

106TH CONGRESS  
1ST SESSION

# H. R. 2553

To amend the Internal Revenue Code of 1986 to allow certain individuals a credit against income tax for elective deferrals and IRA contributions.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 19, 1999

Mr. POMEROY (for himself, Mr. FROST, Mr. PAUL, Ms. LEE, and Mrs. CHRISTENSEN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow certain individuals a credit against income tax for elective deferrals and IRA contributions.

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 “Family Investment Re-  
5 tirement Savings Tax (FIRST) Credit Act of 1999”.

6 **SEC. 2. CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE**  
7 **DEFERRALS AND IRA CONTRIBUTIONS.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to nonrefundable personal credits) is  
 2 amended by inserting after section 25A the following new  
 3 section:

4 **“SEC. 25B. ELECTIVE DEFERRALS AND IRA CONTRIBU-**  
 5 **TIONS BY CERTAIN INDIVIDUALS.**

6 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 7 dividual, there shall be allowed as a credit against the tax  
 8 imposed by this chapter for the taxable year an amount  
 9 equal to 50 percent of—

10 “(1) the amount allowed as a deduction under  
 11 section 219 for such taxable year, and

12 “(2) the amount of the elective deferrals (as de-  
 13 fined in section 402(g)(3)) for such taxable year.

14 “(b) MAXIMUM CREDIT.—The credit allowed by sub-  
 15 section (a) for any taxable year shall not exceed \$1,000  
 16 with respect to each individual.

17 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-  
 18 COME.—

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

24 “(A) the excess of—

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

3 “(ii) the applicable dollar amount,  
4 bears to

5 “(B) \$10,000.

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

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

12 “(A) in the case of a taxpayer filing a joint  
13 return, \$51,000,

14 “(B) in the case of any other taxpayer  
15 (other than a married individual filing a sepa-  
16 rate return), \$31,000, and

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

19 A husband and wife who file separate returns for  
20 any taxable year and live apart at all times during  
21 such taxable year shall not be treated as married in-  
22 dividuals for purposes of this paragraph.

23 “(d) SPECIAL RULES.—

24 “(1) COORDINATION WITH DEDUCTION AND EX-  
25 CLUSION.—Nothing in this section shall be con-

1       strued to deny any deduction or exclusion otherwise  
2       allowable for any amount taken into account under  
3       subsection (a).

4               “(2) ANTI-CHURNING RULE.—

5                       “(A) IN GENERAL.—If any amount—

6                               “(i) is paid into an individual retire-  
7                               ment plan or defined contribution plan of  
8                               the taxpayer or the taxpayer’s spouse, and

9                               “(ii) is taken into account in deter-  
10                              mining the amount of credit allowed under  
11                              this section,

12       then, with respect to distributions from any  
13       such plan during the increased penalty period,  
14       paragraph (1) of section 72(t) shall be applied  
15       by substituting ‘60 percent’ for ‘10 percent’ and  
16       subparagraphs (B), (D), (E), and (F) of section  
17       72(t)(2) shall not apply.

18               “(B) EXCEPTIONS.—

19                       “(i) IN GENERAL.—Subparagraph (A)  
20                       shall not apply to any distribution during  
21                       the increased penalty period to the extent  
22                       that such distribution, when increased by  
23                       prior distributions from the plans referred  
24                       to in subparagraph (A) during such period,  
25                       exceed the aggregate amount paid into

1           such plans which was taken into account in  
 2           determining the amount of credit allowed  
 3           under this section.

4           “(ii) HARDSHIP DISTRIBUTIONS.—  
 5           Subparagraph (A) shall not apply to dis-  
 6           tribution upon the hardship of the bene-  
 7           ficiary.

8           “(C) AGGREGATE OF PLANS.—For pur-  
 9           poses of this paragraph, all individual retire-  
 10          ment plans and defined contribution plans of an  
 11          individual and the spouse of such individual  
 12          shall be treated as 1 plan.

13          “(D) INCREASED PENALTY PERIOD.—For  
 14          purposes of subparagraph (A), the increased  
 15          penalty period is the 5-taxable year period be-  
 16          ginning with the first taxable year for which  
 17          any amount is described in clauses (i) and (ii)  
 18          of subparagraph (A).

19          “(e) ELECTION NOT TO CLAIM CREDIT.—This sec-  
 20          tion (other than subsection (d)(2)) shall not apply to any  
 21          taxable year if the individual elects not to have this section  
 22          apply.”.

23          (b) CLERICAL AMENDMENT.—The table of sections  
 24          for such subpart A is amended by inserting after the item  
 25          relating to section 25A the following new item:

“Sec. 25B. Elective deferrals and IRA contributions by certain individuals.”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

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