

Retirement Savings Account Act (H.R. 4714) by Rep. Sam Johnson (R-Texas)

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(Original Signature of Member)

108TH CONGRESS

2 D SESSION H. R.

To amend the Internal Revenue Code of 1986 to provide for retirement savings accounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. SAM JOHNSON of Texas introduced the following bill; which was referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to provide for retirement savings accounts, and for other purposes.

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

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.--This Act may be cited as the "Retirement Savings Account 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.

SEC. 2. RETIREMENT SAVINGS ACCOUNTS.

(a) IN GENERAL.--Section 408A (relating to Roth IRAs) is amended to read as follows:

"SEC. 408A. RETIREMENT SAVINGS ACCOUNTS.

"(a) IN GENERAL.--Except as provided in this section, a retirement savings account shall be treated for purposes of this title in the same manner as an individual retirement plan.

"(b) RETIREMENT SAVINGS ACCOUNT.--For purposes of this title, the term 'retirement savings account' means an individual retirement plan (as defined in section 7701(a)(37)) which--"(1) is designated (in such manner as the Secretary may prescribe) at the time of establishment of the plan as a retirement savings account, and "(2) does not accept any contribution (other than a qualified rollover contribution) which is not in cash.

"(c) TREATMENT OF CONTRIBUTIONS.--

"(1) CONTRIBUTION LIMIT.--Notwithstanding subsections (a)(1) and (b)(2)(A) of section 408, the aggregate amount of contributions for any taxable year to all retirement savings accounts maintained for the benefit of an individual shall not exceed the lesser of--"(A) \$5,000, or "(B) the amount of compensation includible in the individual's gross income for such taxable year.

"(2) SPECIAL RULE FOR CERTAIN MARRIED INDIVIDUALS.--In the case of any individual who files a joint return for the taxable year, the amount taken into account under paragraph (1)(B) shall be increased by the excess (if any) of--"(A) the compensation includible in the gross income of such individual's spouse for the taxable year, over "(B) the aggregate amount of contributions for the taxable year to all retirement savings accounts maintained for the benefit of such spouse.

"(3) CONTRIBUTIONS PERMITTED AFTER AGE

70 ¹/₂.--Contributions to a retirement savings account may be made even after the individual for whom the account is maintained has attained age 70 ¹/₂.

"(4) MANDATORY DISTRIBUTION RULES NOT TO APPLY BEFORE DEATH.--Notwithstanding subsections (a)(6) and (b)(3) of section 408 (relating to required distributions), the following provisions shall not apply to any retirement savings account: "(A) Section 401(a)(9)(A).

"(B) The incidental death benefit requirements of section 401(a).

"(5) ROLLOVER CONTRIBUTIONS.--

"(A) IN GENERAL.--No rollover contribution may be made to a retirement savings account unless it is a qualified rollover contribution.

"(B) COORDINATION WITH LIMIT.--A

qualified rollover contribution shall not be taken into account for purposes of paragraph (1).

"(6) ROLLOVERS FROM PLANS WITH TAXABLE DISTRIBUTIONS.--

"(A) IN GENERAL.--Notwithstanding sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16), in the case of any contribution to which this paragraph applies--"(i) there shall be included in gross income any amount which would be includible were it not part of a qualified rollover contribution, "(ii) section 72(t) shall not apply, and "(iii) unless the taxpayer elects not to have this clause apply for any taxable year, any amount required to be included in gross income for such taxable year by reason of this paragraph for any contribution before January 1, 2006, shall be so included ratably over the 4-taxable year period beginning with such taxable year.

Any election under clause (iii) for any contributions during a taxable year may not be changed after the due date (including extensions of time) for filing the taxpayer's return for such taxable year.

"(B) CONTRIBUTIONS TO WHICH PARA-

GRAPH APPLIES.--This paragraph shall apply to any qualified rollover contribution to a retirement savings account (other than a rollover contribution from another such account).

"(C) CONVERSIONS OF IRAS.--The conversion of an individual retirement plan (other than a retirement savings account) to a retirement savings account shall be treated for purposes of this paragraph as a contribution to which this paragraph applies.

