          “(A) IN GENERAL.—A rollover contribu-  
18          tion of any payment or distribution from a des-  
19          ignated plus account which is otherwise allow-  
20          able under this chapter may be made only if the  
21          contribution is to—

22                  “(i) another designated plus account  
23                  of the individual from whose account the  
24                  payment or distribution was made, or

25                  “(ii) a Roth IRA of such individual.

1           “(B) COORDINATION WITH LIMIT.—Any  
2           rollover contribution to a designated plus ac-  
3           count under subparagraph (A) shall not be  
4           taken into account for purposes of paragraph  
5           (1).

6           “(d) DISTRIBUTION RULES.—For purposes of this  
7           title—

8           “(1) EXCLUSION.—Any qualified distribution  
9           from a designated plus account shall not be includ-  
10          ible in gross income.

11          “(2) QUALIFIED DISTRIBUTION.—For purposes  
12          of this subsection—

13                 “(A) IN GENERAL.—The term ‘qualified  
14                 distribution’ has the meaning given such term  
15                 by section 408A(d)(2)(A) (without regard to  
16                 clause (iv) thereof).

17                 “(B) DISTRIBUTIONS WITHIN NONEXCLU-  
18                 SION PERIOD.—A payment or distribution from  
19                 a designated plus account shall not be treated  
20                 as a qualified distribution if such payment or  
21                 distribution is made within the 5-taxable-year  
22                 period beginning with the earlier of—

23                         “(i) the first taxable year for which  
24                         the individual made a designated plus con-  
25                         tribution to any designated plus account

1 established for such individual under the  
2 same applicable retirement plan, or

3 “(ii) if a rollover contribution was  
4 made to such designated plus account from  
5 a designated plus account previously estab-  
6 lished for such individual under another  
7 applicable retirement plan, the first taxable  
8 year for which the individual made a des-  
9 ignated plus contribution to such pre-  
10 viously established account.

11 “(C) DISTRIBUTIONS OF EXCESS DEFER-  
12 RALS AND EARNINGS.—The term ‘qualified dis-  
13 tribution’ shall not include any distribution of  
14 any excess deferral under section 402(g)(2) and  
15 any income on the excess deferral.

16 “(3) AGGREGATION RULES.—Section 72 shall  
17 be applied separately with respect to distributions  
18 and payments from a designated plus account and  
19 other distributions and payments from the plan.

20 “(e) OTHER DEFINITIONS.—For purposes of this  
21 section—

22 “(1) APPLICABLE RETIREMENT PLAN.—The  
23 term ‘applicable retirement plan’ means—

1           “(A) an employees’ trust described in sec-  
2           tion 401(a) which is exempt from tax under  
3           section 501(a), and

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

7           “(2) ELECTIVE DEFERRAL.—The term ‘elective  
8           deferral’ means any elective deferral described in  
9           subparagraph (A) or (C) of section 402(g)(3).”.

10          (b) EXCESS DEFERRALS.—Section 402(g) (relating  
11 to limitation on exclusion for elective deferrals) is  
12 amended—

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

18           (2) by inserting “(or would be included but for  
19           the last sentence thereof)” after “paragraph (1)” in  
20           paragraph (2)(A).

21          (c) ROLLOVERS.—Subparagraph (B) of section  
22 402(c)(8) is amended by adding at the end the following:

23           “If any portion of an eligible rollover distribu-  
24           tion is attributable to payments or distributions  
25           from a designated plus account (as defined in

1 section 402A), an eligible retirement plan with  
2 respect to such portion shall include only an-  
3 other designated plus account and a Roth  
4 IRA.”.

5 (d) REPORTING REQUIREMENTS.—

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

10 (2) INFORMATION.—Section 6047 is amended  
11 by redesignating subsection (f) as subsection (g) and  
12 by inserting after subsection (e) the following new  
13 subsection:

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

21 (e) CONFORMING AMENDMENTS.—

22 (1) Section 408A(e) is amended by adding after  
23 the first sentence the following new sentence: “Such  
24 term includes a rollover contribution described in  
25 section 402A(c)(3)(A).”.



1           (2) The table of sections for subpart A of part  
 2           I of subchapter D of chapter 1 is amended by insert-  
 3           ing after the item relating to section 402 the fol-  
 4           lowing new item:

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

5           (f) EFFECTIVE DATE.—The amendments made by  
 6           this section shall apply to taxable years beginning after  
 7           December 31, 2000.

## 8           **TITLE III—ENHANCING** 9           **FAIRNESS FOR WOMEN**

### 10   **SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**

#### 11                   **AGE 50 OR OVER.**

12           (a) IN GENERAL.—Section 414 (relating to defini-  
 13           tions and special rules) is amended by adding at the end  
 14           the following new subsection:

15           “(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS  
 16           AGE 50 OR OVER.—

17                   “(1) IN GENERAL.—An applicable employer  
 18           plan shall not be treated as failing to meet any re-  
 19           quirement of this title solely because the plan per-  
 20           mits an eligible participant to make additional elec-  
 21           tive deferrals in any plan year.

22                   “(2) LIMITATION ON AMOUNT OF ADDITIONAL  
 23           DEFERRALS.—A plan shall not permit additional

1 elective deferrals under paragraph (1) for any year  
2 in an amount greater than the lesser of—

3 “(A) \$5,000, or

4 “(B) the excess (if any) of—

5 “(i) the participant’s compensation for  
6 the year, over

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

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

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

18 “(B) be taken into account in applying  
19 such limitations to other contributions or bene-  
20 fits under such plan or any other such plan.

21 “(4) ELIGIBLE PARTICIPANT.—For purposes of  
22 this subsection, the term ‘eligible participant’ means,  
23 with respect to any plan year, a participant in a  
24 plan—

1           “(A) who has attained the age of 50 before  
2 the close of the plan year, and

3           “(B) with respect to whom no other elec-  
4 tive deferrals may (without regard to this sub-  
5 section) be made to the plan for the plan year  
6 by reason of the application of any limitation or  
7 other restriction described in paragraph (3) or  
8 comparable limitation contained in the terms of  
9 the plan.

10           “(5) OTHER DEFINITIONS AND RULES.—For  
11 purposes of this subsection—

12           “(A) APPLICABLE EMPLOYER PLAN.—The  
13 term ‘applicable employer plan’ means—

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

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

21           “(iii) an eligible deferred compensa-  
22 tion plan under section 457 of an eligible  
23 employer as defined in section  
24 457(e)(1)(A), and

1                   “(iv) an arrangement meeting the re-  
2                   quirements of section 408 (k) or (p).

3                   “(B) ELECTIVE DEFERRAL.—The term  
4                   ‘elective deferral’ has the meaning given such  
5                   term by subsection (u)(2)(C).

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

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

22                  (b) EFFECTIVE DATE.—The amendment made by  
23                  this section shall apply to contributions in taxable years  
24                  beginning 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 con-  
7 tribution plans) is amended by striking “25 percent”  
8 and inserting “100 percent”.

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

11 (A) by striking “the exclusion allowance  
12 for such taxable year” in paragraph (1) and in-  
13 serting “the applicable limit under section  
14 415”;

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

16 (C) by inserting “or any amount received  
17 by a former employee after the fifth taxable  
18 year following the taxable year in which such  
19 employee was terminated” before the period at  
20 the end of the second sentence of paragraph  
21 (3).

22 (3) CONFORMING AMENDMENTS.—

23 (A) Subsection (f) of section 72 is amend-  
24 ed by striking “section 403(b)(2)(D)(iii)” and  
25 inserting “section 403(b)(2)(D)(iii), as in effect  
26 before the enactment of the Comprehensive Re-

1           tirement Security and Pension Reform Act of  
2           2000)”.  
3

4           (B) Section 404(a)(10)(B) is amended by  
5           striking “, the exclusion allowance under sec-  
6           tion 403(b)(2),”.

7           (C) Section 415(a)(2) is amended by strik-  
8           ing “, and the amount of the contribution for  
9           such portion shall reduce the exclusion allow-  
10          ance as provided in section 403(b)(2)”.

11          (D) Section 415(c)(3) is amended by add-  
12          ing at the end the following new subparagraph:

13          “(E) ANNUITY CONTRACTS.—In the case  
14          of an annuity contract described in section  
15          403(b), the term ‘participant’s compensation’  
16          means the participant’s includible compensation  
17          determined under section 403(b)(3).”.

18          (E) Section 415(c) is amended by striking  
19          paragraph (4).

20          (F) Section 415(c)(7) is amended to read  
21          as follows:

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

24          “(A) IN GENERAL.—Notwithstanding any  
25          other provision of this subsection, at the elec-  
26          tion of a participant who is an employee of a

1 church or a convention or association of church-  
2 es, including an organization described in sec-  
3 tion 414(e)(3)(B)(ii), contributions and other  
4 additions for an annuity contract or retirement  
5 income account described in section 403(b) with  
6 respect to such participant, when expressed as  
7 an annual addition to such participant's ac-  
8 count, shall be treated as not exceeding the lim-  
9 itation of paragraph (1) if such annual addition  
10 is not in excess of \$10,000.

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

16 “(C) ANNUAL ADDITION.—For purposes of  
17 this paragraph, the term ‘annual addition’ has  
18 the meaning given such term by paragraph  
19 (2).”.

