

103^D CONGRESS
2^D SESSION

H. R. 4215

To amend the Internal Revenue Code of 1986 to increase the deduction for retirement savings, to permit nonemployed spouses a full IRA deduction, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1994

Mr. BAKER of California (for himself, Mr. CRAPO, Mr. GALLEGLY, Mr. EMERSON, Mr. SOLOMON, Mr. STUMP, Mr. BARTLETT of Maryland, Mr. LEVY, Mr. LIPINSKI, Mr. DOOLITTLE, Mr. LIVINGSTON, Mr. COX, and Ms. ESHOO) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to increase the deduction for retirement savings, to permit nonemployed spouses a full IRA deduction, and for other purposes.

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

3 **SECTION 1. MODIFICATIONS TO IRA DEDUCTION.**

4 (a) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
5 TION.—Subparagraph (A) of section 219(b)(1) of the In-
6 ternal Revenue Code of 1986 (relating to maximum

1 amount of deduction) is amended by striking “\$2,000”
2 and inserting “\$2,500”.

3 (b) INCREASE IN INCOME PHASEOUT LEVELS.—Sub-
4 paragraph (B) of section 219(g)(3) of such Code is
5 amended—

6 (1) by striking “\$40,000” and inserting
7 “\$100,000”, and

8 (2) by striking “\$25,000” and inserting
9 “\$50,000”.

10 (c) IRA DEDUCTION ALLOWED TO NONEMPLOYED
11 SPOUSES.—Subsection (c) of section 219 of such Code is
12 amended to read as follows:

13 “(c) SPECIAL RULES FOR CERTAIN MARRIED INDI-
14 VIDUALS.—

15 “(1) IN GENERAL.—In the case of an individual
16 to whom this paragraph applies for the taxable year,
17 the limitation of paragraph (1) of subsection (b)
18 shall be equal to the lesser of—

19 “(A) \$2,500, or

20 “(B) the sum of—

21 “(i) the compensation includible in
22 such individual’s gross income for the tax-
23 able year, plus

24 “(ii) the compensation includible in
25 the gross income of such individual’s

1 spouse for the taxable year reduced by the
2 amount allowable as a deduction under
3 subsection (a) to such spouse for such tax-
4 able year.

5 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)
6 APPLIES.—Paragraph (1) shall apply to any individ-
7 ual if—

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

10 “(B) the amount of compensation (if any)
11 includible in such individual’s gross income for
12 the taxable year is less than the compensation
13 includible in the gross income of such individ-
14 ual’s spouse for the taxable year.”

15 (d) INFLATION ADJUSTMENTS.—Subsection (f) of
16 section 219 of such Code is amended by adding at the
17 end thereof the following new paragraph:

18 “(8) INFLATION ADJUSTMENTS.—In the case of
19 a taxable year beginning in a calendar year after
20 1994, each dollar amount set forth in subsections
21 (b)(1)(A), (c)(1)(A), and (g)(3)(B) shall be in-
22 creased by an amount equal to—

23 “(A) such dollar amount, multiplied by

24 “(B) the cost-of-living adjustment deter-
25 mined under section 1(f)(3) for such calendar

1 year by substituting ‘calendar year 1993’ for
2 ‘calendar year 1992’ in subparagraph (B)
3 thereof.

4 If any increase determined under the preceding sen-
5 tence is not a multiple of \$100, such increase shall
6 be rounded to the nearest multiple of \$100.”

7 (e) CONFORMING AMENDMENTS.—

8 (1) Subsections (a)(1) and (b) of section 408(a)
9 of such Code are each amended by striking
10 “\$2,000” and inserting “the dollar limitation in ef-
11 fect under section 219(b)(1)(A)”.

12 (2) Subparagraph (A) of section 408(d)(5) of
13 such Code is amended by striking “\$2,250” and in-
14 serting “the dollar limitation in effect under section
15 219(b)(1)(A)”.

16 (3) Subsection (j) of section 408 of such Code
17 is amended by striking “the \$2,000 amounts con-
18 tained” and inserting “the dollar limitations referred
19 to”.

20 (f) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 1993.

1 **SEC. 2. REPAYABLE DISTRIBUTIONS FROM INDIVIDUAL RE-**
2 **TIREMENT ACCOUNTS FOR EDUCATIONAL**
3 **EXPENSES AND FIRST-TIME HOMEBUYERS.**

4 (a) GENERAL RULE.—Section 408 of the Internal
5 Revenue Code of 1986 (relating to individual retirement
6 accounts) is amended by redesignating subsection (p) as
7 subsection (q) and by inserting after subsection (o) the
8 following new subsection:

9 “(p) REPAYABLE DISTRIBUTIONS FROM INDIVIDUAL
10 RETIREMENT ACCOUNTS FOR EDUCATIONAL EXPENSES
11 AND FIRST-TIME HOMEBUYERS.—

12 “(1) IN GENERAL.—Notwithstanding any other
13 provision of this section, gross income shall not in-
14 clude any qualified distribution.

15 “(2) REPAYMENT REQUIREMENT.—

16 “(A) ADDITION TO TAX.—If the required
17 recontributions made by the taxpayer during
18 the repayment period are less than the total re-
19 quired repayment, the tax imposed by this
20 chapter for the last taxable year in the repay-
21 ment period shall be increased by the amount
22 determined under subparagraph (B).

