

109TH CONGRESS  
1ST SESSION

# H. R. 1162

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

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 2005

Mr. SAM JOHNSON of Texas (for himself, Mr. ENGLISH of Pennsylvania, and Mr. PORTMAN) 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 provide for retirement savings accounts, 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, ETC.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Retirement Savings Account Act”.

6       (b) AMENDMENT OF 1986 CODE.—Except as other-  
7       wise expressly provided, whenever in this Act an amend-  
8       ment or repeal is expressed in terms of an amendment  
9       to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. RETIREMENT SAVINGS ACCOUNTS.**

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

6 **“SEC. 408A. RETIREMENT SAVINGS ACCOUNTS.**

7 “(a) IN GENERAL.—Except as provided in this sec-  
 8 tion, a retirement savings account shall be treated for pur-  
 9 poses of this title in the same manner as an individual  
 10 retirement plan.

11 “(b) RETIREMENT SAVINGS ACCOUNT.—For pur-  
 12 poses of this title, the term ‘retirement savings account’  
 13 means an individual retirement plan (as defined in section  
 14 7701(a)(37)) which—

15 “(1) is designated (in such manner as the Sec-  
 16 retary may prescribe) at the time of establishment  
 17 of the plan as a retirement savings account, and

18 “(2) does not accept any contribution (other  
 19 than a qualified rollover contribution) which is not  
 20 in cash.

21 “(c) TREATMENT OF CONTRIBUTIONS.—

22 “(1) CONTRIBUTION LIMIT.—Notwithstanding  
 23 subsections (a)(1) and (b)(2)(A) of section 408, the  
 24 aggregate amount of contributions for any taxable  
 25 year to all retirement savings accounts maintained

1 for the benefit of an individual shall not exceed the  
2 lesser of—

3 “(A) \$5,000, or

4 “(B) the amount of compensation includ-  
5 ible in the individual’s gross income for such  
6 taxable year.

7 “(2) SPECIAL RULE FOR CERTAIN MARRIED IN-  
8 DIVIDUALS.—In the case of any individual who files  
9 a joint return for the taxable year, the amount taken  
10 into account under paragraph (1)(B) shall be in-  
11 creased by the excess (if any) of—

12 “(A) the compensation includible in the  
13 gross income of such individual’s spouse for the  
14 taxable year, over

15 “(B) the aggregate amount of contribu-  
16 tions for the taxable year to all retirement sav-  
17 ings accounts maintained for the benefit of such  
18 spouse.

19 “(3) CONTRIBUTIONS PERMITTED AFTER AGE  
20 70½.—Contributions to a retirement savings ac-  
21 count may be made even after the individual for  
22 whom the account is maintained has attained age  
23 70½.

24 “(4) MANDATORY DISTRIBUTION RULES NOT  
25 TO APPLY BEFORE DEATH.—Notwithstanding sub-

sections (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

1 “(iii) unless the taxpayer elects not to  
2 have this clause apply for any taxable year,  
3 any amount required to be included in  
4 gross income for such taxable year by rea-  
5 son of this paragraph for any contribution  
6 before January 1, 2007, shall be so in-  
7 cluded ratably over the 4-taxable year pe-  
8 riod beginning with such taxable year.

9 Any election under clause (iii) for any contribu-  
10 tions during a taxable year may not be changed  
11 after the due date (including extensions of  
12 time) for filing the taxpayer’s return for such  
13 taxable year.

14 “(B) CONTRIBUTIONS TO WHICH PARA-  
15 GRAPH APPLIES.—This paragraph shall apply  
16 to any qualified rollover contribution to a retire-  
17 ment savings account (other than a rollover  
18 contribution from another such account).

19 “(C) CONVERSIONS OF IRAS.—The conver-  
20 sion of an individual retirement plan (other  
21 than a retirement savings account) to a retire-  
22 ment savings account shall be treated for pur-  
23 poses of this paragraph as a contribution to  
24 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 subparagraph (A)(iii) shall be increased by the aggregate distributions from

1 retirement savings accounts for such  
2 taxable year which are allocable under  
3 subsection (d)(3) to the portion of  
4 such qualified rollover contribution re-  
5 quired to be included in gross income  
6 under subparagraph (A)(i).

7 “(II) LIMITATION ON AGGREGATE  
8 AMOUNT INCLUDED.—The  
9 amount required to be included in  
10 gross income for any taxable year  
11 under subparagraph (A)(iii) shall not  
12 exceed the aggregate amount required  
13 to be included in gross income under  
14 subparagraph (A)(iii) for all taxable  
15 years in the 4-year period (without re-  
16 gard to subclause (I)) reduced by  
17 amounts included for all preceding  
18 taxable years.

19 “(ii) DEATH OF DISTRIBUTE.—

20 “(I) IN GENERAL.—If the indi-  
21 vidual required to include amounts in  
22 gross income under such subpara-  
23 graph dies before all of such amounts  
24 are included, all remaining amounts  
25 shall be included in gross income for

1 the taxable year which includes the  
2 date of death.