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

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

4           (b) SPECIAL RULES FOR SECTIONS 403(b) AND  
5 408.—

6           (1) IN GENERAL.—Subsection (k) of section  
7           415 is amended by adding at the end the following  
8           new paragraph:

9           “(4) SPECIAL RULES FOR SECTIONS 403(b) AND  
10          408.—For purposes of this section, any annuity con-  
11          tract described in section 403(b) for the benefit of  
12          a participant shall be treated as a defined contribu-  
13          tion plan maintained by each employer with respect  
14          to which the participant has the control required  
15          under subsection (b) or (c) of section 414 (as modi-  
16          fied by subsection (h)). For purposes of this section,  
17          any contribution by an employer to a simplified em-  
18          ployee pension plan for an individual for a taxable  
19          year shall be treated as an employer contribution to  
20          a defined contribution plan for such individual for  
21          such year.”.

22          (2) EFFECTIVE DATE.—

23                 (A) IN GENERAL.—The amendment made  
24                 by paragraph (1) shall apply to limitation years  
25                 beginning after December 31, 1999.



1           (B) EXCLUSION ALLOWANCE.—Effective  
2           for limitation years beginning in 2000, in the  
3           case of any annuity contract described in sec-  
4           tion 403(b) of the Internal Revenue Code of  
5           1986, the amount of the contribution disquali-  
6           fied by reason of section 415(g) of such Code  
7           shall reduce the exclusion allowance as provided  
8           in section 403(b)(2) of such Code.

9           (3) MODIFICATION OF 403(b) EXCLUSION AL-  
10          LOWANCE TO CONFORM TO 415 MODIFICATION.—The  
11          Secretary of the Treasury shall modify the regula-  
12          tions regarding the exclusion allowance under section  
13          403(b)(2) of the Internal Revenue Code of 1986 to  
14          render void the requirement that contributions to a  
15          defined benefit pension plan be treated as previously  
16          excluded amounts for purposes of the exclusion al-  
17          lowance. For taxable years beginning after Decem-  
18          ber 31, 1999, such regulations shall be applied as if  
19          such requirement were void.

20          (c) DEFERRED COMPENSATION PLANS OF STATE  
21          AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-  
22          ZATIONS.—

23               (1) IN GENERAL.—Subparagraph (B) of section  
24               457(b)(2) (relating to salary limitation on eligible

1 deferred compensation plans) is amended by striking  
 2 “33<sup>1</sup>/<sub>3</sub> percent” and inserting “100 percent”.

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

6 **SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER**  
 7 **MATCHING CONTRIBUTIONS.**

8 (a) IN GENERAL.—Section 411(a) (relating to min-  
 9 imum vesting standards) is amended—

10 (1) in paragraph (2), by striking “A plan” and  
 11 inserting “Except as provided in paragraph (12), a  
 12 plan”; and

13 (2) by adding at the end the following:

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

18 “(A) by substituting ‘3 years’ for ‘5 years’  
 19 in subparagraph (A), and

20 “(B) by substituting the following table for  
 21 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.”.

22 (b) EFFECTIVE DATES.—

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

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

14                 (A) the later of—

15                         (i) the date on which the last of such  
16                         collective bargaining agreements termi-  
17                         nates (determined without regard to any  
18                         extension thereof on or after such date of  
19                         the enactment); or

20                         (ii) January 1, 2001; or

21                 (B) January 1, 2005.

22          (3) SERVICE REQUIRED.—With respect to any  
23          plan, the amendments made by this section shall not  
24          apply to any employee before the date that such em-  
25          ployee has 1 hour of service under such plan in any

1 plan year to which the amendments made by this  
2 section apply.

3 **SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**  
4

5 (a) SIMPLIFICATION AND FINALIZATION OF MIN-  
6 IMUM DISTRIBUTION REQUIREMENTS.—

7 (1) IN GENERAL.—The Secretary of the Treas-  
8 ury shall—

9 (A) simplify and finalize the regulations re-  
10 lating to minimum distribution requirements  
11 under sections 401(a)(9), 408(a)(6) and (b)(3),  
12 403(b)(10), and 457(d)(2) of the Internal Rev-  
13 enue Code of 1986; and

14 (B) modify such regulations to—

15 (i) reflect current life expectancy; and

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

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

1 such regulations. Such redetermination shall include  
2 the opportunity to choose a new designated bene-  
3 ficiary and to elect a new method of calculating life  
4 expectancy.

5 (3) EFFECTIVE DATE FOR REGULATIONS.—  
6 Regulations referred to in paragraph (1) shall be ef-  
7 fective for years beginning after December 31, 2000,  
8 and shall apply in such years without regard to  
9 whether an individual had previously begun receiving  
10 minimum distributions.

11 (b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD  
12 BEGUN BEFORE DEATH OCCURS.—

13 (1) IN GENERAL.—Subparagraph (B) of section  
14 401(a)(9) is amended by striking clause (i) and re-  
15 designating clauses (ii), (iii), and (iv) as clauses (i),  
16 (ii), and (iii), respectively.

17 (2) CONFORMING CHANGES.—

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

20 (i) by striking “FOR OTHER CASES” in  
21 the heading; and

22 (ii) by striking “the distribution of the  
23 employee’s interest has begun in accord-  
24 ance with subparagraph (A)(ii)” and in-

1           serting “his entire interest has been dis-  
2           tributed to him”.

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

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

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

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

13                   (iii) by striking “the date on which  
14                   the employee would have attained age  
15                   70½,” in subclause (I) and inserting  
16                   “April 1 of the calendar year following the  
17                   calendar year in which the spouse attains  
18                   70½,”; and

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

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

1 (c) REDUCTION IN EXCISE TAX.—

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

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

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

11 (a) IN GENERAL.—Section 414(p)(11) (relating to  
12 application of rules to governmental and church plans) is  
13 amended—

14 (1) by inserting “or an eligible deferred com-  
15 pensation plan (within the meaning of section  
16 457(b))” after “subsection (e)”; and

17 (2) in the heading, by striking “GOVERN-  
18 MENTAL AND CHURCH PLANS” and inserting “CER-  
19 TAIN OTHER PLANS”.

20 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-  
21 MENTS.—Paragraph (10) of section 414(p) is amended by  
22 striking “and section 409(d)” and inserting “section  
23 409(d), and section 457(d)”.

24 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-  
25 TION 457 PLAN.—Subsection (p) of section 414 is amend-

1 ed by redesignating paragraph (12) as paragraph (13) and  
2 inserting after paragraph (11) the following new para-  
3 graph:

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

11          (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to transfers, distributions, and  
13 payments made after December 31, 2000.

14 **SEC. 306. MODIFICATION OF SAFE HARBOR RELIEF FOR**  
15                           **HARDSHIP WITHDRAWALS FROM CASH OR**  
16                           **DEFERRED ARRANGEMENTS.**

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



1 (b) EFFECTIVE DATE.—The revised regulations  
2 under subsection (a) shall apply to years beginning after  
3 December 31, 2000.

4 **TITLE IV—INCREASING PORT-**  
5 **ABILITY FOR PARTICIPANTS**

6 **SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**  
7 **OF PLANS.**

8 (a) ROLLOVERS FROM AND TO SECTION 457  
9 PLANS.—

10 (1) ROLLOVERS FROM SECTION 457 PLANS.—

11 (A) IN GENERAL.—Section 457(e) (relat-  
12 ing to other definitions and special rules) is  
13 amended by adding at the end the following:

14 “(16) ROLLOVER AMOUNTS.—

15 “(A) GENERAL RULE.—In the case of an  
16 eligible deferred compensation plan established  
17 and maintained by an employer described in  
18 subsection (e)(1)(A), if—

19 “(i) any portion of the balance to the  
20 credit of an employee in such plan is paid  
21 to such employee in an eligible rollover dis-  
22 tribution (within the meaning of section  
23 402(c)(4) without regard to subparagraph  
24 (C) thereof),

1           “(ii) the employee transfers any por-  
2           tion of the property such employee receives  
3           in such distribution to an eligible retire-  
4           ment plan described in section  
5           402(c)(8)(B), and

6           “(iii) in the case of a distribution of  
7           property other than money, the amount so  
8           transferred consists of the property distrib-  
9           uted,

10          then such distribution (to the extent so trans-  
11          ferred) shall not be includible in gross income  
12          for the taxable year in which paid.

13          “(B) CERTAIN RULES MADE APPLICA-  
14          BLE.—The rules of paragraphs (2) through (7)  
15          (other than paragraph (4)(C)) and (9) of sec-  
16          tion 402(c) and section 402(f) shall apply for  
17          purposes of subparagraph (A).

18          “(C) REPORTING.—Rollovers under this  
19          paragraph shall be reported to the Secretary in  
20          the same manner as rollovers from qualified re-  
21          tirement plans (as defined in section  
22          4974(c)).”.

23          (B) DEFERRAL LIMIT DETERMINED WITH-  
24          OUT REGARD TO ROLLOVER AMOUNTS.—Section  
25          457(b)(2) (defining eligible deferred compensa-

1           tion plan) is amended by inserting “(other than  
2           rollover amounts)” after “taxable year”.

3           (C) DIRECT ROLLOVER.—Paragraph (1) of  
4           section 457(d) is amended by striking “and” at  
5           the end of subparagraph (A), by striking the  
6           period at the end of subparagraph (B) and in-  
7           serting “, and”, and by inserting after subpara-  
8           graph (B) the following:

9           “(C) in the case of a plan maintained by  
10          an employer described in subsection (e)(1)(A),  
11          the plan meets requirements similar to the re-  
12          quirements of section 401(a)(31).

13         Any amount transferred in a direct trustee-to-trust-  
14         ee transfer in accordance with section 401(a)(31)  
15         shall not be includible in gross income for the tax-  
16         able year of transfer.”.

17          (D) WITHHOLDING.—

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

21                 “(E) under or to an eligible deferred com-  
22                 pensation plan which, at the time of such pay-  
23                 ment, is a plan described in section 457(b)  
24                 maintained by an employer described in section  
25                 457(e)(1)(A); or”.

