us win the Cold War, and several hot ones. In the process, they have helped open doors for democracy and torn down walls of oppression.

We have an obligation to do anything and everything we can to defend our shores and protect our citizens. We must also show the same strength and support for our troops.

I have introduced H.R. 4208, the Recruiting Retention and Reservist Promotion Act. This legislation focuses on three things: one, improvement for recruiting through expansion of junior ROTC, sea cadets, young Marines and civil air patrol youth programs; two, retention through enhanced bonus pay for lengthy and numerous deployments; and, three, reservist promotion through tax credits and loans for businesses that employ National Guardsmen and reservists who are called to duty.

I hope my colleagues will join me in cosponsoring 4208. To our friends who say we cannot agree and we argue over we cannot afford to have the best military, I would simply say we cannot afford not to.

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COMPREHENSIVE RETIREMENT SECURITY AND PENSION REFORM ACT

Mr. REYNOLDS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 557 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 557

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 1102) to provide for pension reform, and for other purposes. The bill shall be considered as read for amendment. In lieu of the amendment recommended by the Committee on Education and the Workforce now printed in the bill, an amendment in the nature of a substitute consisting of the text of the amendment recommended by the Committee on Ways and Means now printed in H.R. 4843 shall be considered as adopted. The previous question shall be considered as ordered on the bill, as amended, and on any further amendment thereto to final passage without intervening motion except: (1) one hour of debate on the bill, as amended, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; (2) the amendment printed in the report of the Committee on Rules accompanying this resolution, if offered by Representative Rangel or his designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

The SPEAKER pro tempore (Mr. OSE). The gentleman from New York (Mr. REYNOLDS) is recognized for 1 hour.

Mr. REYNOLDS. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentlewoman from New York (Ms. SLAUGHTER), pending which I yield myself such time as I may consume. During consideration of the resolution, all time yielded is for the purpose of debate only.

(Mr. REYNOLDS asked and was given permission to revise and extend his remarks, and include extraneous material.)

Mr. REYNOLDS. Mr. Speaker, last night the Committee on Rules met and granted a modified closed rule for H.R. 1102, the Comprehensive Retirement Security and Pension Reform Act of 2000. The rule provides that in lieu of the amendment recommended by the Committee on Education and the Workforce now printed in the bill, the text of H.R. 4843 as reported by the Committee on Ways and Means shall be considered as adopted. Additionally, the rule waives all points of order against the bill and against consideration of the amendment printed in this report.

The rule also provides 1 hour of debate equally divided and controlled by the chairman and ranking member of the Committee on Ways and Means.

The rule further provides for consideration of the amendment printed in the Committee on Rules report accompanying the resolution, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered as read and shall be separately debatable for 1 hour equally divided and controlled by a proponent and an opponent.

Finally, the rule provides for one motion to recommit with or without instructions.

Mr. Speaker, this is a completely fair rule for reform of our Nation's pension and retirement security laws. Not only is the underlying bill a completely balanced, bipartisan measure, but the rule also makes in order a minority substitute amendment providing for a full hour for debate. In short, the rule allows for a comprehensive debate on this very important matter.

Mr. Speaker, Americans are investing far less than they should to prepare for their retirement. Half of all private-sector workers still have no pension coverage. Over a fifth of small businesses with 25 or fewer employees offer a pension plan, and members of the baby boomers generation, 76 million of whom will retire in the next 15 years, have less than 40 percent of the savings needed to maintain their standard of living.

In fact, retirement savings in the United States are at extremely low levels, even as our economy is reaching record highs. The reason Americans are saving less than they need for their retirement is simple, because the Federal Government has discouraged them from doing so.

For too long the Federal Government has been an impediment to American workers planning and preparing for their retirement security.

Mr. Speaker, contribution limits on pensions and IRAs have not kept with the times. In fact, they have been stuck at the 1980s level. Worse, over the past 2 decades Congress has actually reduced contribution limits and, as a double hit on working Americans, the Federal Government at the same time introduced burdensome and costly regulatory restrictions on pension plans. The result, in 1987 there were 114,000 of these pension plans across America. Ten years later, there were only 45,000. Since 1990 pension coverage has declined from 40 to 33 percent among workers making less than $20,000; and despite a booming economy, the personal savings rate has dropped every year since 1992 and is at its lowest point in 66 years.

The underlying bipartisan bill is a historic measure that will strengthen individual retirement accounts, 401(k) plans and small business retirement plans, finally bringing retirement savings into the 21st century and helping ensure retirement security of countless Americans.

The Comprehensive Retirement Security and Pension Reform Act allows working Americans to set more of their hard-earned money aside in an IRA or 401(k)-type plan, modernizes pension laws, and provides regulatory relief to encourage more small businesses to offer retirement plans.

The bill increases the old IRA contribution limit from $2,000 to $5,000 over the next 3 years for both traditional and Roth IRAs, and the bill includes an important fairness provision to allow workers over 50 years of age to catch up with contributions for 401(k) plans by increasing the contribution level immediately.

This bipartisan measure will remove excessive, burdensome and unnecessary Federal regulations, providing relief to American businesses and workers by encouraging small businesses to offer pension plans. By removing these restrictions, Americans will be allowed the freedom to invest in their future as never before.

Mr. Speaker, H.R. 1102 is a fair, balanced and bipartisan plan that will help millions of Americans. I would like to commend the chairman of the Committee on Ways and Means, the gentleman from Texas (Mr. ARCHER), and the gentleman from New York (Mr. RANGEL), for their hard work on this bill. Additionally, I would like to commend the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), the sponsors of the underlying legislation, for their dedication to pension and retirement reform for America.

I urge my colleagues to support this fair rule, the underlying measure.

Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I thank the gentleman from New York for yielding me the customary 30 minutes and yield myself such time as I may consume.

(Ms. SLAUGHTER asked and was given permission to revise and extend her remarks.)

Ms. SLAUGHTER. Mr. Speaker, this is a modified closed rule; but H.R. 4843 deserves full and open debate, and an open rule would have ensured that no one would be shut out of the process.

Mr. Speaker, I strongly support the underlying goals of H.R. 4843, to provide expanded opportunities for working Americans to save for their retirement. The bill includes a number of provisions which improve current protections for workers and retirees, such as a reduction of vesting to 3 years for 401(k) plan-matching contributions, encouraging rollovers of pension plans when workers switch employment, and eliminating compensation caps that unfairly affect the pension benefits of rank and file workers.

Even during this period of strong economic growth, more people are joining the workforce than are receiving pension coverage. Only half the workforce is covered by a pension plan; and, worse, there is reason to believe it will not provide them with an adequate level of supplemental income in their retirement.

Although there is insufficient data to measure contributions and benefits, data from the Federal Reserve shows pension plan contributions declining by 50 percent in recent years.

While the underlying bill provides significant opportunities for those workers who can most afford to save the maximum amount allowed, few or no opportunities are available to low- and moderate-income workers under the bill. We must continue to work together to improve this aspect of the bill and ensure that no segment of our workforce is excluded from the opportunity to financially improve their retirement years.

□ 1030

The pressure to save adequately for retirement affects all working Americans. Statistics confirm that low-income workers are far less likely to participate in an employment-based retirement savings plan than workers with higher incomes, even when the plan is available to them. Individuals who are in between $10,000 and $14,000 annually participate at a rate of 31 percent, even though 51 percent of them have access to plans at work. However, the participation rate for workers earning $50,000 or more increased to 83 percent, with 88 percent of such workers having access to employer-sponsored plans.

During the consideration of the underlying bill, the gentleman from New York (Mr. RANGEL) will offer a substitute that incorporates the text of H.R. 4843, as well as provisions to encourage the participation of the low-income workers. Specifically, the substitute provides a refundable credit for low- and middle-income workers who save for their retirement, makes small business employers eligible to claim a credit for certain expenses incurred as the result of establishing a qualified pension plan, provides relief from certain section 415 rules and benefit limits, and expresses a Sense of Congress that issues concerning cash balance plans should be resolved.

Mr. Speaker, I urge that my colleagues support these important improvements to the bill.

Mr. Speaker, I yield back the balance of my time.

Mr. REYNOLDS. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. ARCHER. Mr. Speaker, pursuant to House Resolution 557, I call up the bill (H.R. 1102), to provide for pension reform, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 557, the bill is considered read for amendment.

The text of H.R. 1102 is as follows:

H.R. 1102

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

TITLE I—EXPANDING COVERAGE

SEC. 101. RESTORATION OF LIMITS FORMERLY IN EFFECT.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$180,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$180,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$180,000' ''.

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

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

(4) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—Subparagraph (F) of section 415(b)(2) is amended to read as follows:

''(F) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—

''(i) IN GENERAL.—In the case of a governmental plan (within the meaning of section 414(d)), a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle, a multiemployer plan (as defined in section 414(f)), or a qualified merchant marine plan, subparagraph (C) shall be applied as if the last sentence thereof read as follows: 'The reduction under this subparagraph shall not reduce the limitation of paragraph (1)(A) below (i) $130,000 if the benefit begins at or after age 55, or (ii) if the benefit begins before age 55, the equivalent of the $130,000 limitation for age 55.'

''(ii) DEFINITIONS.—For purposes of this subparagraph—

''(I) QUALIFIED MERCHANT MARINE PLAN.—The term 'qualified merchant marine plan' means a plan in existence on January 1, 1986, the participants in which are merchant marine officers holding licenses issued by the Secretary of Transportation under title 46, United States Code.

''(II) EXEMPT ORGANIZATION PLAN COVERING 50 PERCENT OF ITS EMPLOYEES.—A plan shall be treated as a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle if at least 50 percent of the employees benefiting under the plan are employees of an organization (other than a governmental unit) exempt from tax under this subtitle. If less than 50 percent of the employees benefiting under a plan are employees of an organization (other than a governmental unit) exempt from tax under this subtitle, the plan shall be treated as a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle only with respect to employees of such an organization.''.

(5) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) in paragraph (1)(A) by striking ''$90,000'' and inserting ''$180,000'', and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$180,000'', and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 1999''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$45,000''.

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

(A) in paragraph (1)(C) by striking ''$30,000'' and inserting ''$45,000'', and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$45,000'', and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 1999''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$235,000''.

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

(A) by striking ''October 1, 1993'' and inserting ''July 1, 1999'', and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraphs (1) and (5) of section 402(g) (relating to limitation on exclusion for elective deferrals) are each amended by striking ''$7,000'' and inserting ''$15,000''.

(2) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraph (1), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(1) in subsections (b)(2)(A), (c)(1), and (e)(15) by striking ''$7,500'' each place it appears and inserting ''$15,000'',

(2) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''$30,000'', and

(3) in subsection (e)(15)—

(A) by inserting ''and the $30,000 amount specified in subsection (b)(3)(A)'' after ''(c)(1)'', and

(B) by striking ''September 30, 1994'' and inserting ''September 30, 1999''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Sections 408(p)(2)(A)(ii), 408(p)(2)(E), 401(k)(11)(B)(i)(I), and 401(k)(11)(E) are each amended by striking ''$6,000'' and inserting ''$10,000''.

(2) BASE PERIOD FOR COST-OF-LIVING ADJUSTMENT.—Subparagraph (E) of section 408(p)(2) is amended by striking ''September 30, 1996'' and inserting ''September 30, 1999''.

(g) COST-OF-LIVING ADJUSTMENTS.—

(1) PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—Paragraph (1) of section 415(d) (as amended by subsection (b)) is amended by striking ''and'' at the end of subparagraph (B), by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:

''(C) the $130,000 amount in subsection (b)(2)(F), and''.

(2) BASE PERIOD.—Paragraph (3) of section 415(d) (as amended by subsection (b)) is further amended by redesignating subparagraph (D) as subparagraph (E) and by inserting after subparagraph (C) the following new subparagraph:

''(D) $130,000 AMOUNT.—The base period taken into account for purposes of paragraph (1)(C) is the calendar quarter beginning July 1, 1999.''.

(3) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $180,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $130,000 AND $45,000 AMOUNTS.—Any increase under subparagraph (C) or (D) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(4) CONFORMING AMENDMENT.—Subparagraph (D) of section 415(d)(3) (as amended by paragraph (2)) is amended by striking ''paragraph (1)(C)'' and inserting ''paragraph (1)(D)''.

(h) INCREASE IN AMOUNT OF DEDUCTIBLE IRA CONTRIBUTIONS.—

(1) INCREASE IN MAXIMUM AMOUNT OF DEDUCTION.—Subparagraph (A) of section 219(b)(1) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''$5,000''.

(2) CONFORMING AMENDMENTS.—

(A) Subsections (a)(1), (b)(2), (j), and (p)(8) of section 408 are each amended by striking ''$2,000'' each place it appears and inserting ''$5,000''.

(B) Clause (i) of section 408(o)(2)(B) is amended by inserting ''the lesser of $2,000, or'' after ''means''.

(C) Paragraph (2) of section 408A(c) is amended by inserting ''the lesser of $2,000, or'' after ''shall not exceed''.

(D) Subparagraph (B) of section 4973(b)(1) is amended by inserting ''(or in the case of a nondeductible individual retirement plan, the amount allowable as a contribution under section 408(o))'' after ''contributions,''.

(i) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to years beginning after December 31, 1999.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions or benefits pursuant to any such agreement for years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2000, or

(B) January 1, 2004.

SEC. 102. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subsection (f) of section 4975 (relating to other definitions and special rules) is amended by striking paragraph (6).

(b) AMENDMENTS TO ERISA.—

(1) Section 408 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108) is amended—

(A) by striking subsection (d); and

(B) by redesignating subsections (e) and (f) as subsections (d) and (e), respectively.

(2) Section 407(b)(3)(B) of such Act (29 U.S.C. 1107(b)(3)(B)) is amended by striking ''section 408(e)'' and inserting ''section 408(d)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.

SEC. 103. SALARY REDUCTION ONLY SIMPLE PLANS.

(a) SIMPLE RETIREMENT ACCOUNTS.—

(1) IN GENERAL.—Paragraph (2) of section 408(p) (as amended by section 101(f)) is further amended—

(A) by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively; and

(B) by inserting after subparagraph (B) the following:

''(C) EMPLOYER MAY ELECT SALARY REDUCTION ONLY ARRANGEMENT.—

''(i) IN GENERAL.—An employer shall be treated as meeting the requirements of subparagraph (A)(iii) for any year if, in lieu of the contributions described in such subparagraph, the employer elects to limit the amount which an employee may elect under subparagraph (A)(i) to a total of $5,000 for the year. If an employer makes an election under this subparagraph for any year, the employer shall notify employees of such election within a reasonable period of time before the 60-day period for such year under paragraph (5)(C).

''(ii) EXCEPTION.—This subparagraph shall not apply to an employer if such employer (or any predecessor employer) maintained another qualified plan (as defined in subparagraph (D)(ii)) with respect to which contributions were made, or benefits were accrued, for service during the year in which the arrangement described in clause (i) became effective or either of the 2 preceding years. If only individuals other than employees described in subparagraph (A) of section 410(b)(3) are eligible to participate in the arrangement described in clause (i), then the preceding sentence shall be applied without regard to any qualified plan in which only employees so described are eligible to participate.''.

(2) SPECIAL RULE FOR ACQUISITIONS, DISPOSITIONS, AND SIMILAR TRANSACTIONS.—Subparagraph (B) of section 408(p)(10) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ''; and'', and by inserting after clause (iii) the following:

''(iv) the requirement under paragraph (2)(C) that the employer not have maintained another qualified plan described therein.''.

(3) COST-OF-LIVING ADJUSTMENT.—Subparagraph (F) of section 408(p)(2) (as so redesignated) is amended by inserting ''and the $5,000 amount under subparagraph (C)'' after ''subparagraph (A)(ii)''.

(4) COORDINATION WITH MAXIMUM LIMITATION.—Paragraph (8) of section 408(p) (relating to coordination with maximum limitation under subsection (a)) is amended by striking ''paragraph (2)(A)(ii) of this subsection'' and inserting ''subparagraph (A)(ii) or (C) of paragraph (2) of this subsection, whichever is applicable,''.

(5) CONFORMING AMENDMENT.—Clause (ii) of section 408(p)(10)(B) is amended by striking ''paragraph (2)(D)'' and inserting ''paragraph (2)(E)''.

(b) ADOPTION OF SIMPLE PLAN TO MEET NONDISCRIMINATION TESTS.—

(1) SIMPLE PLAN.—Subparagraph (B) of section 401(k)(11) is amended by redesignating clause (iii) as clause (iv) and by inserting after clause (ii) the following new clause:

''(iii) EMPLOYER MAY ELECT SALARY REDUCTION ONLY ARRANGEMENT.—

''(I) IN GENERAL.—An employer shall be treated as meeting the requirements of clause (i)(II) for any year if, in lieu of the contributions described in such clause, the employer elects to limit the amount which an employee may elect under clause (i) to a total of $5,000 for the year. If an employer makes an election under this clause for any year, the employer shall notify employees of such election within a reasonable period of time before the 60-day period for such year under clause (iv)(II).

''(II) EXCEPTION.—This clause shall not apply to an employer if such employer (or any predecessor employer) maintained another qualified plan (as defined in section 408(p)(2)(D)(ii)) with respect to which contributions were made, or benefits were accrued, for service during the year in which the arrangement described in subclause (I) became effective or either of the 2 preceding years. This subclause shall not apply if such contributions or benefits were solely on behalf of employees who are not eligible to participate in the arrangement described in subclause (I).''.

(2) COST-OF-LIVING ADJUSTMENT.—Subparagraph (E) of section 401(k)(11) is amended by inserting ''and the $5,000 amount under subparagraph (B)(iii)'' after ''subparagraph (B)(i)(I)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 104. MODIFICATION OF TOP-HEAVY RULES.

(a) REPEAL OF FAMILY AGGREGATION RULES.—Section 416(i)(1)(B)(i)(I) (defining 5-percent owner) is amended by inserting ''(without regard to subsection (a)(1) thereof)'' after ''section 318''.

(b) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i),

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

''(i) an officer of the employer who has compensation from the employer of more than $150,000,'',

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

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

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(c) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN NOT TAKEN INTO ACCOUNT.—

(1) DEFINITION OF TOP-HEAVY PLAN.—Section 416(g)(4) (relating to other special rules) is amended by adding at the end the following:

''(H) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN NOT TAKEN INTO ACCOUNT.—At the election of the employer, any employee elective contribution described in section 415(c)(3)(D) to a plan (and earnings allocable thereto) shall not be taken into account for purposes of determining whether a plan is a top-heavy plan (or whether any aggregation group which includes such plan is a top-heavy group).''.

(2) DEFINITION OF COMPENSATION.—Section 416(i)(1)(D) (defining compensation) is amended to read as follows:

''(D) COMPENSATION.—

''(i) IN GENERAL.—For purposes of this paragraph, except as provided in clause (ii), the term 'compensation' has the meaning given such term by section 414(q)(4).

''(ii) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN NOT TAKEN INTO ACCOUNT.—At the election of the employer, any employee elective contribution described in section 415(c)(3)(D) to a plan shall not be taken into account for purposes of determining compensation.''.

(d) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(e) REQUIREMENTS FOR QUALIFICATIONS.—Clause (ii) of section 401(a)(10)(B) (relating to requirements for qualifications for top-heavy plans) is amended by adding at the end the following new flush sentence:

''The preceding sentence shall not apply to a plan if the plan is not top-heavy and if it is not reasonable to expect that the plan will become top-heavy.''.

(f) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—Section 416(g) is amended—

(1) in paragraph (3)—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) in the matter following subparagraph (B), by striking ''5-year period'' and inserting ''1-year period'', and

(2) in paragraph (4)(E)—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(g) DEFINITION OF TOP-HEAVY PLANS.—

(1) EXCLUSION OF CERTAIN PLANS FROM DEFINITION OF TOP-HEAVY PLAN.—Paragraph (4) of section 416(d) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraphs:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a cash or deferred arrangement to the extent that such arrangement meets the requirements of section 401(k)(12). This subparagraph shall also apply to contributions that are not required to satisfy the requirements of section 401(k)(12) but are consistent with the purposes of such section, as permitted under regulations which the Secretary shall prescribe. Nothing in this subparagraph shall preclude an employer from taking into account contributions made under the cash or deferred arrangement when determining whether any plan of such employer satisfies the requirements of this section.

''(I) DEFINED CONTRIBUTION PLANS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a defined contribution plan to the extent that such plan meets the requirements of section 401(m)(11). This subparagraph shall also apply to contributions that are not required to satisfy the requirements of section 401(m)(11) but are consistent with the purposes of such section, as permitted under regulations which the Secretary shall prescribe. Nothing in this subparagraph shall

preclude an employer from taking into account contributions made under the defined contribution plan when determining whether any plan of such employer satisfies the requirements of this section.''.

(2) AGGREGATION GROUP NOT REQUIRED TO INCLUDE CERTAIN PLANS.—Clause (i) of section 416(g)(2)(A) of such Code (relating to required aggregation) is amended by adding at the end the following new flush sentence:

''Such term shall not include a plan or arrangement described in subparagraph (H) or (I) of paragraph (4).''.

(h) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT.—Clause (i) of section 416(c)(2)(B) (relating to special rule where maximum contribution less than 3 percent) is amended by inserting ''(other than elective deferrals (as defined in section 402(g)(3))'' after ''contributions''.

(i) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(1) in clause (i) by striking ''clause (ii)'' and inserting ''clause (ii) or (iii)'', and

(2) by adding at the end the following:

''(iii) For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when no employee or former employee benefits under the plan within the meaning of section 410(b).''.

(j) ALTERNATIVE 60 PERCENT.—Subsection (g) of section 416 (relating to top heavy plan defined) is amended by adding at the end the following:

''(5) ALTERNATIVE 60 PERCENT TEST.—

''(A) IN GENERAL.—For any plan year, an employer may elect for this paragraph to apply to all plans maintained by such employer. If this paragraph applies to a plan, the term 'top-heavy plan' shall have the meaning set forth in subparagraph (B) and the term 'top-heavy group' shall have the meaning set forth in subparagraph (C).

''(B) TOP-HEAVY PLAN DEFINED.—In the case of any plan to which this paragraph applies, the term 'top-heavy plan' means, with respect to any plan year—

''(i) any defined benefit plan if, for the plan year ending on the determination date, the present value of the accruals for key employees exceeds 60 percent of the present value of the accruals for all employees, and

''(ii) any defined contribution plan if, for the plan year ending on the determination date, the annual additions for key employees exceed 60 percent of the annual additions for all employees.

''(C) TOP-HEAVY GROUP.—In the case of any plan to which this paragraph applies, the term 'top-heavy group' means any aggregation group if—

''(i) the sum, for the plan year ending on the determination date, of—

''(I) the present value of the accruals for key employees under all defined benefit plans included in such group, and

''(II) the aggregate of the annual additions of key employees under all defined contribution plans included in such group,

''(ii) exceeds 60 percent of a similar sum determined for all employees.

''(D) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' shall have the same meaning as when used in section 415(c)(2) (without regard to section 415(l) or section 419A(d)(2)).

''(E) CERTAIN RULES NOT TO APPLY.—Paragraphs (3) and (4) (other than subparagraphs (B), (C), (D), (E), and (G) of paragraph (4)) shall not apply for purposes of this paragraph.''.

(k) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 416(g)(1) is amended by striking ''subparagraph (B)'' and inserting ''subparagraph (B) and paragraph (5)''.

(2) Subparagraph (B) of section 416(g)(2) is amended by striking ''The term'' and inserting ''Except as provided in paragraph (5), the term''.

(3) Subparagraph (A) of section 415(b)(5) is amended by adding at the end the following: ''An employee shall not be credited with a year of participation in a defined benefit plan for any year in which such employee does not benefit under the plan within the meaning of section 410(b).''.

(l) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 105. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.

(a) IN GENERAL.—Section 404 is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitations described in this section (other than subsection (a)), and such elective deferrals shall not be taken into account in applying such limitations to any other contributions.''.

(b) CONFORMING AMENDMENTS.—Paragraph (3) of section 4972(c) is amended to read as follows:

''(3) CONTRIBUTIONS NOT TAKEN INTO ACCOUNT.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account—

''(A) any elective deferral (as defined in section 402(g)(3)), or

''(B) any contribution for such taxable year which is distributed to the employer in a distribution described in section 4980(c)(2)(B)(ii) if such distribution is made on or before the last day on which a contribution may be made for such taxable year under section 404(a)(6).''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

SEC. 106. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) by inserting ''other than a new single-employer plan of a small employer (as defined in clause (iv)),'' after ''in the case of a single-employer plan,'' in clause (i),

(2) by striking the period at the end of clause (iii) and inserting ''; and'', and

(3) by inserting after clause (iii) the following new clause:

''(iv) in the case of a new single-employer plan of a small employer, $5 for each individual who is a participant in such plan during the plan year. For purposes of this clause (iv):

''(I) The term 'new single-employer plan' means a single-employer plan during its first five plan years; provided, however, that a single-employer plan is not a new single-employer plan if any contributing sponsor or any member of its controlled group (including any predecessor of a contributing sponsor or member of such predecessor's controlled group) had established or maintained a plan to which this title applied that included substantially the same employees as such new plan, at any time within the 36-month period preceding the adoption of such new plan.

''(II) The term 'small employer' means a contributing sponsor that on the first day of the plan year has, in combination with all members of its controlled group, 100 or fewer employees.

''(III) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the plan shall be considered to be a plan of a small employer.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

SEC. 107. PHASE-IN OF ADDITIONAL PREMIUM FOR NEW PLANS.

(a) IN GENERAL.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended—

(1) by inserting ''(or, in the case of a new single-employer plan described in clause (vi), the amount determined under clause (v))'' after ''determined under clause (ii)'' in clause (i), and

(2) by inserting after clause (iv) the following new clauses:

''(v) The amount determined under this clause for any plan year of a new single-employer plan (as described in clause (vi)) shall be an amount equal to the product derived by multiplying the amount determined under clause (ii) by the applicable percentage. For purposes of this clause (v), the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year,

''(II) 20 percent, for the second plan year,

''(III) 40 percent, for the third plan year,

''(IV) 60 percent, for the fourth plan year, and

''(V) 80 percent, for the fifth plan year.

''(vi) For purposes of clause (v), the term 'new single-employer plan' means a single-employer plan during its first five plan years; provided, however, that a single-employer plan is not a new single-employer plan if any contributing sponsor or any member of its controlled group (including any predecessor of a contributing sponsor or member of such predecessor's controlled group) had established or maintained a plan to which this title applied that included substantially the same employees as such new plan, at any time within the 36-month period preceding the adoption of such new plan.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

SEC. 108. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed $15,000 (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 1999.

SEC. 109. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term 'pension benefit

plan' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 1999.

SEC. 110. ALTERNATIVE METHOD OF MEETING NONDISCRIMINATION REQUIREMENTS FOR AUTOMATIC CONTRIBUTION TRUST.

(a) IN GENERAL.—Section 401(k) (relating to cash or deferred arrangement) is amended by adding at the end the following new paragraph:

''(13) NONDISCRIMINATION REQUIREMENTS FOR AUTOMATIC CONTRIBUTION TRUSTS.—

''(A) IN GENERAL.—A cash or deferred arrangement shall be treated as meeting the requirements of paragraph (3)(A)(ii) if such arrangement constitutes an automatic contribution trust.

''(B) AUTOMATIC CONTRIBUTION TRUST.—For purposes of this paragraph, the term 'automatic contribution trust' means an arrangement—

''(i) under which each employee eligible to participate in the arrangement is treated as having elected to have the employer make elective contributions in an amount equal to the uniform percentage (not less than 3 percent) of compensation provided under the arrangement until the employee specifically elects not to have such contributions made, and

''(ii) which meets the other requirements of this paragraph.

Clause (i) of this subparagraph shall not apply to any employee who was eligible to participate in the arrangement (or a predecessor arrangement) immediately before the first date on which the arrangement is an automatic contribution trust. The election treated as having been made under clause (i) shall cease to apply to compensation paid after the specific election by the employee.

''(C) PARTICIPATION.—

''(i) Except as provided in clause (ii), an arrangement meets the requirements of this subparagraph for any year if, during the plan year or the preceding plan year, elective contributions are made on behalf of at least 70 percent of employees other than highly compensated employees eligible to participate in the arrangement.

''(ii) An arrangement (other than a successor arrangement) shall be treated as meeting the requirements of this subparagraph with respect to the first plan year in which the arrangement is effective.

''(D) MATCHING OR NONELECTIVE CONTRIBUTIONS.—The requirements of this subparagraph are met if, under the arrangement, the employer—

''(i) makes matching contributions on behalf of each employee who is not a highly compensated employee in an amount equal to 50 percent of the elective contributions of the employee to the extent such elective contributions do not exceed 5 percent of compensation, or

''(ii) is required, without regard to whether the employee makes an elective contribution or employee contribution, to make a contribution to a defined contribution plan on behalf of each employee who is not a highly compensated employee and who is eligible to participate in the arrangement in an amount equal to at least 2 percent of the employee's compensation.

The rules of clauses (ii), (iii), and (iv) of paragraph (12)(B) shall apply for purposes of clause (i).

''(E) VESTING.—The requirements of this subparagraph are met if the requirements of subparagraph (C) of paragraph (2) are met with respect to all employer contributions (including matching contributions) taken into account in determining whether the requirements of subparagraph (B) or (C) are met.

''(F) NOTICE REQUIREMENTS.—

''(i) IN GENERAL.—The requirements of this subparagraph are met if the requirements of clauses (ii) and (iii) are met.

''(ii) REASONABLE PERIOD TO MAKE ELECTION.—The requirements of this clause are met if each employee to whom subparagraph (B)(i) applies—

''(I) receives a notice explaining the employee's right under the arrangement to elect not to have elective contributions made on the employee's behalf, and

''(II) has a reasonable period of time after receipt of such notice and before the first elective contribution is made to make such election.

''(iii) ANNUAL NOTICE OF RIGHTS AND OBLIGATIONS.—The requirements of this clause are met if each employee eligible to participate in the arrangement is, within a reasonable period before any year, given notice of the employee's rights and obligations under the arrangement.

The requirements of clauses (i) and (ii) of paragraph (12)(D) shall be met with respect to the notices described in clauses (ii) and (iii) of this subparagraph.''.