"(D) ADDITIONAL REPORTING REQUIREMENTS.--Trustees and plan administrators of eligible retirement plans (as defined in section 402(c)(8)(B)) and retirement savings accounts shall report such information as the Secretary may require to ensure that amounts required to be included in gross income under subparagraph (A) are so included. Such reports shall be made at such time and in such form and manner as the Secretary may require. The Secretary may provide that such information be included as additional information in reports required under section 408(i) or 6047.

"(E) SPECIAL RULES FOR CONTRIBUTIONS TO WHICH A 4-YEAR AVERAGING APPLIES.--In the case of a qualified rollover contribution to which subparagraph (A)(iii) applied, the following rules shall apply:

"(i) ACCELERATION OF INCLUSION.--

"(I) IN GENERAL.--The amount required to be included in gross income for each of the first 3 taxable years in the 4-year period under sub-paragraph (A)(iii) shall be increased by the aggregate distributions from retirement savings accounts for such taxable year which are allocable under subsection (d)(3) to the portion of such qualified rollover contribution required to be included in gross income under subparagraph (A)(i).

"(II) LIMITATION ON AGGREGATE AMOUNT INCLUDED.--The amount required to be included in gross income for any taxable year under subparagraph (A)(iii) shall not exceed the aggregate amount required to be included in gross income under subparagraph (A)(iii) for all taxable years in the 4-year period (without regard to subclause (I)) reduced by amounts included for all preceding taxable years.

"(ii) DEATH OF DISTRIBUTE.--

"(I) IN GENERAL.--If the individual required to include amounts in gross income under such subpara-graph dies before all of such amounts are included, all remaining amounts shall be included in gross income for the taxable year which includes the date of death.

"(II) SPECIAL RULE FOR SURVIVING SPOUSE.--If the spouse of the individual described in subclause (I) acquires the individual's entire interest in any retirement savings account to which such qualified rollover contribution is properly allocable, the spouse may elect to treat the remaining amounts described in subclause (I) as includible in the spouse's gross income in the taxable years of the spouse ending with or within the taxable years of such individual in which such amounts would otherwise have been includible. Any such election may not be made or changed after the due date (including extensions of time) for filing the spouse's return for the taxable year which includes the date of death.

"(F) 5-YEAR HOLDING PERIOD RULES.--

If--

"(i) any portion of a distribution from a retirement savings account is properly allocable to a qualified rollover contribution with respect to which an amount is includible in gross income under subparagraph (A)(i), "(ii) such distribution is made during the 5-taxable year period beginning with the taxable year for which such contribution was made, and "(iii) such distribution is not described

in clause (i), (ii), or (iii) of subsection (d)(2)(A), then section 72(t) shall be applied as if such portion were includible in gross income.

"(7) TIME WHEN CONTRIBUTIONS MADE.--For purposes of this section, a taxpayer shall be deemed to have made a contribution to a retirement savings account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(8) COST-OF-LIVING ADJUSTMENT.--

"(A) IN GENERAL.--In the case of any taxable year beginning in a calendar year after 2005, the \$5,000 amount under paragraph (1)(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 2004' for 'calendar year 1992' in sub-paragraph (B) thereof.

"(B) ROUNDING RULES.--If any amount after adjustment under subparagraph (A) is not a multiple of \$500, such amount shall be rounded to the next lower multiple of \$500.

"(d) DISTRIBUTION RULES.--For purposes of this title--"(1) EXCLUSION.--Any qualified distribution from a retirement savings account shall not be includible in gross income.

"(2) QUALIFIED DISTRIBUTION.--For purposes of this subsection--

"(A) IN GENERAL.--The term 'qualified distribution' means any payment or distribution--"(i) made on or after the date on which the individual attains age 58, "(ii) made to a beneficiary (or to the estate of the individual) on or after the death of the individual, "(iii) attributable to the individual's being disabled (within the meaning of section 72(m)(7)), or "(iv) to which section 72(t)(2)(F) applies (if such payment or distribution is made before January, 1, 2008).

"(B) DISTRIBUTIONS OF EXCESS CONTRIBUTIONS AND EARNINGS.--The term 'qualified distribution' shall not include any distribution of any contribution described in section 408(d)(4) and any net income allocable to the contribution.