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

3 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For  
4 purposes of this subsection, the term ‘eligible roll-  
5 over distribution’ has the meaning given such term  
6 by section 402(f)(2)(A).”.

7 (iii) LIABILITY FOR WITHHOLDING.—  
8 Subparagraph (B) of section 3405(d)(2) is  
9 amended by striking “or” at the end of  
10 clause (ii), by striking the period at the  
11 end of clause (iii) and inserting “, or”, and  
12 by adding at the end the following:

13 “(iv) section 457(b).”.

14 (2) ROLLOVERS TO SECTION 457 PLANS.—

15 (A) IN GENERAL.—Section 402(c)(8)(B)  
16 (defining eligible retirement plan) is amended  
17 by striking “and” at the end of clause (iii), by  
18 striking the period at the end of clause (iv) and  
19 inserting “, and”, and by inserting after clause  
20 (iv) the following new clause:

21 “(v) an eligible deferred compensation  
22 plan described in section 457(b) of an em-  
23 ployer described in section 457(e)(1)(A).”.

1                   (B) SEPARATE ACCOUNTING.—Section  
2                   402(c) is amended by adding at the end the fol-  
3                   lowing new paragraph:

4                   “(11) SEPARATE ACCOUNTING.—Unless a plan  
5                   described in clause (v) of paragraph (8)(B) agrees to  
6                   separately account for amounts rolled into such plan  
7                   from eligible retirement plans not described in such  
8                   clause, the plan described in such clause may not ac-  
9                   cept transfers or rollovers from such retirement  
10                  plans.”.

11                  (C) 10 PERCENT ADDITIONAL TAX.—Sub-  
12                  section (t) of section 72 (relating to 10-percent  
13                  additional tax on early distributions from quali-  
14                  fied retirement plans) is amended by adding at  
15                  the end the following new paragraph:

16                  “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-  
17                  TION 457 PLANS.—For purposes of this subsection,  
18                  a distribution from an eligible deferred compensation  
19                  plan (as defined in section 457(b)) of an employer  
20                  described in section 457(e)(1)(A) shall be treated as  
21                  a distribution from a qualified retirement plan de-  
22                  scribed in 4974(c)(1) to the extent that such dis-  
23                  tribution is attributable to an amount transferred to  
24                  an eligible deferred compensation plan from a quali-

1       fied retirement plan (as defined in section  
2       4974(c)).”.

3       (b) ALLOWANCE OF ROLLOVERS FROM AND TO  
4       403(b) PLANS.—

5               (1) ROLLOVERS FROM SECTION 403(b) PLANS.—  
6       Section 403(b)(8)(A)(ii) (relating to rollover  
7       amounts) is amended by striking “such distribution”  
8       and all that follows and inserting “such distribution  
9       to an eligible retirement plan described in section  
10       402(c)(8)(B), and”.

11              (2) ROLLOVERS TO SECTION 403(b) PLANS.—  
12       Section 402(c)(8)(B) (defining eligible retirement  
13       plan), as amended by subsection (a), is amended by  
14       striking “and” at the end of clause (iv), by striking  
15       the period at the end of clause (v) and inserting “,  
16       and”, and by inserting after clause (v) the following  
17       new clause:

18                               “(vi) an annuity contract described in  
19                               section 403(b).”.

20       (c) EXPANDED EXPLANATION TO RECIPIENTS OF  
21       ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section  
22       402(f) (relating to written explanation to recipients of dis-  
23       tributions eligible for rollover treatment) is amended by  
24       striking “and” at the end of subparagraph (C), by striking  
25       the period at the end of subparagraph (D) and inserting

1 “, and”, and by adding at the end the following new sub-  
2 paragraph:

3 “(E) of the provisions under which dis-  
4 tributions from the eligible retirement plan re-  
5 ceiving the distribution may be subject to re-  
6 strictions and tax consequences which are dif-  
7 ferent from those applicable to distributions  
8 from the plan making such distribution.”.

9 (d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relat-  
10 ing to rollover where spouse receives distribution after  
11 death of employee) is amended by striking “; except that”  
12 and all that follows up to the end period.

13 (e) CONFORMING AMENDMENTS.—

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

17 (2) Section 219(d)(2) is amended by striking  
18 “or 408(d)(3)” and inserting “408(d)(3), or  
19 457(e)(16)”.

20 (3) Section 401(a)(31)(B) is amended by strik-  
21 ing “and 403(a)(4)” and inserting “, 403(a)(4),  
22 403(b)(8), and 457(e)(16)”.

23 (4) Subparagraph (A) of section 402(f)(2) is  
24 amended by striking “or paragraph (4) of section  
25 403(a)” and inserting “, paragraph (4) of section

1 403(a), subparagraph (A) of section 403(b)(8), or  
2 subparagraph (A) of section 457(e)(16)”.

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

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

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

11 “(B) CERTAIN RULES MADE APPLICA-  
12 BLE.—The rules of paragraphs (2) through (7)  
13 and (9) of section 402(c) and section 402(f)  
14 shall apply for purposes of subparagraph (A),  
15 except that section 402(f) shall be applied to  
16 the payor in lieu of the plan administrator.”.

17 (8) Section 408(a)(1) is amended by striking  
18 “or 403(b)(8),” and inserting “403(b)(8), or  
19 457(e)(16)”.

20 (9) Subparagraphs (A) and (B) of section  
21 415(b)(2) are each amended by striking “and  
22 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and  
23 457(e)(16)”.



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

4           (11) Section 4973(b)(1)(A) is amended by  
5           striking “or 408(d)(3)” and inserting “408(d)(3), or  
6           457(e)(16)”.

7           (f) EFFECTIVE DATE; SPECIAL RULE.—

8           (1) EFFECTIVE DATE.—The amendments made  
9           by this section shall apply to distributions after De-  
10          cember 31, 2000.

11          (2) SPECIAL RULE.—Notwithstanding any other  
12          provision of law, subsections (h)(3) and (h)(5) of  
13          section 1122 of the Tax Reform Act of 1986 shall  
14          not apply to any distribution from an eligible retire-  
15          ment plan (as defined in clause (iii) or (iv) of section  
16          402(c)(8)(B) of the Internal Revenue Code of 1986)  
17          on behalf of an individual if there was a rollover to  
18          such plan on behalf of such individual which is per-  
19          mitted solely by reason of any amendment made by  
20          this section.

21       **SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**  
22       **MENT PLANS.**

23          (a) IN GENERAL.—Subparagraph (A) of section  
24          408(d)(3) (relating to rollover amounts) is amended by

1 adding “or” at the end of clause (i), by striking clauses  
2 (ii) and (iii), and by adding at the end the following:

3                   “(ii) the entire amount received (in-  
4                   cluding money and any other property) is  
5                   paid into an eligible retirement plan for  
6                   the benefit of such individual not later  
7                   than the 60th day after the date on which  
8                   the payment or distribution is received, ex-  
9                   cept that the maximum amount which may  
10                  be paid into such plan may not exceed the  
11                  portion of the amount received which is in-  
12                  cludible in gross income (determined with-  
13                  out regard to this paragraph).

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

18                  (b) CONFORMING AMENDMENTS.—

19                   (1) Paragraph (1) of section 403(b) is amended  
20                   by striking “section 408(d)(3)(A)(iii)” and inserting  
21                   “section 408(d)(3)(A)(ii)”.

22                   (2) Clause (i) of section 408(d)(3)(D) is amend-  
23                   ed by striking “(i), (ii), or (iii)” and inserting “(i)  
24                   or (ii)”.

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

3           “(G) SIMPLE RETIREMENT ACCOUNTS.—In  
4 the case of any payment or distribution out of  
5 a simple retirement account (as defined in sub-  
6 section (p)) to which section 72(t)(6) applies,  
7 this paragraph shall not apply unless such pay-  
8 ment or distribution is paid into another simple  
9 retirement account.”.

10       (c) EFFECTIVE DATE; SPECIAL RULE.—

11           (1) EFFECTIVE DATE.—The amendments made  
12 by this section shall apply to distributions after De-  
13 cember 31, 2000.

14           (2) SPECIAL RULE.—Notwithstanding any other  
15 provision of law, subsections (h)(3) and (h)(5) of  
16 section 1122 of the Tax Reform Act of 1986 shall  
17 not apply to any distribution from an eligible retire-  
18 ment plan (as defined in clause (iii) or (iv) of section  
19 402(c)(8)(B) of the Internal Revenue Code of 1986)  
20 on behalf of an individual if there was a rollover to  
21 such plan on behalf of such individual which is per-  
22 mitted solely by reason of the amendments made by  
23 this section.

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

2 (a) ROLLOVERS FROM EXEMPT TRUSTS.—Para-  
3 graph (2) of section 402(c) (relating to maximum amount  
4 which may be rolled over) is amended by adding at the  
5 end the following: “The preceding sentence shall not apply  
6 to such distribution to the extent—

7 “(A) such portion is transferred in a direct  
8 trustee-to-trustee transfer to a qualified trust  
9 which is part of a plan which is a defined con-  
10 tribution plan and which agrees to separately  
11 account for amounts so transferred, including  
12 separately accounting for the portion of such  
13 distribution which is includible in gross income  
14 and the portion of such distribution which is  
15 not so includible, or

16 “(B) such portion is transferred to an eli-  
17 gible retirement plan described in clause (i) or  
18 (ii) of paragraph (8)(B).”.

19 (b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE  
20 ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of sec-  
21 tion 401(a)(31) (relating to limitation) is amended by add-  
22 ing at the end the following: “The preceding sentence shall  
23 not apply to such distribution if the plan to which such  
24 distribution is transferred—

25 “(i) agrees to separately account for  
26 amounts so transferred, including sepa-

1                   rately accounting for the portion of such  
2                   distribution which is includible in gross in-  
3                   come and the portion of such distribution  
4                   which is not so includible, or

5                   “ (ii) is an eligible retirement plan de-  
6                   scribed in clause (i) or (ii) of section  
7                   402(c)(8)(B).”.