(b) MATCHING CONTRIBUTIONS.—Section 401(m) (relating to nondiscrimination test for matching contributions and employee contributions) is amended by redesignating paragraph (12) as paragraph (13) and by inserting after paragraph (11) the following new paragraph:

''(12) ALTERNATIVE METHOD FOR AUTOMATIC CONTRIBUTION TRUSTS.—

''(A) IN GENERAL.—A defined contribution plan shall be treated as meeting the requirements of paragraph (2) with respect to matching contributions if the plan—

''(i) meets the contribution requirements of subparagraphs (B)(i) and (D) of subsection (k)(13),

''(ii) meets the participation requirements of subsection (k)(13)(C),

''(iii) meets the vesting and notice requirements of subparagraphs (E) and (F) of subsection (k)(13), and

''(iv) meets the requirements of paragraph (11)(B).

''(B) MATCHING CONTRIBUTIONS.—An annuity contract under section 403(b) shall be treated as meeting the requirements of paragraph (2) with respect to matching contributions if such contract meets requirements similar to the requirements under subparagraph (A).''.

(c) EXCLUSION FROM DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(d) (relating to other special rules for top-heavy plans), as amended by section 104(g), is amended by adding at the end the following new subparagraph:

''(J) AUTOMATIC CONTRIBUTION TRUST.—The term 'top-heavy plan' shall not include an automatic contribution trust under section 401(k)(13). Nothing in this subparagraph shall preclude an employer from taking into account contributions made under the automatic contribution trust when determining whether any plan of such employer satisfies the requirements of this section.''.

(d) DEFINITION OF COMPENSATION.—

(1) IN GENERAL.—Paragraph (9) of section 401(k) is amended to read as follows:

''(9) COMPENSATION.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), for purposes of this section, the term 'compensation' has the meaning given such term by section 414(s).

''(B) USE OF BASE PAY.—For purposes of paragraph (12)(B), the term 'compensation' means the definition of compensation used by the cash or deferred arrangement if such compensation—

''(i) meets the requirements of section 414(s), or

''(ii) constitutes base pay.

''(C) BASE PAY.—For purposes of subparagraph (B), the term 'base pay' means a reasonable definition of compensation that does not by design favor highly compensated employees and that excludes on a consistent basis all irregular or additional compensation.''.

(2) AUTOMATIC CONTRIBUTION TRUSTS.—Paragraph (9)(B) of section 401(k) (as amended by paragraph (1)) is amended by striking ''paragraph (12)(B)'' and inserting ''paragraphs (12)(B), (13)(B), and (13)(D)(i)''.

(3) MATCHING CONTRIBUTIONS.—Paragraph (11) of section 401(m) is amended by adding at the end the following:

''(C) DEFINITION OF COMPENSATION.—For purposes of subparagraph (B), the term ''compensation'' has the meaning given such term by subsection (k)(9)(B).''.

(e) APPLICATION BY YEAR OR PAYROLL PERIOD.—

(1) CASH OR DEFERRED ARRANGEMENTS.—Subparagraph (B) of section 401(k)(12) is amended by adding at the end the following:

''(iv) APPLICATION BY YEAR OR PAYROLL PERIOD.—The requirements of this subparagraph may be met for a plan year by meeting such requirements either—

''(I) with respect to the plan year as a whole, or

''(II) separately with respect to each payroll period (or other payment of compensation) taken into account under the arrangement for the plan year.''.

(2) DEFINED CONTRIBUTION PLANS.—Paragraph (11) of section 401(m) (as amended by this section) is amended by adding at the end the following:

''(D) APPLICATION BY YEAR OR PAYROLL PERIOD.—The requirements of subparagraph (B) may be met for a plan year by meeting such requirements either—

''(i) with respect to the plan year as a whole, or

''(ii) separately with respect to each payroll period (or other payment of compensation) taken into account under the plan for the plan year.''.

(f) SECTION 403(b) CONTRACTS.—Paragraph (11) of section 401(m) (as amended by this section) is amended by adding at the end the following:

''(E) SECTION 403(B) CONTRACTS.—An annuity contract under section 403(b) shall be treated as meeting the requirements of paragraph (2) with respect to matching contributions if such contract meets requirements similar to the requirements under subparagraph (A).''.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to plan years beginning after December 31, 1999.

(2) EXCEPTION.—The amendments made by subsections (d)(1), (d)(3), (e), and (f) shall apply to years beginning after December 31, 1998.

SEC. 111. DEDUCTION LIMITS.

(a) IN GENERAL.—

(1) STOCK BONUS AND PROFIT SHARING TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''25 percent''.

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

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(3) DEFINED CONTRIBUTION PLANS.—Subparagraph (A) of section 404(a)(3) (relating to stock bonus and profit sharing trusts) is amended by adding at the end the following:

''(vi) DEFINED CONTRIBUTION PLANS SUBJECT TO THE FUNDING STANDARDS.—Except as provided by the Secretary, for purposes of this subparagraph, a defined contribution plan which is subject to the funding standards of section 412 shall be treated in the same manner as a stock bonus or profit-sharing plan.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 404(a)(3) is amended by striking clause (v) and by redesignating clause (vi) (as added by subsection (a)(3) of this section) as clause (v).

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

(3) Subparagraph (D) of section 404(a)(8) is amended by striking the period at the end and inserting the following: '', except that such earned income shall be adjusted under rules similar to the rules of paragraph (12).''.

(4) Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''25 percent''.

(5) Paragraph (2) of section 404(h) is amended by striking ''stock bonus or profit-sharing trust'' and inserting ''trust subject to subsection (a)(3)(A)''.

(6) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 112. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

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

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

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

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

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

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

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

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the earlier of—

''(I) the 1st taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(II) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the 1st taxable year for which the individual made a designated plus contribution to such previously established account), or

''(ii) the 1st taxable year for which the individual (or the individual's spouse) made a contribution to a Roth IRA established for such individual.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

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

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''

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

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.'', and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(7) (as amended by sections 301 and 302) is amended by adding at the end the following:

''Without regard to the foregoing provisions of this paragraph, if any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''

(d) REPORTING REQUIREMENTS.—

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

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

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''

(e) CONFORMING AMENDMENTS.—

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

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''

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

SEC. 113. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any

taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

''(1) $1,000 for the first credit year,

''(2) $500 for each of the 2 taxable years immediately following the first credit year, and

''(3) zero for any other taxable year.

''(c) ELIGIBLE EMPLOYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) EMPLOYERS MAINTAINING QUALIFIED PLANS DURING 1998 NOT ELIGIBLE.—Such term shall not include an employer if such employer (or any predecessor employer) maintained a qualified plan (as defined in section 408(p)(2)(D)(ii)) with respect to which contributions were made, or benefits were accrued, for service in 1998. If only individuals other than employees described in subparagraph (A) of section 410(b)(3) are eligible to participate in the qualified employer plan referred to in subsection (d)(1), then the preceding sentence shall be applied without regard to any qualified plan in which only employees so described are eligible to participate.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED STARTUP COSTS.—

''(A) IN GENERAL.—The term 'qualified startup costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(i) the establishment or administration of an eligible employer plan, or

''(ii) the retirement-related education of employees with respect to such plan.

''(B) PLAN MUST HAVE AT LEAST 2 PARTICIPANTS.—Such term shall not include any expense in connection with a plan that does not have at least 2 individuals who are eligible to participate.

''(C) PLAN MUST BE ESTABLISHED BEFORE JANUARY 1, 2002.—Such term shall not include any expense in connection with a plan established after December 31, 2001.

''(2) ELIGIBLE EMPLOYER PLAN.—The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d).

''(3) FIRST CREDIT YEAR.—The term 'first credit year' means—

''(A) the taxable year which includes the date that the eligible employer plan to which such costs relate becomes effective, or

''(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following new paragraph:

''(13) in the case of an eligible employer (as defined in section 45D(c)), the small employer pension plan startup cost credit determined under section 45D(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) is amended by adding at the end the following new paragraph:

''(8) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45D may be carried back to a taxable year ending on or before the date of the enactment of section 45D.''

(2) Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding at the end the following new paragraph:

''(9) the small employer pension plan startup cost credit determined under section 45D(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Small employer pension plan startup costs.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years ending after the date of the enactment of this Act.

TITLE II—ENHANCING FAIRNESS FOR WOMEN AND CHILDREN

SEC. 201. ADDITIONAL SALARY REDUCTION CATCH-UP CONTRIBUTIONS.

(a) LIMITATION ON EXCLUSION FOR ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Subsection (g) of section 402 (as amended by section 101(d)) is further amended by adding at the end the following:

''(9) CATCH-UP CONTRIBUTIONS FOR THOSE APPROACHING RETIREMENT.—In the case of an individual who has attained age 50 during any taxable year, the limitation of paragraph (1) for such year, after the application of paragraph (8), shall be increased by $5,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (4) of section 402(g) (relating to cost-of-living adjustment), as amended by section 101(d), is further amended by inserting ''and the $5,000 amount under paragraph (9)'' after ''paragraph (1)''.

(b) SIMPLE RETIREMENT ACCOUNTS.—

(1) IN GENERAL.—Paragraph (2) of section 408(p) (relating to qualified salary reduction arrangement) (as amended by sections 101(f) and 103(a)) is further amended by redesignating subparagraph (F) as subparagraph (G) and by inserting after subparagraph (E) the following new subparagraph:

''(F) CATCH-UP CONTRIBUTIONS FOR THOSE APPROACHING RETIREMENT.—In the case of an individual who has attained age 50 during any taxable year, the limitation of subparagraph (A)(ii) for such year shall be increased by $5,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Subparagraph (G) of section 408(p)(2) (as so redesignated) is amended by inserting ''and the $5,000 amount under subparagraph (F)'' after ''subparagraph (A)(ii)''.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subsection (b) of section 457 (relating to definition of eligible deferred compensation plan) is amended by adding at the end the following new paragraph:

''(7) CATCH-UP CONTRIBUTIONS FOR THOSE APPROACHING RETIREMENT.—In the case of an individual who has attained age 50 during any taxable year, the limitation of paragraph (2)(A) for such year shall be increased by $5,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) (relating to cost-of-living adjustment) is amended by inserting '', and the $5,000 amount specified in subsection (b)(7),'' after ''(c)(1)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 202. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) IN GENERAL.—

(1) Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended to read as follows:

''(B) the participant's compensation.''.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect on December 31, 1998)''.

(B) Section 403(b) is amended—

(i) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'',

(ii) by striking paragraph (2), and

(iii) by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(C) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(F) Section 415(c) is amended by striking paragraph (4).

(G) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church, a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(H) Section 415(e)(5) is amended—

(i) by striking ''(except in the case of a participant who has elected under subsection (c)(4)(D) to have the provisions of subsection (c)(4)(C) apply)'', and

(ii) by striking the last sentence.

(I) Section 415(n)(2)(B) is amended by striking ''percentage''.

(J) Subparagraph (B) of section 402(g)(7) (as amended by section 101(d)) is amended by inserting before the period at the end the following: ''(as in effect on the date of the enactment of the Retirement Security for the 21st Century Act)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 1999.

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

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

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 203. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.''.

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 1999.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2000, or

(B) January 1, 2004.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 204. DEFERRED ANNUITIES FOR SURVIVING SPOUSES OF FEDERAL EMPLOYEES.

(a) IN GENERAL.—Section 8341 of title 5, United States Code, is amended—

(1) in subsection (h)(1), by striking ''section 8338(b) of this title'' and inserting ''section 8338(b), and a former spouse of a deceased former employee who separated from the service with title to a deferred annuity under section 8338 (if they were married to one another prior to the date of separation),''; and

(2) by adding at the end the following:

''(j)(1) If a former employee dies after having separated from the service with title to a deferred annuity under section 8338 but before having established a valid claim for annuity, and is survived by a spouse to whom married on the date of separation, the surviving spouse may elect to receive—

''(A) an annuity, commencing on what would have been the former employee's 62d birthday, equal to 55 percent of the former employee's deferred annuity;

''(B) an annuity, commencing on the day after the date of death of the former employee, such that, to the extent practicable, the present value of the future payments of the annuity would be actuarially equivalent to the present value of the future payments under subparagraph (A) as of the day after the former employee's death; or

''(C) the lump-sum credit, if the surviving spouse is the individual who would be entitled to the lump-sum credit and if such surviving spouse files application therefor.

''(2) An annuity under this subsection and the right thereto terminate on the last day of the month before the surviving spouse remarries before becoming 55 years of age, or dies.''.

(b) CORRESPONDING AMENDMENT FOR FERS.—Section 8445(a) of title 5, United States Code, is amended—

(1) by striking ''(or of a former employee or'' and inserting ''(or of a former''; and

(2) by striking ''annuity)'' and inserting ''annuity, or of a former employee who dies after having separated from the service with title to a deferred annuity under section 8413 but before having established a valid claim for annuity (if such former spouse was married to such former employee prior to the date of separation))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to surviving spouses and former spouses (whose marriage, in the case of the amendments made by subsection (a), terminated after May 6, 1985) of former employees who die after the date of the enactment of this Act.

SEC. 205. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986, and

(B) modify such regulations to—

(i) reflect increases in life expectancy, and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) EFFECTIVE DATE FOR REGULATIONS.—Regulations referred to in paragraph (1) shall be effective for years beginning after December 31, 2000, and shall apply in such years without regard to whether an individual had previously begun receiving minimum distributions.

(b) AMOUNT NOT SUBJECT TO MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (9) of section 401(a) is amended—

(1) in subparagraph (A), by inserting ''(minus the exclusion amount)'' after ''the entire interest''; and

(2) by adding at the end the following:

''(H) EXCLUSION AMOUNT.—

''(i) IN GENERAL.—For purposes of this paragraph, the term 'exclusion amount' means—

''(I) $100,000 in the case of a defined contribution plan;

''(II) $100,000 in the case of an individual retirement plan; and

''(III) $0 in the case of a defined benefit plan.

''(ii) AGGREGATION OF PLANS.—For purposes of determining the exclusion amount under clause (i)—

''(I) all defined contribution plans maintained by the same employer shall be treated as a single plan; and

''(II) all individual retirement plans (other than Roth IRAs) of the individual shall be treated as a single plan.

''(iii) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust the $100,000 exclusion amount specified in clause (i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter ending September 30, 1999.''.

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

(c) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

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

(i) by striking ''FOR OTHER CASES'' in the heading, and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him,''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

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

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'',

(ii) in subclause (I) by striking ''clause (iii)(III)'' and inserting ''clause (ii)(III)'',

(iii) in subclause (I) by striking ''the date on which the employee would have attained the age 70½,'' and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½, and clause (ii) shall not apply to the exclusion amount,'', and

(iv) in subclause (II) by striking ''the distributions to such spouse begin,'' and inserting ''his entire interest has been distributed to him,''.

(3) REDUCTION IN EXCISE TAX.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(4) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided by subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2000.

(B) EXCISE TAX.—The amendment made by paragraph (3) shall apply to years beginning after December 31, 1999.

SEC. 206. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

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

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after the date of enactment of this Act.

SEC. 207. PERCENTAGE LIMITATIONS ON CONTRIBUTIONS.

(a) AMENDMENTS RELATING TO FERS.—

(1) IN GENERAL.—

(A) Subsection (a) of section 8432 of title 5, United States Code, is amended by striking ''10 percent of''.

(B) Subsection (d) of section 8432 of title 5, United States Code, is amended by striking ''section 415'' and inserting ''section 401(a)(30) or 415''.

(2) JUSTICES AND JUDGES.—Subsection (b) of section 8440a of title 5, United States Code, is amended—

(A) by striking paragraph (2) and by redesignating paragraphs (3) through (7) as paragraphs (2) through (6), respectively; and

(B) in paragraph (6) (as so redesignated by subparagraph (A)) by striking ''paragraphs (4) and (5)'' and inserting ''paragraphs (3) and (4)''.

(3) BANKRUPTCY JUDGES AND MAGISTRATES.—Subsection (b) of section 8440b of title 5, United States Code, is amended—

(A) by striking paragraph (2) and by redesignating paragraphs (3) through (8) as paragraphs (2) through (7), respectively;

(B) in paragraph (4) (as so redesignated by subparagraph (A)) by striking ''paragraph (4)(A), (B), or (C)'' and inserting ''paragraph (3)(A), (B), or (C)''; and

(C) in paragraph (7) (as so redesignated by subparagraph (A)) by striking ''Notwithstanding paragraph (4),'' and inserting ''Notwithstanding paragraph (3),''.

(4) COURT OF FEDERAL CLAIMS JUDGES.—Subsection (b) of section 8440c of title 5, United States Code, is amended—

(A) by striking paragraph (2) and by redesignating paragraphs (3) through (8) as paragraphs (2) through (7), respectively;

(B) in paragraph (4) (as so redesignated by subparagraph (A)) by striking ''paragraph (4)(A) or (B)'' and inserting ''paragraph (3)(A) or (B)''; and

(C) in paragraph (7) (as so redesignated by subparagraph (A)) by striking ''Notwithstanding paragraph (4),'' and inserting ''Notwithstanding paragraph (3),''.

(5) JUDGES OF THE UNITED STATES COURT OF VETERANS APPEALS.—Paragraph (2) of section 8440d(b) of title 5, United States Code, is amended to read as follows:

''(2) For purposes of contributions made to the Thrift Savings Fund, basic pay does not include any retired pay paid pursuant to section 7296 of title 38.''.

(b) AMENDMENTS RELATING TO CSRS.—Paragraph (2) of section 8351(b) of title 5, United States Code, is amended by striking ''5 percent of''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of enactment of this Act.

(2) COORDINATION WITH ELECTION PERIODS.—The Executive Director shall by regulation determine the first election period in which elections may be made consistent with the amendments made by this section.

(3) DEFINITIONS.—For purposes of this section—

(A) the term ''election period'' means a period afforded under section 8432(b) of title 5, United States Code; and

(B) the term ''Executive Director'' has the meaning given such term by section 8401(13) of title 5, United States Code.

SEC. 208. ELIGIBLE ROLLOVER DISTRIBUTIONS.

Section 8432 of title 5, United States Code, is amended by adding at the end the following:

''(j)(1) For the purpose of this subsection—

''(A) the term 'eligible rollover distribution' has the meaning given such term by section 402(c)(3) of the Internal Revenue Code of 1986; and

''(B) the term 'eligible retirement plan' has the meaning given such term by section 402(c)(7) of the Internal Revenue Code of 1986.

''(2) An employee or Member may contribute to the Thrift Savings Fund an eligible rollover distribution from an eligible retirement plan. A contribution made under this subsection shall be made by means of a direct rollover from an eligible retirement plan in a manner that is similar to a direct rollover under section 401(a)(31) of the Internal Revenue Code of 1986. In the case of an eligible rollover distribution, the maximum amount transferred to the Thrift Savings Fund shall not exceed the amount which would otherwise have been included in the employee's or Member's gross income for Federal income tax purposes.

''(3) The Executive Director shall prescribe regulations to carry out this subsection.''.

SEC. 209. IMMEDIATE PARTICIPATION IN THE THRIFT SAVINGS PLAN.

(a) ELIMINATION OF CERTAIN WAITING PERIODS FOR PURPOSES OF EMPLOYEE CONTRIBUTIONS.—Paragraph (4) of section 8432(b) of title 5, United States Code, is amended to read as follows:

''(4) The Executive Director shall prescribe such regulations as may be necessary to carry out the following:

''(A) Notwithstanding subparagraph (A) of paragraph (2), an employee or Member described in such subparagraph shall be afforded a reasonable opportunity to first make an election under this subsection beginning on the date of commencing service or, if that is not administratively feasible, beginning on the earliest date thereafter that such an election becomes administratively feasible, as determined by the Executive Director.

''(B) An employee or Member described in subparagraph (B) of paragraph (2) shall be afforded a reasonable opportunity to first make an election under this subsection (based on the appointment or election described in such subparagraph) beginning on the date of commencing service pursuant to such appointment or election or, if that is not administratively feasible, beginning on the earliest date thereafter that such an election becomes administratively feasible, as determined by the Executive Director.

''(C) Notwithstanding the preceding provisions of this paragraph, contributions under paragraphs (1) and (2) of subsection (c) shall not be payable with respect to any pay period before the earliest pay period for which such contributions would otherwise be allowable under this subsection if this paragraph had not been enacted.

''(D) Sections 8351(a)(2), 8440a(a)(2), 8440b(a)(2), 8440c(a)(2), and 8440d(a)(2) shall be applied in a manner consistent with the purposes of subparagraphs (A) and (B), to the extent those subparagraphs can be applied with respect thereto.

''(E) Nothing in this paragraph shall affect paragraph (3).''.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—(1) Section 8432(a) of title 5, United States Code, is amended—

(A) in the first sentence by striking ''(b)(1)'' and inserting ''(b)''; and

(B) by amending the second sentence to read as follows: ''Contributions under this subsection pursuant to such an election shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director.''.

(2) Section 8432(b)(1)(B) of title 5, United States Code, is amended by inserting ''(or any election allowable by virtue of paragraph (4))'' after ''subparagraph (A)''.

(3) Section 8432(b)(3) of title 5, United States Code, is amended by striking ''Notwithstanding paragraph (2)(A), an'' and inserting ''An''.

(4) Section 8432(i)(1)(B)(ii) of title 5, United States Code, is amended by striking ''either elected to terminate individual contributions to the Thrift Savings Fund within 2 months before commencing military service or''.

(5) Section 8439(a)(1) of title 5, United States Code, is amended by inserting ''who makes contributions or'' after ''for each individual'' and by striking ''section 8432(c)(1)'' and inserting ''section 8432''.

(6) Section 8439(c)(2) of title 5, United States Code, is amended by adding at the end the following: ''Nothing in this paragraph shall be considered to limit the dissemination of information only to the times required under the preceding sentence.''.

(7) Sections 8440a(a)(2) and 8440d(a)(2) of title 5, United States Code, are amended by

striking all after ''subject to'' and inserting ''this chapter.''.

(c) EFFECTIVE DATE.—This section shall take effect 6 months after the date of enactment of this Act or such earlier date as the Executive Director (within the meaning of section 8401(13) of title 5, United States Code) may by regulation prescribe.

TITLE III—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 301. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

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

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan, if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) (other than section 402(c)(4)(C)),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b);''.

(ii) Paragraph (5) of section 3405(e) is amended by adding at the end the following: ''Such term shall include an eligible deferred compensation plan described in section 457(b).''.

(iii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iv) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

'(iv) section 457(b).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following:

''(v) an eligible deferred compensation plan described in section 457(b) of an eligible employer described in section 457(e)(1)(A).''.

(B) Paragraph (9) of section 402(c) is amended by striking ''except that'' and all that follows and inserting ''except that only an account or annuity described in clause (i) or (ii) of paragraph (8)(B) shall be treated as an eligible retirement plan with respect to such distribution.''.

(C) Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)). For purposes of this subsection, any such distribution shall be treated as if made from a qualified retirement plan described in section 4974(c)(1). This paragraph shall only apply to a transfer that is in excess of $50,000 and that is permitted by reason of section 402(c)(8)(B)(v) or section 408(d)(3)(A)(ii).''.

(D) Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended—

(i) by striking ''or otherwise made available'', and

(ii) by adding at the end the following: ''To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(3) MINIMUM DISTRIBUTIONS.—Paragraph (2) of section 457(d) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the distribution requirements of this paragraph if the plan meets the requirements of section 401(a)(9).''.

(4) CONFORMING AMENDMENT.—Paragraph (9) of section 457(e) is amended to read as follows:

''(9) BENEFITS NOT TREATED AS FAILING TO MEET DISTRIBUTION REQUIREMENTS OF SUBSECTION (d).—A plan shall not be treated as failing to meet the distribution requirements of subsection (d) by reason of a distribution of the total amount payable to a participant under the plan if—

''(A) such amount does not exceed the dollar limit under section 411(a)(11)(A), and

''(B) such amount may be distributed only if—

''(i) no amount has been deferred under the plan with respect to such participant during the 2-year period ending on the date of the distribution, and

''(ii) there has been no prior distribution under the plan to such participant to which this paragraph applied.''.

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

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

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by adding at the end the following:

''(vi) an annuity contract described in section 403(b).''

(3) CONFORMING AMENDMENT.—Subparagraph (B) of section 403(b)(8) is amended by striking ''Rules similar to the'' and inserting ''The''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) CONFORMING AMENDMENTS.—

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

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended by striking ''shall apply for purposes of subparagraph (A)'' and inserting ''and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator''.

(8) Subparagraph (B) of section 403(b)(8) is amended by inserting ''and (9)'' after ''through (7)''.

(9) Section 408(a)(1) is amended by striking ''or 403(b)(8)'' and inserting '', 403(b)(8), or 457(e)(16)''.

(10) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(11) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(12) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(e) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 1999.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf

of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 302. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which he receives the payment or distribution.

For purposes of clause (ii), the term 'eligible retirement plan' has the meaning given such term by clauses (iii), (iv), (v), and (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

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

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 1999.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 303. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—

(1) Subsection (c) of section 402 (relating to rules applicable to rollovers from exempt trusts) (as amended by section 2) is amended by striking paragraph (2) and redesignating paragraphs (3) through (10) as paragraphs (2) through (9), respectively.

(2) Paragraph (31) of section 401(a) (relating to optional direct transfer of eligible rollover distributions) is amended by striking subparagraph (B) and redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(3) Subparagraph (B) of section 408(d)(3) (relating to rollover contributions) is amended by striking ''which was not includible in his gross income because of the application of this paragraph'' and inserting ''to which this paragraph applied''.

(4) Paragraph (7)(B) of section 402(c) (as redesignated by subsection (a)(1) and as amended by section 301) is amended—

(A) by striking ''The term'' and inserting ''Except as provided in this subparagraph, the term'', and

(B) by adding at the end the following:

''Arrangements described in clauses (iii), (iv) (v), and (vi) shall not be treated as eligible retirement plans for purposes of receiving a rollover contribution of an eligible rollover distribution to the extent that such eligible rollover distribution is not includible in gross income (determined without regard to paragraph (1)).''.

(5) Paragraph (2) of section 408(d) is amended—

(A) by striking ''For purposes'' and inserting the following:

''(A) IN GENERAL.—Except as provided in this paragraph, for purposes'',

(B) by striking ''(A) all'' and inserting ''(i) all'';

(C) by striking ''(B) all'' and inserting ''(ii) all'';

(D) by striking ''(C) the'' and inserting ''(iii) the'',

(E) by striking ''subparagraph (C)'' and inserting ''clause (iii)'', and

(F) by inserting at the end the following:

''(B) APPLICATION OF SECTION 72.—For purposes of applying section 72, if—

''(i) a distribution is made from an individual retirement plan, and

''(ii) a rollover contribution described in paragraph (3) is made to an eligible retirement plan described in section 402(c)(7)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

the includible amount in the individual's individual retirement plans shall be reduced by the amount described in subparagraph (C). As of the close of the calendar year in which the taxable year begins, the reduction of all amounts described in subparagraph (C)(i) shall be applied prior to the computations described in subparagraph (A)(iii). The amount of any distribution with respect to which there is a rollover contribution described in clause (ii) shall not be treated as a distribution for purposes of subparagraph (A).

''(C) AMOUNT DESCRIBED.—The amount described in this subparagraph is the sum of—

''(i) the amount of the rollover contribution described in subparagraph (B)(ii), and

''(ii) in the case of any portion of the distribution with respect to which there is not a rollover contribution described in paragraph (3), the amount of such portion that is included in gross income under section 72.

''(D) INCLUDIBLE AMOUNT.—For purposes of this paragraph, the term 'includible amount' shall mean the amount that is not investment in the contract (as defined in section 72).''.

(6) Subparagraph (C) of section 402(c)(5) (as redesignated by subsection (a)(1)) is amended by inserting after ''other than money'' the following: ''or where the amount of the distribution exceeds the amount of the rollover contribution''.

(b) HARDSHIP EXCEPTION TO 60-DAY RULE.—

(1) Paragraph (2) of section 402(c) (as so redesignated) is amended to read as follows:

''(2) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(2) Paragraph (3) of section 408(d) (relating to rollover contributions) is amended by adding at the end the following new subparagraph:

''(H) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (4) of section 402(c) (as redesignated by subsection (a)(1)) is amended by striking ''(8)(B)'' and inserting ''(7)(B)''.

(2) Subparagraph (B) of section 403(a)(4) is amended by striking ''(2) through (7)'' and inserting ''(2) through (6)''.

(3) Section 403(b)(8)(A)(ii) (as amended by section 301) is amended by striking ''section 402(c)(8)(B)'' and inserting ''section 402(c)(7)(B)''.

(4) Subparagraph (B) of section 403(b)(8) (as amended by section 301) is amended by striking ''(2) through (7) and (9) of section 402(c) (including paragraph (4)(C) thereof)'' and inserting ''(2) through (6) and (8) of section 402(c) (including paragraph (3)(C) thereof)''.

(5) Subparagraph (A) of section 408(d)(3) (as amended by section 302) is amended by striking ''402(c)(8)'' and inserting ''402(c)(7)''.

(6) Paragraph (16) of section 457(e) (as added by section 301) is amended—

(A) in subparagraph (A)(i) by striking ''402(c)(4) (other than section 402(c)(4)(C))'' and inserting ''section 402(c)(3) (other than section 402(c)(3)(C))'',

(B) in subparagraph (A)(ii) by striking ''402(c)(8)(B)'' and inserting ''402(c)(7)(B)'', and

(C) in subparagraph (B) by striking ''paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c)'' and inserting ''paragraphs (2) through (6) (other than paragraph (3)(C)) and (8) of section 402(c)''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to distributions made after December 31, 1999.

(2) HARDSHIP EXCEPTION.—The amendments made by subsection (b) shall apply to 60-day periods ending after the date of the enactment of this Act.

SEC. 304. TREATMENT OF FORMS OF DISTRIBUTION.

(a) IN GENERAL.—

(1) PLAN TRANSFERS.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I);

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

''(VI) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) REGULATIONS.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.

(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986. Such regulations shall apply to plan years beginning after December 31, 2001 or such earlier date as is specified by the Secretary of the Treasury. Under such regulations, section 411(d)(6) of such Code shall not apply to plan amendments that do not adversely affect the rights of participants in a material manner. In determining whether a plan amendment has such a materially adverse effect on a participant, the factors taken into account shall include—

(A) all of the participant's early retirement benefits, retirement-type subsidies, and optional forms of benefit that are reduced or eliminated by the plan amendment,

(B) the extent to which early retirement benefits, retirement-type subsidies, and optional forms of benefit in effect with respect to a participant after the effective date of the plan amendment provide rights that are comparable to the rights that are reduced or eliminated by the plan amendment,

(C) the number of years before the participant attains normal retirement age under the plan (or early retirement age, as applicable),

(D) the size of the participant's benefit that is affected by the plan amendment, in relation to the amount of the participant's compensation, and

(E) the number of years before the plan amendment is effective.

