

104TH CONGRESS
1ST SESSION

H. R. 1389

To amend the Internal Revenue Code of 1986 to expand the availability of, and amount of, deductible individual retirement account contributions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 1995

Mr. HINCHEY (for himself, Mr. SANDERS, Mr. BROWN of California, Mr. FROST, Mr. FATTAH, Mr. OWENS, Ms. VELÁZQUEZ, Mr. UNDERWOOD, and Mr. MARTINEZ) 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 expand the availability of, and amount of, deductible individual retirement account contributions, 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. SHORT TITLE.**

4 This Act may be cited as the “Middle Class Flexible
5 Savings Act of 1995”.

1 **SEC. 2. HIGHER MAXIMUM IRA DEDUCTION AND INCOME**
2 **PHASEOUT LIMITS; INFLATION ADJUSTMENT**
3 **OF MAXIMUM IRA DEDUCTION AND PHASE-**
4 **OUT LIMITS.**

5 (a) HIGHER MAXIMUM IRA DEDUCTION.—

6 (1) IN GENERAL.—The following provisions of
7 the Internal Revenue Code of 1986 are each amend-
8 ed by striking “\$2,000” and inserting “\$3,000”:

9 (A) Subsections (b)(1)(A) and (c)(2) of
10 section 219.

11 (B) Subsections (a)(1), (b), and (j) of sec-
12 tion 408.

13 (2) CONFORMING AMENDMENT.—Sections
14 219(c)(2) and 408(d)(5) of such Code are each
15 amended by striking “\$2,250” and inserting
16 “\$3,500”.

17 (b) HIGHER INCOME PHASEOUT LIMITS.—

18 (1) Subparagraph (B) of section 219(g)(3) of
19 such Code is amended—

20 (A) by striking “\$40,000” and inserting
21 “\$60,000”, and

22 (B) by striking “\$25,000” and inserting
23 “\$40,000”.

24 (2) Clause (ii) of section 219(g)(2)(A) of such
25 Code is amended to read as follows:

26 “(ii) \$15,000.”

1 (c) INFLATION ADJUSTMENT OF MAXIMUM IRA DE-
2 DUCTION AND INCOME PHASEOUT LIMITS.—Section 219
3 of such Code is amended by inserting after subsection (f)
4 the following new subsection:

5 “(g) INFLATION ADJUSTMENT OF MAXIMUM DEDUC-
6 TION AND INCOME PHASEOUT LIMITS.—

7 “(1) IN GENERAL.—In the case of any taxable
8 year beginning in a calendar year after 1995, each
9 applicable dollar amount shall be increased by an
10 amount equal to—

11 “(A) such dollar amount, multiplied by

12 “(B) the cost-of-living adjustment under
13 section 1(f)(3) for the calendar year in which
14 the taxable year begins, determined by sub-
15 stituting ‘calendar year 1994’ for ‘calendar year
16 1992’ in subparagraph (B) thereof.

17 “(2) APPLICABLE DOLLAR AMOUNT.—For pur-
18 poses of paragraph (1), the term ‘applicable dollar
19 amount’ means—

20 “(A) the \$3,000 amount in subsections
21 (b)(1)(A), (c)(2), and (c)(3) of this section and
22 in subsections (a)(1), (b), and (j) of section
23 408,

24 “(B) the \$3,500 amount in subsection
25 (c)(2) of this section and in section 408(d)(5),

1 “(ii) the sum of—

2 “(I) the compensation includible
3 in such individual’s gross income for
4 the taxable year, plus

5 “(II) the compensation includible
6 in the gross income of such individ-
7 ual’s spouse for the taxable year re-
8 duced by the amount allowable as a
9 deduction under subsection (a) to
10 such spouse for such taxable year.

11 “(B) QUALIFYING SPOUSE.—For purposes
12 of subparagraph (A), the term ‘qualifying
13 spouse’ means any spouse of an individual if—

14 “(i) such individual and spouse file a
15 joint return for the taxable year,

16 “(ii) such spouse has less than \$1,000
17 of compensation (determined without re-
18 gard to section 911) for the taxable year,
19 and

20 “(iii) such spouse has a child (as de-
21 fined in section 151(c)(3)) who has not at-
22 tained age 6 as of the close of such taxable
23 year and who is a dependent (as defined in
24 section 152) of the taxpayer for such
25 year.”