"(3) ORDERING RULES.--For purposes of applying this section and section 72 to any distribution from a retirement savings account, such distribution shall be treated as made--

"(A) from contributions to the extent that the amount of such distribution, when added to all previous distributions from the retirement savings account, does not exceed the aggregate contributions to the retirement savings account; and "(B) from such contributions in the following order: "(i) Contributions other than qualified rollover contributions with respect to which an amount is includible in gross income under subsection (c)(6)(A)(i).

"(ii) Qualified rollover contributions with respect to which an amount is includible in gross income under subsection (c)(6)(A)(i) on a first-in, first-out basis.

Any distribution allocated to a qualified rollover contribution under subparagraph (B)(ii) shall be allocated first to the portion of such contribution required to be included in gross income.

"(4) AGGREGATION RULES.--Section 408(d)(2) shall be applied separately with respect to retirement savings accounts and other individual retirement plans.

"(e) QUALIFIED ROLLOVER CONTRIBUTION.--

"(1) IN GENERAL.--For purposes of this section, the term 'qualified rollover contribution' means--
"(A) a rollover contribution to a retirement savings account of an individual from another such account of such individual or such individual's spouse, or from an individual retirement plan of such individual, but only if such rollover contribution meets the requirements of section 408(d)(3), and "(B) a rollover contribution described in section 402(c), 402A(c)(3)(A), 403(a)(4), 403(b)(8), or 457(e)(16).

"(2) COORDINATION WITH LIMITATION ON IRA

ROLLOVERS.--For purposes of section 408(d)(3)(B), there shall be disregarded any qualified rollover contribution from an individual retirement plan (other than a retirement savings account) to a retirement savings account.

"(f) INDIVIDUAL RETIREMENT PLAN.--For purposes of this section--"(1) a simplified employee pension or a simple retirement account may not be designated as a retirement savings account; and

"(2) contributions to any such pension or account shall not be taken into account for purposes of subsection (c)(1).

"(g) COMPENSATION.--For purposes of this section, the term 'compensation' includes earned income (as defined in section 401(c)(2)). Such term does not include any amount received as a pension or annuity and does not include any amount received as deferred compensation. Such term shall include any amount includible in the individual's gross income under section 71 with respect to a divorce or separation instrument described in section 71(b)(2)(A). For purposes of this subsection, section 401(c)(2) shall be applied as if the term trade or business for purposes of section 1402 included service described in section 1402(c)(6)."

(b) ROTH IRAS TREATED AS RETIREMENT SAVINGS

ACCOUNTS.--In the case of any taxable year beginning after December 31, 2004, any Roth IRA (as defined in section 408A(b) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of this Act) shall be treated for purposes of such Code as having been designated at the time of the establishment of the plan as a retirement savings account under section 408A(b) of such Code (as amended by this section).

(c) CONTRIBUTIONS TO OTHER INDIVIDUAL RETIREMENT PLANS PROHIBITED.--(1)
INDIVIDUAL RETIREMENT ACCOUNTS.--

Paragraph (1) of section 408(a) is amended to read as follows: "(1) Except in the case of a simplified employee pension, a simple retirement account, or a rollover contribution described in subsection (d)(3) or in section 402(c), 403(a)(4), 403(b)(8), or 457(e)(16), no contribution will be accepted on behalf of any individual for any taxable year beginning after December 31, 2004. In the case of any simplified employee pension or simple retirement account, no contribution will be accepted unless it is in cash and contributions will not be accepted for the taxable year on behalf of any individual in excess of--"(A) in the case of a simplified employee pension, the amount of the limitation in effect under section 415(c)(1)(A), and "(B) in the case of a simple retirement account, the sum of the dollar amount in effect under subsection (p)(2)(A)(ii) and the employer contribution required under subparagraph (A)(iii) or (B)(i) of subsection (p)(2)."