The regulations described in this paragraph are intended to permit the elimination or reduction of early retirement benefits, retirement-type subsidies, and optional forms of benefit that do not have a material value for a plan's participants but create significant burdens and complexities for the plan and its participants.

(b) CONFORMING AMENDMENT.—(1) Subsection (g) of section 204 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 205, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 205(c)(2); and

''(vi) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution which the participant or beneficiary is entitled under transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) Paragraph (2) of section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054) is amended by striking the last sentence and inserting the following: ''The Secretary of the Treasury may by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 305. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

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

(b) BUSINESS SALE REQUIREMENTS REPEALED.—

(1) IN GENERAL.—Section 401(k)(2)(B)(i)(II) (relating to qualified cash or deferred arrangements) is amended by striking ''an event'' and inserting ''a plan termination''.

(2) CONFORMING AMENDMENTS.—Section 401(k)(10) is amended—

(A) by striking subparagraph (A) and inserting the following:

''(A) IN GENERAL.—A plan termination is described in this paragraph if the termination of the plan does not involve the establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).'',

(B) in subparagraph (B)—

(i) by striking ''An event'' and inserting ''A termination'', and

(ii) by striking ''the event'' and inserting ''the termination'',

(C) by striking subparagraph (C), and

(D) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 1999.

SEC. 306. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 (as amended by section 501) is amended by adding at the end the following new paragraph:

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

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—

(1) Subsection (e) of section 457 (as amended by section 509) is amended by adding at the end the following new paragraph:

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

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(2) Section 457(b)(2), as amended by sections 101, 202, and 301, is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 1999.

SEC. 307. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) AMENDMENTS TO 1986 CODE.—

(1) Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), clause (ii), (iii), or (iv) of 408(d)(3)(A), and 457(e)(16).''.

(2) Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(b) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(e)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this paragraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), clause (ii), (iii), or (iv) of 408(d)(3)(A), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 1999.

TITLE IV—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 401. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) IN GENERAL.—

(1) CODE AMENDMENT.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(A) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2003, the applicable percentage'', and

(B) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	The applicable percentage is—
2000	160
2001	165
2002	170.''.

(2) ERISA AMENDMENT.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(A) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2003, the applicable percentage'', and

(B) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	The applicable percentage is—
2000	160
2001	165
2002	170.''.

(3) EFFECTIVE DATES.—The amendments made by this subsection shall apply to plan years beginning after December 31, 1999.

(b) MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.—

(1) IN GENERAL.—Section 404(a)(1)(D) (relating to special rule in case of certain plans) is amended—

(A) by striking ''which has more than 100 participants for the plan year'',

(B) by striking ''unfunded current liability determined under section 414(l)'' and inserting ''unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year)'',

(C) by inserting after the first sentence the following: ''For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) brought about by plan amendment within the last 2 years before the termination date.'', and

(D) by striking ''(other than a multiemployer plan)''.

(2) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended by striking the sentence preceding the last sentence thereof.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to plan years beginning after the date of enactment of this Act.

SEC. 402. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 206(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(f)) is amended—

(A) by striking ''title IV'' and inserting ''section 4050'', and

(B) by striking ''the plan shall provide that''.

(2) Section 401(a)(34) of such Act (relating to benefits of missing participants on plan termination) is amended by striking ''title IV'' and inserting ''section 4050''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 403. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(a)) is amended by striking ''shall furnish to any plan participant or beneficiary who so requests in writing, a statement'' and inserting ''shall furnish to each plan participant at least once each year (in the case of a defined contribution plan) and upon written request of a plan participant or beneficiary (in the case of a defined benefit plan), a statement in written or electronic form''.

(b) REQUIRED PERIODIC STATEMENTS FOR PLANS WITH MORE THAN ONE UNAFFILIATED EMPLOYER.—Section 105(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(d)) is repealed.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

SEC. 404. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is

jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 405. PENALTY TAX RELIEF FOR SOUND PENSION FUNDING.

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

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 406. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral if such deferral is used for the payment of indebtedness incurred before January 1, 1999 (or any refinancing thereof) on the acquisition by the plan of employer securities or employer real property—

''(A) before January 1, 1999, or

''(B) after such date pursuant to a written contract which was binding on such date and at all times thereafter on such plan.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 407. NOTICE OF SIGNIFICANT REDUCTION IN BENEFIT ACCRUALS.

(a) IN GENERAL.—Subsection (h) of section 204 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054) is amended to read as follows:

''(h) NOTICE OF SIGNIFICANT REDUCTION IN BENEFIT ACCRUALS.—

''(1) If a plan described in paragraph (4) is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide a notice to—

''(A) each affected participant in the plan,

''(B) each affected beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)), and

''(C) each employee organization representing affected participants in the plan, except that such notice shall instead be provided to a person designated to receive such notice on behalf of any person referred to in paragraph (A), (B), or (C). For purposes of this paragraph, an affected participant or beneficiary is a participant or beneficiary to whom the significant reduction described in this paragraph is reasonably expected to apply.

''(2) The notice required by paragraph (1) shall—

''(A) include the plan amendment, or a summary of such plan amendment, and its effective date, and

''(B) provide a notification and description of the reduction described in paragraph (1).

A notification and description shall not fail to satisfy paragraph (2)(B) by reason of a failure to provide the specific amount of the reduction with respect to any participant or beneficiary.

''(3) The notice required by paragraph (1) shall be provided no less than 30 days prior to the effective date of the plan amendment.

''(4) A plan is described in this paragraph if such plan is—

''(A) a defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 302.

''(5) In the case of a material failure to comply with requirements of this subsection with respect to more than a de minimis number of persons described in paragraph (1), the plan amendment to which the failure relates shall not be effective with respect to such persons for any period prior to the expiration of 30 days following the date on which a notice is provided in accordance with this subsection. For purposes of this paragraph, the term 'material failure' includes any failure that results in materially less information being provided to the persons described in paragraph (1).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan amendments that are adopted more than 120 days after the date of enactment of this Act.

TITLE V—REDUCING REGULATORY BURDENS

SEC. 501. INTERMEDIATE SANCTIONS FOR INADVERTENT FAILURES.

(a) IN GENERAL.—Section 401(a) (relating to qualified pension, profit-sharing, and stock bonus plans) is amended by inserting after paragraph (34) the following:

''(35) PROTECTION FROM DISQUALIFICATION UPON TIMELY CORRECTION OR PAYMENT OF FINE.—A trust shall not fail to constitute a qualified trust under this section if the plan of which such trust is a part has made good faith efforts to meet the requirements of this section, has inadvertently failed to satisfy 1 or more of such requirements, and either—

''(A) substantially corrects (to the extent possible) such failure before the date the plan becomes subject to a plan examination for the applicable year (as determined under rules prescribed by the Secretary), or

''(B) substantially corrects (to the extent possible) such failure on or after such date.

If the plan satisfies the requirement under subparagraph (B), the Secretary may require the sponsoring employer to make a payment to the Secretary in an amount that does not exceed an amount that bears a reasonable relationship to the severity of the plan's failure to satisfy the requirements of this section.''.

(b) APPLICATION TO CASH OR DEFERRED ARRANGEMENTS.—Section 401(k) is amended by inserting after paragraph (12) the following new paragraph:

''(13) PROTECTION FROM DISQUALIFICATION.—Rules similar to the rules set forth in section 401(a)(35) shall apply for purposes of determining whether a cash or deferred arrangement is a qualified cash or deferred arrangement.''.

(c) APPLICATION TO SECTION 403(b) ANNUITY CONTRACTS.—Section 403(b) is amended by inserting after paragraph (12) the following:

''(13) CORRECTION OF ERRORS.—For purposes of determining whether the exclusion from gross income under paragraph (1) is applicable to an employee for any taxable year, rules similar to the rules set forth in section 401(a)(35) shall apply to any annuity contract purchased under this subsection or any plan established to meet the requirements of this subsection.''.

(d) INCOME INCLUSION FOR DISQUALIFICATION NOT APPLICABLE TO NONHIGHLY COMPENSATED EMPLOYEES.—Section 402(b) (relating to taxability of beneficiary of nonexempt trust) is amended by striking paragraph (4) and inserting the following:

''(4) INCOME INCLUSION FOR DISQUALIFICATION NOT APPLICABLE TO NONHIGHLY COMPENSATED EMPLOYEES.—Paragraphs (1) and (2) shall not apply to employees who are not highly compensated employees.

''(5) FAILURE TO MEET REQUIREMENTS OF SECTION 401(a)(26) OR 410(b).—If 1 of the reasons a trust is not exempt from tax under section 501(a) is the failure of the plan to meet the requirements of section 401(a)(26) or 410(b), then a highly compensated employee shall, in lieu of the amount determined under paragraph (1) or (2), include in gross income for the taxable year with or within which the taxable year of the trust ends an amount equal to the vested accrued benefit of such employee (other than the employee's investment in the contract) as of the close of such taxable year of the trust.

''(6) HIGHLY COMPENSATED EMPLOYEE.—For purposes of this subsection, the term 'highly compensated employee' has the meaning given such term by section 414(q).''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.

SEC. 502. REPEAL OF THE MULTIPLE USE TEST.

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

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

SEC. 503. SAFETY VALVE FROM MECHANICAL RULES.

(a) IN GENERAL.—The Secretary of the Treasury, by regulation, shall provide that the plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, if—

(1) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(2) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Paragraph (2) shall only apply to the extent provided by the Secretary.

(b) EFFECTIVE DATES.—

(1) REGULATIONS.—The regulation required by subsection (a) shall apply to years beginning after December 31, 2000.

(2) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under subsection (a)(1) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

SEC. 504. REFORM OF THE LINE OF BUSINESS RULES.

(a) REPEAL OF GATEWAY TEST.—Paragraph (5) of section 410(b) is amended to read as follows:

''(5) LINE OF BUSINESS EXCEPTION.—If, under section 414(r), an employer is treated as operating separate lines of business for a year, the employer may apply the requirements of this subsection for such year separately with respect to employees in each separate line of business.''.

(b) REGULATIONS.—The Secretary of the Treasury shall modify the regulations issued under section 414(r) of the Internal Revenue Code of 1986 (relating to special rules for separate line of business) to—

(1) simplify the administrability of the rules for both the Secretary and plans, and

(2) permit employees to be allocated among lines of business based on all the facts and circumstances.

(c) EFFECTIVE DATES.—

(1) REPEAL.—The repeal made by subsection (a) shall apply to years beginning after December 31, 2000.

(2) REGULATIONS.—The regulations modified under subsection (b) shall apply to years beginning after December 31, 2000.

SEC. 505. COVERAGE TEST FLEXIBILITY.

(a) IN GENERAL.—Paragraph (1) of section 410(b) is amended by adding at the end the following:

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

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

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

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.

(2) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(a)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

SEC. 506. INCREASE IN RETIREMENT PLAN CASH-OUT AMOUNT.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) INFLATION ADJUSTMENT.—In the case of any plan year beginning in a calendar year after 1999, the Secretary shall adjust annually the $5,000 amount contained in subparagraph (A) for increases in the cost of living at the same time and in the same manner as adjustments under section 415(d); except that the base period shall be the calendar quarter ending September 30, 1999, and any increase which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(b) AMENDMENTS TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(e)) is amended by adding at the end the following:

''(4) INFLATION ADJUSTMENT.—In the case of any plan year beginning in a calendar year after 1999, the Secretary shall adjust annually the $5,000 amount contained in paragraph (1) for increases in the cost of living at the same time and in the same manner as adjustments under section 415(d) of the Internal Revenue Code of 1986; except that the base period shall be the calendar quarter ending September 30, 1999, and any increase which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning on or after the date of enactment of this Act.

SEC. 507. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(A) IN GENERAL.—For purposes'', and

(2) by adding at the end the following:

''(B) ELECTION TO USE PRIOR YEAR VALUATION.—

''(i) IN GENERAL.—If, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year, then this section shall be applied using the information available as of such valuation date.

''(ii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iii) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)'', and

(2) by adding at the end the following:

''(B)(i) If, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iii) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning on or after the date of enactment of this Act.

SEC. 508. SECTION 457 INAPPLICABLE TO CERTAIN MIRROR PLANS.

(a) IN GENERAL.—Subsection (e) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended by adding at the end the following new paragraph:

''(17) This section shall not apply to a plan, program, or arrangement maintained solely for the purposes of providing retirement benefits for employees in excess of the limitations imposed by sections 401(a)(17) or 415.''.

(b) CERTAIN DEFERRED COMPENSATION NOT TAKEN INTO ACCOUNT.—Subsection (c) of section 457 (relating to individuals who are participants in more than 1 plan) (as amended by section 108(a)) is amended by adding at the end the following: ''This section shall be applied without regard to a plan, program, or arrangement described in subsection (e)(17).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 509. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation. For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following:

''(d) For purposes of subsection (b)(9), the term ''substantial owner'' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation. For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) on or after the date of enactment of this Act, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation on or after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the date of enactment of this Act.

SEC. 510. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

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

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 511. MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.

The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

SEC. 512. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) EXEMPTION FOR SURVIVOR AND DISABILITY BENEFITS.—Subparagraph (I) of section 415(b)(2) (relating to limitation for defined benefit plans) is amended—

(1) by inserting ''or a multiemployer plan (as defined in section 414(f))'' after ''section 414(d))'' in clause (i),

(2) by inserting ''or multiemployer plan'' after ''governmental plan'' in clause (ii), and

(3) by inserting ''AND MULTIEMPLOYER'' after ''GOVERNMENTAL'' in the heading.

(c) COMBINING AND AGGREGATION OF PLANS.—

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

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 513. ELIMINATION OF PARTIAL TERMINATION RULES FOR MULTIEMPLOYER PLANS.

(a) PARTIAL TERMINATION RULES FOR MULTIEMPLOYER PLANS.—Section 411(d)(3) (relating to termination or partial termination; discontinuance of contributions) is amended by adding at the end the following new sentence: ''This paragraph shall not apply in the case of a partial termination of a multiemployer plan.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to partial terminations beginning after December 31, 1999.

SEC. 514. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—

(A) Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''one-year''.

(B) Subparagraph (A) of section 205(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055) is amended by striking ''90-day'' and inserting ''one-year''.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''one year'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) and the modifications required by paragraph (2) shall apply to years beginning after December 31, 1999.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 1999.

SEC. 515. CONFORMING AMENDMENTS RELATING TO ELECTION TO RECEIVE TAXABLE CASH COMPENSATION IN LIEU OF NONTAXABLE PARKING BENEFITS.

(a) IN GENERAL.—

(1) Clause (ii) of section 415(c)(3)(D) and subparagraph (B) of section 403(b)(3) are each amended by striking ''section 125 or'' and inserting ''section 125, 132(f)(4), or''.

(2) Paragraph (2) of section 414(s) is amended by striking ''section 125, 402(e)(3)'' and inserting ''section 125, 132(f)(4), 402(e)(3)''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as if included in the amendment made by section 1072 of the Taxpayer Relief Act of 1997.

SEC. 516. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting ''or by an international organization which is described in section 414(d)'' after ''or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by inserting ''AND INTERNATIONAL ORGANIZATION'' after ''GOVERNMENTAL''.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting ''STATE AND LOCAL GOVERNMENTAL AND INTERNATIONAL ORGANIZATION PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendment made by section 1505 of the Taxpayer Relief Act of 1997.

SEC. 517. EMPLOYEES OF TAX-EXEMPT ENTITIES.

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

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

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

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

SEC. 518. PERMISSIVE AGGREGATION OF COLLECTIVE BARGAINING UNITS.

(a) IN GENERAL.—Paragraph (3) of section 410(b) is amended by inserting the following immediately before the last sentence thereof: ''Solely for purposes of applying this subsection to employees who are not described in subparagraph (A), an employer may elect to have subparagraph (A) not apply to one or more units of employees who are described in subparagraph (A).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

SEC. 519. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

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

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning on or after January 1, 2000.

SEC. 520. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Section 132(e) (defining de minimis fringe) is amended by adding at the end the following:

''(3) TREATMENT OF CERTAIN RETIREMENT PLANNING SERVICES.—The provision of retirement planning services by an employer to employees, to the extent not described in subsection (d), shall be treated as a de minimis fringe.''.

(b) NO CONSTRUCTIVE RECEIPT.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) RETIREMENT PLANNING.—

''(1) IN GENERAL.—No amount shall be included in the gross income of an employee solely because the employee may choose between any retirement planning fringe and compensation which would otherwise be includible in the gross income of such employee.

''(2) NONDISCRIMINATION REQUIREMENT.—Paragraph (1) shall apply to a highly compensated employee only if the choice described in such paragraph is available on substantially the same terms to each member of a group of employees which is defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees.

''(3) RETIREMENT PLANNING FRINGE.—For purposes of this subsection, the term 'retirement planning fringe' means any retirement planning services provided by an employer to an employee which are not included in the gross income of the employee by reason of subsection (d) or (e).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 521. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking ''shall furnish'' and inserting ''shall make available for examination (and, upon request, shall furnish)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 1998.

SEC. 522. EXCESS BENEFIT PLANS.

(a) IN GENERAL.—Section 3(36) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(36)) is amended to read as follows:

''(36) The term 'excess benefit plan' means a plan, without regard to whether such plan is funded, maintained by an employer solely for the purpose of providing benefits to employees in excess of the limitations imposed by 1 or more of sections 401(a)(17), 401(k), 401(m), 402(g), 403(b), 408(k), 408(p), or 415 of the Internal Revenue Code of 1986 or any other limitation on contributions or benefits in such Code on plans to which any of such sections apply. To the extent that a separable part of a plan (as determined by the Secretary of Labor) maintained by an employer is maintained for such purpose, that part shall be treated as a separate plan which is an excess benefit plan.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 523. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(2) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under subsection (a) shall apply to plan years beginning after December 31, 1999.

SEC. 524. PROVISIONS RELATING TO PLAN AMENDMENTS.

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

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

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

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

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

(B) on or before the last day of the first plan year beginning on or after January 1, 2002.

In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986 and section 3(32) of the Employee Retirement Income Security Act of 1974), this paragraph shall be applied by substituting ''2004'' for ''2002''.

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

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

SEC. 525. REPORTING SIMPLIFICATION.

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

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $500,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

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

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and

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

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan which covers less than 25 employees on the 1st day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

SEC. 526. MODEL PLANS FOR SMALL BUSINESSES.

(a) IN GENERAL.—Not later than December 31, 2000, the Secretary of the Treasury is directed to issue at least one model defined contribution plan and at least one model defined benefit plan that fit the needs of small businesses and that shall be treated as meeting the requirements of section 401(a) of the Internal Revenue Code of 1986 with respect to the form of the plan. To the extent that the requirements of section 401(a) of such Code are modified after the issuance of such plans, the Secretary of the Treasury shall, in a timely manner, issue model amendments that, if adopted in a timely manner by an employer that has a model plan in effect, shall cause such model plan to be treated as meeting the requirements of section 401(a) of such Code, as modified, with respect to the form of the plan.

(b) MASTER AND PROTOTYPE PLAN ALTERNATIVE.—The Secretary of the Treasury may, in its discretion, satisfy the requirements of subsection (a) through the enhancement and simplification of the Secretary's programs for master and prototype plans in such a manner as to achieve the purposes of subsection (a).

The SPEAKER pro tempore. In lieu of the amendment recommended by the Committee on Education and the Workforce printed in House Report 106–331 accompanying the bill H.R. 1102, an amendment in the nature of a substitute recommended by the Committee on Ways and Means printed in H.R. 4843 is adopted.

The text of the committee amendment in the nature of a substitute is as follows:

H.R. 4843

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

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:

''For taxable years beginning in:	The deductible amount is:
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.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

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

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

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

(4) Section 408(j) is amended by striking ''$2,000''.

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

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

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000'' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000''.

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

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

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

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

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

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

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

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

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

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.''.

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

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

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

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

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

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

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$7,000
2002	$8,000
2003	$9,000
2004 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Clause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

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

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

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

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) IN GENERAL.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

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

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

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

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

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

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

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

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

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

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

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

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

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

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

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.''.

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

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

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

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

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

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

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

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

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

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.

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

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

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

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

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

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 207. DEDUCTION LIMITS.

(a) IN GENERAL.—

(1) STOCK BONUS AND PROFIT SHARING TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

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

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(b) CONFORMING AMENDMENTS.—

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

(2) Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(3) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

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

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

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

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

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

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

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

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

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

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

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

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

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

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

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

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

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

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

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

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

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

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

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

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

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

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

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

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

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

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

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

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2000)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

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

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

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 211) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2000)''.

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

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

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

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

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

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

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

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) IN GENERAL.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) EFFECTIVE DATES.—

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

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

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2001; or

(B) January 1, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall

not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986; and

(B) modify such regulations to—

(i) reflect current life expectancy; and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) EFFECTIVE DATE FOR REGULATIONS.—Regulations referred to in paragraph (1) shall be effective for years beginning after December 31, 2000, and shall apply in such years without regard to whether an individual had previously begun receiving minimum distributions.

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

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

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

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

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

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

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

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

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

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

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

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

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

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

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

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

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

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

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

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

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

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

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

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

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

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

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover

treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

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

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

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

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

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

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

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

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

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

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

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

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

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

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

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

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

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

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

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

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

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

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

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

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

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

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

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

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) IN GENERAL.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary

received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

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

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

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

(b) REGULATIONS.—

(1) IN GENERAL.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(2) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986, including the regulations required by the amendments made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

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

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

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

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

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

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

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

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

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

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

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

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

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

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

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

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

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

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

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

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

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

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

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

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

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) IN GENERAL.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

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

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	***The applicable percentage is—***
2001	*160*
2002	*165*
2003	*170.''.*

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

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in

the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS ESTABLISHED AND MAINTAIN BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

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

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

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

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

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

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

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

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

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

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

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

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

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment.

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

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) APPLICABLE INDIVIDUAL; APPLICABLE PENSION PLAN.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) any participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

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

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

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

which had 100 or more participants who had accrued a benefit, or with respect to whom contributions were made, under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

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

(c) EFFECTIVE DATES.—

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

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

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

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) COMBINING AND AGGREGATION OF PLANS.—

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

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section, except that such plan shall be combined or aggregated with another plan which is not such a multiemployer plan solely for purposes of determining whether such other plan meets the requirements of subsections (b)(1)(A) and (c).''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

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

SEC. 506. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

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

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual. Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

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

(A) by striking ''or'' at the end of paragraph (1), and

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

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

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

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

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

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

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

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

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

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

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

(A) employee stock ownership plan established after July 11, 2000, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

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

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

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

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

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

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

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

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

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

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

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

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

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

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2000.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

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

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

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

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

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning service provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

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

SEC. 606. REPORTING SIMPLIFICATION.

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

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

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

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

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

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

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

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

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

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

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

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

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

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit; and

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

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

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

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

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

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

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

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

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test. Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2000.

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

(b) COVERAGE TEST.—

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

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

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

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

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

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

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2000, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NON-DISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

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

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

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

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2000.

TITLE VII—PLAN AMENDMENTS

SEC. 701. PROVISIONS RELATING TO PLAN AMENDMENTS.

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

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

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

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

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

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

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2005'' for ''2003''.

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

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

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

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore. After 1 hour of debate on the bill, as amended, it shall be in order to consider the amendment printed in House Report 106–760, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered read and shall be debatable for 1 hour, equally divided and controlled by the proponent and an opponent.

The gentleman from Texas (Mr. ARCHER) and the gentleman from Massachusetts (Mr. NEAL) each will control 30 minutes.

The Chair recognizes the gentleman from Texas (Mr. ARCHER).

GENERAL LEAVE

Mr. ARCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1102.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we have accomplished a great deal this year for older Americans and for baby boomers who are nearing retirement. We repealed the punitive Social Security earnings penalty so that seniors who wanted to continue to work could do so without the loss of their benefits. We protected the Social Security and Medicare trust funds from being spent, put them in a lock box, and we are paying down the debt by historic levels. Today, we continue our broad agenda to help Americans enjoy a healthier and more fulfilling retirement.

If there is one cloud on our economic horizon, it is the lack of personal savings, private savings in the private sector in this country, which is at an all time low. In fact, negative. We as a people borrow more than we save. We should be encouraging Americans to save more, and one of the proven methods of doing that is simple: do not tax savings or the interest earned on savings.

While we have tried many times, and the last time IRA contribution limits were raised was almost 20 years ago in 1981, there is wide bipartisan support for raising the limits from $2,000 to $5,000. At least 90 Democrats cosponsored the Portman-Cardin bill, which includes an increase in IRA limits, and 60 Democrats cosponsored a straight expansion of IRA limits from $2,000 to $5,000.

The Committee on Ways and Means reported this bill with a strong bipartisan vote, and I expect that support will be reflected by the full House of Representatives today.

Mr. Speaker, I particularly thank the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), who have really provided the bipartisan leadership on this issue. This should be the hallmark of Congress, that we come together to do the right thing for the American people. I also must mention the leadership of the gentleman from California (Mr. GALLEGLY) on IRA expansions.

This bill also strengthens our pension system, and it expands opportunities for Americans to get pension coverage, especially women. As we know, women live longer than men and have special retirement needs, but only 32 percent of retired women have pensions as opposed to 55 percent for men.

This bill includes catchup provisions so women who have to leave the workforce, perhaps for a period of time to rear children and then reenter later in life, can increase their contributions to make up for the lost time when they were not in the workforce.

So this is the right legislation at the right time. The workplace has changed, our retirement needs have changed, and the pension system has changed. Now is the time to expand IRAs, improve 401(k)s, update our pension system so more Americans have the opportunity for a safe and secure retirement. We particularly help small businesses to create pension plans where there is a great need for workers to be covered. This is a good bill, one that should get a resounding bipartisan vote.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we have an honest disagreement here today reflected in the proposals that are before this House. This honest disagreement I think crystallizes along the lines of who is to benefit from this legislation. Once again, on the Democratic side, we argue, I think with considerable merit, that the legislation in front of us does not do enough to help middle-income Americans or low-income wage earners.

The substitute that we will discuss later on today offered by the gentleman from New York (Mr. RANGEL) is, I believe, the only way that we can bring a balanced pension package to the President that he will sign this year. The substitute that we will offer later on will add a dimension that the underlying bill lacks and which it badly needs.

One of the key criticisms of the bill before us is that the benefit increases go only to those lucky few who make a maximum contribution under current law. The retirement savings account proposal takes a good first step at addressing this lack of balance. It gives a refundable tax credit to low- and moderate-income workers who participate in an employer-sponsored pension plan or an individual retirement account. The maximum credit is 50 percent of qualifying contributions, and would be available to married workers earning less than $25,000 when fully phased in. The credit phases down to zero at $75,000 for married workers filing jointly.

Mr. Speaker, it is important to understand that the RSA proposal does not create a separate account like an individual retirement account. With all of the pension vehicles currently in law, placing one more into law really did not seem to make a lot of sense. Rather, the tax credit is tied to contributions made to an IRA, or a qualified employer-sponsored pension plan like a 401(k) plan, or another similar defined contribution plan. This was done for simplicity, and to ease the administration of plan sponsors.

The RSA proposal before us today has gone through similar and many versions. In its final version, it preserves the original goal of the administration, which is to provide a real incentive for low- and moderate-income workers to participate in our retirement system while meeting concerns expressed by the pension community that the proposal be administrable.

For example, the original RSA proposal was designed to deliver the tax credit to business or financial institutions as reimbursement for making employer contributions to eligible employees. The pension community argued that this design was too complex, and that some small businesses or tax-exempt entities would not have the ability to absorb tax credits because they may have little or no tax liability. Thus, the proposal was changed to a tax credit for individuals.

The proposal is intended to provide a stronger incentive for individuals to save for retirement, of which we all agree. For those who have not done so to date, a 50 percent credit encourages them to take the first step in the right direction. For those who currently save a little, it encourages them to save more. Given all of the competing demands, it is often very hard for many workers, even middle income workers, to set aside a percentage of their wages toward retirement. Refundability is a key feature of this credit. It allows us to provide a strong incentive to some workers who simply could not otherwise participate in a pension plan.

This is not a panacea for low-income workers. The average deferral rate for nonhighly compensated workers who make less than $30,000 a year is less than 6 percent. The RSA proposal is the only thing that would help us to help these workers, and it is crucial to do so if we wish to bring some balance to this package.

Likewise, the small business tax credits contained in the amendment may provide a significant increase in pension coverage and pension participation for employees of small businesses. The first proposal gives a 50 percent tax credit for 3 years to small businesses for their start-up costs associated with a new pension plan. That is their administrative and retirement education costs. Not only would this provide an incentive for small businesses to offer a plan to employees, but it also could be used as a marketing tool by financial institutions or pension advisors to promote the adoption of a pension plan to small business.

The second small business credit would provide a 50 percent credit for employer contributions to a pension plan for nonhighly compensated employees if the employer is willing to contribute 1 to 3 percent of compensation through their employees' accounts. This credit is designed to encourage small businesses to make employer contributions to the plan they sponsored for their employees.

□ 1045

By encouraging small employers to make contributions on behalf of their non-highly compensated employees, retirement savings for all these workers will increase.

Clearly the Rangel substitute will make this a much better bill. It will provide significant incentives for low- and middle-income workers to participate in those pension plans that are offered by their employers. This is clearly where we need to concentrate our incentives because this is where the need is greatest, among low- and moderate-income wage-earners.

For higher-income wage-earners, those who already save a maximum under current law, the bill in front of us provides a boost for their savings. So as long as that increase does not lead to any pension coverage being dropped, as some strongly argue, then there is nothing wrong with the increases, as long as we consider low- and moderate-income wage-earners.

However, the debate today is over the possible unintended consequences of this and other provisions in the underlying bill. It certainly will continue throughout the year.

There are additional controversies that surround this legislation. For example, the Department of the Treasury and some outside groups argue strongly that some of the provisions of this bill can actually lead to a shrinking of pension coverage for low- and moderate-income workers. They cite most often the provisions of the bill that weaken the so-called top-heavy rules and the nondiscrimination rules which are designed to protect non-key employees by making sure they get a minimum amount of benefit from an employer's pension plan.

I know the authors of this bill, the gentleman from Ohio (Mr. PORTMAN) included, strongly believe the opposite, and that these are just simplification proposals that will do no harm. But there are many others, myself included, who feel just as strongly that the proposals will do harm.

For example, we have a letter from 30 organizations, including the AARP, the Gray Panthers, the Pension Rights Centers, the National Urban League, the Older Women's League, and others who argue that if we look at the changes in this bill that affect top-heavy rules and nondiscrimination rules, that taken together, these provisions would serve to aggravate the imbalances in our current pension system.