8           (c) RULES FOR APPLYING SECTION 72 TO IRAS.—  
9 Paragraph (3) of section 408(d) (relating to special rules  
10 for applying section 72) is amended by inserting at the  
11 end the following:

12                   “(H) APPLICATION OF SECTION 72.—

13                   “(i) IN GENERAL.—If—

14                   “(I) a distribution is made from  
15                   an individual retirement plan, and

16                   “(II) a rollover contribution is  
17                   made to an eligible retirement plan  
18                   described in section 402(c)(8)(B)(iii),  
19                   (iv), (v), or (vi) with respect to all or  
20                   part of such distribution,

21                   then, notwithstanding paragraph (2), the  
22                   rules of clause (ii) shall apply for purposes  
23                   of applying section 72.

1                   “(ii) APPLICABLE RULES.—In the  
2 case of a distribution described in clause  
3 (i)—

4                   “(I) section 72 shall be applied  
5 separately to such distribution,

6                   “(II) notwithstanding the pro  
7 rata allocation of income on, and in-  
8 vestment in, the contract to distribu-  
9 tions under section 72, the portion of  
10 such distribution rolled over to an eli-  
11 gible retirement plan described in  
12 clause (i) shall be treated as from in-  
13 come on the contract (to the extent of  
14 the aggregate income on the contract  
15 from all individual retirement plans of  
16 the distributee), and

17                   “(III) appropriate adjustments  
18 shall be made in applying section 72  
19 to other distributions in such taxable  
20 year and subsequent taxable years.”.

21           (d) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to distributions made after Decem-  
23 ber 31, 2000.

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

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

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

7 “(A) **IN GENERAL.**—Except as provided in  
8 subparagraph (B), paragraph (1) shall not  
9 apply to any transfer of a distribution made  
10 after the 60th day following the day on which  
11 the distributee received the property distrib-  
12 uted.

13 “(B) **HARDSHIP EXCEPTION.**—The Sec-  
14 retary may waive the 60-day requirement under  
15 subparagraph (A) where the failure to waive  
16 such requirement would be against equity or  
17 good conscience, including casualty, disaster, or  
18 other events beyond the reasonable control of  
19 the individual subject to such requirement.”.

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

24 “(I) **WAIVER OF 60-DAY REQUIREMENT.**—  
25 The Secretary may waive the 60-day require-  
26 ment under subparagraphs (A) and (D) where

1           the failure to waive such requirement would be  
2           against equity or good conscience, including  
3           casualty, disaster, or other events beyond the  
4           reasonable control of the individual subject to  
5           such requirement.”.

6           (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to distributions after December 31,  
8 2000.

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

10          (a) PLAN TRANSFERS.—

11           (1) IN GENERAL.—Paragraph (6) of section  
12 411(d) (relating to accrued benefit not to be de-  
13 creased by amendment) is amended by adding at the  
14 end the following:

15                   “(D) PLAN TRANSFERS.—

16                           “(i) IN GENERAL.—A defined con-  
17 tribution plan (in this subparagraph re-  
18 ferred to as the ‘transferee plan’) shall not  
19 be treated as failing to meet the require-  
20 ments of this subsection merely because  
21 the transferee plan does not provide some  
22 or all of the forms of distribution pre-  
23 viously available under another defined  
24 contribution plan (in this subparagraph re-



1           ferred to as the ‘transferor plan’) to the  
2           extent that—

3                   “(I) the forms of distribution  
4                   previously available under the trans-  
5                   feror plan applied to the account of a  
6                   participant or beneficiary under the  
7                   transferor plan that was transferred  
8                   from the transferor plan to the trans-  
9                   feree plan pursuant to a direct trans-  
10                  fer rather than pursuant to a distribu-  
11                  tion from the transferor plan,

12                   “(II) the terms of both the trans-  
13                   feror plan and the transferee plan au-  
14                   thorize the transfer described in sub-  
15                   clause (I),

16                   “(III) the transfer described in  
17                   subclause (I) was made pursuant to a  
18                   voluntary election by the participant  
19                   or beneficiary whose account was  
20                   transferred to the transferee plan,

21                   “(IV) the election described in  
22                   subclause (III) was made after the  
23                   participant or beneficiary received a  
24                   notice describing the consequences of  
25                   making the election,

1           “(V) if the transferor plan pro-  
2           vides for an annuity as the normal  
3           form of distribution under the plan in  
4           accordance with section 417, the  
5           transfer is made with the consent of  
6           the participant’s spouse (if any), and  
7           such consent meets requirements simi-  
8           lar to the requirements imposed by  
9           section 417(a)(2), and

10           “(VI) the transferee plan allows  
11           the participant or beneficiary de-  
12           scribed in subclause (III) to receive  
13           any distribution to which the partici-  
14           pant or beneficiary is entitled under  
15           the transferee plan in the form of a  
16           single sum distribution.

17           “(ii) EXCEPTION.—Clause (i) shall  
18           apply to plan mergers and other trans-  
19           actions having the effect of a direct trans-  
20           fer, including consolidations of benefits at-  
21           tributable to different employers within a  
22           multiple employer plan.

23           “(E) ELIMINATION OF FORM OF DISTRIBU-  
24           TION.—Except to the extent provided in regula-  
25           tions, a defined contribution plan shall not be

1 treated as failing to meet the requirements of  
2 this section merely because of the elimination of  
3 a form of distribution previously available there-  
4 under. This subparagraph shall not apply to the  
5 elimination of a form of distribution with re-  
6 spect to any participant unless—

7 “(i) a single sum payment is available  
8 to such participant at the same time or  
9 times as the form of distribution being  
10 eliminated, and

11 “(ii) such single sum payment is  
12 based on the same or greater portion of  
13 the participant’s account as the form of  
14 distribution being eliminated.”.

15 (2) EFFECTIVE DATE.—The amendment made  
16 by this subsection shall apply to years beginning  
17 after December 31, 2000.

18 (b) REGULATIONS.—

19 (1) IN GENERAL.—The last sentence of para-  
20 graph (6)(B) of section 411(d) (relating to accrued  
21 benefit not to be decreased by amendment) is  
22 amended to read as follows: “The Secretary shall by  
23 regulations provide that this subparagraph shall not  
24 apply to any plan amendment that does not ad-



1 plan without establishment or maintenance of  
2 another defined contribution plan (other than  
3 an employee stock ownership plan as defined in  
4 section 4975(e)(7)).”.

5 (C) Section 401(k)(10) is amended—

6 (i) in subparagraph (B)—

7 (I) by striking “An event” in  
8 clause (i) and inserting “A termi-  
9 nation”; and

10 (II) by striking “the event” in  
11 clause (i) and inserting “the termi-  
12 nation”;

13 (ii) by striking subparagraph (C); and

14 (iii) by striking “OR DISPOSITION OF  
15 ASSETS OR SUBSIDIARY” in the heading.

16 (2) SECTION 403(b).—

17 (A) Paragraphs (7)(A)(ii) and (11)(A) of  
18 section 403(b) are each amended by striking  
19 “separates from service” and inserting “has a  
20 severance from employment”.

21 (B) The heading for paragraph (11) of  
22 section 403(b) is amended by striking “SEPARA-  
23 TION FROM SERVICE” and inserting “SEVER-  
24 ANCE FROM EMPLOYMENT”.

1           (3) SECTION 457.—Clause (ii) of section  
2           457(d)(1)(A) is amended by striking “is separated  
3           from service” and inserting “has a severance from  
4           employment”.

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

8 **SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERN-**  
9 **MENTAL DEFINED BENEFIT PLANS.**

10          (a) 403(b) PLANS.—Subsection (b) of section 403 is  
11 amended by adding at the end the following new para-  
12 graph:

13           “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO  
14 PURCHASE PERMISSIVE SERVICE CREDIT.—No  
15 amount shall be includible in gross income by reason  
16 of a direct trustee-to-trustee transfer to a defined  
17 benefit governmental plan (as defined in section  
18 414(d)) if such transfer is—

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

22           “(B) a repayment to which section 415  
23 does not apply by reason of subsection (k)(3)  
24 thereof.”.

1 (b) 457 PLANS.—Subsection (e) of section 457 is  
2 amended by adding after paragraph (16) the following  
3 new paragraph:

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

10 “(A) for the purchase of permissive service  
11 credit (as defined in section 415(n)(3)(A))  
12 under such plan, or

13 “(B) a repayment to which section 415  
14 does not apply by reason of subsection (k)(3)  
15 thereof.”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to trustee-to-trustee transfers after  
18 December 31, 2000.

19 **SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**  
20 **PURPOSES OF CASH-OUT AMOUNTS.**

21 (a) QUALIFIED PLANS.—Section 411(a)(11) (relating  
22 to restrictions on certain mandatory distributions) is  
23 amended by adding at the end the following:

24 “(D) SPECIAL RULE FOR ROLLOVER CON-  
25 TRIBUTIONS.—A plan shall not fail to meet the

1 requirements of this paragraph if, under the  
2 terms of the plan, the present value of the non-  
3 forfeitable accrued benefit is determined with-  
4 out regard to that portion of such benefit which  
5 is attributable to rollover contributions (and  
6 earnings allocable thereto). For purposes of this  
7 subparagraph, the term ‘rollover contributions’  
8 means any rollover contribution under sections  
9 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),  
10 and 457(e)(16).’.”

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

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to distributions after December 31,  
18 2000.