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

4 **SEC. 4. PENALTY-FREE WITHDRAWALS FROM CERTAIN**
5 **PLANS TO PAY EDUCATIONAL EXPENSES,**
6 **MEDICAL EXPENSES, BUSINESS START-UP EX-**
7 **PENSES, AND FIRST-TIME HOMEBUYER EX-**
8 **PENSES.**

9 (a) EDUCATIONAL EXPENSES AND BUSINESS START-
10 UP EXPENSES.—

11 (1) IN GENERAL.—Paragraph (2) of section
12 72(t) of the Internal Revenue Code of 1986 (relating
13 to exceptions to 10-percent additional tax on early
14 distributions from qualified retirement plans) is
15 amended by adding at the end thereof the following
16 new subparagraph:

17 “(D) DISTRIBUTIONS FROM CERTAIN
18 PLANS FOR EDUCATIONAL EXPENSES AND BUSI-
19 NESS START-UP EXPENSES.—

20 “(i) IN GENERAL.—Distributions to
21 an individual from an individual retirement
22 plan, or from amounts attributable to em-
23 ployer contributions made pursuant to
24 elective deferrals described in subpara-
25 graph (A) or (C) of section 402(g)(3) or

1 section 501(c)(18)(D)(iii) to the extent
2 such distributions do not exceed the sum
3 of—

4 “(I) the qualified higher edu-
5 cation expenses (as defined in para-
6 graph (6)) of the taxpayer for the tax-
7 able year, and

8 “(II) the start-up expenditures
9 (as defined in section 195(c)) of the
10 taxpayer for the taxable year.

11 “(ii) ADJUSTED GROSS INCOME
12 LIMIT.—Clause (i) shall apply to distribu-
13 tions from an individual retirement plan
14 only if the adjusted gross income of the
15 distributee for the taxable year in which
16 the distribution occurs does not exceed—

17 “(I) \$60,000 in the case of an
18 unmarried individual,

19 “(II) \$80,000 in the case of a
20 joint return, and

21 “(III) \$40,000 in the case of a
22 married individual filing a separate
23 return.”

24 (2) QUALIFIED HIGHER EDUCATION EXPENSES
25 DEFINED.—Section 72(t) of such Code is amended

1 by adding at the end thereof the following new para-
2 graph:

3 “(6) QUALIFIED HIGHER EDUCATION EX-
4 PENSES.—For purposes of paragraph (2)(D)—

5 “(A) IN GENERAL.—The term ‘qualified
6 higher education expenses’ means tuition, fees,
7 books, supplies, and equipment required for the
8 enrollment or attendance of—

9 “(i) the taxpayer,

10 “(ii) the taxpayer’s spouse, or

11 “(iii) a child (as defined in section
12 151(c)(3)) of the taxpayer,

13 at an eligible educational institution (as defined
14 in section 135(c)(3)).

15 “(B) COORDINATION WITH SAVINGS BOND
16 PROVISIONS.—The amount of qualified higher
17 education expenses for any taxable year shall be
18 reduced by any amount excludable from gross
19 income under section 135.”

20 (b) CATASTROPHIC ILLNESS EXPENSES.—Subpara-
21 graph (A) of section 72(t)(3) of such Code is amended
22 to read as follows:

23 “(A) CERTAIN EXCEPTIONS NOT TO APPLY
24 TO INDIVIDUAL RETIREMENT PLANS.—

1 “(i) IN GENERAL.—Except as pro-
2 vided in clause (ii), subparagraphs (A)(v),
3 (B), and (C) of paragraph (2) shall not
4 apply to distributions from an individual
5 retirement plan.

6 “(ii) DISTRIBUTIONS FOR MEDICAL
7 EXPENSES FROM CERTAIN INDIVIDUAL RE-
8 TIREMENT PLANS.—Subparagraph (B) of
9 paragraph (2) shall apply to distributions
10 from an individual retirement plan if the
11 adjusted gross income of the distributee
12 for the taxable year in which the distribu-
13 tion occurs does not exceed the applicable
14 limitation under paragraph (2)(D).”