We urge Members to drop these provisions from their bill. A top-heavy plan, by example, is a definition which we offer to the value of benefits when top employees exceed 60 percent of the package. In order to make sure that all other employees receive a benefit, the rules require faster vesting and a certain minimum benefit for non-key employees. This has led to an increased benefit for those employees.

While top-heavy rules are not being repealed, the changes made by the bill may redefine some plans as being not top-heavy, which in turn means that the workers covered by those plans lose their current protections.

Ironically, one of the arguments for keeping the changes in the top-heavy rules is that there are nondiscrimination rules in place to protect workers. A top-heavy plan already meets the nondiscrimination rules, yet gives key employees more than 60 percent of the benefits, so Congress has already made a judgment that nondiscrimination rules are not enough protection in a top-heavy plan.

Moreover, the other major complaint about this bill is that the nondiscrimination rules are weakened, which in turn will provide, again from the letter, ''less protection and ultimately less retirement security'' for workers and their families.

Mr. Speaker, these are some of the concerns that have been expressed and some of the provisions that need to get worked out by the end of this legislative year. There is still time to work these proposals out with President Clinton.

I believe that every one of us on this floor wants to see a balanced pension package that can reach the President's desk in October and be signed into law. Unfortunately, this bill will not be signed into law. We may have somewhat different views as to where that

balance is, but that is what the legislative process is for.

With that in mind, the substitute that the Democratic Party will offer today is as constructive an approach as is possible, signalling where some of us continue to have problems with the underlying bill, as well as sending a clear message that we would like to try to bridge the gap.

I hope everyone will take this in the spirit in which it is offered, and that we can make real progress on pension reform this year. Having said that, I also think that the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have served an important purpose, and that is to generate considerable attention to the issue of pension legislation.

I believe there is still time to work out the differences that we currently hold and to get a good pension reform bill that President Clinton will sign. Given the knowledge I have of the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), I think that is still possible.

Mr. Speaker, I reserve the balance of my time.

The SPEAKER pro tempore. Without objection, the gentleman from Ohio (Mr. PORTMAN) will control the time on the majority side.

There was no objection.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Ohio (Mr. PORTMAN).

Mr. PORTMAN. Mr. Speaker, I want to thank the gentleman from Texas (Chairman ARCHER) for his leadership over the years, and all he has done to expand saving options for all Americans, and in particular, his personal commitment to moving this bill to the floor today. Without his help and his support, we would not be here.

I would also like to thank my colleague, the gentleman from Maryland (Mr. CARDIN) on the other side of the aisle, who has been a true partner over the past 3 years as we have developed this bipartisan legislation before us today.

In the face of some very real political pressure from the administration and others, the gentleman from Maryland (Mr. CARDIN) has remained committed to doing what he believes is right to help people save for retirement. He deserves great credit for that.

I rise in very enthusiastic support of H.R. 1102, the legislation before us today. This is great legislation, because it allows all workers to put more aside in a 401(k) type plan, a traditional pension plan, or in an individual retirement account, an IRA. It makes it easier for employers to offer plans and maintain and establish them, and it makes it easier for workers to roll over their retirement nest egg from job to job.

Let us look at the problem that we face today. Seventy million Americans, that is half the American work force, today do not have a pension, either a 401(k) or any kind of a pension plan. The problem, of course, is much worse in American smaller businesses. In fact we are told that only 19 percent of businesses with 25 or fewer employees have any kind of pension at all today.

Unbelievably, there has been virtually no growth in pension coverage for the past 2 decades. Retirement savings in general is so low that many experts believe that most older baby-boomers have not put nearly enough away for their retirement. The estimates are that they have put away only 40 percent of what they will need to have a comfortable retirement.

Part of the problem has been right here in Congress. Over the past 20 years this Congress has done the wrong thing, not the right thing, with regard to pensions. We have lowered the contribution and the benefit levels. We have made pensions more costly by, yes, increasing the number of rules and regulations and mathematical tests and the burdens and costs of establishing and maintaining a pension plan.

What impact did that have? Let me give some specific examples. First, from 1982 to 1994, the limits on defined benefit plans, these are the wonderful traditional guaranteed defined benefit plans, the limits on these plans were repeatedly reduced by Congress from 1982 to 1994 and new restrictions were added, primarily I am told for purpose of generating more Federal revenue.

As these cutbacks began to take effect, the number of traditional defined benefit plans insured by PBGC dropped from 114,000 plans in 1987 to only 45,000 plans in 1997. Those are the facts.

Let me share another example. Within a year after Congress reduced the compensation limit from $235,000 to $160,000 in 1993, the percentage of companies offering so-called non-qualified plans, these are non-insured plans, focused on higher-paids, went from 20 percent of companies to 67 percent of companies.

These non-qualified plans basically ensure that highly-paid executive and managers have retirement coverage, but they do nothing to help lower- and middle-level income employees. That is the record.

Yes, in this legislation we do believe strongly that we ought to increase those limits, at least restore them back to where they were 20 years ago. Yes, we believe strongly that we ought to do something to reduce some of the costs and burdens of establishing and maintaining these plans.

Over the past two decades, overall pension coverage has remained stagnant. It is time for Congress to now take these steps to reverse the trend. This bill before us today does just that. It is a comprehensive approach. It has been developed over the past 3 years, after careful consultations with small business people, who we want to have offer more of these plans, with labor organizations, with pension law experts in the private sector, in academia, in the administration, at the Treasury Department, at PBGC, at the Department of Labor, and most importantly, with workers themselves and individuals who will be affected by these changes.

They have been fully vetted. These proposals have been through the wringer. In fact, most or the great majority of them have now passed this House twice.

About 200 Members of this House, just over 200 as of this morning, almost equally divided between Republicans and Democrats, have now cosponsored this bill. More than 85 outside groups, business groups like the Chamber and the NFIB, labor organizations like the Building and Construction Trades Council of the AFL–CIO, have endorsed this legislation.

The approach is fiscally responsible. It is also straightforward. First, again, we allow all workers to set aside more for their retirement in 401(k) type plans. We address union multi-employer plans. We made those plans fairer for all working union Members. We raise limits for defined benefit plans and for other pensions, as well as for IRAs, moving from $2,000 to $5,000. Again, what we are really trying to do is at least restore these limits back to where they were in the 1980s.

In some cases, we do not even go that far. This $2,000 to $5,000 increase in the IRA limit, incidentally, is right about where it would be had we simply indexed in 1974 the IRA limits.

We also allow special catch-up contributions for those workers who are 50 years old or older. This is done, this accelerated contribution, so older workers, especially women who will be returning to the work force, have the opportunity to build up that retirement nest egg more quickly at a time in their lives when they need it the most and frankly can afford to put some money aside.

Second, after the contribution increases, we are modernizing pension laws to adapt to what we have learned about the realities of an increasingly mobile work force. So we make defined contribution plans portable so workers can roll over their retirement nest egg between various types of qualified plans, 401(k)s, 403(b)s, and 457 plans for public employees.

We require employers to allow workers to become vested in their plans more quickly. Instead of 5 years, we move it down to 3 years. This lets workers get a piece of the action earlier.

Finally, yes, we listened to those in the trenches. We paid attention to the surveys out there that are very clear, clearly demonstrating that if we do not reduce the complexities and the burdens in our current very complex, very burdensome pension laws, we are not going to be able to expand pension opportunities for those who work in small businesses, which is where most lower-paid and middle-income workers now find their jobs.

That is why we make it easier for employers, particularly small businesses, to establish and maintain plans

by reducing the costs and the liabilities, including modernizing outdated laws, streamlining complex rules. Yet, we keep in place the very important protections to ensure fairness in our pension system.

My friend, the gentleman from Massachusetts (Mr. NEAL) talked a while ago about his concerns about these provisions. I would love to have a debate over these specific provisions. There are many people, including the President's ERISA Advisory Council, that reported to the Department of Labor, that said we should repeal the top-heavy rules that were discussed a moment ago.

In fact, there are many on my side of the aisle who would like to do that. We do not do that. The changes we make in the top-heavy rules are minor, but yes, they will help the small businesses to be able to offer and maintain a pension plan. We keep in place the 3 percent contribution limit. We keep in place all the fundamentals of the top-heavy rules. Yet, we do go into them, we roll up our sleeves, as the gentleman from Maryland (Mr. CARDIN) and I will hope to have a chance to talk about in more detail, and we do make it easier to offer these plans.

We keep the nondiscrimination tests in place. Again some in the business community would like for us to have gone further. We think it is important that every time a pension is offered to a higher-paid worker, it must be offered right down the line to workers of all incomes. That is why we keep the rules in place.

We do change them a little. The major change is, we say after you have gone through all the incredibly complicated mathematical computations and tests, then the Department of the Treasury would have the discretion in some cases to look at a plan and say, even though you seem to have failed this extremely complicated mathematical test, when we look at your plan, if it retains fairness to workers in that business, we will let you continue with this plan.

Is that too much to ask, to give a little discretion, so that it is not all based on computations and mechanical tests? I have to tell the Members, I think this is the least we can do to try to get at what we know is the problem, which is the cost, the burdens, and the liabilities that small businesses face today if they want to offer pension plans. Unless we want to have a mandate and tell every business in America, you have to offer a plan, and I do not think anybody is advocating that here today, we have to deal with the reality.

I have to tell the Members, I am surprised that the Clinton administration continues, despite this broad bipartisan support, despite a 3-year vetting process, despite going through a process of consultation with all the outside groups, including the Department of the Treasury, that they continue to oppose this legislation.

It is amazing to me. They have brought out the tired class warfare argument again over the last 24 hours, saying this is somehow tax cuts for the rich. That is wrong.

□ 1100

Americans who are struggling to try to meet their retirement needs do not think they are rich when they make less than $62,000 a year, which is the cap on IRAs, and they are told they can now go from $2,000 to $5,000 a year. It is hard to build up an adequate retirement putting $2,000 aside, less than 200 bucks a month. That is hard.

Yes, we think it ought to be indexed to inflation, which means it goes up above $5,000, letting more people save.

I have got to remind people here who benefits the most from this. Seventy-seven percent of the American workers who participate in pension plans today make less than $50,000 a year. So much for tax cuts for the rich. These are the people who need it most.

We ought to be getting out of the way and helping them save for their retirement, not creating more obstacles for them to be able to have a comfortable retirement.

Again, I want to thank Members on both sides of the aisle who contributed so much over the years. I see the gentleman from North Dakota (Mr. POMEROY) here who has been a leader on the portability provisions which are so commonsensical. I see the gentleman from Maryland (Mr. CARDIN), who we talked about earlier who is here. The gentleman from California (Mr. GALLEGLY) and the gentleman from Kansas (Mr. MOORE) who have taken the lead on the IRA contributions. I see the gentleman from California (Mr. GALLEGLY) is here, and I hope he will speak in a minute about his wonderful legislation that is incorporated as part of this legislation as well. The gentlewoman from New Mexico (Mrs. WILSON) and the gentleman from Maryland (Mr. WYNN), both of whom I hope will talk later today. There are so many, many others who I do not have time to mention, but who have been part of this process and have contributed to it in valuable ways.

I want to end by urging my colleagues to join us in this crusade, in this movement to try to expand retirement savings for all Americans. This should be bipartisan today. It should be a very strong message. I hope we can get well over a veto-proof majority of the House, Republicans and Democrats together, because if we do not, we probably will not be able to send a strong enough message to the Senate, to the White House and the administration that we are committed to getting this done, not next year, not in some new Congress, but getting it done this year for people who need it badly.

We need to provide this retirement security. We need to provide the peace of mind that Americans deserve in their retirement years. I hope we will send that strong message today with a strong bipartisan vote.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to briefly reference what the gentleman from Ohio (Mr. PORTMAN) has said. We continue to hold on this side that the tax proposals and tax cuts that have been proposed in this House over the last 6 weeks overwhelmingly are skewed toward helping the well off.

Mr. Speaker, I yield 5 minutes to the gentleman from Maryland (Mr. CARDIN).

Mr. CARDIN. Mr. Speaker, first, if I might, let me thank my colleagues on the Democratic side of the aisle, particularly the gentleman from Massachusetts (Mr. NEAL) for his long work on pension issues, on his interest in improving retirement savings accounts for all workers; the gentleman from North Dakota (Mr. POMEROY), who has been one of the real spokespersons for pension reform since his first day in the House; the gentleman from Texas (Mr. BENTSEN), who has been a key player on the pension reform issues; and I know the gentleman from Kansas (Mr. MOORE), who is not on the floor, he will be here later; and the gentlewoman from Florida (Mrs. THURMAN) who has a provision in this bill as it relates to ESOPs.

As the gentleman from Ohio (Mr. PORTMAN) pointed out, this is truly a bipartisan bill. But I particularly want to recognize the gentleman from Ohio for his leadership on this issue. The gentleman has demonstrated amazing patience in working with all elements, not only here in Congress, but the different interest groups so that we could fashion the bill that could truly be a bill that all of us should be proud of and a bill that has been developed in a very bipartisan way. The gentleman from Ohio (Mr. PORTMAN) has reached out to all of us, and I thank him for that.

The process that has been used for this legislation is the right process. Each provision has been well vetted. We have had public hearings in the Committee on Ways and Means. We have established the record. We have had a mark-up in the committee. We have brought forward a bill that is deserving Members' support.

Why do we need this legislation? Well, it is pretty self-obvious. We brag about the economic progress of our Nation, low inflation rates, high economic growth, stock market still growing; but our saving ratios over the last 2 decades have steadily declined. In fact, we have had negative quarters. We actually spend more money than we earn as a Nation. That is certainly nothing that we can be proud of.

We understand that income security retirement requires, not only a strong Social Security system, but a strong private retirement system; and this is what the legislation is aimed at doing.

So what do we do? Well, we adjust limits to try to bring it back to where

they used to be. Let me just give my colleagues a couple of examples. The gentleman from Ohio (Mr. PORTMAN) mentioned the defined benefit. In 1982, that was $136,000. If we adjusted for inflation, it would be $242,000. Instead, it is $135,000 and we raise it to $160,000.

How about the 401(k)'s that many of our constituents are well aware of. In 1986, that was $30,000. If we adjust it for inflation, it would be $47,000 today. Instead, it is $10,500. We make a modest change to $5,000.

Why do we do this? Well, it is interesting. When we reduce the limits, and we did reduce the compensation limit in 1993, we reduced it from 235,000 to 170,000. What happened? What happened? We found that employers dropped their plans. They went to nonqualified plans. We had a threefold increase in nonqualified plans that year. These compensation limits are important if employers are going to be sponsoring plans for all of their employees.

We provide special benefits for women. Women many times enter the workforce; later they take time out of the workforce. We reduce the vesting so that workers can be entitled to defined contribution benefits by their employers earlier, 3 years rather than 6.

We allow for catch-up contributions, because many times one is a little bit older before one is able to put money away, so we allow an extra $5,000 contribution when someone reaches the age of 50. One is finished paying one's children's college education bills, maybe one has got the mortgage down to a more realistic level. Now one can start thinking about retirement; we allow one to do that. We put the 415 provisions in there for people who work for labor unions. We help all workers.

Mr. Speaker, I am still somewhat disappointed by criticisms that this bill is aimed at wealthy high-paid workers. It is not. It is aimed at allowing employers to continue pension plans that help all workers.

If one has an employer-sponsored plan, the employer puts money on the table. That helps the lower-wage workers. We want to encourage those types of pension plans. The IRA provisions, most of the money goes into the IRA provisions. That goes to workers basically who are making less than $60,000 a year. These provisions are well targeted.

The gentleman from Ohio (Mr. PORTMAN) pointed out the top-heavy changes. We do not eliminate top-heavy rules; we make them work. We make them effective. The one provision we change in top heavy is, say, that if an employer has a matched contribution, that should count towards the 3 percent. For my colleagues see, if a pension plan is top heavy, the employer is required to make a 3 percent contribution. Under current law, that employer cannot count their matched contributions. What does that do? Employers drop their matched contribution. This encourages employers to continue to put money on the table which helps lower-wage workers and younger workers actually participate in a pension plan.

It is a well-balanced approach. Sure, one might want to pick at one provision and say, does this not help one special group? All of the provisions help all of our workers. It will help us plan for people's retirement. I urge my colleagues to support the legislation.

Mr. PORTMAN. Mr. Speaker, I yield 2½ minutes to the gentleman from Pennsylvania (Mr. ENGLISH).

The gentleman from Pennsylvania (Mr. ENGLISH) has been a leader on the multiemployer plan provisions in this bill, which help section 415.

Mr. ENGLISH. Mr. Speaker, I would like to join the individuals who have spoken today in congratulating the gentleman from Ohio (Mr. PORTMAN) for his Herculean efforts on behalf of this legislation.

Mr. Speaker, working families must be able to fall back on strong private pension plans when they are planning for retirement. Social Security is simply not enough. This landmark legislation will allow more families to save with greater flexibility for retirement.

This legislation has many simple changes, but the cumulative effect is profound. It would allow families to secure their retirement future by increasing the IRA contributions limits and increasing the 401(k) limits, long overdue changes.

It would also allow baby boomers who are discovering that their retirement is seriously underfunded to catch up through higher contribution limits.

But particularly I wanted to note that the changes in the current section 415 would address the unintended consequences of this legislation which have hurt many, many of the working families in my district.

Currently section 415 seriously hampers the ability of America's workers, not the rich, but rank and file workers, to collect their full pension amounts that they have earned.

Slashing the pensions of workers who retire before normal Social Security retirement age has caused financial hardship for many workers, especially in my district. Many of these workers have physically demanding jobs and frequently negotiate and contribute to pension plans specifically with the goal of being able to retire before age 65.

Thousands of retiring workers have carefully saved and planned for their retirement. They are depending on their pensions. But when they retire, there are arbitrary cuts in the amount they can collect. Americans are living longer, but are not saving enough to sustain them through an extended retirement.

This legislation goes a great distance toward improving our retirement system and creating a greater incentive for employers to offer private retirement plans and for individuals to save for their retirement.

Some have labeled this as tax cuts for the rich, and I find that to be an extraordinary claim. The fact is this legislation is clearly pro-savings, pro-worker, pro-union, pro-taxpayer, and pro-small business.

Mr. Speaker, I urge every Member of the House to join us in support of this very important initiative.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 4 minutes to the gentleman from North Dakota (Mr. POMEROY) whose work in the pension arena has been invaluable to this Congress.

Mr. POMEROY. Mr. Speaker, I thank the gentleman from Massachusetts for yielding me this time.

Mr. Speaker, I want to begin by commending the gentleman from Massachusetts (Mr. NEAL) and in particular the sponsors of this legislation, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for the detailed work they have done.

Just listening to the debate and their presentations on the floor leave one well aware of the depth of knowledge they have acquired on this complex subject during the time of their work on the legislation.

In balance, especially as to the Portman-Cardin proper, not addressing the IRA adjustment, but Portman-Cardin proper, I believe that they have made decisions that are well founded in terms of trying to continue support for defined benefit plans in the workplace.

We have seen a collapse in the workers covered by defined benefit plans, the traditional pension coverages. In fact, from 1975 to 1995, the number, percentage of covered workers has fallen 40 percent in defined pension plans. The number of actual defined benefit plans in the marketplace has gone from 114,000 in 1987 to 45,000 in 1997.

It is time we address this subject head on, and that is what the Portman-Cardin legislation does. I have enjoyed working with the gentleman on it.

I believe that there is much to be said for the traditional pension plan in terms of protecting workers. It shifts investment risk away from workers who are least able to bear it, and it provides lifelong guaranteed benefits sustaining people in retirement years, no matter how long they live. Let us face it, workers are living longer today, so these features of defined benefit plans are very, very important.

This legislation also incorporates a bill that I had introduced as a stand-alone measure called the Retirement Account Portability Act, and it will allow much greater portability across different types of defined contribution plans.

Right now, if one works for a non-profit corporation, one will have a 403(b) plan. If one works for a for-profit, one will have a 401(k) plan. If one works for a State government, one will have a 457 plan. As one moves in the workplace between these categories of employers, one cannot move one's defined contribution money with one. There is no public policy purpose served by the existing law with those

prohibitions. It is time we knocked them down. I am very pleased this, along with the reduction investing schedule from 5 years to 3 years for defined contribution, was incorporated in this legislation.

So there is much to commend this bill and particularly the effort behind it by the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN).

The problem I have today is not with what is in the bill; it is what was left out of the bill as the Committee on Ways and Means marked it up. And that is a special savings incentive for workers needing additional help in saving for retirement.

This chart makes it very clear that savings rates are lower among households who earn less money. There is no rocket science there. It is just obvious. Families that have incomes well in excess of $100,000 can save much more than families earning under $35,000.

This legislation basically fails to address this savings issue. It addresses pension, but only 27 percent of workers under 415,000 have access to workplace retirement savings. It increases the IRA limits, but only 7 percent of households under $50,000 are accessing the tax-deductible IRA.

These people need a more powerful savings incentive, and it is time we address the savings needs of middle- and modest-income households. They have not had an additional savings incentive passed since 1981, and the Democrat substitute, which we will debate next, would provide a powerful new savings incentive for these families.

□ 1115

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to my friend, the gentleman from California (Mr. GALLEGLY), who has been a leader on IRS expansion. In particular, he has added valuable contributions to this legislation on increasing the limit and indexing IRA contributions.

(Mr. GALLEGLY asked and was given permission to revise and extend his remarks.)

Mr. GALLEGLY. Mr. Speaker, I rise today in strong support of H.R. 1102, a bill that will enhance retirement security for all Americans.

I want to particularly recognize my good friend, the gentleman from Ohio (Mr. PORTMAN), my classmate, and my good friend, the gentleman from Maryland (Mr. CARDIN), and the gentleman from Texas (Chairman ARCHER) for their leadership, along with many other Members on both sides of the aisle in bringing this legislation to the floor in a timely fashion.

This legislation includes a provision that increases from $2,000 to $5,000 per year the amount a person can contribute to their IRA. This mirrors the language in a bill I introduced, H.R. 1322, which has garnered strong bipartisan support, in fact, 220 cosponsors and also the endorsement of numerous groups representing senior citizen groups across this country.

Increasing the annual IRA contribution limit is a matter of fundamental fairness. Since 1974, the year IRAs were created, the Consumer Price Index has increased 240 percent. Yet during the same period, the IRA level has only increased once; and this was way back in 1981. Had it simply kept pace with inflation, Americans would now be able to contribute over $5,000 instead of only $2,000.

Mr. Speaker, a very important point of this legislation is that it has recently been brought to the attention of Members of this body that the net savings rate has dropped to zero for the first time since the Great Depression. If we do not reverse this trend, we threaten the long economic prosperity of our country.

Finally, I would like to commend the authors for including language in H.R. 1102 that I strongly supported that indexes the IRA amount to the rate of inflation. We must never again let inflation eat away the amount that people can save.

I would also like to thank the gentlewoman from New Mexico (Mrs. WILSON) and the gentleman from Kansas (Mr. MOORE) for all their help in working with me on this very important issue.

I urge my colleagues to strongly support H.R. 1102.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from Oregon (Mr. BLUMENAUER), whose concern for quality-of-life issues speaks well of retirees.

Mr. BLUMENAUER. Mr. Speaker, I thank the gentleman for his courtesy in yielding me the time.

I appreciate the hard work that has been going on both sides of the aisle in moving this legislation forward.

I would speak just briefly to one particular item that does speak to the quality of life of our families, who we want to be able to be safe, healthy, and economically secure.

The section 415 modifications speak to a very real problem we have now where working men and women who are covered by pension retirement programs are not able to collect the full amount of money that they would otherwise be granted. This is a problem.

H.R. 1102 would correct this. It recognizes that hard physical labor oftentimes requires people to retire earlier.

The substitute that is going to be offered and the bill before us now both deal with the 100 percent of compensation problem, this speaks to the potential disparity to the lower-paid employees who do not get all that they would otherwise be entitled because some of these programs are based on years of service, not simply to the amount of salary.

The second provision that both bills have that I am pleased to see deals with aggregation. In many cases we have employees who are part of two pension plans, one that is a multiemployer plan and another that is simply their own union or company. It is important that we include this piece.

Finally, I would commend my colleague, the gentleman from Massachusetts (Mr. NEAL), who talked about some of the improvements that are being made for the people most in need. These employees who oftentimes are required to retire earlier are subjected to a problem where there is money in the pension program, but they are not allowed to collect it. The substitute would put an 80 percent floor and protect them.

These are important provisions that I hope will ultimately find their way into law.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to my colleague, the gentlewoman from New York (Mrs. KELLY), for the purpose of a colloquy.

Mrs. KELLY. Mr. Speaker, I rise for the purpose of entering into a colloquy with my friend, the gentleman from Ohio (Mr. PORTMAN), the author of this legislation.

I am grateful for the hard work my colleagues on the Committee on Ways and Means have done in putting together a strong package of tax relief to ensure retirement security for working Americans.

Unfortunately, I have been contacted by constituents concerned about potential interpretations of sections 405, 501, and 701 of H.R. 1102. They fear these could negatively affect pension benefits.

Over the past months, I appreciate the time the gentleman from Ohio (Mr. PORTMAN) and members of the committee concerned with pension issues have spent as we have worked together to ensure that these concerns are properly addressed.

I thank the gentleman from Ohio and the committee for the report language which addresses some of my concerns. But, Mr. Speaker, I would like to get assurances that these sections I have mentioned are not intended to be used to harm participants.

It is my understanding that these provisions are not intended to be interpreted in such a way as to reduce pension benefits, discourage companies from increasing pension benefits, or to allow violations of the Tax Code.

So I ask my friend, the gentleman from the State of Ohio (Mr. PORTMAN), is my understanding correct?

Mr. Speaker, I yield to the gentleman from Ohio.

Mr. PORTMAN. Mr. Speaker, I thank the gentlewoman from New York for yielding, and I tell her that absolutely, her interpretation is correct. Indeed, the provisions that she mentioned are in the bill with the intent that we will be able to expand pension coverage and protections for American workers who are in defined benefit plans.

Mrs. KELLY. Mr. Speaker, reclaiming my time, I thank my friend, the gentleman from Ohio (Mr. PORTMAN), for his assurances and his continuing efforts on the legislation. With these efforts, we can assure concerned individuals that pensions are enhanced and protected by this legislation.

We have an opportunity today to enhance retirement security for Americans. These are all initiatives I have long advocated. I look forward to voting in support of this important legislation today, and I urge all of my colleagues to join me in strong support.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. BENTSEN), whose work in retirement savings is well known to this body.

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I thank the gentleman from Massachusetts for yielding me the time.

Mr. Speaker, I rise today in support of H.R. 1102, the Comprehensive Retirement Security and Pension Reform Act of 2000.

Presently, our Nation is experiencing the lowest unemployment rate in a generation. This recent boom in job creation has been driven in large part by the growth of a number of small businesses. Even as more Americans work and incomes rise, we as a Nation have an abysmally low savings rate of 3.8 percent in disposable personal income. If the economy slows in the near future, that figure may rise by only one or two percentage points, which is still low by historical standards.

Further, with fewer companies offering defined benefit plans, the percentage of private workers covered by pension plans has decreased by 2 percent from 45 percent in 1970 to 43 percent in 1990. This is not progress.

Finally, with Social Security as the main source of income for 80 percent of retirees, the approaching retirement of today's aging workforce will surely place additional stress on Social Security's ability to pay out benefits.

In short, the three-leg stool of retirement security is in jeopardy. Plans where employers make automatic, mandatory contributions have been replaced by plans where employees make voluntary contributions. No longer do companies automatically bear the risks and costs of professionally made investment decisions. Today, workers have to bear the risks and costs of their investment decisions.

Passage of H.R. 1102 will set us on the path of enhancing retirement security by not only increasing the annual contribution limit for IRAs and providing catch-up provisions for older workers and easing administrative burdens to allow employers to offer pension plans.

In particular, H.R. 1102 includes provisions of a bill, H.R. 352, which I introduced with the gentleman from Missouri (Mr. BLUNT) which would allow small businesses to establish qualified small employer pension plans for small businesses of less than 100 employees.

The provisions of the Bentsen bill would provide an easing of the establishment of qualified pension plans while still requiring employer matches and contributions for all employees.

Small businesses with less than 100 employees can participate in this plan, yet only 21 percent of individuals employed by such businesses have such pension plans at this time, compared with 64 percent of those who work for businesses with more than 100 employees.

Overall I want to say, H.R. 1102 will clear up many of the problems in the current pension programs. I know there have been a number of criticisms about whether or not this would skew benefits to the upper income. I might say this is somewhat different than tax cut bills we have had before because this is about savings and not consumption. It is voluntary.

We do not know if the bill will work or not, but we do know that the current regulatory scheme for pensions and savings is not working, and we ought to try this bill to see if it will work to increase the amount of pensions to as many American workers as possible.

I encourage my colleagues to support the bill.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois (Mr. WELLER), my colleague on the Committee on Ways and Means, who played a big role in putting together not only the multiemployer provisions but also the catch-up provisions on the 401(k) and IRA side.

(Mr. WELLER asked and was given permission to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, I am fortunate to represent a very diverse district, representing the south side of Chicago, the south suburbs and rural areas. And when I listen, whether in the city, the suburbs or the country, my neighbors tell me how frustrated they are with their Tax Code. Not only are taxes too high, but they are frustrated with the complexity and the unfairness of the Tax Code; and they greatly point time and time again about how unfair our Tax Code is where it treats retirement savings, where it treats those who want to set aside more for their retirement.

They also tell me that women in particular have a harder time saving for their retirement. In fact, in 1999 only 23 percent of those who were out of the workforce, usually for raising a family, were able to contribute to an IRA in 1999. That is less than one-fourth contributed to their IRA.

When I think of that example, I think of my sister Pat. She and her husband, Rich, are in their 50s. They live near Sheldon, Illinois, on their farm. One is a farmer. One is a school teacher. But a few years back, my sister and her husband, Rich, decided to have a family. Pat took 7 years out of the workforce in order to be home with the kids. And when the kids were old enough to go into school, she went back into the workforce. But during that period of time the family income was a lot less, it was cut in half, and expenses were up because they had little children. During that time, Pat and Rich really could not really set aside much more retirement savings.

That is why I think it is so important to point out in this legislation that we help people like my sister, Pat, working moms, empty-nesters who now have a little extra money after the kids are out of the household, those who may have missed a little work because of health reasons, but give them an opportunity to catchup on their contributions to their IRA as well as their 401(k).

That is why I am so proud that provisions from H.R. 4546 were included in this legislation allowing an individual when they turn 50 to put a full $5,000 into their IRA immediately in 2001.

As my colleagues know, the increased $5,000 is phased in over three years. Those over age 50 will get the immediate benefit allowing them to catch up. And also, if they have a 401(k), they will be able to put in an additional $5,000 in every year beginning in 2001. That will be a big help, particularly to working moms and empty-nesters, important legislation to help those save for retirement, particularly women making up missed contributions.

