

104TH CONGRESS
1ST SESSION

H. R. 1119

To amend the Internal Revenue Code of 1986 to revise the treatment of deferred compensation plans of State and local governments and tax-exempt organizations.

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 1995

Mr. RAMSTAD 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 revise the treatment of deferred compensation plans of State and local governments and tax-exempt organizations.

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. TREATMENT OF DEFERRED COMPENSATION**
4 **PLANS OF STATE AND LOCAL GOVERNMENTS**
5 **AND TAX-EXEMPT ORGANIZATIONS.**

6 (a) SPECIAL RULES FOR PLAN DISTRIBUTIONS.—
7 Paragraph (9) of section 457(e) of the Internal Revenue
8 Code of 1986 (relating to other definitions and special
9 rules) is amended to read as follows:

1 “(9) BENEFITS TREATED AS NOT MADE AVAIL-
2 ABLE BY REASON OF CERTAIN ELECTIONS, ETC.—

3 “(A) TOTAL AMOUNT PAYABLE IS \$3,500
4 OR LESS.—The total amount payable to a par-
5 ticipant under the plan shall not be treated as
6 made available merely because the participant
7 may elect to receive such amount (or the plan
8 may distribute such amount without the partici-
9 pant’s consent) if—

10 “(i) such amount does not exceed
11 \$3,500, and

12 “(ii) such amount may be distributed
13 only if—

14 “(I) no amount has been deferred
15 under the plan with respect to such
16 participant during the 2-year period
17 ending on the date of the distribution,
18 and

19 “(II) there has been no prior dis-
20 tribution under the plan to such par-
21 ticipant to which this subparagraph
22 applied.

23 A plan shall not be treated as failing to meet
24 the distribution requirements of subsection (d)

1 by reason of a distribution to which this sub-
2 paragraph applies.

3 “(B) ELECTION TO DEFER COMMENCE-
4 MENT OF DISTRIBUTIONS.—The total amount
5 payable to a participant under the plan shall
6 not be treated as made available merely because
7 the participant may elect to defer commence-
8 ment of distributions under the plan if—

9 “(i) such election is made after
10 amounts may be made available under the
11 plan in accordance with subsection
12 (d)(1)(A) and before commencement of
13 such distributions, and

14 “(ii) the participant may make only 1
15 such election.”

16 (b) COST-OF-LIVING ADJUSTMENT OF MAXIMUM DE-
17 FERRAL AMOUNT.—Subsection (e) of section 457 of such
18 Code is amended by adding at the end the following new
19 paragraph:

20 “(14) COST-OF-LIVING ADJUSTMENT OF MAXI-
21 MUM DEFERRAL AMOUNT.—The Secretary shall ad-
22 just the \$7,500 amount specified in subsections
23 (b)(2) and (c)(1) at the same time and in the same
24 manner as under section 415(d), except that the
25 base period in applying such section for purposes of

1 this paragraph shall be the calendar quarter begin-
2 ning October 1, 1994.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

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