19 **SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION RE-**  
20 **QUIREMENTS FOR SECTION 457 PLANS.**

21 (a) MINIMUM DISTRIBUTION REQUIREMENTS.—  
22 Paragraph (2) of section 457(d) (relating to distribution  
23 requirements) is amended to read as follows:

24 “(2) MINIMUM DISTRIBUTION REQUIRE-  
25 MENTS.—A plan meets the minimum distribution re-



1 requirements of this paragraph if such plan meets the  
2 requirements of section 401(a)(9).”.

3 (b) INCLUSION IN GROSS INCOME.—

4 (1) YEAR OF INCLUSION.—Subsection (a) of  
5 section 457 (relating to year of inclusion in gross in-  
6 come) is amended to read as follows:

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

8 “(1) IN GENERAL.—Any amount of compensa-  
9 tion deferred under an eligible deferred compensa-  
10 tion plan, and any income attributable to the  
11 amounts so deferred, shall be includible in gross in-  
12 come only for the taxable year in which such com-  
13 pensation or other income—

14 “(A) is paid to the participant or other  
15 beneficiary, in the case of a plan of an eligible  
16 employer described in subsection (e)(1)(A), and

17 “(B) is paid or otherwise made available to  
18 the participant or other beneficiary, in the case  
19 of a plan of an eligible employer described in  
20 subsection (e)(1)(B).

21 “(2) SPECIAL RULE FOR ROLLOVER  
22 AMOUNTS.—To the extent provided in section  
23 72(t)(9), section 72(t) shall apply to any amount in-  
24 cludible in gross income under this subsection.”.

25 (2) CONFORMING AMENDMENTS.—

1           (A) So much of paragraph (9) of section  
2           457(e) as precedes subparagraph (A) is amend-  
3           ed to read as follows:

4           “(9) BENEFITS OF TAX EXEMPT ORGANIZATION  
5           PLANS NOT TREATED AS MADE AVAILABLE BY REA-  
6           SON OF CERTAIN ELECTIONS, ETC.—In the case of  
7           an eligible deferred compensation plan of an em-  
8           ployer described in subsection (e)(1)(B)—”.

9           (B) Section 457(d) is amended by adding  
10          at the end the following new paragraph:

11          “(3) SPECIAL RULE FOR GOVERNMENT PLAN.—  
12          An eligible deferred compensation plan of an em-  
13          ployer described in subsection (e)(1)(A) shall not be  
14          treated as failing to meet the requirements of this  
15          subsection solely by reason of making a distribution  
16          described in subsection (e)(9)(A).”.

17          (c) EFFECTIVE DATE.—The amendments made by  
18          this section shall apply to distributions after December 31,  
19          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  
 7 full-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  
 11 applicable percentage”; and

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

14 “(F) APPLICABLE PERCENTAGE.—For  
 15 purposes of subparagraph (A)(i)(I), the applica-  
 16 ble percentage shall be determined in accord-  
 17 ance 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  
 19 this section shall apply to plan years beginning after De-  
 20 cember 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 sec-  
16 tion 4041(b)(2)(A)(i)(II) of the Employee  
17 Retirement Income Security Act of 1974  
18 were the last day of the plan year).

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

1 from a plan amendment which is made or  
2 becomes effective, whichever is later, within  
3 the last 2 years before the termination  
4 date.

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

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

21 (b) CONFORMING AMENDMENT.—Paragraph (6) of  
22 section 4972(c) is amended to read as follows:

23 “(6) EXCEPTIONS.—In determining the amount  
24 of nondeductible contributions for any taxable year,  
25 there shall not be taken into account so much of the

1 contributions to one or more defined contribution  
2 plans which are not deductible when contributed  
3 solely because of section 404(a)(7) as does not ex-  
4 ceed the greater of—

5 “(A) the amount of contributions not in  
6 excess of 6 percent of compensation (within the  
7 meaning of section 404(a)) paid or accrued  
8 (during the taxable year for which the contribu-  
9 tions were made) to beneficiaries under the  
10 plans, or

11 “(B) the sum of—

12 “(i) the amount of contributions de-  
13 scribed in section 401(m)(4)(A), plus

14 “(ii) the amount of contributions de-  
15 scribed in section 402(g)(3)(A).

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

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to plan years beginning after De-  
22 cember 31, 2000.

1 **SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUND-**  
2 **ING.**

3 (a) **IN GENERAL.**—Subsection (c) of section 4972  
4 (relating to nondeductible contributions) is amended by  
5 adding at the end the following new paragraph:

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

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

1 **SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY**  
2 **DEFINED BENEFIT PLANS SIGNIFICANTLY**  
3 **REDUCING FUTURE BENEFIT ACCRUALS.**

4 (a) IN GENERAL.—Chapter 43 (relating to qualified  
5 pension, etc., plans) is amended by adding at the end the  
6 following new section:

7 **“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING**  
8 **BENEFIT ACCRUALS TO SATISFY NOTICE RE-**  
9 **QUIREMENTS.**

10 “(a) IMPOSITION OF TAX.—There is hereby imposed  
11 a tax on the failure of any applicable pension plan to meet  
12 the requirements of subsection (e) with respect to any ap-  
13 plicable individual.

14 “(b) AMOUNT OF TAX.—

15 “(1) IN GENERAL.—The amount of the tax im-  
16 posed by subsection (a) on any failure with respect  
17 to any applicable individual shall be \$100 for each  
18 day in the noncompliance period with respect to such  
19 failure.

20 “(2) NONCOMPLIANCE PERIOD.—For purposes  
21 of this section, the term ‘noncompliance period’  
22 means, with respect to any failure, the period begin-  
23 ning on the date the failure first occurs and ending  
24 on the date the failure is corrected.

25 “(c) LIMITATIONS ON AMOUNT OF TAX.—



1           “(1) OVERALL LIMITATION FOR UNINTEN-  
2           TIONAL FAILURES.—In the case of failures that are  
3           due to reasonable cause and not to willful neglect,  
4           the tax imposed by subsection (a) for failures during  
5           the taxable year of the employer (or, in the case of  
6           a multiemployer plan, the taxable year of the trust  
7           forming part of the plan) shall not exceed \$500,000.  
8           For purposes of the preceding sentence, all multiem-  
9           ployer plans of which the same trust forms a part  
10          shall be treated as one plan. For purposes of this  
11          paragraph, if not all persons who are treated as a  
12          single employer for purposes of this section have the  
13          same taxable year, the taxable years taken into ac-  
14          count shall be determined under principles similar to  
15          the principles of section 1561.

16          “(2) WAIVER BY SECRETARY.—In the case of a  
17          failure which is due to reasonable cause and not to  
18          willful neglect, the Secretary may waive part or all  
19          of the tax imposed by subsection (a) to the extent  
20          that the payment of such tax would be excessive rel-  
21          ative to the failure involved.

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

24                 “(1) In the case of a plan other than a multi-  
25                 employer plan, the employer.

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

3           “(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFI-  
4           CANTLY REDUCING BENEFIT ACCRUALS.—

5           “(1) IN GENERAL.—If an applicable pension  
6           plan is amended to provide for a significant reduc-  
7           tion in the rate of future benefit accrual, the plan  
8           administrator shall provide written notice to each  
9           applicable individual (and to each employee organi-  
10          zation representing applicable individuals).

11          “(2) NOTICE.—The notice required by para-  
12          graph (1) shall be written in a manner calculated to  
13          be understood by the average plan participant and  
14          shall provide sufficient information (as determined  
15          in accordance with regulations prescribed by the  
16          Secretary) to allow applicable individuals to under-  
17          stand the effect of the plan amendment.

18          “(3) TIMING OF NOTICE.—Except as provided  
19          in regulations, the notice required by paragraph (1)  
20          shall be provided within a reasonable time before the  
21          effective date of the plan amendment.

22          “(4) DESIGNEES.—Any notice under paragraph  
23          (1) may be provided to a person designated, in writ-  
24          ing, by the person to which it would otherwise be  
25          provided.

1           “(5) NOTICE BEFORE ADOPTION OF AMEND-  
2           MENT.—A plan shall not be treated as failing to  
3           meet the requirements of paragraph (1) merely be-  
4           cause notice is provided before the adoption of the  
5           plan amendment if no material modification of the  
6           amendment occurs before the amendment is adopt-  
7           ed.

8           “(f) APPLICABLE INDIVIDUAL; APPLICABLE PEN-  
9           SION PLAN.—For purposes of this section—

10           “(1) APPLICABLE INDIVIDUAL.—The term ‘ap-  
11           plicable individual’ means, with respect to any plan  
12           amendment—

13                   “(A) any participant in the plan, and

14                   “(B) any beneficiary who is an alternate  
15                   payee (within the meaning of section 414(p)(8))  
16                   under an applicable qualified domestic relations  
17                   order (within the meaning of section  
18                   414(p)(1)(A)),

19           who may reasonably be expected to be affected by  
20           such plan amendment.

21           “(2) APPLICABLE PENSION PLAN.—The term  
22           ‘applicable pension plan’ means—

23                   “(A) any defined benefit plan, or

24                   “(B) an individual account plan which is  
25                   subject to the funding standards of section 412,

1       which had 100 or more participants who had ac-  
2       crued a benefit, or with respect to whom contribu-  
3       tions were made, under the plan (whether or not  
4       vested) as of the last day of the plan year preceding  
5       the plan year in which the plan amendment becomes  
6       effective. Such term shall not include a governmental  
7       plan (within the meaning of section 414(d)) or a  
8       church plan (within the meaning of section 414(e))  
9       with respect to which the election provided by sec-  
10      tion 410(d) has not been made.”.