I also want to point out another key provision in this legislation. I think of folks back home in the district, working people, building tradesmen, carpenters, cement finishers, iron workers, operating engineers, those who get up early, work hard all day, get their hands dirty, and of course put in many, many hours.

Unfortunately, and I will give an example, Larry Kohr, a retired laborer from La Salle, Illinois. Larry pointed out to me that because of section 415 limitations in our Tax Code that he does not get what he was promised on his pension. According to his pension plan, he should be getting about $39,000 a year. But because of the pension limitations under section 415, he and other building tradespeople only get about half of what they deserve, in Larry's case about $15,000 to $16,000.

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Now, think about that, 30 years you get up at 6 a.m. and go out and work hard all day, you only get half of what you were promised. I am so proud our legislation today that helps 10 million building tradespeople, people like Larry Kohr by giving them 100 percent of what they deserve on their pension.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Kansas (Mr. MOORE), who has been a welcome new addition to this House.

Mr. MOORE. Mr. Speaker, I appreciate the gentleman from Massachusetts (Mr. NEAL) yielding me this time.

Mr. Speaker, I rise today in strong support of H.R. 1102, and I urge my colleagues in this body to pass 1102 today.

Back as a new freshman Member of this body, in February of last year, I introduced H.R. 802, which would basically increase the contribution limit from $2,000 to $5,000. That concept at least was incorporated in this bill, and

I am very, very proud today to stand here in support of again H.R. 1102.

As a matter of national policy, I think it makes perfect sense that we try to encourage Americans to save more, number one; and, number two, to save more in private retirement accounts to supplement Social Security accounts for later on to take the stress and the strain off of Social Security.

Mr. Speaker, I am very proud to have had an opportunity to work on a bipartisan basis with the gentleman from California (Mr. GALLEGLY), the gentlewoman from New Mexico (Mrs. WILSON), the gentleman from Ohio (Mr. PORTMAN), the gentleman from Maryland (Mr. CARDIN), the gentleman from Illinois (Mr. WELLER), and others who have spoken here today in support of this legislation.

It truly is a good experience to work in a bipartisan basis. When I go home, I talk to my constituents back home, they tell me, they are really tired of all the partisan bickering in Congress. They are tired of hearing the Republicans did this, the Democrats did this, and what they would like to see us doing is working together.

This is a perfect example of where Republicans and Democrats have come together across the aisle and worked on behalf of the American people. This is not a Republican idea. This is not a Democrat idea. It is a good idea and should be law, and I urge its passage.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from New Hampshire (Mr. BASS), my colleague who has been very helpful on the small business provisions of this legislation.

Mr. BASS. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding the time to me.

Mr. Speaker, I rise in strong support of H.R. 1002. Mr. Speaker I want to congratulate the gentleman from Ohio (Mr. PORTMAN) for his tireless efforts on working on behalf of this important issue.

Earlier this year, I introduced a bill which would reduce the premiums paid to the Pension Benefit Guarantee Corporation by small businesses that are looking to offer new plans. This bipartisan initiative already had been passed by the House on a previous occasion and was also included in the original version of the bill we are debating today.

I fully understand the reasons for removing all nontax provisions from the bill, but I do hope that Members who may be appointed to the conference committee will work for the inclusion of these provisions that were in my bill and other pension reforms that may have been removed from the bill. With the inclusion of that, we will be assured that we will have a bill that will encourage employers to offer pensions, as this one does, increase participation by eligible employees, raise the limits on benefits and contributions, improve asset portability, strengthen legal protections for planned participants, and reduce regulatory burdens on plan sponsors.

Mr. Speaker, I also urge Members not to lose sight of the fact that during debate regarding who will benefit from this bill, we should consider the fact that when IRAs were created in 1974, they were widely regarded as a great new step in encouraging retirement savings for all Americans, and the original limit of $1,500 was not criticized as a giveaway for the most wealthy, but was hailed by both parties as the introduction of a planning tool for working Americans.

Had this limit been adjusted yearly to account for increases in the CPI, the Consumer Price Index, it would be today $5,353 each year. This bill will not adjust the limit to $5,000 until 2003, and I think we would do well to keep this in mind as we debate this important bill on a bipartisan basis.

Mr. Speaker, I urge support for this bill.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. ANDREWS), who once again has helped us reinforce the arguments that we are undertaking today.

(Mr. ANDREWS asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS. Mr. Speaker, I thank my friend from Massachusetts (Mr. NEAL) for yielding the time to me.

Mr. Speaker, I rise in support of the underlying legislation. I also support the Democratic substitute because I believe that it more fairly targets the benefits of the legislation. I commend the gentleman from Massachusetts (Mr. NEAL) and his colleagues for offering it, and I look forward to voting for it. But I want to say to my friend, the gentleman from Maryland (Mr. CARDIN), and the gentleman from Ohio (Mr. PORTMAN) that they have demonstrated that people can come together on very contentious issues and do good for the country.

Mr. Speaker, I very much appreciate the work they have done on this bill. Americans are going to have more years of retirement and, therefore, need more income, and that is a great thing; but it is a thing we need to be prepared for.

Mr. Speaker, I support this bill for four significant reasons. First of all, it repeals what I view as a very strange provision that makes it illegal for employers to put too much into the pension plan for their employees. That makes no sense at all. This will result in more money being put away for employees.

Second, I support this because I believe it is great news for people who have left the labor force for a while, usually to raise children, and then rejoin the labor force and want to catch up for those years when they could not put money away. Very frequently women are in this position, although it is not only women. And this is very strong news for those who will benefit from that provision.

Third, this legislation corrects what I believe is a glaring inequity and anomaly in the Internal Revenue Code with respect to pension payments made to people very often associated with the building trades or other unions or other crafts who have earned their pensions and because of a quirk in the law had been unable to collect them fairly. This bill corrects that.

Finally, the increase in contributions that would be made to individual retirement accounts are a benefit to the economy, as well as to the families who will benefit from those.

To the gentleman from Maryland (Mr. CARDIN), who has shown great leadership on this, and to the gentleman from Ohio (Mr. PORTMAN), I am pleased that our committee, chaired by my friend, the gentleman from Ohio (Mr. BOEHNER), has been able to help shepherd this legislation along. I rise in support of it and look forward to its adoption by this House.

Mr. PORTMAN. Mr. Speaker, I understand we have about 3 minutes remaining.

The SPEAKER pro tempore (Mr. OSE). The gentleman from Ohio (Mr. PORTMAN) has 3 minutes remaining, and the gentleman from Massachusetts (Mr. NEAL) has 2½ minutes remaining.

Mr. PORTMAN. Mr. Speaker, who has the right to close?

The SPEAKER pro tempore. The gentleman from Ohio (Mr. PORTMAN) has the right to close.

Mr. PORTMAN. Mr. Speaker, I yield 2½ minutes to the gentleman from New York (Mr. LAZIO), my colleague who has been a leader on this legislation and in expanding retirement security.

Mr. LAZIO. Mr. Speaker, let me begin by saying how thrilled I am to be here today, and I rise in strong support of this legislation.

I want to commend my good friend, the gentleman from Ohio (Mr. PORTMAN) who has spearheaded the efforts to provide pension and retirement security for millions of Americans, as well as the gentleman from Maryland (Mr. CARDIN). I want to thank him as well for his great help. We would not be here without the partnership and bipartisanship that both have exhibited.

Mr. Speaker, the baby boom generation is graying. I ought to know, I am one of them, and I can see myself in the mirror every day. Over 60 million baby boomers will be retiring over the next 20 years.

Let me talk for a moment about the typical baby boomer generation story. It is a story of a typical middle-class couple who are beginning to approach retirement age. Their children have moved out of their house. These prototypical baby boomers have been working hard, day in and day out, since graduating high school. They have been exemplary members of their community, providing for their families, perhaps volunteering for a local charity, maybe serving on a local school board.

Throughout the years, they did all right financially, but they were not millionaires. They never got really

rich. They owned their own home. They scrimped and saved to send their kids to school and often they did not have enough left over at the end of the month to save enough maybe for their own retirement.

When the kids are grown and educated, when the house is almost paid off and they have a few more dollars in their pocket, you would think they would be okay. But the fact of the matter is, they have not been able to save that much.

The current law contribution limit for IRAs is only $2,000, the same amount that it was 20 years ago. In today's dollars, $2,000 per year does not add up to much. Once they retire without a steady income, many baby boomers will have to think twice before taking all of their grandchildren out for the ball game or for a concert, and they dare not even dream about visiting that vacation spot that has always caught their eye.

Mr. Speaker, the bill we debate on the floor today will help 70 million Americans who lack access to any type of pension. This bill will allow more Americans to save more of their own hard-earned dollars for their retirement years. It will encourage more small businesses to set up retirement plans for their employees.

This is a bipartisan bill. It has been a result of a lot of hard work. It enjoys the support of over 190 cosponsors from both sides of the aisle. Let me say, there is only one thing standing between us and actual passage, and, that is, the opposition of the administration.

I do not know why anybody would object to a bipartisan bill that would give Americans security in their retirement years. I do not know why anybody would stand opposed to a bill that would help pensionless low- and middle-income workers save for their retirement. We need to pass this bill today.

Mr. NEAL of Massachusetts. Mr. Speaker, the gentleman from New York (Mr. LAZIO) mentioned there was bipartisan support for the bill. I am pleased to announce there is bipartisan opposition to the bill.

Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. GUTKNECHT).

Mr. GUTKNECHT. Mr. Speaker, virtually everything that has been said this morning about this bill is true, and it is a bipartisan bill. I am delighted with the work that has gone into it, but I reluctantly rise in opposition to the bill.

Mr. Speaker, I want my colleagues to all consider for a moment the term ''vested.'' I think we all think we know what that term means. The dictionary says it is law, settled, if fixed, absolute, being without contingency, as in a vested right.

About 2 years ago, thousands of employees that worked for IBM Corporation found out that vested does not mean what we think it means, and all of a sudden these people who had calculators on their computers, as part of their tool kit so they could calculate what their pension benefit would be when they retired, all of a sudden woke up and the company had unilaterally changed the pension formula.

They had gone from a defined benefit program to a cash balance program, and they were given no choice. And I had offered to the authors language to give them that choice, just for the vested employees, because once those rights are vested, it seems to me we have a moral obligation as a Congress, as employers. In fact, the term in pension policy is fiduciary responsibility, and that transcends legal.

Yes, it was legal for IBM, and many of these other corporations, to convert their pension plans into cash balanced plans. It was legal, I think. I am not so certain, but it was not moral. It was the wrong thing to do.

As a result, I have to rise in opposition to this bill because we have an opportunity in this Congress to solve this problem; and just because it is IBM this year does not mean it is not going to be another employer next year. This is ultimately going to affect millions and millions of Americans, and everyone in this room knows that it is wrong. It is wrong to allow large employers to abuse their employees, to convert these pension plans without their knowledge and without their choice.

Mr. Speaker, I have to congratulate the authors for working together, but this bill has one glaring omission.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I want to thank the gentleman from Minnesota (Mr. GUTKNECHT) for those very telling comments, and at the same time point out that we do not on this side hold opposition to this bill, as much as we argue that the bill can be improved.

In the closing days of this Congress, there is going to be ample opportunity to do that. And I would close with the remarks that I opened with, the legislation in front of us does not do enough to help low- and middle-income workers, and when we look at the statistical data of the companies of the proposal in front of us, one would quickly conclude that is the case.

We have an opportunity. The President says he will sign a pension bill. Secretary Summers has told me he will recommend to the President that he veto this legislation in its current form.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to thank my friend from Minnesota (Mr. GUTKNECHT) for his help on the cash balance issue. As the gentleman knows, in this legislation we expand disclosure and expand information provided so we improve the cash balance situation. I appreciate his help in getting us to that point and tell the gentleman that he is welcome to come to this side to get time any time he wants.

Mr. Speaker, I would also say at the end here that we need to be clear, that this legislation is not only bipartisan, it has not only been fully vetted over a 3-year period, but it does strike the right balance. It is fair.

Most of those lower- and middle-income workers we are all concerned about work in these small businesses that do not offer any kind of pension coverage today, that is precisely where this bill is targeted; that is what we are trying to do. We are trying to reverse what this Congress has done over the past couple of decades in terms of restricting pension access to all workers.

Mr. Speaker, I would encourage all of my colleagues on the both sides of the aisle to support the legislation before us.

Mr. FRELINGHUYSEN. Mr. Speaker, I rise in support of H.R. 1102, the Comprehensive Retirement Security and Pension Reform Act.

This bill contains a number of commonsense provisions to make it easier for Americans to build a stronger financial future for themselves. First and foremost, the bill increases the amount of money an individual can contribute to an Individual Retirement Account (IRA). The current $2,000 a year level, which has remained unchanged since 1981, would be increased to $5,000. An estimated 35 million Americans have some sort of IRA account, and nearly 70 percent of them contribute the maximum amount each year. Passage of H.R. 1102 will allow these individuals to set aside an even greater amount of money to prepare for their future retirement security.

Second, the bill allows workers to become vested in less time—three years instead of five—and makes 401(k)-type plans more portable. As we know, workers no longer spend their entire careers with the same company. Instead, workers increasingly change jobs several times over the course of their careers. Under the provisions of H.R. 1102, these workers will be able to bring their accumulated retirement savings with them when they switch jobs.

Lastly, this bill also allows older men and women, aged 50 and up, to make a $5,000 ''catch up'' contribution to their IRAs and increases the limit on salary reduction contributions to 401(k)-type plans to $15,000. Further, H.R. 1102 reduces administrative burdens, such as reporting requirements, to encourage small businesses to offer pension plans.

According to the Treasury Department, there are 75 million Americans who do not participate in a retirement pension plan and have little or no other retirement savings. For these individuals, as well as the millions of Americans who already contribute to IRAs or other retirement accounts, I urge my colleagues to support this bill. All of us benefit when citizens prepare for their future retirement security and families have incentives to save.

Mr. WELDON of Florida. Mr. Speaker, today I rise in strong support of H.R. 1102, the 401-K—IRA Pension Expansion Plan. Mr. Speaker, I am a co-sponsor of this measure that will help the over 70 million Americans who need the benefits of this plan. It is imperative that

we pass this bill today to help millions of American families save for their retirement security, and to be able to carry those pension funds with them when they change jobs.

In 1981, workers were permitted to put aside up to $2,000 in an Individual Retirement Account (IRA) tax-free. Oddly, that amount has never been raised, even in the face of inflation and increased per capita earnings. Also, with the 1986 Tax Reform Act the number of participants dropped dramatically because of the disincentives it introduced. This bill addresses those shortcomings. It phases in increases for the maximum individual contribution reaching $5,000 by 2003. That means, that over the course of ten or twenty years, a couple can save tens of thousands of dollars more towards their retirement; that doesn't even begin to touch on interest and any additional matching funds from an employer. The $5,000 annual limit is also increased annually to ensure that inflation does not again erode the contributions that can be set aside for retirement.

Today, only half of all private sector workers have any kind of pension plan, and only 20 percent of small businesses offer retirement plans. However, we have seen over the past two decades that IRAs are an effective way for all Americans to save for their future, and with the proper incentives in this bill, it will significantly expand the rate of savings. This measure will help all workers. It can especially help among Generation X-ers, many of whom are already deciding to save for their retirement. In our expanding, technology driven economy, today's twenty- and thirty-somethings have taken it upon themselves to begin saving for the long-term. This bill helps them by enabling and encouraging them to set aside more of their own money over their working years for their own retirement.

Another component of the bill is targeted to my generation. It allows workers age 50 and above to be permitted to contribute up to $5,000 immediately in order to ''catch-up'' with years of being limited to only $2,000/year. Estimates indicate that over the next two decades over 16 million Baby Boomers will retire. So many of these hard-working Americans have scrimped and saved to put aside some money for their senior years. Now as they begin to see their personal incomes rise they are not able to set aside as much money as they would like to in their IRAs. We should enable them to put aside more money as their incomes grow and as they seriously consider their financial planning for their retirement.

In addition, this bill provides incentives to promote the portability of IRAs. With the expanding and ever-changing economy workers are changing jobs with increased frequency. The prospect of spending thirty or forty years with an American institution like a General Motors or a Ford are less likely today than they were in past generations. With the increased portability provision in this bill it will be easier for workers to take their retirement savings from one job to another. They can roll over their money into an IRA with their new employer and take it with them without penalties and continue to expand the growth of their retirement savings.

In closing, statistics indicate that personal savings among Americans has been down every year since 1992, and now it is at its lowest point in decades. Also, many women put their careers on hold to raise their children. These families not only gave up a second income for these years, but these women were not able to contribute to an IRA. This bill allows them to make-up contributions for those years. We should encourage savings and the best way to do that is to promote tax-free savings for retirement. This bill is a good bill. It is good for hard-working Americans and their families, and I encourage my colleagues to support it.

Mr. BILIRAKIS. Mr. Speaker, I rise in support of H.R. 1102, the Comprehensive Retirement Security and Pension Reform Act.

The authors of H.R. 1102 are to be commended for their work in drafting a bill to address the retirement savings gap by expanding small business retirement plans, allowing workers to save more, providing portability in retirement benefits for an increasingly mobile workforce, and securing the pensions of America's workers. I am pleased to see that H.R. 1102 increases IRA contribution and benefit limits, provides rollovers of retirement plan and IRA distributions, and reduces vesting requirements for employer matching contributions. These provisions will help Americans save more for their retirement needs.

However, I still have concerns about the protection of pension benefits of workers and retirees.

Over the years, I have heard from many of my constituents who have lost pension benefits as the result of their employer declaring bankruptcy or merging with another company. Current law does not do enough to protect the retirement benefits of these employees and the company's retirees.

Mr. Speaker, hard-working Americans do not deserve to lose their hard-earned benefits due to a company's declaration of bankruptcy or merger with another corporation.

As Members of Congress, we spend a lot of time and effort debating what we can do to improve the lives of our constituents. Providing additional protections for the retirement benefits of hard-working Americans is a step in the right direction, and I hope my colleagues will work with me to ensure that changes in a company's structure will not result in the loss of benefits for our constituents.

Mr. PORTMAN. Mr. Speaker, I yield back the balance of my time.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer an amendment in the nature of substitute.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. NEAL of Massachusetts:

Strike all after the enacting clause and insert the text of H.R. 4843, as reported, and add at the end the following new title:

TITLE VIII—ADDITIONAL PROVISIONS

SEC. 801. REFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed $2,000.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$25,000	$0	$18,750	$0	$12,500	50
25,000	35,000	18,750	26,250	12,500	17,500	45
35,000	45,000	26,250	33,750	17,500	22,500	35
45,000	55,000	33,750	41,250	22,500	27,500	25
55,000	75,000	41,250	56,250	27,500	37,500	15
75,000	.....	56,250	.....	37,500	.....	0

''(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible individual' means any individual if—

''(A) such individual has attained the age of 18, but has not attained the age of 61, as of the close of the taxable year, and

''(B) the compensation (as defined in section 219(f)(1)) includible in the gross income of the individual (or, in the case of a joint return, of the taxpayer) for such taxable year is at least $5,000.

''(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term 'eligible individual' shall not include—

''(A) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and

''(B) any individual who is a student (as defined in section 151(c)(4)).

''(3) INDIVIDUALS RECEIVING CERTAIN RETIREMENT DISTRIBUTIONS NOT ELIGIBLE.—

''(A) IN GENERAL.—The term 'eligible individual' shall not include, with respect to a taxable year, any individual who received during the testing period—

''(i) any distribution from a qualified retirement plan (as defined in section 4974(c)),

or from an eligible deferred compensation plan (as defined in section 457(b)), which is includible in gross income, or

''(ii) any distribution from a Roth IRA which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

''(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

''(i) such taxable year,

''(ii) the 2 preceding taxable years, and

''(iii) the period after such taxable year and before the due date (without extensions) for filing the return of tax for such taxable year.

''(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

''(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4),

''(ii) any distribution to which section 408A(d)(3) applies, and

''(iii) any distribution before January 1, 2002.

''(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining whether an individual is an eligible individual for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

''(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section, the term 'qualified retirement savings contributions' means the sum of—

''(1) the amount of the qualified retirement contributions (as defined in section 219(e)) for the benefit of the eligible individual,

''(2) the amount of the elective deferrals (as defined in section 414(u)(2)(C)) of such individual, and

''(3) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

''(e) ADJUSTED GROSS INCOME.—For purposes of this section, adjusted gross income shall be determined without regard to sections 911, 931, and 933.

''(f) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.

''(g) TRANSITIONAL RULES.—In the case of taxable years beginning before January 1, 2008—

''(1) CONTRIBUTION LIMIT.—Subsection (a) shall be applied by substituting for '$2,000'—

''(A) $600 in the case of taxable years beginning in 2002, 2003, or 2004, and

''(B) $1,000 in the case of taxable years beginning in 2005, 2006, or 2007.

''(2) APPLICABLE PERCENTAGE.—The applicable percentage shall be determined under the following table (in lieu of the table in subsection (b)):

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$20,000	$0	$15,000	$0	$10,000	50
20,000	25,000	15,000	18,750	10,000	12,500	45
25,000	30,000	18,750	22,500	12,500	15,000	35
30,000	35,000	22,500	26,250	15,000	17,500	25
35,000	40,000	26,250	30,000	17,500	20,000	15
40,000	.....	30,000	.....	20,000	.....	0.''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by striking the last item and inserting the following new items:

''Sec. 35. Elective deferrals and IRA contributions by certain individuals.

''Sec. 36. Overpayments of tax.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 802. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

''(1) $1,000 for the first credit year,

''(2) $500 for each of the 2 taxable years immediately following the first credit year, and

''(3) zero for any other taxable year.

''(c) ELIGIBLE EMPLOYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) EMPLOYERS MAINTAINING QUALIFIED PLANS DURING 1998 NOT ELIGIBLE.—Such term shall not include an employer if such employer (or any predecessor employer) maintained a qualified plan (as defined in section 408(p)(2)(D)(ii)) with respect to which contributions were made, or benefits were accrued, for service in 1998. If only individuals other than employees described in subparagraph (A) or (B) of section 410(b)(3) are eligible to participate in the qualified employer plan referred to in subsection (d)(1), then the preceding sentence shall be applied without regard to any qualified plan in which only employees so described are eligible to participate.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED STARTUP COSTS.—

''(A) IN GENERAL.—The term 'qualified startup costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(i) the establishment or administration of an eligible employer plan, or

''(ii) the retirement-related education of employees with respect to such plan.

''(B) PLAN MUST HAVE AT LEAST 2 PARTICIPANTS.—Such term shall not include any expense in connection with a plan that does not have at least 2 individuals who are eligible to participate.

''(C) PLAN MUST BE ESTABLISHED BEFORE JANUARY 1, 2010.—Such term shall not include any expense in connection with a plan established after December 31, 2009.

''(2) ELIGIBLE EMPLOYER PLAN.—The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d), or a qualified payroll deduction arrangement within the meaning of section 408(q)(1) (whether or not an election is made under section 408(q)(2)). A qualified payroll deduction arrangement shall be treated as an eligible employer plan only if all employees of the employer who—

''(A) have been employed for 90 days, and

''(B) are not described in subparagraph (A) or (C) of section 410(b)(3),

are eligible to make the election under section 408(q)(1)(A).

''(3) FIRST CREDIT YEAR.—The term 'first credit year' means—

''(A) the taxable year which includes the date that the eligible employer plan to which such costs relate becomes effective, or

''(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by

striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following new paragraph:

''(13) in the case of an eligible employer (as defined in section 45D(c)), the small employer pension plan startup cost credit determined under section 45D(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) is amended by adding at the end the following new paragraph:

''(8) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45D may be carried back to a taxable year ending on or before the date of the enactment of section 45D.''

(2) Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding at the end the following new paragraph:

''(9) the small employer pension plan startup cost credit determined under section 45D(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Small employer pension plan startup costs.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years ending after the date of the enactment of this Act.

SEC. 803. CREDIT FOR QUALIFIED PENSION PLAN CONTRIBUTIONS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45E. SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan contribution credit determined under this section for any taxable year is an amount equal to 50 percent of the amount which would (but for subsection (f)(1)) be allowed as a deduction under section 404 for such taxable year for qualified employer contributions made to any qualified retirement plan on behalf of any nonhighly compensated employee.

''(b) CREDIT LIMITED TO 3 YEARS.—The credit allowable by this section shall be allowed only with respect to the period of 3 taxable years beginning with the taxable year in which the qualified retirement plan becomes effective.

''(c) QUALIFIED EMPLOYER CONTRIBUTION.—For purposes of this section—

''(1) DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the term 'qualified employer contribution' means the amount of nonelective and matching contributions to the plan made by the employer on behalf of any nonhighly compensated employee to the extent such amount does not exceed 3 percent of such employee's compensation from the employer for the year.

''(2) DEFINED BENEFIT PLANS.—In the case of a defined benefit plan, the term 'qualified employer contribution' means the amount of employer contributions to the plan made on behalf of any nonhighly compensated employee to the extent that the accrued benefit of such employee derived from such contributions for the year do not exceed the equivalent (as determined under regulations prescribed by the Secretary and without regard to contributions and benefits under the Social Security Act) of 3 percent of such employee's compensation from the employer for the year.

''(d) QUALIFIED RETIREMENT PLAN.—

''(1) IN GENERAL.—The term 'qualified retirement plan' means any plan described in section 401(a) which includes a trust exempt from tax under section 501(a) if the plan meets—

''(A) the contribution requirements of paragraph (2),

''(B) the vesting requirements of paragraph (3), and

''(C) the distributions requirements of paragraph (4).

''(2) CONTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—The requirements of this paragraph are met if, under the plan—

''(i) the employer is required to make nonelective contributions of at least 1 percent of compensation (or the equivalent thereof in the case of a defined benefit plan) for each nonhighly compensated employee who is eligible to participate in the plan, and

''(ii) allocations of nonelective employer contributions are either in equal dollar amounts for all employees covered by the plan or bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

''(B) COMPENSATION LIMITATION.—The compensation taken into account under subparagraph (A) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

''(3) VESTING REQUIREMENTS.—The requirements of this paragraph are met if the plan satisfies the requirements of subparagraph (A) or (B).

''(A) 3-YEAR VESTING.—A plan satisfies the requirements of this subparagraph if an employee who has completed at least 3 years of service has a nonforfeitable right to 100 percent of the employee's accrued benefit derived from employer contributions.

''(B) 5-YEAR GRADED VESTING.—A plan satisfies the requirements of this subparagraph if an employee has a nonforfeitable right to a percentage of the employee's accrued benefit derived from employer contributions determined under the following table:

''Years of service:	**The nonforfeitable percentage is:**
1	20
2	40
3	60
4	80
5	100.

''(4) DISTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the requirements of this paragraph are met if, under the plan—

''(i) in the case of a profit-sharing or stock bonus plan, amounts are distributable only as provided in section 401(k)(2)(B), and

''(ii) in the case of a pension plan, amounts are distributable subject to the limitations applicable to other distributions from the plan.

''(B) DISTRIBUTIONS WITHIN 5 YEARS AFTER SEPARATION, ETC.—In no event shall a plan meet the requirements of this paragraph unless, under the plan, amounts distributed—

''(i) after separation from service or severance from employment, and

''(ii) within 5 years after the date of the earliest employer contribution to the plan,

may be distributed only in a direct trustee-to-trustee transfer to a plan having the same distribution restrictions as the distributing plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) NONHIGHLY COMPENSATED EMPLOYEES.—The term 'highly compensated employee' has the meaning given such term by section 414(q) (determined without regard to section 414(q)(1)(B)(ii)).

''(f) SPECIAL RULES.—

''(1) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified employer contributions paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(2) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

''(g) RECAPTURE OF CREDIT ON FORFEITED CONTRIBUTIONS.—If any accrued benefit which is forfeitable by reason of subsection (d)(3) is forfeited, the employer's tax imposed by this chapter for the taxable year in which the forfeiture occurs shall be increased by 35 percent of the employer contributions from which such benefit is derived to the extent such contributions were taken into account in determining the credit under this section.

''(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the abuse of the purposes of this section through the use of multiple plans.

''(i) TERMINATION.—This section shall not apply to any plan established after December 31, 2009.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following new paragraph:

''(14) in the case of an eligible employer (as defined in section 45E(e)), the small employer pension plan contribution credit determined under section 45E(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN CONTRIBUTION CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan contribution credit determined under section 45E may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the small employer pension plan contribution credit determined under section 45E(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45E. Small employer pension plan contributions.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or incurred in taxable years beginning after December 31, 2001.

SEC. 804. LIMITATION ON CATCH-UP CONTRIBUTIONS.

(a) IN GENERAL.—Section 414(v), as added by section 301, is amended by adding at the end the following new paragraph:

''(6) LIMITATION.—This subsection shall apply with respect to a participant for a year only if the participant is not a highly compensated employee and certifies to the plan administrator that the participant has been out of the workforce for at least 2 of the preceding 7 years. A plan shall not be treated as failing to meet the requirements of this subsection by reason of reliance on an incorrect

certification under this paragraph unless the plan administrator knew, or reasonably should have known, that the certification was incorrect.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 805. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) EARLY RETIREMENT LIMITS FOR CERTAIN PLANS.—Subparagraph (F) of section 415(b)(2) is amended to read as follows:

''(F) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—In the case of a governmental plan (within the meaning of section 414(d)), a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle, a multiemployer plan (as defined in section 414(f)), or a qualified merchant marine plan—

''(i) subparagraph (C) shall be applied—

''(I) by substituting 'age 62' for 'social security retirement age' each place it appears, and

''(II) as if the last sentence thereof read as follows: 'The reduction under this subparagraph shall not reduce the limitation of paragraph (1)(A) below (i) 80 percent of such limitation as in effect for the year, or (ii) if the benefit begins before age 55, the equivalent of such 80 percent amount for age 55.', and

''(ii) subparagraph (D) shall be applied by substituting 'age 65' for 'social security retirement age' each place it appears.

For purposes of this subparagraph, the term 'qualified merchant marine plan' means a plan in existence on January 1, 1986, the participants in which are merchant marine officers holding licenses issued by the Secretary of Transportation under title 46, United States Code.''.

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

SEC. 806. SENSE OF THE HOUSE OF REPRESENTATIVES REGARDING CASH BALANCE PENSION PLAN CONVERSIONS.

(a) FINDINGS.—The House of Representatives finds the following:

(1) Defined benefit pension plans are guaranteed by the Pension Benefit Guaranty Corporation and provide a lifetime benefit for a beneficiary and spouse.

