

105TH CONGRESS  
1ST SESSION

# H. R. 17

To amend the Internal Revenue Code of 1986 to encourage retirement savings by allowing more individuals to make contributions to individual retirement plans, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. POMEROY introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to encourage retirement savings by allowing more individuals to make contributions to individual retirement plans, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “IRA Savings Oppor-  
5       tunity Act of 1997”.

1 **SEC. 2. MODIFICATIONS TO INDIVIDUAL RETIREMENT**  
2 **PLANS.**

3 (a) INCREASE IN INCOME LIMITATIONS.—Subpara-  
4 graph (B) of section 219(g)(3) of the Internal Revenue  
5 Code of 1986 is amended—

6 (1) by striking “\$40,000” in clause (i) and in-  
7 serting “\$80,000, and

8 (2) by striking “\$25,000” in clause (ii) and in-  
9 serting “\$50,000”.

10 (b) EXTENSION OF PHASEOUT RANGE.—Clause (ii)  
11 of section 219(g)(2)(A) of such Code is amended by strik-  
12 ing “\$10,000” and inserting “\$20,000”.

13 (c) ADDITIONAL \$2,000 OF NONDEDUCTIBLE CON-  
14 TRIBUTIONS PERMITTED FOR CERTAIN INDIVIDUALS  
15 WHO ARE NOT ACTIVE PARTICIPANTS IN EMPLOYER  
16 PLANS.—

17 (1) IN GENERAL.—Subparagraph (B) of section  
18 408(o)(2) of such Code (relating to nondeductible  
19 limit) is amended by adding at the end the following  
20 new clause:

21 “(iii) ADDITIONAL \$2,000 OF NON-  
22 DEDUCTIBLE CONTRIBUTIONS PERMITTED  
23 FOR CERTAIN INDIVIDUALS WHO ARE NOT  
24 ACTIVE PARTICIPANTS IN EMPLOYER  
25 PLANS.—

1           “(I) IN GENERAL.—In the case  
2 of an individual who is not an active  
3 participant (as defined in section  
4 219(g)) for any part of any plan year  
5 ending with or within the taxable  
6 year, the amount determined under  
7 clause (i)(I) shall be increased by  
8 \$2,000.

9           “(II) REDUCTION BASED ON AD-  
10 JUSTED GROSS INCOME.—The \$2,000  
11 amount in subclause (I) shall be re-  
12 duced (but not below zero) by an  
13 amount which bears the same ratio to  
14 \$2,000 as the excess of the taxpayer’s  
15 adjusted gross income (as determined  
16 under section 219(g)(3)) for the tax-  
17 able year over the applicable dollar  
18 amount (as defined in such section)  
19 bears to \$20,000. The rules of sub-  
20 paragraphs (B) and (C) of paragraph  
21 (2), and paragraph (4), of section  
22 219(g) shall apply for purposes of the  
23 preceding sentence.”

24           (2) CONFORMING AMENDMENTS.—

1 (A) Subsections (a)(1), (b), and (j) of sec-  
2 tion 408 of such Code are each amended by  
3 striking “\$2,000” and inserting “\$4,000”.

4 (B) The last sentence of section 408(d)(5)  
5 of such Code is amended by striking before the  
6 period “and by treating the limitation under  
7 section 219(b)(1)(A) as being \$4,000”.

8 (C) The last sentence of section 4973(b) of  
9 such Code (relating to excess contributions) is  
10 amended to read as follows: “For purposes of  
11 paragraphs (1)(B) and (2)(C), the amount al-  
12 lowable as a deduction under section 219 shall  
13 be computed without regard to section 219(g)  
14 and by treating the limitation under section  
15 219(b)(1)(A) as being \$4,000.”

16 (d) ELIGIBILITY FOR IRA DEDUCTION DETERMINED  
17 WITHOUT REGARD TO SPOUSE’S PARTICIPATION IN PEN-  
18 SION PLAN.—Paragraph (1) of section 219(g) of such  
19 Code (relating to limitation on deduction for active partici-  
20 pants in certain pension plans) is amended by striking “or  
21 the individual’s spouse”.

22 (e) ALTERNATIVE CREDIT FOR LOWER INCOME TAX-  
23 PAYERS.—

24 (1) IN GENERAL.—Subpart A of part IV of sub-  
25 chapter A of chapter 1 of such Code (relating to

1 nonrefundable personal credits) is amended by in-  
2 serting after section 23 the following new section:

3 **“SEC. 24. RETIREMENT SAVINGS.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
5 dividual, there shall be allowed as a credit against the tax  
6 imposed by this chapter for the taxable year an amount  
7 equal to 20 percent of the amount which would (but for  
8 subsection (c)) be allowed as a deduction under section  
9 219 for such taxable year.

10 “(b) LIMITATION BASED ON ADJUSTED GROSS IN-  
11 COME.—

12 “(1) IN GENERAL.—The amount of the credit  
13 which would (but for this subsection) be allowed  
14 under subsection (a) for the taxable year shall be re-  
15 duced (but not below zero) by an amount which  
16 bears the same ratio to such amount of credit as—

17 “(A) the excess of—

18 “(i) the taxpayer’s adjusted gross in-  
19 come for such taxable year, over

20 “(ii) the applicable dollar amount,  
21 bears to

22 “(B) \$10,000.

23 “(2) ROUNDING.—Any amount determined  
24 under this subsection which is not a multiple of \$10  
25 shall be rounded to the next lowest \$10.

1           “(3) APPLICABLE DOLLAR AMOUNT.—For pur-  
2           poses of this subsection, the term ‘applicable dollar  
3           amount’ means—

4                   “(A) in the case of a taxpayer filing a joint  
5           return, \$40,000,

6                   “(B) in the case of any other taxpayer  
7           (other than a married individual filing a sepa-  
8           rate return), \$25,000, and

9                   “(C) in the case of a married individual fil-  
10          ing a separate return, zero.

11          The rule of section 219(g)(4) shall apply for pur-  
12          poses of this paragraph.

13          “(c) COORDINATION WITH DEDUCTION.—No deduc-  
14          tion shall be allowed under section 219 for amount paid  
15          by or on behalf of an individual for any taxable year if  
16          any such amount (with respect to such individual) is taken  
17          into account in determining the credit under this section  
18          for such year.”

19          (2) CLERICAL AMENDMENT.—The table of sec-  
20          tions for such subpart A is amended by inserting  
21          after the item relating to section 23 the following  
22          new item:

                  “Sec. 24. Retirement savings.”

23          (f) EFFECTIVE DATE.—The amendments made by  
24          this section shall apply to taxable years beginning after  
25          the date of the enactment of this Act.

1 **SEC. 3. COORDINATION OF IRA DEDUCTION LIMIT WITH**  
2 **ELECTIVE DEFERRAL LIMIT.**

3 (a) **IN GENERAL.**—Section 219(b) of the Internal  
4 Revenue Code of 1986 (relating to maximum amount of  
5 deduction) is amended by adding at the end the following  
6 new paragraph:

7 “(5) **COORDINATION WITH ELECTIVE DEFER-**  
8 **RAL LIMIT.**—The amount determined under para-  
9 graph (1) and subsection (c)(1)(A) with respect to  
10 any individual for any taxable year shall not exceed  
11 the excess (if any) of—

12 “(A) the limitation applicable for the tax-  
13 able year under section 402(g)(1), over

14 “(B) the elective deferrals (as defined in  
15 section 402(g)(3)) of such individual for such  
16 taxable year.”

17 (b) **EFFECTIVE DATE.**—The amendment made by  
18 this section shall apply to taxable years beginning after  
19 the date of the enactment of this Act.

○