11      (b) CLERICAL AMENDMENT.—The table of sections  
12      for chapter 43 is amended by adding at the end the fol-  
13      lowing new item:

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

14      (c) EFFECTIVE DATES.—

15          (1) IN GENERAL.—The amendments made by  
16      this section shall apply to plan amendments taking  
17      effect on or after the date of the enactment of this  
18      Act.

19          (2) TRANSITION.—Until such time as the Sec-  
20      retary of the Treasury issues regulations under sec-  
21      tions 4980F(e)(2) and (3) of the Internal Revenue  
22      Code of 1986 (as added by the amendments made  
23      by this section), a plan shall be treated as meeting

1 the requirements of such sections if it makes a good  
2 faith effort to comply with such requirements.

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

7 (d) STUDY.—The Secretary of the Treasury shall  
8 prepare a report on the effects of conversions of tradi-  
9 tional defined benefit plans to cash balance or hybrid for-  
10 mula plans. Such study shall examine the effect of such  
11 conversions on longer service participants, including the  
12 incidence and effects of “wear away” provisions under  
13 which participants earn no additional benefits for a period  
14 of time after the conversion. As soon as practicable, but  
15 not later than 60 days after the date of the enactment  
16 of this Act, the Secretary shall submit such report, to-  
17 gether with recommendations thereon, to the Committee  
18 on Ways and Means of the House of Representatives and  
19 the Committee on Finance of the Senate.

20 **SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER**  
21 **SECTION 415.**

22 (a) COMPENSATION LIMIT.—Paragraph (11) of sec-  
23 tion 415(b) (relating to limitation for defined benefit  
24 plans) is amended to read as follows:

1           “(11) SPECIAL LIMITATION RULE FOR GOVERN-  
2           MENTAL AND MULTIEMPLOYER PLANS.—In the case  
3           of a governmental plan (as defined in section  
4           414(d)) or a multiemployer plan (as defined in sec-  
5           tion 414(f)), subparagraph (B) of paragraph (1)  
6           shall not apply.”.

7           (b) COMBINING AND AGGREGATION OF PLANS.—

8           (1) COMBINING OF PLANS.—Subsection (f) of  
9           section 415 (relating to combining of plans) is  
10          amended by adding at the end the following:

11          “(3) EXCEPTION FOR MULTIEMPLOYER  
12          PLANS.—Notwithstanding paragraph (1) and sub-  
13          section (g), a multiemployer plan (as defined in sec-  
14          tion 414(f)) shall not be combined or aggregated  
15          with any other plan maintained by an employer for  
16          purposes of applying the limitations established in  
17          this section, except that such plan shall be combined  
18          or aggregated with another plan which is not such  
19          a multiemployer plan solely for purposes of deter-  
20          mining whether such other plan meets the require-  
21          ments of subsections (b)(1)(A) and (c).”.

22          (2) CONFORMING AMENDMENT FOR AGGREGA-  
23          TION OF PLANS.—Subsection (g) of section 415 (re-  
24          lating to aggregation of plans) is amended by strik-



1           “(A) IN GENERAL.—If a plan fails to meet  
2 the requirements of paragraph (1), the plan  
3 shall be treated as having distributed to any  
4 disqualified person the amount allocated to the  
5 account of such person in violation of para-  
6 graph (1) at the time of such allocation.

7           “(B) CROSS REFERENCE.—

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

8           “(3) NONALLOCATION YEAR.—For purposes of  
9 this subsection—

10           “(A) IN GENERAL.—The term ‘nonalloca-  
11 tion year’ means any plan year of an employee  
12 stock ownership plan if, at any time during  
13 such plan year—

14           “(i) such plan holds employer securi-  
15 ties consisting of stock in an S corpora-  
16 tion, and

17           “(ii) disqualified persons own at least  
18 50 percent of the number of shares of  
19 stock in the S corporation.

20           “(B) CONTRIBUTION RULES.—For purposes  
21 of subparagraph (A)—

22           “(i) IN GENERAL.—The rules of sec-  
23 tion 318(a) shall apply for purposes of de-  
24 termining ownership, except that—



1                   “(I) in applying paragraph (1)  
2                   thereof, the members of an individ-  
3                   ual’s family shall include members of  
4                   the family described in paragraph  
5                   (4)(D), and

6                   “(II) paragraph (4) thereof shall  
7                   not apply.

8                   “(ii) DEEMED-OWNED SHARES.—Not-  
9                   withstanding the employee trust exception  
10                  in section 318(a)(2)(B)(i), individual shall  
11                  be treated as owning deemed-owned shares  
12                  of the individual.

13                  Solely for purposes of applying paragraph (5),  
14                  this subparagraph shall be applied after the at-  
15                  tribution rules of paragraph (5) have been ap-  
16                  plied.

17                  “(4) DISQUALIFIED PERSON.—For purposes of  
18                  this subsection—

19                  “(A) IN GENERAL.—The term ‘disqualified  
20                  person’ means any person if—

21                  “(i) the aggregate number of deemed-  
22                  owned shares of such person and the mem-  
23                  bers of such person’s family is at least 20  
24                  percent of the number of deemed-owned  
25                  shares of stock in the S corporation, or

1           “(ii) in the case of a person not de-  
2           scribed in clause (i), the number of  
3           deemed-owned shares of such person is at  
4           least 10 percent of the number of deemed-  
5           owned shares of stock in such corporation.

6           “(B) TREATMENT OF FAMILY MEMBERS.—

7           In the case of a disqualified person described in  
8           subparagraph (A)(i), any member of such per-  
9           son’s family with deemed-owned shares shall be  
10          treated as a disqualified person if not otherwise  
11          treated as a disqualified person under subpara-  
12          graph (A).

13          “(C) DEEMED-OWNED SHARES.—

14                 “(i) IN GENERAL.—The term  
15                 ‘deemed-owned shares’ means, with respect  
16                 to any person—

17                         “(I) the stock in the S corpora-  
18                         tion constituting employer securities  
19                         of an employee stock ownership plan  
20                         which is allocated to such person  
21                         under the plan, and

22                         “(II) such person’s share of the  
23                         stock in such corporation which is  
24                         held by such plan but which is not al-  
25                         located under the plan to participants.

1                   “(ii)     PERSON’S     SHARE     OF  
2                   UNALLOCATED STOCK.—For purposes of  
3                   clause (i)(II), a person’s share of  
4                   unallocated S corporation stock held by  
5                   such plan is the amount of the unallocated  
6                   stock which would be allocated to such per-  
7                   son if the unallocated stock were allocated  
8                   to all participants in the same proportions  
9                   as the most recent stock allocation under  
10                  the plan.

11                  “(D) MEMBER OF FAMILY.—For purposes  
12                  of this paragraph, the term ‘member of the  
13                  family’ means, with respect to any individual—

14                         “(i) the spouse of the individual,

15                         “(ii) an ancestor or lineal descendant  
16                         of the individual or the individual’s spouse,

17                         “(iii) a brother or sister of the indi-  
18                         vidual or the individual’s spouse and any  
19                         lineal descendant of the brother or sister,  
20                         and

21                         “(iv) the spouse of any individual de-  
22                         scribed in clause (ii) or (iii).

23                  A spouse of an individual who is legally sepa-  
24                  rated from such individual under a decree of di-  
25                  vorce or separate maintenance shall not be

1           treated as such individual's spouse for purposes  
2           of this subparagraph.

3           “(5) TREATMENT OF SYNTHETIC EQUITY.—For  
4           purposes of paragraphs (3) and (4), in the case of  
5           a person who owns synthetic equity in the S corpora-  
6           tion, except to the extent provided in regulations, the  
7           shares of stock in such corporation on which such  
8           synthetic equity is based shall be treated as out-  
9           standing stock in such corporation and deemed-  
10          owned shares of such person if such treatment of  
11          synthetic equity of 1 or more such persons results  
12          in—

13                   “(A) the treatment of any person as a dis-  
14                   qualified person, or

15                   “(B) the treatment of any year as a non-  
16                   allocation year.

17          For purposes of this paragraph, synthetic equity  
18          shall be treated as owned by a person in the same  
19          manner as stock is treated as owned by a person  
20          under the rules of paragraphs (2) and (3) of section  
21          318(a). If, without regard to this paragraph, a per-  
22          son is treated as a disqualified person or a year is  
23          treated as a nonallocation year, this paragraph shall  
24          not be construed to result in the person or year not  
25          being so treated.

1           “(6) DEFINITIONS.—For purposes of this  
2 subsection—

3           “(A) EMPLOYEE STOCK OWNERSHIP  
4 PLAN.—The term ‘employee stock ownership  
5 plan’ has the meaning given such term by sec-  
6 tion 4975(e)(7).

7           “(B) EMPLOYER SECURITIES.—The term  
8 ‘employer security’ has the meaning given such  
9 term by section 409(l).

10           “(C) SYNTHETIC EQUITY.—The term ‘syn-  
11 thetic equity’ means any stock option, warrant,  
12 restricted stock, deferred issuance stock right,  
13 or similar interest or right that gives the holder  
14 the right to acquire or receive stock of the S  
15 corporation in the future. Except to the extent  
16 provided in regulations, synthetic equity also in-  
17 cludes a stock appreciation right, phantom  
18 stock unit, or similar right to a future cash  
19 payment based on the value of such stock or  
20 appreciation in such value.

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

24           (b) COORDINATION WITH SECTION 4975(e)(7).—The  
25 last sentence of section 4975(e)(7) (defining employee

1 stock ownership plan) is amended by inserting “, section  
2 409(p),” after “409(n)”.