(2) Defined benefit pension plans provide meaningful retirement benefits to rank and file workers, since such plans are generally funded by employer contributions.

(3) Employers should be encouraged to establish and maintain defined benefit pension plans.

(4) An increasing number of major employers have been converting their traditional defined benefit plans to ''cash balance'' or other hybrid defined benefit plans.

(5) Under current law, employers are not required to provide plan participants with meaningful disclosure of the impact of converting a traditional defined benefit plan to a ''cash balance'' or other hybrid formula.

(6) For a number of years after a conversion, the cash balance or other hybrid benefit formula may result in a period of ''wear away'' during which older and longer service participants earn no additional benefits.

(7) Federal law prohibits pension plan participants from being discriminated against on the basis of age in the provision of pension benefits.

(b) SENSE OF THE HOUSE.—It is the sense of the House of Representatives that pension plan participants whose plans are changed to cause older or longer service workers to earn less retirement income, including conversions to ''cash balance plans'', should receive additional protection under the Internal Revenue Code of 1986 than what is currently provided, and Congress should act this year to address this important issue. In particular, the tax laws, at a minimum, should provide that—

(1) all pension plan participants receive adequate, accurate, and timely notice of any change to a plan that will cause participants to earn less retirement income in the future; and

(2) pension plans that are changed to a cash balance or other hybrid formula not be permitted to ''wear away'' participants' benefits in such a manner that older and longer service participants earn no additional pension benefits for a period of time after the change.

The SPEAKER pro tempore. Pursuant to House Resolution 557, the gentleman from Massachusetts (Mr. NEAL) and a Member opposed each will control 30 minutes.

The Chair recognizes the gentleman from Massachusetts (Mr. NEAL).

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

In the last hour, we have really gone through I think a very helpful exercise, and that is to point out that the differences are really not that large as currently proposed.

□ 1145

Even though the differences are not large, they remain for low-income and moderate-income workers substantial. If we let this get away from us in its current form, if the President were to sign this legislation, which I suggest that he will not, we would find ourselves quickly coming back to an issue in succeeding sessions of the Congress on how to deal with what is the most prickly part of the problem, and that is how do we get low-income wage earners into a pension system? How do we provide the necessary incentives for employers to do precisely that? How do we speak to moderate-income workers who find themselves perhaps in mid-life without the benefits of a pension plan as well?

The amendment today that we offer in the nature of a substitute would accomplish this goal by encouraging individuals, all workers, to save better for retirement through adding retirement savings accounts as proposed by the President and the Secretary of the Treasury, Mr. Summers. This proposal would provide a refundable credit to low- and middle-income workers who participate in an employer-sponsored pension plan or an individual retirement account. The credit would equal up to 50 percent of the annual contribution allowed under a traditional IRA.

Let me say that 2 years ago, the gentleman from California (Mr. THOMAS) and I led the fight here in a bipartisan manner on this floor in support of the Roth IRA. I hold no intransigence or opposition to the nature of expanding individual retirement accounts. I think that there is significant data, however, that indicates that the problem with IRAs is they tend to reward those who already have the ability to save for retirement. No problem with getting more people in, but at the same time we want to extend this benefit to low- and moderate-income workers.

Under this proposal, eligible taxpayers would receive an immediate credit equal up to $300, which would be phased up to $1,000. When fully phased in, individuals filing a joint return with adjusted gross income up to $75,000 would be eligible for the credit. Taxpayers filing as heads of households with an adjusted gross income of up to $56,000 would be eligible for the credit as well, and individuals filing as single would receive the credit if their adjusted gross income does not exceed $37,500.

Now, we have once again an opportunity in the closing days of this Congress to accomplish something that is very important to average Americans, and that is the opportunity, given the uncertainty that so many people feel about pension benefits that are allegedly set aside, we have watched the collapse in different States across the country of pension benefits and it is clearly an issue that is on the minds of the American people. So I ask in the spirit of bipartisanship that we take an opportunity in the next 6 weeks as the Congress adjourns to come back here in September, refreshed and energetic, with the goal of some tangible achievements.

I would alert the Members of Congress again that President Clinton has argued, through Secretary Summers, that he will not sign this legislation into law. That should be the stop sign that we all see at the intersection. Let us come back and revisit it. I think the gentleman from Ohio (Mr. PORTMAN) has done a commendable job. I think the gentleman from Maryland (Mr. CARDIN) has done a commendable job. The problem is that they have, in my judgment, not accomplished enough for moderate- and low-income workers.

MODIFICATION OF AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I ask unanimous consent to modify this amendment. The modification is at the desk.

The SPEAKER pro tempore (Mr. OSE). The Clerk will report the modification.

The Clerk read as follows:

Modification to amendment offered by Mr. NEAL of Massachusetts:

Strike out section 804, and renumber succeeding sections accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts that the amendment in the nature of a substitute be modified?

Mr. PORTMAN. Mr. Speaker, reserving the right to object, I would just like to get a quick explanation of the legislation.

Mr. NEAL of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. PORTMAN. I yield to the gentleman from Massachusetts.

Mr. NEAL of Massachusetts. Mr. Speaker, I would say to the gentleman from Ohio (Mr. PORTMAN), my understanding is that this was not part of the amendment as proposed; that it was supposed to be deleted last evening and it was not.

Mr. PORTMAN. Is this on the catch-up provisions?

Mr. NEAL of Massachusetts. Yes, it is.

Mr. PORTMAN. I think this House ought to give unanimous consent to this. This essentially, as I understand it, would move the Democrat substitute into a similar position of where the underlying legislation is with regard to catch-ups. Is that correct?

Mr. NEAL of Massachusetts. Yes, that is correct.

Mr. PORTMAN. Otherwise, we would be gutting the catch-up provisions in the Democrat substitute, which none of us want to do.

Mr. NEAL of Massachusetts. This was supposed to be deleted last evening; and it is my understanding, based upon what the staff tells me, that it simply was a miscalculation.

Mr. PORTMAN. Mr. Speaker, I withdraw my reservation of objection. I think we ought to agree with the gentleman and give him unanimous consent.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The SPEAKER pro tempore. Does the gentleman from Ohio (Mr. PORTMAN) claim the time in opposition?

Mr. PORTMAN. Yes, Mr. Speaker. I am opposed to the substitute and would claim the time in opposition.

Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. HORN).

Mr. HORN. Mr. Speaker, a few months ago a constituent wrote me about him and his wife. They had been burdened 20 years before with student loans, and they had only recently paid them off. They never had a chance to vest money into an Individual Retirement Account. I introduced H.R. 3620, the Second Chance IRA Act, to allow workers to make up for years when they missed out or simply failed to make IRA contributions.

My legislation would have essentially doubled the IRA contribution and tax deductions from the current $2,000 to the $4,000 to catch up on those lost years.

Before us is H.R. 1102. It has provided a similar ''catch-up.'' This bill would allow those workers to immediately contribute up to $5,000 a year to an IRA. That achieves a good part of the goal to encourage a buildup of savings for workers who are nearing retirement and never had the opportunity to invest in an IRA.

I thank the gentleman from Texas (Mr. ARCHER), the gentleman from Ohio (Mr. PORTMAN), and the gentleman from Maryland (Mr. CARDIN) for their bipartisan effort which resulted in this legislation.

It is an important help for the women who are retiring and reentering the workforce after raising a family, and for many other Americans who want and need a significant retirement savings account so they can have security in their golden years.

Let us help retirement.

Let us encourage saving.

Let us vote for H.R. 1102.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 5 minutes to the gentleman from Maryland (Mr. CARDIN), who I indicated earlier has done a terrific job with the legislation, and our difference here is a small one. We have time to correct it. He has done a good job with this work.

Mr. CARDIN. Mr. Speaker, I thank the gentleman from Massachusetts (Mr. NEAL) for yielding me this time.

Mr. Speaker, let me point out that the Democratic substitute is an add-on to the underlying Portman-Cardin H.R. 1102 legislation. By that I mean that all of the provisions of H.R. 1102 remain if one votes for the Democratic substitute. It adds some additional provisions to provide more incentives for particularly low-wage workers to be able to put money away for their retirement.

When the gentleman from Ohio (Mr. PORTMAN) and I started working on this legislation 3 years ago, we were very sensitive to the fact that we had not balanced the Federal budget and that we should be very cautious on the use of tax revenues. We were very conservative in our approach. Quite frankly, we did not think that there would be as much money available for savings incentives as now appears to be the case as we start considering legislation, not only to reform our pension laws but to reform Social Security and the ability of individuals to have private accounts, whether they are part of Social Security or independent add-ons to Social Security.

So I think the discussion has changed somewhat.

The Democratic substitute provides for retirement savings accounts. That will help low-wage workers. Let me indicate some of the problems that we encountered as we worked on H.R. 1102. We were looking for ways to help low-wage workers and to help young workers, because the truth is young workers and low-wage workers are very difficult to get their attention to put money away for savings. I am proud of the provisions in the underlying bill that will help low-wage workers and will help young workers, because the underlying bill encourages employers to sponsor retirement plans and to use some of the same tools that we use in the thrift savings by offering employer contribution to retirement and to offer match by employer. That is good and that will help, and that is why this is an important bill.

The RSAs go to the next step and say let us have the government as a partner in providing incentives for particularly lower-wage workers to set up their own retirement funds.

There is another important part to the Democratic substitute I would like to mention, and that is the provision that deals with small business, small business credits. It was actually in the Portman-Cardin bill, H.R. 1102; and as has been pointed out in a little bit earlier debate, I hope it does make its way into the bill as it works its way through Congress. The gentlewoman from Michigan (Ms. STABENOW) first introduced this bill, H.R. 1021, that provides this credit.

We have incorporated it in the Democratic substitute. It was in H.R. 1102, and I think it is an improvement to add an additional tool for small business to set up pension plans. There is already important provisions in H.R. 1102 that are going to help small business. This improves it.

So, basically, the substitute is an improvement of the underlying bill and spends a lot more money than the underlying bill that we did not want to do when we originally looked at H.R. 1102. So I hope my colleagues will look favorably upon this substitute. I think it does provide a bridge for us to ultimately work out an arrangement with the White House on tax legislation.

I hope regardless of how one feels on the Democratic substitute, and I do hope that they will support it, I hope they will support the underlying bill.

I think this legislation is extremely important. I think we can improve it with the substitute; but regardless of what happens with the substitute, I urge my colleagues to support the legislation so that we can move forward to help secure retirement for those people when they retire.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Florida (Mr. FOLEY), a member of the Committee on Ways and Means who has been a leader on retirement security.

Mr. FOLEY. Mr. Speaker, let me first thank the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for their excellent work on this legislation that is important to all Americans.

Relative to the substitute retirement savings account, let me make certain people understand this is a new proposal. This has not been vetted yet. In fact, we first saw this proposal during markup and it has since been modified so we are still trying to grapple with the underlying assumptions that are made in the request.

The first we heard about it was the President's State of the Union address and budget proposal. So we have a lot to work out before we accept the substitute.

Let me again answer another claim that was made during debate relative to IRAs. Low- and middle-income Americans use IRAs to save for retirement. This is an absolute certainty. In fact, the median income of new IRA contributors dropped from $41,277 in 1982 to $28,677 in 1986. The vast majority of taxpayers making IRA contributions are lower- and middle-income

Americans. The inflation rate would have brought it to $5,000 today had it been adjusted, but it has had one increase, one increase alone from $1,500 to $2,000.

This very bill encapsulates an option to bring it up to $5,000, which I think is significantly important.

One of the greatest fears most Americans have is will they have enough savings and money to retire comfortably to take care of their health care needs, purchase prescription drugs, do the things that are required as one ages. This bill, a bipartisan bill, provides that kind of opportunity.

Let me also underscore that there are 106 Republican co-sponsors and 94 Democrats, for a total of 200 Members of the House of Representatives, that support this initiative. I am delighted today to at least hear positive things about a bill in Congress coming out of the Committee on Ways and Means. Oftentimes these bills we introduce are derided as reckless and risky. Today, we are hearing a celebration of bipartisanship on this floor talking about legislation that will advance the opportunities of all Americans, and I celebrated that. I am thrilled and delighted that this House finally has the common voice in supporting legislation authorized and issued by the committee, and I congratulate again the gentleman from Ohio (Mr. PORTMAN) for his fine work on this proposal.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. MATSUI), a senior and distinguished member of the Committee on Ways and Means who is well known for his work on retirement savings.

□ 1200

Mr. MATSUI. Mr. Speaker, I thank the gentleman from Massachusetts for yielding me this time.

I would like to congratulate the gentleman from Ohio (Mr. PORTMAN) and certainly the gentleman from Maryland (Mr. CARDIN). They made a good try and made a good effort on this legislation.

However, I have to say that there are fundamental flaws in this legislation. First of all, it does make significant changes, although the authors talk about technical changes, in the top-heavy rules and the anti-discrimination rules. But these changes are actually substantive changes and, in fact, what they will do is make it more difficult for lower- and middle-income wage earners, employees, to be able to get pension benefits.

In addition, statistically, a number of outside groups, because we do not have a joint tax committee distribution table, but a number of outside groups have said that the top 10 percent of the taxpayers will get 62 percent of the benefits in this legislation, and that is taking into consideration the additional employees that will be covered under the original Portman-Cardin legislation. But this is not unusual, because all of the tax bills that we have seen coming from my Republican colleagues over the last 4 or 5 months have been basically for upper-income folks anyway. So I would not make that as a major argument. The marriage penalty and all of these others have been basically for them.

But it is very important that if this legislation passes, and I believe it will, that we add on the substitute provisions here. Because at least then, it will help the distribution of where the benefits will go and it will actually then, in fact, help wage earners and not the top management employees or the employers themselves.

But nevertheless, this bill is a bill that if it is unchanged, is not a good piece of legislation.

Let me just conclude by making one observation. There was an add-on to this bill. Right now, people that want to have IRAs can have up to $2,000 per individual per year on IRA accounts, individual retirement accounts. This will increase that number to $5,000. So a couple will be able to then put $10,000 a year into an IRA.

Now, I will tell my colleagues that there are not many Americans that even put $4,000 a year into IRAs. This means that a small business owner will probably say, I will just eliminate my entire pension program, because why should I give to my employees and share my profits? Why not just take two IRAs out at $5,000 each, husband and wife, and essentially then, I can take care of my retirement and let my employees deal with it themselves. So to a large extent, this legislation will actually reduce, in my opinion, the opportunities for small business to cover their employees. That is why this legislation standing by itself is not a good piece of legislation. It will be vetoed by the President if it stands by itself, and that is why this substitute is so critical to make this legislation work and to make sure that we take care of the average American taxpayer.

Mr. PORTMAN. Mr. Speaker, I yield myself 15 seconds to respond briefly to my friend from California. The intent of this legislation is, of course, just the opposite. It is to expand pension coverage to small businesses. It is an interesting theory that he plays out; but if we are to take the facts, it would be that that small business owner could put $20,000 aside now, $15,000 plus $5,000 catch-up for himself and if his spouse or her spouse is working, another $20,000. So it does not seem to make much sense to shift over to the IRA. If we were just increasing IRAs, the gentleman might have a good point.

Finally, of course, this goes to middle-income workers. We have already talked about that, both on the IRA side and the 401(k) side.

Mr. Speaker, I yield 3 minutes to the gentleman from Ohio (Mr. BOEHNER), the chair of the Subcommittee on Employer-Employee Relations, who has been a leader in expanding pension coverage and reforming ERISA.

Mr. BOEHNER. Mr. Speaker, let me thank the gentleman from Ohio (Mr. PORTMAN) and congratulate both him and the gentleman from Maryland (Mr. CARDIN) for their tireless work over the last 3 years of bringing this bill to the floor.

Clearly, improving retirement security is a top priority this year, as Congress works to secure America's future. But improving retirement security is just not about fixing Social Security. It is also about expanding access to private pensions and making innovations that will maximize every American's opportunity for a safe and secure retirement.

I want to commend the gentleman from Texas (Mr. ARCHER) for his work in crafting this bill along with the two authors and for all of his efforts in this and past Congresses relating to retirement security and improving our Nation's Tax Code to the benefit of all Americans.

Rarely has an ambitious legislation such as this earned such broad support from the AFSCME and Teamsters and other labor unions, to the U.S. Chamber of Commerce, the National Federation of Independent Business and other folks in the private sector. As I said earlier, I think it is a real tribute to the two authors, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) and the work that they have done.

The reforms in this bill will directly improve the retirement security of millions of workers by expanding small business retirement plans, allowing workers to save more, making pensions more secure, and cutting red tape, that have hamstrung employers who want to establish pension plans for their employees.

Mr. Speaker, H.R. 1102 was reported out of the Committee on Education and the Workforce on July 14, 1999 with a bipartisan vote. Our committee made amendments to the Employee Retirement Income Security Act, or ERISA, as we know it, that complement the Tax Code provisions that are on the floor today. And while the ERISA provisions were removed by the Committee on Rules for procedural reasons, the gentleman from Texas (Mr. ARCHER) has pledged to seek the restoration in conference, and I thank the gentleman for this commitment and I look forward to working with him to ensure enactment of H.R. 1102.

Mr. Speaker, we have a new world that we are living in today. As people retire, they are living much longer than anyone had ever anticipated; and if we want to make sure that people have safe and secure retirements, they are going to need more assets than our parents did when they retired. As a result, we all know about the three legs of the retirement security stool: Social Security, private pensions, and personal savings.

The bill we have before us today makes important strides in making sure that people have safe and secure

private pension plans and expands access to them, especially by small business owners. The incentives in this bill to expand the amount of money that can be set aside for private savings is also very important. Clearly, shoring up Social Security for the long term is something that we know is going to have to be done in the next Congress.

Just today, Mr. Speaker, the subcommittee that I chair, the Subcommittee on Employer-Employee Relations, moved out a bill that would expand investment advice provided by employers to their employees. It is another piece to this puzzle to help employees give them all of the advice and effort that they need to maximize their private pensions.

So I encourage my colleagues today to support the bill.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 4 minutes to the gentleman from North Dakota (Mr. POMEROY), whose work in pension security is well known to all Members of this House. In fact, I would submit that there are very few, if any, Members of this House that have more knowledge on this issue.

Mr. POMEROY. Mr. Speaker, I rise in response to a preceding speaker who said the Democrat substitute has not been vetted. It is based essentially on a proposal known as First Credit which I introduced last Congress and I introduced this Congress. We do not run the Committee on Ways and Means, but there have certainly been proposals out there to gear savings incentives to modest- and middle-income households to accelerate the rate of savings, and any fair-minded look at the savings issue in this country would identify that the lower-income, modest-income, middle-income levels are having the harder time saving.

Let me just say about the underlying legislation, the problem is not so much what is in it; the problem is what is left out. That is why the Democrat substitute is additive, not detractive. It does not change the underlying bill; it adds to it in a very important way, savings incentives for families who need it.

We have learned that the underlying bill addresses workplace savings. That is great, except half of the people in the workforce today have no workplace savings, half have no workplace savings. As we get down to lower levels of earnings, the percentage goes up. In fact, 70 percent of workers earning under $15,000 have no workplace savings in the workplace, 70 percent. Portman-Cardin will not relate to that group.

We know that the other second major component of the legislation is the IRA, taking the IRA from $2,000 to $5,000. Treasury data tells us that 93 percent of those eligible to use the tax deductible IRA, those earning $50,000 and below, do not use it as of 1995. Mr. Speaker, 93 percent. It is used by only 7 percent.

So if a family cannot afford to save $2,000 a year, our response saying, well, great, now you can save $5,000 a year is completely ridiculous. It misses the point. They need additional help. That is what our substitute offers, a tax credit on savings. For those income eligible, we would match 50 percent of the contribution. I consider this like an ''Uncle Sam'' match, much like an employer match on savings incentives. You save $2,000, the IRA tax credit of $1,000, matching your savings effort. I believe that this will accelerate savings for those most needing to save.

This chart shows that savings rates is related to income. Twenty-three percent earning between $15,000 and $25,000 are projected to be saving enough for retirement, whereas well over 60 percent earning over $100,000 are saving at the savings rate. We know that this tax credit incentive on savings will work because it is modeled after the savings incentive most effective in the marketplace, the 401(k) match. When employers provide savings opportunities with no match, 65 percent save. When there is a 50 percent match like this bill would provide, there is a 78 percent response in saving.

As Members of Congress, we have access to the Thrift Savings Plan and the Federal Government matches our savings contribution 100 percent on the dollar. Do we not think it is only fair that we extend a match opportunity to American workers who have no savings at the workplace and no opportunity to save in light of sparse discretionary dollars.

This is a tax cut, but it is tax relief to those who need it most, those earning up to $80,000 a year, struggling to save for retirement. It is time we take this step. Last Congress we passed the ROTH IRA, we increased the limits on the spousal IRA. We did a lot of things for a lot of people, but we did not do anything new by way of savings incentives for those earning $50,000 and below.

Mr. Speaker, it is time we take this step, and that is what the substitute is all about.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentlewoman from Maryland (Mrs. MORELLA).

Mrs. MORELLA. Mr. Speaker, I thank the gentleman for yielding me this time. I want to thank him and congratulate him for his diligent work over a long period of time on this important legislation.

My accolades also to the gentleman from Maryland (Mr. CARDIN) for the work that he has done, the fine work in a very bipartisan manner.

I am a cosponsor of H.R. 1102, and I rise in strong support of it, because it addresses the retirement savings gap by expanding small business retirement plans, allowing workers to save more, addressing the needs of an increasingly mobile workforce through portability and other changes, making pensions more secure, cutting the red tape that has hamstrung employers who want to establish pension plans for their employees.

Mr. Speaker, we all know that incentives are necessary to increase retirement savings for all Americans. Our savings rate is much too low to ensure the retirement security of American families. Statistics indicate that a typical household would need to triple its rate of asset accumulation in order to finance its retirement. Simply put, the current savings rate is not sufficient to fund retirement expenditures.

Even more alarming is that the U.S. personal savings rates dropped 6.3 percent of GDP in 1960 through 1980, to 4.1 percent in 1991 through the first quarter of this year, 2000. We need to take action now. H.R. 1102 provides incentives for reversing this alarming trend.

Mr. Speaker, I want to point out something else that needs to be done in this legislation. Unfortunately, the legislation does not address the unfair situation which exists under current law in which Federal employees are prohibited from saving for their retirement in the same manner as private sector 401(k) plans. Currently, FERS employees can contribute up to 10 percent of their salary with a government match of up to 5 percent, and CSRS employees can invest up to 5 percent of their salary.

For example, a FERS employee earning $35,498 per year may only contribute $3,550 annually into his or her Thrift Savings Plan account, while someone in the private sector earning the same amount may contribute $6,450 more annually into their 401(k) account.

Mr. Speaker, I have introduced legislation, H.R. 483, the Federal Thrift Savings Enhancement Act, which would eliminate that 10 percent and 5 percent restrictions and allow all Federal employees to make TSP contributions up to the IRS limit without changing the government contribution. This is fair and equitable.

Mr. Speaker, I would hope that during the conference on this legislation, our Federal workforce will be taken into consideration and the provisions of H.R. 483 will be included in the final conference report.

□ 1215

It is important. It is equitable. Let us pass the bill and add that provision.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 5 minutes to the gentleman from Missouri (Mr. GEPHARDT), the highly effective minority leader in this House.

(Mr. GEPHARDT asked and was given permission to revise and extend his remarks.)

Mr. GEPHARDT. Mr. Speaker, I rise to argue that this reform bill is in many ways a very good example of bipartisan legislation, and all of us I think can agree that tax incentives for retirement savings are needed, warranted, the right thing to do for our workers, and good for our country in general.

But as currently written, I think this reform bill is flawed, or not including

enough features that should be included, because it targets simply those Americans who need incentives for saving the least: corporate executives, managers, big business owners.

This legislation, as the Center on Budget Policy and Priorities wrote recently, ''would substantially expand pension tax preferences for high-income executives, but likely lead to reductions in pension coverage among low- and moderate-income workers and employees of small businesses.''

I am not opposed to helping upper-income Americans by raising the ceilings on their annual IRA contributions. These men and women have worked hard and deserve their piece of the pie. But I am very afraid that with this bill, as with many of the tax-cutting measures that we have seen in this Congress, we have lost sight of our principal challenge and concern. We have lost sight of our goal to provide tax relief for middle-income Americans and very small businesses, the men and women who really deserve a real reduction in their income taxes.

The greatest failing of this bill is that it does little to encourage retirement saving by lower- and middle-income workers, those Americans who simply are not saving enough because they do not have enough to save.

We have offered an alternative that we think addresses this shortcoming and that rights the playing field so middle-income Americans, not just the well off, receive the lion's share of incentives to boost their retirement accounts.

We have offered an amendment, supported by the administration, that will create retirement savings accounts in which the government will give refundable tax credits to the retirement accounts of millions of Americans.

Our amendment caps the level at which people can receive the tax cut at $75,000, so that the bulk of the incentives to invest in retirement accounts flow to the middle-income group. Our amendment provides tax credits to small businesses of up to 50 percent of the start-up and initial administration costs to set up businesses.

I have said many times in the last several weeks and I will say again, I believe that all of us, Democrats and Republicans, can come together, negotiate on the issues of taxes and spending, hammer out tax cuts that help the vast majority of Americans, while making sure that we address the issues that concern the American people the most: paying down the debt, strengthening social security and Medicare, providing a real prescription medicine reform, and sending the President a total budget that he can sign.

I ask all of us to work together to amend this legislation so that it truly benefits Americans most in need of tax relief; that we fashion these other tax bills so that the President will sign them, and the middle-income Americans and Americans trying to get in the middle class will get the bulk of the help; and that we enact these other reforms, like prescription drugs, medicine, a Patients' Bill of Rights, a minimum wage increase, doing something that is sensible about gun safety, trying to get smaller classroom sizes, which are the issues, along with tax cuts, that really have attracted the interest of the American people.

So I ask Members to vote for our alternative. Let us get a good piece of legislation done that can get the support of the administration and the bulk of the American people.

Mr. PORTMAN. Mr. Speaker, I yield myself 15 seconds.

I would like to say I agree with the minority leader, we need to work on a bipartisan basis to come together. That is what we have done here over the last 3 years. We have over 200 cosponsors, almost equally divided.

Second, I want to assure him that we have indeed not lost sight of the need to help middle- and lower-income categories. That is precisely where we target this legislation.

Mr. Speaker, I yield 2½ minutes to the gentleman from Arizona (Mr. HAYWORTH), a member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, I thank my colleague for yielding time to me, and I thank my friends, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), who have brought forth this commonsense bipartisan piece of legislation.

Mr. Speaker, I listened with great interest to my friend, the minority leader, and coincidentally, I want to wish him well in future endeavors that may extend beyond this House, as the Vice President of the United States may be looking for a partner in the upcoming general election, and want to salute him for coming out with a poll-tested speech.

Mr. Speaker, when all is said and done, I rise in opposition to the Democrat alternative and rise in strong support of our bipartisan bill with 200 cosponsors. I sympathize with the minority leader, because he is finding himself in a situation where we have sought consensus and compromise, we have come up with a commonsense piece of legislation that encourages savings accounts, that protects and builds pension plans.

So with this constructive piece of legislation, and now confronting an election, what is a minority party to do? Well, of course, stand and offer the curious paradox to say, we want cooperation, but this is not good enough.

Therein lies the fundamental problem. We encourage personal savings for every American. Our friends on the left in the substitute say, if you are American, you exist; therefore, you are entitled. It is not enough for one's personal initiative. No, the Federal government needs to step in with a plan that, by the way, as cobbled together here, is eminently unworkable. They ask their friends at the Internal Revenue Service to stick their magnifying glasses and microscopes into the affairs of Americans, because this very provision invites fraud. It appeals to what is the wrong course of action for Americans.

We have a simple, straightforward plan. We strengthen pensions, we build retirement savings accounts, and we do not set up a Rube Goldbergesque machination of entitlement that over the next 10 years will cost close to a quarter of a trillion dollars.

Support the underlying bill and reject the desperate Democrat substitute.

Mr. PORTMAN. Mr. Speaker, I yield 4 minutes to the gentleman from Illinois (Mr. CRANE), the chairman of the Subcommittee on Trade and an active member of the Committee on Ways and Means.

Mr. CRANE. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I want to commend our two colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), for their work on this bill. This bill proves that Republicans and Democrats can work together in a bipartisan way to achieve worthwhile reforms.

I note that the ranking member of the Committee on Ways and Means often urges us to work together in a bipartisan way, and I appreciate that input from him. I am hopeful that he, too, will strongly support this bill.

This bill also proves that it can sometimes take more than one try to get important legislation passed. Members may have a sense of deja vu because we enacted this bill last year, only to have the President veto it. I hope this year he is able to sign this bill when it comes to his desk.

This is important legislation, Mr. Speaker, for at least two other reasons. The first is that we must do everything we can to encourage savings in America. The figures say our private savings rate is very low. I suspect it is lower than it should be. But I am sure we would be better off saving more than we do.

One way to do that is through fundamental tax reform, and that is just not in the cards right now. I hope we can focus on fundamental reform before long, perhaps with a change in administration.

In the meantime, by rationalizing the laws relating to pensions, by making it easier for businesses, and especially small businesses to establish and maintain pension plans for their workers, this bill will encourage more businesses to establish pension plans and it will encourage more workers to participate. In the end, I believe private saving will result as a consequence.

I also believe private saving will increase through the increase in the contribution limits on individual retirement accounts to $5,000. For individuals who do not have the benefit of an employer-based pension system this is terribly important. It is also, I would point out, a baby step towards tax reform.

Why is that so important? Why is it so important that individuals save more? First, savings is the key to acquiring wealth. It is the key to financial security to us as individuals. Financial security enhances our sense of personal freedom.

Second, the level of saving in America also goes a long way towards determining who owns the Nation's capital stock: the land, buildings, the plant, and equipment.

We have a very high rate of investment right now that has contributed mightily to our rapid rate of economic growth. If Americans do not save enough to fund this capital expansion, then our open economy and advanced capital markets permit us to lure foreign savings to make up the difference.

That is the good news. We can import the capital, the foreign savings necessary to keep our rate of investment high.

The bad news is that that means that foreign savers reap the lion's share of the benefits from that investment. If Members want a sense of the magnitude of this effect, just look at our persistent and high trade deficit. Our trade deficit represents the flip side in the balance of payments to all of the capital we are importing from abroad.

As we find ways to increase our rate of savings at home, at the very least we help Americans to own a greater share of the capital stock driving our economy.

The second reason this bill is so important is because it strengthens the private pension leg of our national pension system at a time when the public leg of that system, social security, is under a cloud.