(2) INDIVIDUAL RETIREMENT ANNUITIES.--

Paragraph (2) of section 408(b) is amended--(A) by redesignating subparagraphs (A), (B), and (C) as subparagraphs (B), (C), and (D), respectively, and by inserting before sub-paragraph (B), as so redesignated, the following new subparagraph: "(A) except in the case of a simplified employee pension, a simple retirement account, or a rollover contribution described in subsection (d)(3) or in section 402(c), 403(a)(4), 403(b)(8), or 457(e)(16), a premium shall not be accepted on behalf of any individual for any taxable year beginning after December 31, 2004," and (B) by amending subparagraph (C), as redesignated by subparagraph (A), to read as follows: "(C) the annual premium on behalf of any individual will not exceed--"(i) in the case of a simplified employee pension, the amount of the limitation in effect under section 415(c)(1)(A), and

"(ii) in the case of a simple retirement account, the sum of the dollar amount in effect under subsection (p)(2)(A)(ii) and the employer contribution required under subparagraph (A)(iii) or (B)(i) of subsection (p)(2), and".

(d) CONFORMING AMENDMENTS.--

(1)(A) Section 219 is amended to read as follows:

"SEC. 219. CONTRIBUTIONS TO CERTAIN RETIREMENT

PLANS ALLOWING ONLY EMPLOYEE CONTRIBUTIONS.

"(a) ALLOWANCE OF DEDUCTION.--In the case of an individual, there shall be allowed as a deduction the amount contributed on behalf of such individual to a plan described in section 501(c)(18).

"(b) MAXIMUM AMOUNT OF DEDUCTION.--The amount allowable as a deduction under subsection (a) to any individual for any taxable year shall not exceed the lesser of--"(1) \$7,000, or "(2) an amount equal to 25 percent of the compensation (as defined in section 415(c)(3)) includible in the individual's gross income for such taxable year.

"(c) BENEFICIARY MUST BE UNDER AGE 70 ¹/₂--

No deduction shall be allowed under this section with respect to any contribution on behalf of an individual if such individual has attained age 70 ¹/₂ before the close of such individual's taxable year for which the contribution was made.

"(d) SPECIAL RULES.--

"(1) MARRIED INDIVIDUALS.--The maximum deduction under subsection (b) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

"(2) REPORTS.--The Secretary shall prescribe regulations which prescribe the time and the manner in which reports to the Secretary and plan participants shall be made by the plan administrator of a qualified employer or government plan receiving qualified voluntary employee contributions.

"(e) CROSS REFERENCE.--For failure to provide required reports, see section 6652(g)."

(B) Section 25B(d) is amended--

(i) in paragraph (1)(A), by striking "(as defined in section 219(e))", and (ii) by adding at the end the following new paragraph:

"(3) QUALIFIED RETIREMENT CONTRIBUTION.--The term 'qualified retirement contribution' means--"(A) any amount paid in cash for the taxable year by or on behalf of an individual to an individual retirement plan for such individual's benefit, and "(B) any amount contributed on behalf of any individual to a plan described in section 501(c)(18)".

(C) Section 86(f)(3) is amended by striking "section 219(f)(1)" and inserting "section 408A(g)".

(D) Section 132(m)(3) is amended by inserting "(as in effect on the day before the date of the enactment of the Retirement Savings Account Act)" after "section 219(g)(5)".

(E) Subparagraphs (A), (B), and (C) of section 220(d)(4) are each amended by inserting ", as in effect on the day before the date of the enactment of the Retirement Savings Account Act" at the end.

(F) Section 408(b) is amended in the last sentence by striking "section 219(b)(1)(A)" and inserting "paragraph (2)(C)".

(G) Section 408(p)(2)(D)(ii) is amended by inserting "(as in effect on the day before the date of the enactment of the Retirement Savings Account Act)" after "section 219(g)(5)".

(H) Section 501(c)(18)(D)(i) is amended by striking "section 219(b)(3)" and inserting "section 219(b)".

(I) Section 6652(g) is amended by striking "section 219(f)(4)" and inserting "section 219(d)(2)".

(J) The table of sections for part VII of sub-chapter B of chapter 1 is amended by striking the item relating to section 219 and inserting the following new item:

"SEC. 219. Contributions to certain retirement plans allowing only employee contributions."

(2)(A) Section 408(d)(4)(B) is amended to read as follows: "(B) no amount is excludable from gross income under subsection (h) or (k) of section 402 with respect to such contribution, and".