3 “(II) SPECIAL RULE FOR SUR-  
4 VIVING SPOUSE.—If the spouse of the  
5 individual described in subclause (I)  
6 acquires the individual’s entire inter-  
7 est in any retirement savings account  
8 to which such qualified rollover con-  
9 tribution is properly allocable, the  
10 spouse may elect to treat the remain-  
11 ing amounts described in subclause  
12 (I) as includible in the spouse’s gross  
13 income in the taxable years of the  
14 spouse ending with or within the tax-  
15 able years of such individual in which  
16 such amounts would otherwise have  
17 been includible. Any such election may  
18 not be made or changed after the due  
19 date (including extensions of time) for  
20 filing the spouse’s return for the tax-  
21 able year which includes the date of  
22 death.

23 “(F) 5-YEAR HOLDING PERIOD RULES.—

24 If—



1 “(i) any portion of a distribution from  
2 a retirement savings account is properly al-  
3 locable to a qualified rollover contribution  
4 with respect to which an amount is includ-  
5 ible in gross income under subparagraph  
6 (A)(i),

7 “(ii) such distribution is made during  
8 the 5-taxable year period beginning with  
9 the taxable year for which such contribu-  
10 tion was made, and

11 “(iii) such distribution is not de-  
12 scribed in clause (i), (ii), or (iii) of sub-  
13 section (d)(2)(A),

14 then section 72(t) shall be applied as if such  
15 portion were includible in gross income.

16 “(7) TIME WHEN CONTRIBUTIONS MADE.—For  
17 purposes of this section, a taxpayer shall be deemed  
18 to have made a contribution to a retirement savings  
19 account on the last day of the preceding taxable year  
20 if the contribution is made on account of such tax-  
21 able year and is made not later than the time pre-  
22 scribed by law for filing the return for such taxable  
23 year (not including extensions thereof).

24 “(8) COST-OF-LIVING ADJUSTMENT.—

1           “(A) IN GENERAL.—In the case of any  
2           taxable year beginning in a calendar year after  
3           2006, the \$5,000 amount under paragraph  
4           (1)(A) shall be increased by an amount equal  
5           to—

6                     “(i) such dollar amount, multiplied by

7                     “(ii) the cost-of-living adjustment de-  
8                     termined under section 1(f)(3) for the cal-  
9                     endar year in which the taxable year be-  
10                    gins, determined by substituting ‘calendar  
11                    year 2005’ for ‘calendar year 1992’ in sub-  
12                    paragraph (B) thereof.

13           “(B) ROUNDING RULES.—If any amount  
14           after adjustment under subparagraph (A) is not  
15           a multiple of \$500, such amount shall be  
16           rounded to the next lower multiple of \$500.

17           “(d) DISTRIBUTION RULES.—For purposes of this  
18           title—

19                     “(1) EXCLUSION.—Any qualified distribution  
20                     from a retirement savings account shall not be in-  
21                     cludible in gross income.

22                     “(2) QUALIFIED DISTRIBUTION.—For purposes  
23                     of this subsection—

1           “(A) IN GENERAL.—The term ‘qualified  
2           distribution’ means any payment or distribu-  
3           tion—

4                   “(i) made on or after the date on  
5                   which the individual attains age 58,

6                   “(ii) made to a beneficiary (or to the  
7                   estate of the individual) on or after the  
8                   death of the individual,

9                   “(iii) attributable to the individual’s  
10                  being disabled (within the meaning of sec-  
11                  tion 72(m)(7)), or

12                  “(iv) to which section 72(t)(2)(F) ap-  
13                  plies (if such payment or distribution is  
14                  made before January 1, 2009).

15           “(B) DISTRIBUTIONS OF EXCESS CON-  
16           TRIBUTIONS AND EARNINGS.—The term ‘quali-  
17           fied distribution’ shall not include any distribu-  
18           tion of any contribution described in section  
19           408(d)(4) and any net income allocable to the  
20           contribution.

21           “(3) ORDERING RULES.—For purposes of ap-  
22           plying this section and section 72 to any distribution  
23           from a retirement savings account, such distribution  
24           shall be treated as made—

1           “(A) from contributions to the extent that  
 2           the amount of such distribution, when added to  
 3           all previous distributions from the retirement  
 4           savings account, does not exceed the aggregate  
 5           contributions to the retirement savings account,  
 6           and

7           “(B) from such contributions in the fol-  
 8           lowing order:

9                   “(i) Contributions other than qualified  
 10                   rollover contributions with respect to which  
 11                   an amount is includible in gross income  
 12                   under subsection (c)(6)(A)(i).

13                   “(ii) Qualified rollover contributions  
 14                   with respect to which an amount is includ-  
 15                   ible in gross income under subsection  
 16                   (c)(6)(A)(i) on a first-in, first-out basis.