We have heard about the troubled financial State of social security many times in the Committee on Ways and Means. Fortunately, we have the lockbox in place to keep the Congress from its former practice of spending the American workers' payroll taxes on anything but paying social security benefits. The lockbox performs a function very much like the medical profession's dictum: First, do no harm.

The first step towards restoring social security's financial soundness is to keep Washington from spending payroll taxes on other programs. The lockbox achieves that goal. But beyond that, once again, it appears we must wait for the next administration to take on social security reform.

Until then, and even after we have enacted social security reform, we must do everything we can to strengthen the private pension and savings system. That means eliminating unnecessary rules and regulations and other accumulated barnacles that have attached themselves to this part of the tax law.

I want to thank our two colleagues for undertaking the hard work necessary to bring this to the floor, and urge our colleagues to support it.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. MALONEY), who is well known for her work on retirement savings.

Mrs. MALONEY of New York. Mr. Speaker, I rise in support of the Democratic substitute, which would more fairly distribute the benefits to lower-income people, but also for the underlying comprehensive reform legislation.

Mr. Speaker, we all know that our population is graying. Fifty years from now, more than 80 million people will be over the age of 65. In order to help retirees in the near term and many decades from now, it is critical that we provide them the maximum flexibility to supplement social security.

While President Clinton's plans to dedicate surplus money to social security and Medicare are an important step in preserving these programs for the long-term, individuals should have a range of options for their retirement savings.

This is especially true and important for women. Sixty percent of social security beneficiaries are women. Women are heavily reliant on social security benefits because women earn less than men and because they spend less time in the work force. Women live, on average, 7 years longer. Less than one-third of all women retirees over age 55 receive pension benefits, yet the typical American woman who retires can expect to live approximately 19 years longer.

Women often choose to take time out of their working careers to attend to their families. This bill will allow them to catch up on their pension contributions and increase the yearly amount they can contribute to IRAs and 401(k) plans to make up for lost time, up to an additional $5,000 per year.

I strongly support the fair Rangel substitute and urge my colleagues to support it, and the underlying bill.

□ 1230

Mr. PORTMAN. Mr. Speaker, I yield 3½ minutes to the gentleman from California (Mr. THOMAS), another distinguished member of the Committee on Ways and Means, chairman of the Subcommittee on Health, who has been very active on the IRA front for many years.

(Mr. THOMAS asked and was given permission to revise and extend his remarks.)

Mr. THOMAS. Mr. Speaker, first of all, the fact that we are on the floor today with a bipartisan proposal to reform the pension and the individual retirement accounts is quite an accomplishment, and I want to compliment the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). It has been more than 20 years since we made an adjustment in this important savings area.

I heard the gentleman from North Dakota (Mr. POMEROY) say that the substitute had been looked at and that it was thoroughly understood. I do have to say it is fundamentally different than the President's initial offering. In fact, it is substantially different than the offering that the Democrats have presented in the Committee on Ways and Means just last week.

Last week's offering cost $225 billion over 10 years on top of the fund. This one only costs $105 billion over 10 years. In one narrow particular area, the refundable credit, which was not in the President's initial budget proposal, cost $35 billion. So it is substantially different. It has not been aired in committee as this bipartisan proposal has.

I heard the minority leader say that this plan simply did not treat low-income people fairly. Well, I know the gentleman from Maryland (Mr. CARDIN), I know the gentleman from Maryland (Mr. WYNN), I know the gentleman from Kansas (Mr. MOORE), I know the gentleman from Tennessee (Mr. TANNER), I know the gentlewoman from Florida (Mrs. THURMAN), and I know the more than 100 Democrats who cosponsor this proposal. They would not cosponsor this proposal if it did not treat low-income people fairly.

Now, I heard my friend from California give my colleagues an example of what would happen under this bill with the expanded IRAs and that, in fact, the employers, while looking out for their self-interest, could in fact damage the savings interest of their employees. The response we heard from the cosponsor was I think significant, and I want to make sure everyone understands it.

This is a bipartisan proposal, precisely because, under all aspects of the bill, the employers maximize their benefit by utilizing all of the portions of the bill; and in pursuing their self-interest and maximizing it, it in fact maximizes the employees' savings capabilities.

It is the way in which this proposal is integrated that makes it really superior. It is the product of the bipartisan working relationship. It is the best of what this House does.

As far as the veto threat, around here we learn to read the tea leaves, and the tea leaves are very clear. The message was very clear, it did not say veto. It does not say veto. Treasury is trying to buy leverage. As a matter of fact, once this moves out of here with the bipartisan majority and off the floor of the Senate, the President does not dare veto this piece of legislation because the last thing he wants is an override of his veto.

The way this piece of legislation was put together, frankly, the House owes a debt of gratitude to the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) and all of those who have worked together to make these changes. They are long overdue. They are much appreciated. It fits our needs today.

Vote no on the substitute, vote yes on H.R. 1102, and send the President a message. This Congress is working, and it is working for the American people in a bipartisan way.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me reiterate quickly, Secretary Summers has told me in a phone conversation he will recommend a veto of this legislation as currently proposed if it goes to the President's desk.

Mr. Speaker, I yield 2 minutes to the gentleman from Vermont (Mr. SANDERS), who worked on a recent pension case in the State of Vermont who has been an inspiration for all of us.

(Mr. SANDERS asked and was given permission to revise and extend his remarks.)

Mr. SANDERS. Mr. Speaker, I thank the gentleman from Massachusetts for yielding to me.

Mr. Speaker, I rise in opposition to H.R. 1102. This bill is being touted as a package of pension provisions designed to increase pension benefits for Americans; yet some of the pension provisions included in the bill are simply new tax breaks that mostly accrues to the wealthiest Americans and may have the effect of slashing the pensions of lower- and middle-income families.

Mr. Speaker, if Congress is really concerned about protecting the pensions of American workers, it should quickly address the cash balance pension rip-off scheme being implemented by hundreds of large corporations all over this country.

Since 1985, despite large profits and growing surpluses in their pension funds, over 300 companies have slashed the retirement benefits that they promised their employees. Cash balance schemes typically reduce the future pension benefits of older workers by as much as 50 percent. Not only is this immoral, it is also illegal, because the reductions in benefits are in violation of Federal age-discrimination laws.

What makes the conversions even more indefensible is the fact that many of these companies have pension fund surpluses in the billions of dollars, and these surpluses have grown significantly in recent years.

Frankly, it is simply unacceptable that, during a time of record-breaking corporate profits, huge pension fund surpluses, massive compensations for CEOs, including, interestingly, very generous retirement benefits, that corporate America renege on the commitments that they have made to workers by slashing their pensions.

Last year, I held a town meeting in Winooski, Vermont, for IBM workers, the older IBM workers who had seen their pensions cut by as much as 50 percent. Over 700 older workers came out and expressed their outrage at what the company had done. I congratulate the IBM workers and look forward to working with them.

Mr. Speaker, I rise in opposition to H.R. 1102. This bill is being touted as a package of pension provisions designed to increase pension benefits for Americans. Yet some of the pension provisions included in the bill are simply new tax breaks that mostly accrue to the wealthiest Americans and may have the effect of slashing the pensions of lower and middle income families.

Last November, Treasury Secretary Summers and Labor Secretary Herman, criticized these pension provisions, saying that they ''could lead to reductions in retirement benefits for moderate and lower-income workers.''

Mr. Speaker, if Congress is really concerned about protecting the pensions of American workers it should quickly address the cash balance pension rip off scheme being implemented by hundreds of large corporations all over this country. In fact if this Congress is really concerned about protecting the pensions of American workers it should pass H.R. 2902, the Pension Benefits Preservation and Protection Act, legislation that I authored and that now has a total of 84 co-sponsors.

Mr. Speaker, all across this country, American workers are deeply concerned about the status of their pension plans. That concern is well founded. Since 1985, despite large profits and growing surpluses in their pension funds, over 300 companies have slashed the retirement benefits that they promised their employees. Cash balance schemes typically reduce the future pension benefits of older workers by as much as 50 percent. Not only is this immoral, it is also illegal because the reductions in benefits are in violation of Federal age discrimination law. What makes the conversions even more indefensible is the fact that many of these companies have pension fund surpluses in the billions of dollars and that have grown huge in recent years.

Frankly, it is simply unacceptable that during a time of record breaking corporate profits, huge pension fund surpluses, massive compensation for CEOs (including very generous retirement benefits), that corporate America renege on the commitments that they have made to workers by slashing their pensions.

Last summer, I held a town meeting in Vermont for IBM workers who live there. Seven hundred came out.

According to the Office of Management and Budget, corporations currently receive $100 billion a year in federal government subsidies through the tax code by offering pension plans. American taxpayers have a right to expect that corporations who take advantage of this special tax treatment will not slash the pensions of American workers.

Yet, hundreds of corporations throughout the country from IBM to AT&T are doing just that by converting their traditional defined benefit pension plans to these cash balance schemes.

Cash balance schemes are nothing but a replay of the corporate pension raids we experienced during the 1980's. While these companies claim that they are converting to cash balance plans to attract younger workers into their workforce, the fact of the matter is that cash balance plans are intentional attempts to slash the pension benefits of older workers.

The reason why large corporations are targeting their older workers' pensions is easy to understand. Millions and millions of Americans in the so-called ''baby boom'' generation are rapidly approaching retirement age. Companies that reduce the pensions of older workers will thus realize tremendous cost savings when these people retire.

Companies claim that they are converting to cash balance schemes to attract a younger, more mobile workforce. But, worker mobility is not the rationale for converting to a cash balance plan, money is. As 11,000 people a day turn 50, which cash balance promoter Watson Wyatt claims will turn us into a ''Nation of Floridas,'' employers are looking for any way possible to reduce older workers' promised benefits. This is outrageous.

But, what is even more outrageous is that they are not being honest to the employees whose pensions they are slashing. As Joseph Edmunds stated at a 1987 Conference of Consulting Actuaries, ''It is easy to install a cash balance plan in place of a traditional defined benefit plan and cover up cutbacks in future benefits.''

Despite the protestations of cash balance promoters, cash balance schemes are implemented to unlawfully cut the benefits of older employees and to disguise those cuts by implementing a plan that makes it virtually impossible for employees to make an ''apples to apples'' comparison of their benefits under the old and new plans.

Not only does the federal government need to enforce the laws that are on the books, Congress also must pass meaningful pension protections right now. That is why I introduced H.R. 2902. This legislation would primarily do three things:

(1) It would send a directive to the Secretary of Treasury to enforce the laws that are already on the books;

(2) It would provide a safe harbor making cash balance plans legal only if employees are given the choice to remain in their old pension plan with detailed disclosure; and

(3) It would provide a major disincentive for companies to slash the future pension benefits of employees.

Mr. Speaker, H.R. 2902 would provide meaningful pension protection to millions of Americans, unlike the current bill being considered right now. My legislation is being supported by the Pension Rights Center, the National Council of Senior Citizens, the Communications Workers of America, the IBM Employees Benefits Action Coalition, and several other groups. I urge my colleagues to defeat H.R. 1102, and work with me to pass real pension protection.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Louisiana (Mr. MCCRERY), a colleague on the Committee on Ways and Means who has been actively involved and a leader on this issue of expanding retirement savings.

Mr. MCCRERY. Mr. Speaker, I thank the gentleman from Ohio for yielding me this time, and I commend him on his efforts as well as those of the gentleman from Maryland (Mr. CARDIN) in a bipartisan effort to improve pensions in this country.

The gentleman from Vermont (Mr. SANDERS) spoke about the cash balance programs, and it just so happens that the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) recognize that there are some problems with those, and they call for full disclosure and transparency in those programs. The gentleman from Vermont ought to be supporting this bill.

Mr. SANDERS. Mr. Speaker, will the gentleman yield?

Mr. MCCRERY. I am glad to yield to the gentleman from Vermont.

Mr. SANDERS. Mr. Speaker, there are tens of thousands of IBM workers and millions of other workers who have seen significant reductions as the result of the conversion to cash balance. What will this legislation do for any one of those people?

Mr. MCCRERY. Mr. Speaker, reclaiming my time, if the gentleman from Vermont would allow me to reiterate that this bill does provide for accounting disclosure of every parcel of those plans so that those employees will have access to the information that they have not had access to in some of those situations that the gentleman from Vermont presents. So while this bill may not do everything the gentleman wants, it certainly improves the situation, and he should support that. But the gentleman from Vermont certainly should take some solace in the provisions that are in this bill.

The substitute, on the other hand, is something that this House should not support for a couple of reasons. Number one, it has not been properly vetted. It was sprung on the Committee on Ways and Means for the first time last week, and today we have an even different version from that that was sprung on the Committee on Ways and Means just last week.

It doubles the cost of the underlying bill, the new substitute does. The version that was sprung on us last week actually increased the cost by four or five times. Today's version only doubles the cost of the underlying bill.

The substitute is patterned after the earned income tax credit. Now, while I support the EIC, we should know that, before we create yet another program based upon that concept, that the Taxpayer Advocate's 1999 Annual Report to Congress identified the refundable earned income credit as one of the most serious problems facing taxpayers and the Internal Revenue Service in terms of its complexity, compliance, and litigation associated with it. Surely we do not want to double the problems with the IRS by creating a new program based on that concept.

Number two, this proposal would give refundable tax credits only to people who cannot afford now to put part of their salaries forward. So it really would have no effect. It would not help those folks at all.

This substitute, while well-intentioned is wrong headed. They came up with it very quickly to try to obfuscate the issue, try to detract attention from the fact that this is a bipartisan proposal. If the President wants to veto this, shame on him. We are finally doing what he asked us to do in a bipartisan way. He ought to sign it.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. RANGEL), the distinguished leader of the Democratic members on the Committee on Ways and Means. He is very effective.

(Mr. RANGEL asked and was given permission to revise and extend his remarks.)

Mr. RANGEL. Mr. Speaker, the gentleman from Louisiana (Mr. MCCRERY), the previous speaker, said, if the President intends to veto this, shame on him. This really shatters the whole concept of the bipartisanship which the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) had tried and continue to try to bring to this House.

Whether the majority likes it or not, the President of the United States is a part of the equation. When he presented the retirement savings accounts to this Congress, it would seem to me that the majority, as well as the minority, should at least look at these concepts and to see what could be worked out for true bipartisanship.

The whole idea that people would complain that the substitute had not passed the committee when, even yesterday, we had budget issues coming to the floor for votes that did not even come to the committee, this whole idea that Committee on Ways and Means issues and tax issues should come before the Committee on Ways and Means is relatively new. I thought my colleagues just went to the Committee on Rules for these issues to be before us.

But I am convinced that those who put this bill together, if they had any idea that we would have the type of cash flow, the type of surpluses that are available today, when they put together their bill, that it would have been more expansive, and they would have concerned themselves with those group of Americans that do not have disposable income in order to have pensions.

We have less than one-third of those small business people that have any pensions at all. Yet, two out of five of every working people work for small businesses.

The Social Security system was not created to be a pension. It was created to supplement a pension. So while work has been done to be of assistance to those in the higher income tax brackets, what this does is provide incentives, not only for employees, but it provides an incentive for small employers to be able to do what they would want to do for the employees and, therefore, would enhance and supplement the Social Security benefits.

So the substitute takes into consideration the fine work that has been done by our colleagues and just broadens it to enhance those people who, by any standard, have been excluded from the bill that is before us.

So I ask my colleagues to support the substitute; and I also ask them, when they think in terms of bipartisanship, would they please include my President.

Mr. PORTMAN. Mr. Speaker, may I inquire how much time is remaining on each side.

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from Ohio (Mr. PORTMAN) has 7 minutes remaining. The gentleman from Massachusetts (Mr. NEAL) has 3 minutes remaining.

□ 1245

Mr. PORTMAN. Mr. Speaker, I yield 1½ minutes to the gentleman from New York (Mr. FOSSELLA).

(Mr. FOSSELLA asked and was given permission to revise and extend his remarks.)

Mr. FOSSELLA. Mr. Speaker, I applaud the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for pursuing this legislation because it is truly of benefit to the American people.

And the distinctions are very clear, as I see it, because we believe that individuals should have more power, more freedom, and more opportunities to save for their retirement. This legislation allows individuals to do so.

We believe that creating wealth for Americans and their families, for their retirement, are good things. This legislation allows those Americans to do so.

We believe that small business owners who want to create pensions for their employees to keep them with them so that they and their employees can save for their retirement, should be able to do that effectively. This legislation allows them to do so.

We believe that firefighters and police officers who want to save a little bit more each year for their retirement, for themselves and their families, should have the opportunity to do so. This legislation allows them to do it.

Yes, we give to Americans the power, the freedom and the opportunity to save a little more if they want to. That is what this Nation is all about. And I think that is what this legislation attempts to do and, indeed, does.

With that, Mr. Speaker, I compliment all those Members, Democrats and Republicans, who give Americans more power to save for their retirement.

Mr. PORTMAN. Mr. Speaker, I yield 30 seconds to the gentleman from California (Mr. ROYCE).

Mr. ROYCE. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, clearly Social Security alone is not enough for retirement in relative comfort today. The private pension system is an indispensable part of retirement security, and this underlying bill, which I have been proud to coauthor, would give American workers more tools to prepare for a better future.

The pension reforms we are considering today will help individuals to save more for retirement. Increased pension portability will allow workers to roll over their pension savings between plans when they change jobs. And streamlined rules and regulations would make it easier for small businesses to offer pensions.

If these changes are enacted, they will give millions of American workers better tools to prepare for retirement.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri (Mr. BLUNT), who put together his own legislation, which was very popular here in the House. He had a number of cosponsors for the Blunt-Bentsen legislation on expanding small business retirement plans. I thank the gentleman for his contributions to this effort.

Mr. BLUNT. Mr. Speaker, I thank the gentleman for yielding me this time and for his great work, as well as the work of the gentleman from Maryland (Mr. CARDIN) on this bipartisan legislation for retirement security.

I also want to thank the gentleman from Texas (Mr. ARCHER) for seeing that this bill gets to the floor. It makes a difference for the future of Americans.

I want to thank the gentleman from Texas (Mr. BENTSEN), who joined me 2 years ago to come up with legislation that really tried to fill the gap for small business in America, small business and their employees, who really had been left out of retirement security.

Today, as we talk about this bill, 84 percent of all Americans who work for employers with 1,000 or more employees have access to employer-sponsored pension plans. Sixty-nine percent of people who work for employers that have between 100 and 1,000 employees have access to pension plans. Only 42 percent of people who work for employers who have fewer than 100 employees and only 17 percent of small businesses that have fewer than 25 employees have access to a pension plan.

As America gets more focused on retirement security, as Americans understand that that has to be a combination of personal savings and Social Security and a pension, they are more and more concerned about working somewhere where that pension is available. We have kept small business, the engine that runs America, out of the pension environment. This bill removes many of the obstacles. This bill makes it possible for employers of a few people to have the same kind of access to long-term retirement security that mega corporations have today.

It is unfair for an employer in Joplin, Missouri or Springfield, Missouri that has 20 hard-working employees, the people who work to make that business a reality, to not have access to pensions. That happens with this bill.

This is an important bill, and I urge my colleagues to vote for H.R. 1102. This is a giant step for retirement security in America. It is a giant step for small business. It is a giant step for those who would like to see their own IRA have a meaningful annual contribution.

This legislation creates significant new opportunities for small businesses and individuals to establish retirement security plans. It does so by expanding small business retirement plans, such as unnecessary regulations and expenses. This bill also increases the limit on IRA's from $2,000 to $5,000, which is a long overdue updating of a limit set almost 20 years ago.

I feel fortunate that I've had the opportunity to work closely with Congressman PORTMAN and Congressman CARDIN on the provisions of this bill that specifically affect small businesses. In fact, H.R. 1102 includes several key features from legislation I introduced, H.R. 352, the Blunt/Bentsen Retirement Plan.

Why do small employers offer retirement benefits so less frequently than their larger counterparts? According to the 1998 Small Employer Retirement Survey conducted by the Employee Benefit Research Institute Research Institute, small businesses do not offer retirement benefits because, among other things, their revenue stream is too uncertain to commit to a plan, because their employees prefer immediate wages or other benefits, and because plans are too complex and expensive to set up and maintain. In exchange for the tax benefits of an employer sponsored retirement plan, current law imposes myriad requirements on employers. Unfortunately, the complexity of these requirements make the cost of administering these plans prohibitively expensive for small employers.

H.R. 1102 includes several key provisions that address this problem. Under current law, an employer's contributions are effectively limited to 15 percent of the employer's payroll because contributions in excess of 15 percent are nondeductible and subject to a 10 percent excise tax. H.R. 1102 increases the limit on an employer's deduction for contributions to a defined contribution plan from 15 percent to 20 percent. This will enable employers to provide more generous benefits to employees and reduce the need for complex two-plan arrangements. H.R. 1102 also increases the amount that can be contributed on behalf of individuals to $40,000 or 100 percent of pay and provides regulatory relief to encourage small businesses to offer plans. Employer sponsored retirement plans are good for employees because they are proven to be among the most effective ways for individuals to accumulate retirement savings. They are good for employers because they help them to attract and retain workers they need to remain competitive in the global economy. These statements do not apply only to multi-national corporations and their employees; they are every bit as relevant for the small manufacturer in Joplin or Springfield, Missouri and their 20 hard-working employees. Unfortunately, whether or not a particular individual has access to a retirement plan depends a great deal on the size of his employer. H.R. 1102 is a giant step toward correcting this inequity and I urge my colleagues to support this legislation.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from Connecticut (Mr. GEJDENSON), the very erudite gentleman.

Mr. GEJDENSON. Mr. Speaker, I thank the gentleman from Massachusetts for yielding me this time and for his generosity.

It is astounding to me, when we listen to this debate, where the division is once again. There is no debate about the underlying bill. And what has been ignored by our colleagues on the Republican side of the aisle again is whether, in this time of great surpluses thanks to the Clinton-Gore economic plan, whether we are going to be able to get a few resources for the poorest of the poor, for women, and for small businesses. That is the real debate.

It is kind of like the pension debate. The Democrats were ready to give $4 million estates tax exempt. On the Republican side they had to go to Bill Gates, $70 billion tax exempt. It was not enough that Bill Gates would pass his kids $35 billion, he had to go to $70 billion.

We are not arguing with helping people who are better off in this society and making it easier for people who own the companies to do better in pensions. What we are frustrated by is the failure to support the chairman and the gentleman from Massachusetts by reaching out to the poorest of the poor, to working poor people; making sure that those who have the least in this society get a little bit of assistance.

For a long time the Reagan-Bush deficits prevented us from having the resources to do that job. Now, with the fiscal situation we are in today, we have some resources. Yes, we ought to use some of those for upper-income people, to give them a break, but why can we never seem to have enough money at the table to take care of women, who are working often in places without pensions; why can we not provide some assistance to the smallest businesses to provide pensions for the poorest people, to make sure those who are at the bottom of the economic ladder get some benefit out of this society?

It seems to me to be clear that the gentleman from Massachusetts and the ranking member, soon hopefully to be chairman of this committee, offer an opportunity to make sure that we take care of average people and working people to some small degree.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, we do not object to the legislation necessarily that has been proposed here. We believe that the amendment that we have offered can actually strengthen this legislation.

I think the gentleman from Connecticut (Mr. GEJDENSON) adequately summed up the arguments that we offer. If an individual is willing to go to work in America, they ought to be in a pension system. That is precisely what our legislation, my amendment, proposes to do.

This is a decent start that has been offered here today. We can improve this legislation, thereby providing an opportunity for people who do get out of bed every morning and go to work to have pension rights.

It is our argument today, based upon the evidence in front of us, that the legislation as proposed does not go far enough. We speak to those in the middle-income range, we speak to those in the lower-income range based upon the notion that if an individual goes to work, they ought to have pension rights. In the end, that is what our proposal is all about. That is what our substitute stands for.

We have had a good debate today; a clarifying debate. We think our substitute stands up under the magnifying glass. While we believe the legislation proposed is a good start, it is simply not enough.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield myself the balance of my time.

I would like to start by thanking the gentleman from Massachusetts for a good debate today and thank him for his support of the process and saying a moment ago that he thinks the underlying legislation is a good start and that he does not necessarily oppose it. He would like to add to it.

I want to tell him that I share his concern about those lower- and middle-income workers who are not saving enough for their retirement. We think we address that here.

The previous speaker from Connecticut talked about how we are trying to help Bill Gates. Let me tell my colleagues who we are trying to help. Seventy-seven percent of pension plan participants make less than $50,000 a year. Seventy-seven percent of them. The average salary of someone who contributes to an IRA is less than $30,000 a year.

Those are precisely the people who are going to be helped most by this legislation; workers making between $15,000 and $50,000 a year benefit most from pension plans. They get two-thirds of pension accruals, even though they pay only about one-third of Federal taxes. These are the folks we are going to help with this underlying legislation.

Now, the substitute is before us. And again I share the concern that the gentleman has addressed. We think we address the problem that he states. But let us look at the substitute, because we do not know much about it yet. It came at the committee markup level, it has been changed a little, and now it is on the floor. We know it doubles the cost of this legislation.

It is interesting, as a Republican, for me to be talking about the cost of tax provisions, because the Democrats have been saying all year, these tax relief proposals are too costly. We cannot afford to do it because we have to save Medicare, Social Security, and so on. But here they are doubling the cost of a tax bill. But my more fundamental concern with it is we just do not know how it would work.

Let me give an example, and it has been talked about a little today. If an individual was to take advantage of this new government program and have the government contribute a 100 percent match into that plan, then that individual could take that money out the next year. And we do not know that there is a mechanism to keep that person from doing that; or, if there is, how it could be administered by the Internal Revenue Service.

We talked about the fraud in existing refundable tax credit programs. We have a concern about that. Is it administrable? It is something I would love to sit down with the gentleman and work out with him. I would love to sit with the Treasury Department and work on it. This has not been vetted.

In contrast, the underlying bill before us has gone through a 3-year bipartisan process, reaching out across the spectrum from labor unions to small businesses to put together something that is really going to work in the real world to expand pension coverage and IRA coverage for those middle-income and lower-income workers we talked about a moment ago. Those are precisely the people who will benefit from this.

Yes, it is important to backstop Social Security. Yes, it is important to increase the savings rate in this country that is at an all-time low. But it is most important of all to give American workers, particularly those baby boomers who have not saved enough, more security in their retirement. This underlying legislation does it. It provides for that comfort level in retirement; that peace of mind in retirement.

I ask my colleagues to oppose the Democrat substitute; to stick to the real thing, and vote for H.R. 1102.

Mr. KENNEDY of Rhode Island. Mr. Speaker, I rise today in support of the Democratic substitute to the underlying bill.

I want to commend the hard work and efforts of the authors of the bill we have before us today.

I also want to thank the authors of the Democratic substitute, and the ranking member of the committee, Mr. RANGEL, a champion for retirement security and the preservation of our Social Security system.

It is no secret that many families have great difficulties setting aside even nominal amounts in savings accounts or other means of asset development. Most families are living paycheck to paycheck and at the same time that many families are struggling, there is a high correlation between income levels and the ability to save.

Reports show that fifty percent of American households have total financial assets of $1000 or less; and that half of American families have less than two percent of America's net financial assets.

The Congressional Research Service notes that 60 percent of Americans have no other retirement plan than Social Security.

Today, I would have liked to offer an amendment to the bill, providing the support of the Congress for increasing individual savings and investment, with specific notice given to the needs of lower income families, and the support of the Congress for moving forward legislation that will encourage education and opportunity in the area of personal savings and investment.

Unfortunately, under the closed rule that we were given, I did not have an opportunity to offer this amendment, but the Democratic substitute that we are debating allows for a vote of these principals.

The Democratic substitute provides assistance to low and middle income workers and gives small business employees eligibility for credits on their retirement plans.

This would help level the playing field in the area of retirement security.

This is important because, in the last decade years we have witnessed the emergence of a new wealth gap in America which threatens our sense of fairness and our fundamental tradition of equal economic opportunity. The division is largely between those who have savings and investment and those who don't.

The Retirement Savings Account proposal that was included in the substitute, is designed to provide incentives for low and middle income workers to save or add additional money to their investment plans. In addition to this very necessary effort, we need to move forward with further legislation that will address the special need to close the income gap through facilitation and education on personal savings and investment.

The American Dream for many families revolves around the future of their children. They want their children to be able to receive higher education, own a home or a business, and certainly have retirement security. Yet, this creates a dilemma, because while meaningful savings are required to attain the American Dream, as many as two out of three Americans are shut out from this opportunity.

One way to make the American Dream more accessible is to increase wages and assure livable incomes. That is why I so strongly support our public schools and education reform. But this will get us only part of the way.

I strongly believe that we need to pass an equity and assert rights act that is modeled after the Full Employment Act of 1946. After World War II, Congress understood that we needed to create the national opportunity for all Americans to have a decent job. As we head into the 21st Century, we need to understand the importance of savings—so that all Americans can have a stake in the earning power of America's future economic growth.

In short, if we enable families to save and invest, we facilitate the economic freedom that will allow all Americans to afford higher education, buy a home, and have security in their senior years.

I urge all my colleagues to vote for the substitute, which ensures that all Americans are given a chance at greater retirement security.

Mr. PORTMAN. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). Pursuant to House Resolution 557, the previous question is ordered on the bill and on the amendment, as modified, offered by the gentleman from Massachusetts (Mr. NEAL).