(B) Section 408(d)(5)(A) is amended to read as follows: "(A) IN GENERAL.--In the case of any individual, if the aggregate contributions (other than rollover contributions) paid for any taxable year to an individual retirement account or for an individual retirement annuity do not exceed the dollar amount in effect under subsection (a)(1) or (b)(2)(C), as the case may be, paragraph (1) shall not apply to the distribution of any such contribution to the extent that such contribution exceeds the amount which is excludable from gross income under subsection (h) or (k) of section 402, as the case may be, for the taxable year for which the contribution was paid--"(i) if such distribution is received after the date described in paragraph (4), "(ii) but only to the extent that such excess contribution has not been excluded from gross income under subsection (h) or (k) of section 402."

(C) Section 408(d)(5) is amended by striking the last sentence.

(D) Section 408(d)(7) is amended to read as follows:

"(7) CERTAIN TRANSFERS FROM SIMPLIFIED EMPLOYEE PENSIONS PROHIBITED UNTIL DEFERRAL TEST MET.--Notwithstanding any other provision of this subsection or section 72(t), paragraph (1) and section 72(t)(1) shall apply to the transfer or distribution from a simplified employee pension of any contribution under a salary reduction arrangement described in subsection (k)(6) (or any income allocable thereto) before a determination as to whether the requirements of subsection (k)(6)(A)(iii) are met with respect to such contribution."

(E) Section 408 is amended by striking subsection (j).

(F)(i) Section 408 is amended by striking subsection (o).

(ii) Section 6693 is amended by striking subsection (b) and by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

(G) Section 408(p) is amended by striking paragraph (8) and by redesignating paragraphs (9) and (10) as paragraphs (8) and (9), respectively.

(3)(A) Section 4973(a)(1) is amended to read as follows: "(1) an individual retirement plan,".

(B) Section 4973(b) is amended to read as follows:

"(b) EXCESS CONTRIBUTIONS TO SIMPLIFIED EMPLOYEE PENSIONS AND SIMPLE RETIREMENT ACCOUNTS.--For purposes of this section, in the case of simplified employee pensions or simple retirement accounts, the term 'excess contributions' means the sum of--

"(1) the excess (if any) of--

"(A) the amount contributed for the taxable year to the pension or account, over "(B) the amount applicable to the pension or account under subsection (a)(1) or (b)(2) of section 408, and "(2) the amount determined under this subsection for the preceding taxable year, reduced by the sum of --"(A) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 408(d)(1), "(B) the distributions out of the account for the taxable year to which section 408(d)(5) applies, and "(C) the excess (if any) of the maximum amount excludible from gross income for the taxable year under subsection (h) or (k) of section 402 over the amount contributed to the pension or account for the taxable year.

For purposes of this subsection, any contribution which is distributed from a simplified employee pension or simple retirement account in a distribution to which section 408(d)(4) applies shall be treated as an amount not contributed."

(C) Section 4973 is amended by adding at the end the following new subsection:

"(h) EXCESS CONTRIBUTIONS TO CERTAIN INDIVIDUAL RETIREMENT PLANS.--For purposes of this section, in the case of individual retirement plans (other than retirement savings accounts, simplified employee pensions, and simple retirement accounts), the term 'excess contribution' means the sum of--"(1) the aggregate amount contributed for the taxable year to the individual retirement plans, and "(2) the amount determined under this subsection for the preceding taxable year, reduced by the sum of--"(A) the distributions out of the plans which were included in gross income under section 408(d)(1), and "(B) the distributions out of the plans for the taxable year to which section 408(d)(5) applies.

For purposes of this subsection, any contribution which is distributed from the plan in a distribution to which section 408(d)(4) applies shall be treated as an amount not contributed."

(4)(A) Sections 402(c)(8)(B), 402A(c)(3)(A)(ii), 3405(e)(1)(B), and 4973(f) are each amended by striking "Roth IRA" each place it appears and inserting "retirement savings account".

(B) Section 4973(f)(1)(A) is amended by striking "Roth IRAs" and inserting "retirement savings accounts".

(C) Paragraphs (1)(B) and (2)(B) of section 4973(f) are each amended by striking "sections 408A(c)(2) and (c)(3)" and inserting "section 408A(c)(1)".

(D) Subsection (f) of section 4973 is amended in the heading by striking "ROTH IRAS" and inserting "RETIREMENT SAVINGS ACCOUNTS".

(e) EFFECTIVE DATE.--The amendments made by this section shall apply to taxable years beginning after December 31, 2004