3 (c) EXCISE TAX.—

4 (1) APPLICATION OF TAX.—Subsection (a) of  
5 section 4979A (relating to tax on certain prohibited  
6 allocations of employer securities) is amended—

7 (A) by striking “or” at the end of para-  
8 graph (1), and

9 (B) by striking all that follows paragraph  
10 (2) and inserting the following:

11 “(3) there is any allocation of employer securi-  
12 ties which violates the provisions of section 409(p),  
13 or a nonallocation year described in subsection  
14 (e)(2)(C) with respect to an employee stock owner-  
15 ship plan, or

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

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

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

22 “(c) LIABILITY FOR TAX.—The tax imposed by this  
23 section shall be paid—

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

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

2           “(B) the eligible worker-owned cooperative,  
3           which made the written statement described in sec-  
4           tion 664(g)(1)(E) or in section 1042(b)(3)(B) (as  
5           the case may be), and

6           “(2) in the case of an allocation or ownership  
7           referred to in paragraph (3) or (4) of subsection (a),  
8           by the S corporation the stock in which was so allo-  
9           cated or owned.”.

10           (3) DEFINITIONS.—Section 4979A(e) (relating  
11           to definitions) is amended to read as follows:

12           “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
13           poses of this section—

14           “(1) DEFINITIONS.—Except as provided in  
15           paragraph (2), terms used in this section have the  
16           same respective meanings as when used in sections  
17           409 and 4978.

18           “(2) SPECIAL RULES RELATING TO TAX IM-  
19           POSED BY REASON OF PARAGRAPH (3) OR (4) OF  
20           SUBSECTION (a).—

21           “(A) PROHIBITED ALLOCATIONS.—The  
22           amount involved with respect to any tax im-  
23           posed by reason of subsection (a)(3) is the  
24           amount allocated to the account of any person  
25           in violation of section 409(p)(1).

1           “(B) SYNTHETIC EQUITY.—The amount  
2 involved with respect to any tax imposed by rea-  
3 son of subsection (a)(4) is the value of the  
4 shares on which the synthetic equity is based.

5           “(C) SPECIAL RULE DURING FIRST NON-  
6 ALLOCATION YEAR.—For purposes of subpara-  
7 graph (A), the amount involved for the first  
8 nonallocation year of any employee stock owner-  
9 ship plan shall be determined by taking into ac-  
10 count the total value of all the deemed-owned  
11 shares of all disqualified persons with respect to  
12 such plan.

13           “(D) STATUTE OF LIMITATIONS.—The  
14 statutory period for the assessment of any tax  
15 imposed by this section by reason of paragraph  
16 (3) or (4) of subsection (a) shall not expire be-  
17 fore the date which is 3 years from the later  
18 of—

19                   “(i) the allocation or ownership re-  
20 ferred to in such paragraph giving rise to  
21 such tax, or

22                   “(ii) the date on which the Secretary  
23 is notified of such allocation or owner-  
24 ship.”.

25           (d) EFFECTIVE DATES.—



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

4           (2) EXCEPTION FOR CERTAIN PLANS.—In the  
5 case of any—

6                   (A) employee stock ownership plan estab-  
7 lished after July 11, 2000, or

8                   (B) employee stock ownership plan estab-  
9 lished on or before such date if employer securi-  
10 ties held by the plan consist of stock in a cor-  
11 poration with respect to which an election under  
12 section 1362(a) of the Internal Revenue Code  
13 of 1986 is not in effect on such date,

14 the amendments made by this section shall apply to  
15 plan years ending after July 11, 2000.

16                   **TITLE VI—REDUCING**  
17                   **REGULATORY BURDENS**

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

19           (a) IN GENERAL.—Paragraph (9) of section  
20 412(c)(9) (relating to annual valuation) is amended to  
21 read as follows:

22                   “(9) ANNUAL VALUATION.—

23                           “(A) IN GENERAL.—For purposes of this  
24 section, a determination of experience gains and  
25 losses and a valuation of the plan’s liability

1 shall be made not less frequently than once  
2 every year, except that such determination shall  
3 be made more frequently to the extent required  
4 in particular cases under regulations prescribed  
5 by the Secretary.

6 “(B) VALUATION DATE.—

7 “(i) CURRENT YEAR.—Except as pro-  
8 vided in clause (ii), the valuation referred  
9 to in subparagraph (A) shall be made as of  
10 a date within the plan year to which the  
11 valuation refers or within one month prior  
12 to the beginning of such year.

13 “(ii) ELECTION TO USE PRIOR YEAR  
14 VALUATION.—The valuation referred to in  
15 subparagraph (A) may be made as of a  
16 date within the plan year prior to the year  
17 to which the valuation refers if—

18 “(I) an election is in effect under  
19 this clause with respect to the plan,  
20 and

21 “(II) as of such date, the value  
22 of the assets of the plan are not less  
23 than 125 percent of the plan’s current  
24 liability (as defined in paragraph  
25 (7)(B)).

1                   “(iii) ADJUSTMENTS.—Information  
2                   under clause (ii) shall, in accordance with  
3                   regulations, be actuarially adjusted to re-  
4                   flect significant differences in participants.

5                   “(iv) ELECTION.—An election under  
6                   clause (ii), once made, shall be irrevocable  
7                   without the consent of the Secretary.”.

8           (b) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to plan years beginning after De-  
10 cember 31, 2000.

11 **SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**  
12 **LOSS OF DIVIDEND DEDUCTION.**

13           (a) IN GENERAL.—Section 404(k)(2)(A) (defining  
14 applicable dividends) is amended by striking “or” at the  
15 end of clause (ii), by redesignating clause (iii) as clause  
16 (iv), and by inserting after clause (ii) the following new  
17 clause:

18                   “(iii) is, at the election of such par-  
19                   ticipants or their beneficiaries—

20                                 “(I) payable as provided in clause  
21                                 (i) or (ii), or

22                                 “(II) paid to the plan and rein-  
23                                 vested in qualifying employer securi-  
24                                 ties, or”.

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

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

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

8 (b) EFFECTIVE DATE.—The repeal made by sub-  
9 section (a) shall apply to plan years beginning after De-  
10 cember 31, 2000.

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

12 (a) IN GENERAL.—The Secretary of the Treasury  
13 shall modify Treasury Regulations section 1.410(b)–6(g)  
14 to provide that employees of an organization described in  
15 section 403(b)(1)(A)(i) of the Internal Revenue Code of  
16 1986 who are eligible to make contributions under section  
17 403(b) of such Code pursuant to a salary reduction agree-  
18 ment may be treated as excludable with respect to a plan  
19 under section 401(k) or (m) of such Code that is provided  
20 under the same general arrangement as a plan under such  
21 section 401(k), if—

22 (1) no employee of an organization described in  
23 section 403(b)(1)(A)(i) of such Code is eligible to  
24 participate in such section 401(k) plan or section  
25 401(m) plan; and

1           (2) 95 percent of the employees who are not  
 2 employees of an organization described in section  
 3 403(b)(1)(A)(i) of such Code are eligible to partici-  
 4 pate in such plan under such section 401(k) or (m).

5           (b) EFFECTIVE DATE.—The modification required by  
 6 subsection (a) shall apply as of the same date set forth  
 7 in section 1426(b) of the Small Business Job Protection  
 8 Act of 1996.

9 **SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-**  
 10 **PROVIDED RETIREMENT ADVICE.**

11           (a) IN GENERAL.—Subsection (a) of section 132 (re-  
 12 lating to exclusion from gross income) is amended by  
 13 striking “or” at the end of paragraph (5), by striking the  
 14 period at the end of paragraph (6) and inserting “, or”,  
 15 and by adding at the end the following new paragraph:

16           “(7) qualified retirement planning services.”.

17           (b) QUALIFIED RETIREMENT PLANNING SERVICES  
 18 DEFINED.—Section 132 is amended by redesignating sub-  
 19 section (m) as subsection (n) and by inserting after sub-  
 20 section (l) the following:

21           “(m) QUALIFIED RETIREMENT PLANNING SERV-  
 22 ICES.—

23           “(1) IN GENERAL.—For purposes of this sec-  
 24 tion, the term ‘qualified retirement planning serv-  
 25 ices’ means any retirement planning service provided

1 to an employee and his spouse by an employer main-  
2 taining a qualified employer plan.

3 “(2) NONDISCRIMINATION RULE.—Subsection  
4 (a)(7) shall apply in the case of highly compensated  
5 employees only if such services are available on sub-  
6 stantially the same terms to each member of the  
7 group of employees normally provided education and  
8 information regarding the employer’s qualified em-  
9 ployer plan.

10 “(3) QUALIFIED EMPLOYER PLAN.—For pur-  
11 poses of this subsection, the term ‘qualified employer  
12 plan’ means a plan, contract, pension, or account de-  
13 scribed in section 219(g)(5).”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to years beginning after December  
16 31, 2000.

17 **SEC. 606. REPORTING SIMPLIFICATION.**

18 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR  
19 OWNERS AND THEIR SPOUSES.—

20 (1) IN GENERAL.—The Secretary of the Treas-  
21 ury shall modify the requirements for filing annual  
22 returns with respect to one-participant retirement  
23 plans to ensure that such plans with assets of  
24 \$250,000 or less as of the close of the plan year  
25 need not file a return for that year.

1           (2) ONE-PARTICIPANT RETIREMENT PLAN DE-  
2 FINED.—For purposes of this subsection, the term  
3 “one-participant retirement plan” means a retire-  
4 ment plan that—

5           (A) on the first day of the plan year—

6           (i) covered only the employer (and the  
7 employer’s spouse) and the employer  
8 owned the entire business (whether or not  
9 incorporated); or

10          (ii) covered only one or more partners  
11 (and their spouses) in a business partner-  
12 ship (including partners in an S or C cor-  
13 poration);

14          (B) meets the minimum coverage require-  
15 ments of section 410(b) of the Internal Revenue  
16 Code of 1986 without being combined with any  
17 other plan of the business that covers the em-  
18 ployees of the business;

19          (C) does not provide benefits to anyone ex-  
20 cept the employer (and the employer’s spouse)  
21 or the partners (and their spouses);

22          (D) does not cover a business that is a  
23 member of an affiliated service group, a con-  
24 trolled group of corporations, or a group of  
25 businesses under common control; and

1           (E) does not cover a business that leases  
2           employees.