The question is on the amendment in the nature of a substitute, as modified, offered by the gentleman from Massachusetts (Mr. NEAL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. NEAL of Massachusetts. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 200, nays 221, not voting 13, as follows:

[Roll No. 410]

YEAS—200

Abercrombie	Green (TX)	Napolitano
Ackerman	Gutierrez	Neal
Allen	Hall (OH)	Oberstar
Andrews	Hall (TX)	Obey
Baird	Hastings (FL)	Olver
Baldacci	Hill (IN)	Ortiz
Baldwin	Hilliard	Owens
Barcia	Hinchey	Pallone
Barrett (WI)	Hinojosa	Pascrell
Becerra	Hoeffel	Pastor
Bentsen	Holden	Payne
Berkley	Holt	Pelosi
Berman	Hooley	Phelps
Berry	Hoyer	Pickett
Bishop	Inslee	Pomeroy
Blagojevich	Jackson (IL)	Price (NC)
Blumenauer	Jackson-Lee (TX)	Rahall
Bonior	Jefferson	Rangel
Borski	John	Reyes
Boucher	Johnson, E. B.	Rivers
Brady (PA)	Jones (OH)	Rodriguez
Brown (FL)	Kanjorski	Roemer
Brown (OH)	Kaptur	Rothman
Capps	Kildee	Roybal-Allard
Capuano	Kilpatrick	Rush
Cardin	Kind (WI)	Sabo
Carson	Kleczka	Sanchez
Clay	Kucinich	Sandlin
Clayton	LaFalce	Sawyer
Clement	Lampson	Schakowsky
Clyburn	Lantos	Scott
Condit	Larson	Serrano
Conyers	Lee	Sherman
Costello	Levin	Shows
Coyne	Lewis (GA)	Sisisky
Cramer	Lipinski	Skelton
Crowley	Lofgren	Slaughter
Cummings	Lowey	Snyder
Danner	Lucas (KY)	Spratt
Davis (FL)	Luther	Stabenow
Davis (IL)	Maloney (CT)	Stark
DeFazio	Maloney (NY)	Stenholm
DeGette	Markey	Strickland
Delahunt	Mascara	Stupak
DeLauro	Matsui	Tanner
Deutsch	McCarthy (MO)	Tauscher
Dicks	McCarthy (NY)	Taylor (MS)
Dingell	McDermott	Thompson (CA)
Dixon	McGovern	Thompson (MS)
Doggett	McIntyre	Thurman
Dooley	McKinney	Tierney
Doyle	McNulty	Towns
Edwards	Meehan	Turner
Engel	Meek (FL)	Udall (CO)
Eshoo	Meeks (NY)	Udall (NM)
Etheridge	Menendez	Velazquez
Evans	Millender-McDonald	Visclosky
Farr	Miller, George	Waters
Fattah	Minge	Watt (NC)
Filner	Mink	Waxman
Forbes	Moakley	Weiner
Ford	Mollohan	Wexler
Frank (MA)	Moore	Wise
Frost	Moran (VA)	Woolsey
Gejdenson	Murtha	Wu
Gephardt	Nadler	Wynn
Gonzalez		
Gordon		

NAYS—221

Aderholt	Callahan	Dreier
Archer	Calvert	Duncan
Armey	Camp	Dunn
Bachus	Canady	Ehlers
Baker	Cannon	Ehrlich
Ballenger	Castle	Emerson
Barr	Chabot	English
Barrett (NE)	Chambliss	Everett
Bartlett	Chenoweth-Hage	Ewing
Bass	Coble	Fletcher
Bereuter	Coburn	Foley
Biggert	Collins	Fossella
Bilbray	Combest	Fowler
Bilirakis	Cook	Franks (NJ)
Bliley	Cooksey	Frelinghuysen
Blunt	Cox	Gallegly
Boehlert	Crane	Ganske
Boehner	Cubin	Gekas
Bonilla	Cunningham	Gibbons
Bono	Davis (VA)	Gilchrest
Boyd	Deal	Gillmor
Brady (TX)	DeLay	Gilman
Bryant	DeMint	Goode
Burr	Diaz-Balart	Goodlatte
Burton	Dickey	Goodling
Buyer	Doolittle	Goss
Graham	McCrery	Scarborough
Granger	McHugh	Schaffer
Green (WI)	McInnis	Sensenbrenner
Greenwood	McKeon	Sessions
Gutknecht	Metcalf	Shadegg
Hansen	Mica	Shaw
Hastings (WA)	Miller (FL)	Shays
Hayes	Miller, Gary	Sherwood
Hayworth	Moran (KS)	Shimkus
Hefley	Morella	Shuster
Herger	Myrick	Simpson
Hill (MT)	Nethercutt	Skeen
Hilleary	Ney	Smith (MI)
Hobson	Northup	Smith (NJ)
Hoekstra	Norwood	Smith (TX)
Horn	Nussle	Souder
Hostettler	Ose	Spence
Houghton	Oxley	Stearns
Hulshof	Packard	Stump
Hunter	Paul	Sununu
Hutchinson	Pease	Sweeney
Hyde	Peterson (MN)	Talent
Isakson	Peterson (PA)	Tancredo
Istook	Petri	Tauzin
Jenkins	Pickering	Taylor (NC)
Johnson (CT)	Pitts	Terry
Johnson, Sam	Pombo	Thomas
Jones (NC)	Porter	Thornberry
Kasich	Portman	Thune
Kelly	Pryce (OH)	Tiahrt
King (NY)	Quinn	Toomey
Kingston	Radanovich	Traficant
Knollenberg	Ramstad	Upton
Kolbe	Regula	Vitter
Kuykendall	Reynolds	Walden
LaHood	Riley	Walsh
Largent	Rogan	Wamp
Latham	Rogers	Watkins
LaTourette	Rohrabacher	Watts (OK)
Lazio	Ros-Lehtinen	Weldon (FL)
Leach	Roukema	Weller
Lewis (CA)	Royce	Whitfield
Lewis (KY)	Ryan (WI)	Wicker
Linder	Ryun (KS)	Wilson
LoBiondo	Salmon	Wolf
Lucas (OK)	Sanders	Young (AK)
Manzullo	Sanford	Young (FL)
McCollum	Saxton	

NOT VOTING—13

Baca	Kennedy	Vento
Barton	Klink	Weldon (PA)
Bateman	Martinez	Weygand
Boswell	McIntosh	
Campbell	Smith (WA)	

□ 1319

Mr. PITTS and Mr. HOBSON changed their vote from ''yea'' to ''nay.''

Mr. BERRY, Mr. DOOLEY of California, Ms. BROWN of Florida, and Mr. INSLEE changed their vote from ''nay'' to ''yea.''

So the amendment in the nature of a substitute, as modified, was rejected.

The result of the vote was announced as above recorded.

Stated for:

Mr. KENNEDY of Rhode Island. Mr. Speaker, today I was accompanying President Clinton to a funeral in the First District of Rhode Island and consequently I missed one vote. Had I been here I would have voted ''yes'' on rollcall No. 410, the Neal amendment.

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. NEAL of Massachusetts. I am opposed to the bill in its current form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. NEAL of Massachusetts moves to recommit the bill H.R. 1102 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment:

Add at the end of the bill the following new title:

TITLE VIII—CONTINGENCY BASED ON MEDICARE PRESCRIPTION DRUG BENEFIT AND NO ON-BUDGET DEFICIT

SEC. 801. CONTINGENCY BASED ON MEDICARE PRESCRIPTION DRUG BENEFIT AND NO ON-BUDGET DEFICIT.

(a) IN GENERAL.—Subpart A of part 1 of subchapter D of chapter 1 is amended by adding at the end the following new section:

''SEC. 409A. CONTINGENCY BASED ON MEDICARE PRESCRIPTION DRUG BENEFIT AND NO ON-BUDGET DEFICIT.

''(a) COMPREHENSIVE RETIREMENT SECURITY AND PENSION REFORM ACT OF 2000 TO APPLY IF CERTAIN CONDITIONS MET.—The Comprehensive Retirement Security and Pension Reform Act of 2000 and the amendments made by such Act shall apply to any taxable year beginning in a calendar year after 2000 only if the Secretary of the Treasury certifies (before the close of such calendar year) that each of the conditions specified in subsection (b) are met with respect to such calendar year.

''(b) CONDITIONS.—For purposes of subsection (a), the conditions specified in this subsection for any calendar year are the following:

''(1) NO ON-BUDGET DEFICIT.—Allowing subsection (a) to be effective for taxable years beginning in the calendar year, when added to the cost of the coverage described in paragraph (2), would not create or increase an on-budget deficit (determined by excluding the receipts and disbursements of part A of the medicare program) for the fiscal year beginning in such calendar year.

''(2) PRESCRIPTION DRUG COVERAGE.—Coverage for outpatient prescription drugs is provided for Medicare beneficiaries under the Medicare Program on a voluntary basis at all times during the calendar year with—

''(A) the premium for such coverage being not more than $25 per month (adjusted for cost increases after 2003) with low-income assistance for Medicare beneficiaries having incomes below 135 percent of the Federal poverty level and phasing out for such beneficiaries having incomes between 135 percent and 150 percent of the Federal poverty level,

''(B) no deductible required before such coverage is provided,

''(C) the amount of the benefit being at least 50 percent of prescription drug expenses not in excess of the coverage limit (as defined in subsection (c)),

''(D) a $4,000 limitation (adjusted for cost increases after 2003) on out-of-pocket prescription drug expenses of electing Medicare beneficiaries, and

''(E) all Medicare beneficiaries entitled to receive the discounts (otherwise available to large prescription drug purchasers) on their purchases of prescription drugs.

''(c) COVERAGE LIMIT.—The coverage limit is $2,000 for calendar years 2003 and 2004, $3,000 for calendar years 2005 and 2006, $4,000 for calendar years 2007 and 2008, and $5,000 for calendar year 2009 and thereafter (with adjustments for cost increases).

''(d) TRANSITION RULE.—For calendar years 2001 and 2002, the conditions specified in subsection (b)(2) shall be treated as met if the Secretary of the Treasury certifies that coverage described in such subsection will be available as of January 1, 2003.''.

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part 1 of subchapter D of chapter 1 is amended by adding after the item relating to section 409 the following new item:

''SEC. 409A. Contingency based on medicare prescription drug benefit and no on-budget deficit.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

Mr. NEAL of Massachusetts (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Massachusetts (Mr. NEAL) is recognized for 5 minutes in support of his motion.

Mr. NEAL of Massachusetts. Mr. Speaker, for the last 3 hours, we have had an opportunity to clarify many differences about the legislation that is in front of us. I think all of us would acknowledge that the work that the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) have done on this legislation has been a decent start. In fact, we believe that the substitute we offered was Cardin-Portman improved. Cardin-Portman plus. We also would argue, I think, that the substitute that we offered spoke to the issue that the gentleman from Ohio (Mr. PORTMAN) acknowledged about doing more for middle-income and lower-income wage earners in America.

What is important about this discussion, I think, is simply this. Some of the people that have spoken today on this legislation have suggested that there is some doubt as to whether or not the President will veto this legislation in its current form. Let me reiterate as I did an hour ago. Secretary Summers has told me in a phone conversation he will recommend to the President that this legislation in its current form be vetoed. We have an opportunity to fix this legislation, acknowledging a good start but an improved opportunity.

Let me speak specifically, if I can, to the motion to recommit that is in front of this body. We all acknowledge that there is a desire for tax cuts based upon the current surplus projections. But the question before us now is whether or not those tax cuts leave sufficient resources for other priorities. This motion to recommit provides that the tax reductions proposed will not go into effect unless the Secretary of the Treasury certifies the following: that the bill will not invade the portion of existing surpluses dedicated to Medicare and Social Security programs, and—and the most important part of this motion to recommit—a meaningful Medicare prescription medicine benefit be enacted.

The motion to recommit is also required because of a Republican strategy of considering separate tax bills without taking into account their overall cost. Voting against the motion to recommit is a vote for placing these tax reductions ahead of Social Security and Medicare solvency and a meaningful Medicare prescription drug benefit.

It is simple; it is clarifying. I am not intending to belabor the point. What we have now in front of us is a very simple measure, whether or not we will proceed with these cuts or we will proceed with a healthy discussion about a Medicare prescription drug benefit. This is not the end of the debate by any stretch of the imagination. When we come back in September because of the President's veto pen, we are going to have a chance to improve this legislation.

I hope that my colleagues will vote ''no'' on the measure in front of us after we vote for the motion to recommit.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Is the gentleman from Ohio (Mr. PORTMAN) opposed to the motion?

Mr. PORTMAN. I am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman is recognized for 5 minutes in opposition to the motion.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. THOMAS), the chairman of the Subcommittee on Health.

Mr. THOMAS. Mr. Speaker, I thank the gentleman for yielding me this time.

Bear with me, folks. Let us take a look at this motion to recommit. Let us find out exactly what it says. Less than 5 minutes ago, the Democrats offered their substitute which was double the Portman-Cardin bill. You would think that they had enough pride in authorship to require their substitute to be in this motion to recommit. Well, that is not true. The Portman-Cardin bill is in this motion to recommit. The only problem is, how do you get to this new pension relief in the Portman-Cardin bill? The motion to recommit says you have to do two things, because it says Comprehensive Retirement Security and Pension Reform Act of 2000, Portman-Cardin legislation, to apply if certain conditions are met.

Now, what are those certain conditions? Number one, you have a zero budget deficit. Number two, we have to pass and make law the Democrats' prescription drug proposal which was defeated in the House 2 weeks ago. So, one, they do not even have pride in authorship, including their Democrat substitute in the motion to recommit. Secondly, they frankly in my opinion lower the level of this debate to say, one, if you really want this, you have to do these two other things, but here is the insidious part about this motion to recommit: because it is conditional, because we will not get the Portman-Cardin bill unless these other two conditions are met, the Joint Committee on Taxation says this has a zero score.

What does it mean? If you vote for the motion to recommit, you defeat, not that you are cute about it, you defeat the Portman-Cardin legislation. Frankly, the gentleman from Ohio and the gentleman from Maryland deserve a better motion to recommit than this. This is not the kind of motion that lends the kind of sobriety to the debate that we have. What we need to do is hopefully not have a recorded vote on this motion to recommit and move rapidly to the passage of much-needed pension reform, the Portman-Cardin bill.

☐ 1330

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

This has been a refreshing debate on the House floor today, because it has been an honest discussion of some differences and how we would approach IRAs and pension expansion, but in the end, as the gentleman from Massachusetts (Mr. NEAL) said, Democrat opposition to the underlying legislation has really not surfaced, in the sense that the gentleman from Massachusetts (Mr. NEAL) has said this is a good start.

I applaud the gentleman for this motion to recommit, because it essentially says that the Portman-Cardin legislation, H.R. 1102, that over 200 Members of this House have cosponsored, about half Democrats, about half Republicans, ought to become law. It is just that the motion says there ought to be a couple of things that happen in between; one, we have to be sure we have a surplus; the second is we offer prescription drug coverage.

Unfortunately, the prescription drug coverage that is being suggested here that would have to be enacted into law is not precisely what this House just voted on in terms of prescription drug coverage. It is much different.

I want to thank the gentleman from Massachusetts (Mr. NEAL) for implicitly supporting Portman-Cardin. I want to thank all of the Members of this House who have played such an important role in getting us to this point. This has been a 3-year bipartisan process where we have done precisely what so many of us talk about around here, which is engage in a bipartisan consultative process with the people who are most affected, that is, small businesses, labor unions, individuals who are trying to save more in their IRAs, workers who are trying to save more in their 401(k) plans and other pension plans.

This legislation is going to help precisely those lower income and middle income workers out there who we talked about earlier today as needing to save more for retirement.

We would not be here today but for the help of the gentleman from Maryland (Mr. CARDIN), who has been my partner in this for the last 3 years, also but for the help of the gentleman from Texas (Mr. ARCHER), who has spent a career coming up with ways to expand savings options for Americans and got

this through the committee and to the floor today.

Ladies and gentleman, I urge a no on this motion to recommit. Again, I thank the authors of it for the implicit support of the underlying legislation, and I strongly urge Members on both sides of the aisle to vote yes on final passage, to send a strong message to the United States Senate, a strong message to the President of the United States that we, on a bipartisan basis, want to provide for retirement security for all Americans, and we want to do it this year.

Mr. Speaker, many have dubbed this as a partisan, political year, we want to show the American people we can get something done together. Let us continue this 3-year bipartisan process. Let us vote yes on final passage and let us help all of our constituents have more financial security in their retirement.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. NEAL of Massachusetts. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—yeas 185, nays 239, not voting 10, as follows:

[Roll No. 411]

YEAS—185

Abercrombie	Cummings	Hinchey
Ackerman	Danner	Hinojosa
Allen	Davis (FL)	Hoeffel
Andrews	Davis (IL)	Holden
Baldacci	DeFazio	Holt
Baldwin	DeGette	Hooley
Barrett (WI)	Delahunt	Hoyer
Becerra	DeLauro	Inslee
Berkley	Deutsch	Jackson (IL)
Berman	Dicks	Jackson-Lee (TX)
Berry	Dingell	Jefferson
Bishop	Dixon	John
Blagojevich	Doggett	Johnson, E. B.
Blumenauer	Dooley	Jones (OH)
Bonior	Doyle	Kanjorski
Borski	Engel	Kaptur
Boucher	Eshoo	Kennedy
Boyd	Etheridge	Kildee
Brady (PA)	Evans	Kilpatrick
Brown (FL)	Farr	Kind (WI)
Brown (OH)	Fattah	Kleczka
Capps	Filner	Kucinich
Capuano	Ford	LaFalce
Carson	Frank (MA)	Lampson
Clay	Frost	Lantos
Clayton	Gejdenson	Larson
Clement	Gephardt	Lee
Clyburn	Gonzalez	Levin
Condit	Gordon	Lewis (GA)
Conyers	Green (TX)	Lipinski
Costello	Gutierrez	Lofgren
Coyne	Hall (OH)	Lowey
Cramer	Hastings (FL)	Lucas (KY)
Crowley	Hilliard	Maloney (CT)
Maloney (NY)	Ortiz	Slaughter
Markey	Owens	Snyder
Mascara	Pallone	Spratt
Matsui	Pascrell	Stabenow
McCarthy (MO)	Pastor	Stark
McCarthy (NY)	Payne	Strickland
McDermott	Pelosi	Stupak
McGovern	Phelps	Tanner
McKinney	Pickett	Thompson (CA)
McNulty	Price (NC)	Thompson (MS)
Meehan	Rahall	Thurman
Meek (FL)	Rangel	Tierney
Meeks (NY)	Reyes	Towns
Menendez	Rivers	Turner
Millender-McDonald	Rodriguez	Udall (CO)
Miller, George	Rothman	Udall (NM)
Mink	Roybal-Allard	Velazquez
Moakley	Rush	Visclosky
Mollohan	Sabo	Waters
Moran (VA)	Sanchez	Watt (NC)
Murtha	Sanders	Waxman
Nadler	Sawyer	Weiner
Napolitano	Schakowsky	Wexler
Neal	Scott	Wise
Oberstar	Serrano	Woolsey
Obey	Sherman	Wu
Olver	Shows	Wynn
	Sisisky	
	Skelton	

NAYS—239

Aderholt	Forbes	McHugh
Archer	Fossella	McInnis
Armey	Fowler	McIntyre
Bachus	Franks (NJ)	McKeon
Baird	Frelinghuysen	Metcalf
Baker	Gallegly	Mica
Ballenger	Ganske	Miller (FL)
Barcia	Gekas	Miller, Gary
Barr	Gibbons	Minge
Barrett (NE)	Gilchrest	Moore
Bartlett	Gillmor	Moran (KS)
Bass	Gilman	Morella
Bateman	Goode	Myrick
Bentsen	Goodlatte	Nethercutt
Bereuter	Goodling	Ney
Biggert	Goss	Northup
Bilbray	Graham	Norwood
Bilirakis	Granger	Nussle
Bliley	Green (WI)	Ose
Blunt	Greenwood	Oxley
Boehlert	Gutknecht	Packard
Boehner	Hall (TX)	Paul
Bonilla	Hansen	Pease
Bono	Hastings (WA)	Peterson (MN)
Brady (TX)	Hayes	Peterson (PA)
Bryant	Hayworth	Petri
Burr	Hefley	Pickering
Burton	Herger	Pitts
Buyer	Hill (IN)	Pombo
Callahan	Hill (MT)	Pomeroy
Calvert	Hilleary	Porter
Camp	Hobson	Portman
Canady	Hoekstra	Pryce (OH)
Cannon	Horn	Quinn
Cardin	Hostettler	Radanovich
Castle	Houghton	Ramstad
Chabot	Hulshof	Regula
Chambliss	Hunter	Reynolds
Chenoweth-Hage	Hutchinson	Riley
Coble	Hyde	Roemer
Coburn	Isakson	Rogan
Collins	Istook	Rogers
Combest	Jenkins	Rohrabacher
Cook	Johnson (CT)	Ros-Lehtinen
Cooksey	Johnson, Sam	Roukema
Cox	Jones (NC)	Royce
Crane	Kasich	Ryan (WI)
Cubin	Kelly	Ryun (KS)
Cunningham	King (NY)	Salmon
Davis (VA)	Kingston	Sandlin
Deal	Knollenberg	Sanford
DeLay	Kolbe	Saxton
DeMint	Kuykendall	Scarborough
Diaz-Balart	LaHood	Schaffer
Dickey	Largent	Sensenbrenner
Doolittle	Latham	Sessions
Dreier	LaTourette	Shadegg
Duncan	Lazio	Shaw
Dunn	Leach	Shays
Edwards	Lewis (CA)	Sherwood
Ehlers	Lewis (KY)	Shimkus
Ehrlich	Linder	Shuster
Emerson	LoBiondo	Simpson
English	Lucas (OK)	Skeen
Everett	Luther	Smith (MI)
Ewing	Manzullo	Smith (NJ)
Fletcher	McCollum	Smith (TX)
Foley	McCrery	Souder
Spence	Terry	Watkins
Stearns	Thomas	Watts (OK)
Stenholm	Thornberry	Weldon (FL)
Stump	Thune	Weldon (PA)
Sununu	Tiahrt	Weller
Sweeney	Toomey	Whitfield
Talent	Traficant	Wicker
Tancredo	Upton	Wilson
Tauscher	Vitter	Wolf
Tauzin	Walden	Young (AK)
Taylor (MS)	Walsh	Young (FL)
Taylor (NC)	Wamp	

NOT VOTING—10

Baca	Klink	Vento
Barton	Martinez	Weygand
Boswell	McIntosh	
Campbell	Smith (WA)	

☐ 1351

Mr. MINGE and Mr. LUTHER changed their vote from ''yea'' to ''nay.''

So the motion to instruct was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. PORTMAN. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 401, noes 25, not voting 9, as follows:

[Roll No. 412]

AYES—401

Abercrombie	Callahan	Dingell
Ackerman	Calvert	Dixon
Aderholt	Camp	Doggett
Allen	Canady	Dooley
Andrews	Cannon	Doolittle
Archer	Capps	Doyle
Armey	Capuano	Dreier
Bachus	Cardin	Duncan
Baird	Carson	Dunn
Baker	Castle	Edwards
Baldacci	Chabot	Ehlers
Baldwin	Chambliss	Ehrlich
Ballenger	Chenoweth-Hage	Emerson
Barcia	Clayton	Engel
Barr	Clement	English
Barrett (NE)	Clyburn	Eshoo
Barrett (WI)	Coble	Etheridge
Bartlett	Coburn	Evans
Bass	Collins	Everett
Bateman	Combest	Ewing
Bentsen	Condit	Farr
Bereuter	Cook	Fattah
Berkley	Cooksey	Fletcher
Berman	Costello	Foley
Berry	Cox	Forbes
Biggert	Coyne	Ford
Bilbray	Cramer	Fossella
Bilirakis	Crane	Fowler
Bishop	Crowley	Franks (NJ)
Blagojevich	Cubin	Frelinghuysen
Bliley	Cummings	Frost
Blumenauer	Cunningham	Gallegly
Blunt	Danner	Ganske
Boehlert	Davis (FL)	Gejdenson
Boehner	Davis (IL)	Gekas
Bonilla	Davis (VA)	Gibbons
Bono	Deal	Gilchrest
Borski	DeFazio	Gillmor
Boucher	DeGette	Gilman
Boyd	Delahunt	Gonzalez
Brady (PA)	DeLauro	Goode
Brady (TX)	DeLay	Goodlatte
Brown (FL)	DeMint	Goodling
Bryant	Deutsch	Gordon
Burr	Diaz-Balart	Goss
Burton	Dickey	Graham
Buyer	Dicks	Granger

Green (TX)	McCollum	Sanford
Green (WI)	McCrery	Sawyer
Greenwood	McGovern	Saxton
Gutierrez	McHugh	Scarborough
Hall (OH)	McInnis	Schaffer
Hall (TX)	McIntyre	Schakowsky
Hansen	McKeon	Scott
Hastert	McKinney	Sensenbrenner
Hastings (FL)	McNulty	Sessions
Hastings (WA)	Meehan	Shadegg
Hayes	Meek (FL)	Shaw
Hayworth	Meeks (NY)	Shays
Hefley	Menendez	Sherman
Herger	Metcalf	Sherwood
Hill (IN)	Mica	Shimkus
Hill (MT)	Millender-McDonald	Shows
Hilleary	Miller (FL)	Shuster
Hilliard	Miller, Gary	Simpson
Hinojosa	Miller, George	Sisisky
Hobson	Minge	Skeen
Hoeffel	Mink	Skelton
Hoekstra	Moakley	Slaughter
Holden	Mollohan	Smith (MI)
Holt	Moore	Smith (NJ)
Hooley	Moran (KS)	Smith (TX)
Horn	Moran (VA)	Snyder
Hostettler	Morella	Souder
Houghton	Murtha	Spence
Hoyer	Myrick	Spratt
Hulshof	Nadler	Stabenow
Hunter	Napolitano	Stearns
Hutchinson	Nethercutt	Stenholm
Hyde	Ney	Strickland
Inslee	Northup	Stump
Isakson	Norwood	Stupak
Istook	Nussle	Sununu
Jackson-Lee (TX)	Oberstar	Sweeney
Jefferson	Obey	Talent
Jenkins	Ortiz	Tancredo
John	Ose	Tanner
Johnson (CT)	Owens	Tauscher
Johnson, E. B.	Oxley	Tauzin
Johnson, Sam	Packard	Taylor (MS)
Jones (NC)	Pallone	Taylor (NC)
Jones (OH)	Pascrell	Terry
Kanjorski	Pastor	Thomas
Kaptur	Paul	Thompson (CA)
Kasich	Payne	Thompson (MS)
Kelly	Pease	Thornberry
Kildee	Pelosi	Thune
Kilpatrick	Peterson (MN)	Thurman
Kind (WI)	Peterson (PA)	Tiahrt
King (NY)	Petri	Tierney
Kingston	Phelps	Toomey
Kleczka	Pickering	Towns
Knollenberg	Pickett	Traficant
Kolbe	Pitts	Turner
Kucinich	Pombo	Udall (CO)
Kuykendall	Pomeroy	Udall (NM)
LaFalce	Porter	Upton
LaHood	Portman	Velazquez
Lampson	Price (NC)	Vitter
Lantos	Pryce (OH)	Walden
Largent	Quinn	Walsh
Larson	Radanovich	Wamp
Latham	Rahall	Waters
LaTourette	Ramstad	Watkins
Lazio	Regula	Watt (NC)
Leach	Reyes	Watts (OK)
Levin	Reynolds	Waxman
Lewis (CA)	Riley	Weiner
Lewis (GA)	Rivers	Weldon (FL)
Lewis (KY)	Rodriguez	Weldon (PA)
Linder	Roemer	Weller
Lipinski	Rogan	Wexler
LoBiondo	Rogers	Weygand
Lofgren	Rohrabacher	Whitfield
Lowey	Ros-Lehtinen	Wicker
Lucas (KY)	Rothman	Wilson
Lucas (OK)	Roukema	Wise
Luther	Royce	Wolf
Maloney (CT)	Rush	Woolsey
Maloney (NY)	Ryan (WI)	Wu
Manzullo	Ryun (KS)	Wynn
Mascara	Salmon	Young (AK)
McCarthy (MO)	Sanchez	Young (FL)
McCarthy (NY)	Sandlin	

NOES—25

Becerra	Hinchey	Rangel
Bonior	Jackson (IL)	Roybal-Allard
Brown (OH)	Kennedy	Sabo
Clay	Lee	Sanders
Conyers	Markey	Serrano
Filner	Matsui	Stark
Frank (MA)	McDermott	Visclosky
Gephardt	Neal	
Gutknecht	Olver	

NOT VOTING—9

Baca	Campbell	McIntosh
Barton	Klink	Smith (WA)
Boswell	Martinez	Vento

□ 1359

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

□

GENERAL LEAVE

Mr. PORTMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1102, the bill just passed.

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). Is there objection to the request of the gentleman from Ohio?

There was no objection.

□

WAIVING POINTS OF ORDER AGAINST CONFERENCE REPORT ON H.R. 4576, DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2001

Mrs. MYRICK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 554 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 554

Resolved, That upon adoption of this resolution it shall be in order to consider the conference report to accompany the bill (H.R. 4576) making appropriations for the Department of Defense for the fiscal year ending September 30, 2001, and for other purposes. All points of order against the conference report and against its consideration are waived. The conference report shall be considered as read.

The SPEAKER pro tempore. The gentlewoman from North Carolina (Mrs. MYRICK) is recognized for 1 hour.

Mrs. MYRICK. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from Texas (Mr. FROST), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Yesterday, the Committee on Rules met and granted a normal conference report rule for H.R. 4576, the Fiscal Year 2001 Department of Defense Appropriations Act. The rule waives all points of order against the conference report and against its consideration. The rule also provides that the conference report shall be considered as read.

Mr. Speaker, H. Res. 554 is a noncontroversial rule for a strong bipartisan bill. In fact, the Committee on Appropriations approved this bill in late May by voice vote and without an amendment.

I have always admired the patriotism and dedication of our military personnel, especially given the poor quality of military life for our enlisted men and women. But today, we are doing something to improve military pay, housing and benefits.

Mr. Speaker, we are helping to take some of our enlisted men off food stamps by giving them a 3.7 percent pay raise and we are boosting their enlistment and re-enlistment bonuses. To follow through on our health care promises to our servicemen and women, we are increasing funding for the Department of Defense Health Program by $963 million this year. A good portion of these funds will go to improving care for our military retirees who have never been given the treatment that they deserve.

At the same time, we are increasing the basic allowance for housing so that our military families do not have to pay as much out of their own pockets. Along with personnel, we have to take care of our military readiness. We live in a dangerous world and Congress is working to protect our friends and families back home from our enemies abroad.

We are providing for our national missile defense system so that we can stop a warhead from places like China or North Korea, if that day ever comes; and we are boosting the military's budget for weapons and ammunition. We are providing $41 billion for research and development so that our forces will have top of the line equipment to do their job.

Mr. Speaker, I urge my colleagues to support this rule and to support the underlying bill because now, more than ever, we must improve our national security.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of this rule and the conference report to accompany fiscal year 2001 Department of Defense Appropriations. This important appropriations bill provides the funding for the security and defense of the United States and ensures that our military strength remain second to none. This conference agreement will provide $288 billion for the programs of the Defense Department, and includes a 3.7 percent pay raise for our military personnel, an increase of nearly $1 billion over fiscal year 2000 for military health care.

Mr. Speaker, this is a good bill and deserves the support of this House. This rule is the standard rule for the consideration of conference reports in the House, and it waives all points of order against the consideration of the conference report. This rule is noncontroversial, and I urge Members to support it.

I also urge Members to support this conference report. The pay raise provided to our Armed Forces is of great importance, especially for younger military members with families, and for those mid-career personnel who are considering abandoning the military