15 (c) PENALTY-FREE DISTRIBUTIONS FOR CERTAIN
16 UNEMPLOYED INDIVIDUALS.—Paragraph (2) of section
17 72(t) of such Code (as amended by the preceding provi-
18 sions of this section) is amended further by adding at the
19 end the following new subparagraph:

20 “(E) DISTRIBUTIONS TO UNEMPLOYED IN-
21 DIVIDUALS.—A distribution from an individual
22 retirement plan to an individual after separa-
23 tion from employment, if—

24 “(i) such individual has received un-
25 employment compensation for 12 consecu-

1 tive weeks under any Federal or State un-
2 employment compensation law by reason of
3 such separation, and

4 “(ii) such distributions are made dur-
5 ing any taxable year during which such un-
6 employment compensation is paid or the
7 succeeding taxable year.”

8 (d) EXPENSES FOR FIRST-TIME HOMEBUYERS.—

9 (1) IN GENERAL.—Paragraph (2) of section
10 72(t) of such Code (as amended by the preceding
11 provisions of this section) is amended further by
12 adding at the end the following new subparagraph:

13 “(F) DISTRIBUTIONS FROM INDIVIDUAL
14 RETIREMENT PLANS FOR FIRST-TIME HOME-
15 BUYERS.—

16 “(i) IN GENERAL.—Distributions to
17 an individual from an individual retirement
18 plan which are qualified first-time home-
19 buyer distributions (as defined in para-
20 graph (7)).

21 “(ii) ADJUSTED GROSS INCOME
22 LIMIT.—Clause (i) shall apply to distribu-
23 tions from an individual retirement plan
24 only if the adjusted gross income of the

1 distributee for the taxable year in which
2 the distribution occurs does not exceed—

3 “(I) \$60,000 in the case of an
4 unmarried individual,

5 “(II) \$80,000 in the case of a
6 joint return, and

7 “(III) \$40,000 in the case of a
8 married individual filing a separate
9 return.”

10 (2) DEFINITION.—Section 72(t) of such Code
11 (as amended by the preceding provisions of this sec-
12 tion) is amended further by adding at the end the
13 following new paragraph:

14 “(7) QUALIFIED FIRST-TIME HOMEBUYER DIS-
15 TRIBUTIONS.—For purposes of paragraph
16 (2)(F)(i)—

17 “(A) IN GENERAL.—The term ‘qualified
18 first-time homebuyer distribution’ means any
19 payment or distribution received by an individ-
20 ual to the extent such payment or distribution
21 is used by the individual before the close of the
22 60th day after the day on which such payment
23 or distribution is received to pay qualified ac-
24 quisition costs with respect to a principal resi-

1 dence of a first-time homebuyer who is such in-
2 dividual or such individual’s spouse.

3 “(B) QUALIFIED ACQUISITION COSTS.—
4 For purposes of this paragraph, the term
5 ‘qualified acquisition costs’ means the costs of
6 acquiring, constructing, or reconstructing a res-
7 idence. Such term includes any usual or reason-
8 able settlement, financing, or other closing
9 costs.

10 “(C) FIRST-TIME HOMEBUYER; OTHER
11 DEFINITIONS.—For purposes of this para-
12 graph—

13 “(i) FIRST-TIME HOMEBUYER.—The
14 term ‘first-time homebuyer’ means any in-
15 dividual if such individual (and if married,
16 such individual’s spouse) had no present
17 ownership interest in a principal residence
18 during the 10-year period ending on the
19 date of acquisition of the principal resi-
20 dence to which this paragraph applies.

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

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

1 “(I) on which a binding contract
2 to acquire the principal residence to
3 which subparagraph (A) applies is en-
4 tered into, or

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

8 “(D) SPECIAL RULE WHERE DELAY IN AC-
9 QUISSION.—If any distribution from any indi-
10 vidual retirement plan fails to meet the require-
11 ments of subparagraph (A) solely by reason of
12 a delay or cancellation of the purchase or con-
13 struction of the residence, the amount of the
14 distribution may be contributed to an individual
15 retirement plan as provided in section
16 408(d)(3)(A)(i) (determined by substituting
17 ‘120 days’ for ‘60 days’ in such section), except
18 that—

19 “(i) section 408(d)(3)(B) shall not be
20 applied to such contribution, and

21 “(ii) such amount shall not be taken
22 into account in determining whether sec-
23 tion 408(d)(3)(A)(i) applies to any other
24 amount.”