3           (3) OTHER DEFINITIONS.—Terms used in para-  
4           graph (2) which are also used in section 414 of the  
5           Internal Revenue Code of 1986 shall have the re-  
6           spective meanings given such terms by such section.

7           (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR  
8           PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case  
9           of a retirement plan which covers less than 25 employees  
10          on the first day of the plan year and meets the require-  
11          ments described in subparagraphs (B), (D), and (E) of  
12          subsection (a)(2), the Secretary of the Treasury shall pro-  
13          vide for the filing of a simplified annual return that is  
14          substantially similar to the annual return required to be  
15          filed by a one-participant retirement plan.

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

18       **SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**  
19                               **ANCE RESOLUTION SYSTEM.**

20          The Secretary of the Treasury shall continue to up-  
21          date and improve the Employee Plans Compliance Resolu-  
22          tion System (or any successor program) giving special at-  
23          tention to—



1           (1) increasing the awareness and knowledge of  
2           small employers concerning the availability and use  
3           of the program;

4           (2) taking into account special concerns and  
5           circumstances that small employers face with respect  
6           to compliance and correction of compliance failures;

7           (3) extending the duration of the self-correction  
8           period under the Administrative Policy Regarding  
9           Self-Correction for significant compliance failures;

10          (4) expanding the availability to correct insig-  
11          nificant compliance failures under the Administra-  
12          tive Policy Regarding Self-Correction during audit;  
13          and

14          (5) assuring that any tax, penalty, or sanction  
15          that is imposed by reason of a compliance failure is  
16          not excessive and bears a reasonable relationship to  
17          the nature, extent, and severity of the failure.

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

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

21                 “(9) REGULATIONS.—The Secretary shall pre-  
22                 scribe such regulations as may be necessary to carry  
23                 out the purposes of this subsection and subsection  
24                 (k), including regulations permitting appropriate ag-  
25                 gregation of plans and contributions.”.

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

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

6 (a) NONDISCRIMINATION.—

7 (1) IN GENERAL.—The Secretary of the Treas-  
8 ury shall, by regulation, provide that a plan shall be  
9 deemed to satisfy the requirements of section  
10 401(a)(4) of the Internal Revenue Code of 1986 if  
11 such plan satisfies the facts and circumstances test  
12 under section 401(a)(4) of such Code, as in effect  
13 before January 1, 1994, but only if—

14 (A) the plan satisfies conditions prescribed  
15 by the Secretary to appropriately limit the  
16 availability of such test; and

17 (B) the plan is submitted to the Secretary  
18 for a determination of whether it satisfies such  
19 test.

20 Subparagraph (B) shall only apply to the extent pro-  
21 vided by the Secretary.

22 (2) EFFECTIVE DATES.—

23 (A) REGULATIONS.—The regulation re-  
24 quired by paragraph (1) shall apply to years be-  
25 ginning after December 31, 2000.

1 (B) CONDITIONS OF AVAILABILITY.—Any  
2 condition of availability prescribed by the Sec-  
3 retary under paragraph (1)(A) shall not apply  
4 before the first year beginning not less than  
5 120 days after the date on which such condition  
6 is prescribed.

7 (b) COVERAGE TEST.—

8 (1) IN GENERAL.—Section 410(b)(1) (relating  
9 to minimum coverage requirements) is amended by  
10 adding at the end the following:

11 “(D) In the case that the plan fails to  
12 meet the requirements of subparagraphs (A),  
13 (B) and (C), the plan—

14 “(i) satisfies subparagraph (B), as in  
15 effect immediately before the enactment of  
16 the Tax Reform Act of 1986,

17 “(ii) is submitted to the Secretary for  
18 a determination of whether it satisfies the  
19 requirement described in clause (i), and

20 “(iii) satisfies conditions prescribed by  
21 the Secretary by regulation that appro-  
22 priately limit the availability of this sub-  
23 paragraph.

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

1 (2) EFFECTIVE DATES.—

2 (A) IN GENERAL.—The amendment made  
3 by paragraph (1) shall apply to years beginning  
4 after December 31, 2000.

5 (B) CONDITIONS OF AVAILABILITY.—Any  
6 condition of availability prescribed by the Sec-  
7 retary under regulations prescribed by the Sec-  
8 retary under section 410(b)(1)(D) of the Inter-  
9 nal Revenue Code of 1986 shall not apply be-  
10 fore the first year beginning not less than 120  
11 days after the date on which such condition is  
12 prescribed.

13 (c) LINE OF BUSINESS RULES.—The Secretary of  
14 the Treasury shall, on or before December 31, 2000, mod-  
15 ify the existing regulations issued under section 414(r) of  
16 the Internal Revenue Code of 1986 in order to expand  
17 (to the extent that the Secretary determines appropriate)  
18 the ability of a pension plan to demonstrate compliance  
19 with the line of business requirements based upon the  
20 facts and circumstances surrounding the design and oper-  
21 ation of the plan, even though the plan is unable to satisfy  
22 the mechanical tests currently used to determine compli-  
23 ance.

1 **SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF**  
2 **MORATORIUM ON APPLICATION OF CERTAIN**  
3 **NONDISCRIMINATION RULES APPLICABLE TO**  
4 **STATE AND LOCAL PLANS.**

5 (a) IN GENERAL.—

6 (1) Subparagraph (G) of section 401(a)(5) and  
7 subparagraph (H) of section 401(a)(26) are each  
8 amended by striking “section 414(d)” and all that  
9 follows and inserting “section 414(d).”.

10 (2) Subparagraph (G) of section 401(k)(3) and  
11 paragraph (2) of section 1505(d) of the Taxpayer  
12 Relief Act of 1997 are each amended by striking  
13 “maintained by a State or local government or polit-  
14 ical subdivision thereof (or agency or instrumentality  
15 thereof)”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) The heading for subparagraph (G) of sec-  
18 tion 401(a)(5) is amended to read as follows: “GOV-  
19 ERNMENTAL PLANS”.

20 (2) The heading for subparagraph (H) of sec-  
21 tion 401(a)(26) is amended to read as follows: “EX-  
22 CEPTION FOR GOVERNMENTAL PLANS”.

23 (3) Subparagraph (G) of section 401(k)(3) is  
24 amended by inserting “GOVERNMENTAL PLANS.—”  
25 after “(G)”.

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

4 **SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DIS-**  
5 **TRIBUTIONS.**

6 (a) EXPANSION OF PERIOD.—

7 (1) IN GENERAL.—Subparagraph (A) of section  
8 417(a)(6) is amended by striking “90-day” and in-  
9 serting “180-day”.

10 (2) MODIFICATION OF REGULATIONS.—The  
11 Secretary of the Treasury shall modify the regula-  
12 tions under sections 402(f), 411(a)(11), and 417 of  
13 the Internal Revenue Code of 1986 to substitute  
14 “180 days” for “90 days” each place it appears in  
15 Treasury Regulations sections 1.402(f)-1, 1.411(a)-  
16 11(c), and 1.417(e)-1(b).

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

21 (b) CONSENT REGULATION INAPPLICABLE TO CER-  
22 TAIN DISTRIBUTIONS.—

23 (1) IN GENERAL.—The Secretary of the Treas-  
24 ury shall modify the regulations under section  
25 411(a)(11) of the Internal Revenue Code of 1986 to

1 provide that the description of a participant's right,  
2 if any, to defer receipt of a distribution shall also de-  
3 scribe the consequences of failing to defer such re-  
4 ceipt.

5 (2) EFFECTIVE DATE.—The modifications re-  
6 quired by paragraph (1) shall apply to years begin-  
7 ning after December 31, 2000.

## 8 **TITLE VII—PLAN AMENDMENTS**

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

10 (a) IN GENERAL.—If this section applies to any plan  
11 or contract amendment—

12 (1) such plan or contract shall be treated as  
13 being operated in accordance with the terms of the  
14 plan during the period described in subsection  
15 (b)(2)(A); and

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

19 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

20 (1) IN GENERAL.—This section shall apply to  
21 any amendment to any plan or annuity contract  
22 which is made—

23 (A) pursuant to any amendment made by  
24 this Act, or pursuant to any regulation issued  
25 under this Act, and

1 (B) on or before the last day of the first  
2 plan year beginning on or after January 1,  
3 2003.

4 In the case of a governmental plan (as defined in  
5 section 414(d) of the Internal Revenue Code of  
6 1986), this paragraph shall be applied by sub-  
7 stituting “2005” for “2003”.

8 (2) CONDITIONS.—This section shall not apply  
9 to any amendment unless—

10 (A) during the period—

11 (i) beginning on the date the legisla-  
12 tive or regulatory amendment described in  
13 paragraph (1)(A) takes effect (or in the  
14 case of a plan or contract amendment not  
15 required by such legislative or regulatory  
16 amendment, the effective date specified by  
17 the plan); and

18 (ii) ending on the date described in  
19 paragraph (1)(B) (or, if earlier, the date  
20 the plan or contract amendment is adopt-  
21 ed),

22 the plan or contract is operated as if such plan  
23 or contract amendment were in effect; and



- 1 (B) such plan or contract amendment ap-
- 2 plies retroactively for such period.

Passed the House of Representatives July 19, 2000.

Attest:

*Clerk.*