104TH CONGRESS
1ST SESSION

H. R. 2452

To amend the Internal Revenue Code of 1986 to provide for the treatment of excess benefit arrangements of certain tax-exempt group medical practices, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 10, 1995

Ms. DUNN of Washington (for herself, Mr. SHAW, Mr. BLUTE, Mr. EHLERS, Mr. KNOLLENBERG, Mr. TORKILDSEN, and Mr. LATOURETTE) 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 provide for the treatment of excess benefit arrangements of certain tax-exempt group medical practices, 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. TREATMENT OF EXCESS BENEFIT ARRANGE-**

4   **MENTS OF CERTAIN TAX-EXEMPT GROUP**

5   **MEDICAL PRACTICES.**

6   Subsection (e) of section 457 of the Internal Revenue

7 Code of 1986 (relating to deferred compensation plans of

1 State and local governments and tax-exempt organiza-
2 tions) is amended by adding at the end the following new
3 paragraph:

4 "(14) EXCESS BENEFIT ARRANGEMENTS OF
5 CERTAIN GROUP MEDICAL PRACTICES.—

6 "(A) IN GENERAL.—Subsections (b)(2)
7 and (c)(1) shall not apply to any qualified ex-
8 cess benefit arrangement, and benefits provided
9 under such an arrangement shall not be taken
10 into account in determining whether any other
11 plan is an eligible deferred compensation plan
12 and the amount which may be deferred under
13 subsection (a) under such other plan.

14 "(B) LIMITATION.—The maximum amount
15 of compensation of any one participant which
16 may be deferred under subsection (a) during
17 any taxable year under a qualified excess bene-
18 fit arrangement shall not exceed the lesser of—

19 "(i) $25,000, or

20 "(ii) 33⅓ percent of the participant's
21 includible compensation.

22 "(C) QUALIFIED EXCESS BENEFIT AR-
23 RANGEMENT.—For purposes of this paragraph,
24 the term 'qualified excess benefit arrangement'
25 means a portion of a plan if—

1   ''(i) the plan is maintained by a quali-

2   fied medical entity which is described in

3   section 501(c)(3) and exempt from tax

4   under section 501(a), and

5   ''(ii) such portion is so maintained

6   solely for the purpose of providing to par-

7   ticipants in the plan that part of the par-

8   ticipant's annual benefit otherwise payable

9   under the terms of the plan that exceeds

10   the limitations on benefits imposed by sec-

11   tion 415.

12   ''(D) QUALIFIED MEDICAL ENTITY.—For

13   purposes of subparagraph (C), the term 'quali-

14   fied medical entity' means—

15   ''(i) any group medical practice, and

16   ''(ii) any integrated health care deliv-

17   ery system which employs groups of physi-

18   cians to provide clinical services.''

19 **SEC. 2. PLANS OF QUALIFIED MEDICAL ENTITIES EXEMPT**

20   **FROM REDUCTION OF LIMIT UNDER SECTION**

21   **457 FOR OTHER ELECTIVE DEFERRALS.**

22   The last sentence of paragraph (2) of section 457(c)

23 of the Internal Revenue Code of 1986 is amended by in-

24 serting before the period ''or in a plan maintained by a

25 qualified medical entity (as defined in subsection (e)(14))

1 which is described in section 501(c)(3) and exempt from
2 tax under section 501(a)''.

SEC. 3. COST-OF-LIVING ADJUSTMENTS OF DEFERRAL LIM-
ITS UNDER SECTION 457.

5 Subsection (e) of section 457 of the Internal Revenue
6 Code of 1986 is amended by adding at the end the follow-
7 ing new paragraph:

8 ''(15) COST-OF-LIVING ADJUSTMENT OF MAXI-
9 MUM DEFERRAL AMOUNT.—The Secretary shall ad-
10 just the dollar amounts specified in subsections
11 (b)(2) and (c)(1), and in paragraph (14) of this sub-
12 section, at the same time and in the same manner
13 as under section 415(d), except that the base period
14 in applying such section for purposes of this para-
15 graph shall be the calendar quarter beginning Octo-
16 ber 1, 1994.''

SEC. 4. EFFECTIVE DATE.

18 The amendments made by this Act shall apply to tax-
19 able years beginning after December 31, 1994.

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