25 (e) CONFORMING AMENDMENTS.—

1 (1) Section 401(k)(2)(B)(i) of such Code is
2 amended by striking “or” at the end of subclause
3 (III), by striking “and” at the end of subclause (IV)
4 and inserting “or”, and by inserting after subclause
5 (IV) the following new subclause:

6 “(V) the date on which distribu-
7 tions for qualified higher education
8 expenses (as defined in section
9 72(t)(6)) or start-up expenses (as de-
10 fined in section 195(c)) or qualified
11 first-time homebuyer distributions (as
12 defined in section 72(t)(7)(A)) are
13 made, and”.

14 (2) Section 403(b)(11) of such Code is amend-
15 ed by striking “or” at the end of subparagraph (A),
16 by striking the period at the end of subparagraph
17 (B) and inserting “, or”, and by inserting after sub-
18 paragraph (B) the following new subparagraph:

19 “(C) for the payment of qualified higher
20 education expenses (as defined in section
21 72(t)(6)), start-up expenses (as defined in sec-
22 tion 195(c)), or qualified acquisition costs (as
23 defined in section 72(t)(7)) with respect to a
24 principal residence (as so defined) of a first-
25 time homebuyer (as so defined).”

1 (f) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to payments and distributions after
 3 the date of the enactment of this Act.

4 **SEC. 5. MINIMUM TAX ON FOREIGN AND FOREIGN-OWNED**
 5 **CORPORATIONS.**

6 (a) IN GENERAL.—Subchapter A of chapter 1 of the
 7 Internal Revenue Code of 1986 (relating to determination
 8 of tax liability) is amended by adding at the end thereof
 9 the following new part:

10 **“PART VIII—MINIMUM TAX ON CERTAIN FOREIGN**
 11 **AND FOREIGN-OWNED CORPORATIONS**

“Sec. 59B. Minimum tax on certain foreign and foreign-owned
 corporations.

12 **“SEC. 59B. MINIMUM TAX ON CERTAIN FOREIGN AND FOR-**
 13 **EIGN-OWNED CORPORATIONS.**

14 “(a) IMPOSITION OF TAX.—In the case of a corpora-
 15 tion to which this section applies, there is hereby imposed
 16 (in addition to any other tax imposed by this subtitle) a
 17 tax equal to the excess (if any) of—

18 “(1) 35 percent of the product of—

19 “(A) 9 percent, and

20 “(B) an amount equal to 75 percent of the
 21 gross receipts of the taxpayer from the sale or
 22 leasing of property manufactured by the tax-
 23 payer or by any foreign person that is a related
 24 party of the taxpayer, over

1 “(2) the aggregate tax imposed under sections
2 11, 55, and 1201 for such year.

3 “(b) TAXPAYERS TO WHICH SECTION APPLIES.—

4 This section shall apply to a corporation for the taxable
5 year if—

6 “(1) such corporation is—

7 “(A) a domestic corporation which is 25-
8 percent foreign-owned, or

9 “(B) a foreign corporation engaged in a
10 trade or business within the United States, and

11 “(2) the gross receipts from the sale or leasing
12 of property manufactured by such corporation or by
13 any foreign person that is a related party of such
14 corporation are greater than the lesser of—

15 “(A) \$2,000,000, or

16 “(B) an amount equal to 10 percent of the
17 total gross receipts of such corporation.

18 “(c) DEFINITIONS.—For purposes of this section, the
19 term ‘25-percent foreign-owned’, ‘foreign person’, and ‘re-
20 lated party’ have the respective meanings given such terms
21 by section 6038A(c).”

22 (b) CLERICAL AMENDMENT.—The table of parts for
23 such subchapter A is amended by adding at the end there-
24 of the following new item:

 “Part VIII. Minimum tax on certain foreign and foreign-owned
 corporations.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

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