23 “(B) DETERMINATION OF AMOUNT.—The
24 amount determined under this subparagraph
25 shall be an amount which bears the same ratio
26 to the adjusted tax amount as—

1 “(i) the required recontributions dur-
2 ing the repayment period, bear to

3 “(ii) the total required repayment.

4 “(C) TOTAL REQUIRED REPAYMENT.—For
5 purposes of this paragraph, the term ‘total re-
6 quired repayment’ means the sum of—

7 “(i) the qualified distribution, plus

8 “(ii) interest on the non-recontributed
9 balance of such distribution for the repay-
10 ment period computed at the prime rate
11 and compounded annually.

12 “(D) REPAYMENT PERIOD.—For purposes
13 of this paragraph, the term ‘repayment period’
14 means, with respect to any qualified distribu-
15 tion, the taxable year in which such distribution
16 is received and the 15 succeeding taxable years
17 (10 succeeding taxable years in the case of a
18 qualified distribution described in paragraph
19 (3)(B)).

20 “(E) ADJUSTED TAX AMOUNT.—For pur-
21 poses of this paragraph, the term ‘adjusted tax
22 amount’ means, with respect to any qualified
23 distribution, the sum of—

24 “(i) the aggregate reduction in the tax
25 imposed by this chapter for the taxable

1 year in which such distribution is received
2 by reason of the exclusion under paragraph
3 (1), and

4 “(ii) interest on the amount of such
5 reduction for the repayment period com-
6 puted at the prime rate and compounded
7 annually.

8 “(F) PRIME RATE.—For purposes of this
9 paragraph, the term ‘prime rate’ means the av-
10 erage predominant prime rate quoted by com-
11 mercial banks to large business, as determined
12 by the Board of Governors of the Federal Re-
13 serve System.

14 “(3) QUALIFIED DISTRIBUTION.—For purposes
15 of this paragraph, the term ‘qualified distribution’
16 means any distributions to an individual from an in-
17 dividual retirement plan—

18 “(A) if such distributions are qualified
19 first-time homebuyer distributions, or

20 “(B) to the extent such distributions do
21 not exceed the qualified higher education ex-
22 penses of the taxpayer for the taxable year in
23 which received.

24 The term ‘qualified distribution’ shall not include
25 any distribution to the extent such distribution re-

1 duces the balance of the amounts in individual re-
2 tirement plans of the taxpayer below \$1,000.

3 “(4) QUALIFIED FIRST-TIME HOMEBUYER DIS-
4 TRIBUTIONS.—For purposes of this subsection—

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

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

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

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

4 “(I) such individual (and if mar-
5 ried, such individual’s spouse) had no
6 present ownership interest in a prin-
7 cipal residence during the 3-year pe-
8 riod ending on the date of acquisition
9 of the principal residence to which
10 this paragraph applies, and

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

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

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

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

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

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

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

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

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

23 “(5) QUALIFIED HIGHER EDUCATION EX-
24 PENSES.—For purposes of this subsection:

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

5 “(i) the taxpayer,

6 “(ii) the taxpayer’s spouse, or

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

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

16 “(6) RECONTRIBUTION OF QUALIFIED DIS-
17 TRIBUTIONS.—

18 “(A) IN GENERAL.—If an individual re-
19 ceived a qualified distribution, such individual
20 shall make required recontributions to an indi-
21 vidual retirement plan in the manner provided
22 in this paragraph.

23 “(B) METHOD OF MAKING RECON-
24 TRIBUTION.—Any required retribution—

1 “(i) shall be made during the repay-
2 ment period for the qualified distribution,

3 “(ii) shall not exceed the required re-
4 payment amount reduced by any prior
5 recontribution under this paragraph with
6 respect to such distribution, and

7 “(iii) shall be made by making a pay-
8 ment in cash for the benefit of such indi-
9 vidual to an individual retirement plan.

10 An individual making a required recontribution
11 under this paragraph shall designate (in the
12 manner prescribed by the Secretary) such con-
13 tribution as a required recontribution under
14 this paragraph and shall specify the qualified
15 distribution in respect of which such
16 recontribution is being made.

17 “(C) TREATED AS ROLLOVER CONTRIBU-
18 TION.—For purposes of this title, any required
19 recontribution under this paragraph shall be
20 treated as a rollover contribution described in
21 subsection (d)(3).

22 “(7) OTHER SPECIAL RULES.—

23 “(A) BASIS RULES NOT AFFECTED.—The
24 tax treatment under this chapter of any dis-
25 tribution (other than a qualified distribution)

1 shall be determined as if this subsection had
2 not been enacted.

3 “(B) AGGREGATION RULES.—For purposes
4 of this subsection—

5 “(i) all qualified distributions de-
6 scribed in paragraph (3)(A) received by an
7 individual during a taxable year shall be
8 treated as a single distribution so de-
9 scribed, and

10 “(ii) all qualified distributions de-
11 scribed in paragraph (3)(B) received by an
12 individual during a taxable year shall be
13 treated as a single distribution so de-
14 scribed.”

15 (b) EFFECTIVE DATE.—The amendment made by
16 this subsection shall apply to distributions received in tax-
17 able years beginning after December 31, 1993.

○