17           Any distribution allocated to a qualified rollover con-  
 18           tribution under subparagraph (B)(ii) shall be allo-  
 19           cated first to the portion of such contribution re-  
 20           quired to be included in gross income.

21           “(4) AGGREGATION RULES.—Section 408(d)(2)  
 22           shall be applied separately with respect to retirement  
 23           savings accounts and other individual retirement  
 24           plans.

25           “(e) QUALIFIED ROLLOVER CONTRIBUTION.—

1           “(1) IN GENERAL.—For purposes of this sec-  
2           tion, the term ‘qualified rollover contribution’  
3           means—

4                   “(A) a rollover contribution to a retirement  
5           savings account of an individual from another  
6           such account of such individual or such individ-  
7           ual’s spouse, or from an individual retirement  
8           plan of such individual, but only if such rollover  
9           contribution meets the requirements of section  
10          408(d)(3), and

11                   “(B) a rollover contribution described in  
12          section 402(c), 402A(c)(3)(A), 403(a)(4),  
13          403(b)(8), or 457(e)(16).

14           “(2) COORDINATION WITH LIMITATION ON IRA  
15          ROLLOVERS.—For purposes of section 408(d)(3)(B),  
16          there shall be disregarded any qualified rollover con-  
17          tribution from an individual retirement plan (other  
18          than a retirement savings account) to a retirement  
19          savings account.

20           “(f) INDIVIDUAL RETIREMENT PLAN.—For purposes  
21          of this section—

22                   “(1) a simplified employee pension or a simple  
23          retirement account may not be designated as a re-  
24          tirement savings account, and

1           “(2) contributions to any such pension or ac-  
2           count shall not be taken into account for purposes  
3           of subsection (c)(1).

4           “(g) COMPENSATION.—For purposes of this section,  
5           the term ‘compensation’ includes earned income (as de-  
6           fined in section 401(c)(2)). Such term does not include  
7           any amount received as a pension or annuity and does not  
8           include any amount received as deferred compensation.  
9           Such term shall include any amount includible in the indi-  
10          vidual’s gross income under section 71 with respect to a  
11          divorce or separation instrument described in section  
12          71(b)(2)(A). For purposes of this subsection, section  
13          401(c)(2) shall be applied as if the term trade or business  
14          for purposes of section 1402 included service described in  
15          section 1402(c)(6).”.

16          (b) ROTH IRAS TREATED AS RETIREMENT SAVINGS  
17          ACCOUNTS.—In the case of any taxable year beginning  
18          after December 31, 2005, any Roth IRA (as defined in  
19          section 408A(b) of the Internal Revenue Code of 1986,  
20          as in effect on the day before the date of the enactment  
21          of this Act) shall be treated for purposes of such Code  
22          as having been designated at the time of the establishment  
23          of the plan as a retirement savings account under section  
24          408A(b) of such Code (as amended by this section).

1       (c) CONTRIBUTIONS TO OTHER INDIVIDUAL RETIRE-  
2   MENT PLANS PROHIBITED.—

3           (1) INDIVIDUAL RETIREMENT ACCOUNTS.—

4       Paragraph (1) of section 408(a) is amended to read  
5       as follows:

6           “(1) Except in the case of a simplified employee  
7       pension, a simple retirement account, or a rollover  
8       contribution described in subsection (d)(3) or in sec-  
9       tion 402(c), 403(a)(4), 403(b)(8), or 457(e)(16), no  
10      contribution will be accepted on behalf of any indi-  
11      vidual for any taxable year beginning after Decem-  
12      ber 31, 2005. In the case of any simplified employee  
13      pension or simple retirement account, no contribu-  
14      tion will be accepted unless it is in cash and con-  
15      tributions will not be accepted for the taxable year  
16      on behalf of any individual in excess of—

17           “(A) in the case of a simplified employee  
18      pension, the amount of the limitation in effect  
19      under section 415(c)(1)(A), and

20           “(B) in the case of a simple retirement ac-  
21      count, the sum of the dollar amount in effect  
22      under subsection (p)(2)(A)(ii) and the employer  
23      contribution required under subparagraph  
24      (A)(iii) or (B)(i) of subsection (p)(2).”.

1           (2) INDIVIDUAL RETIREMENT ANNUITIES.—

2       Paragraph (2) of section 408(b) is amended—

3           (A) by redesignating subparagraphs (A),  
4           (B), and (C) as subparagraphs (B), (C), and  
5           (D), respectively, and by inserting before sub-  
6           paragraph (B), as so redesignated, the following  
7           new subparagraph:

8           “(A) except in the case of a simplified em-  
9           ployee pension, a simple retirement account, or  
10          a rollover contribution described in subsection  
11          (d)(3) or in section 402(c), 403(a)(4),  
12          403(b)(8), or 457(e)(16), a premium shall not  
13          be accepted on behalf of any individual for any  
14          taxable year beginning after December 31,  
15          2005,” and

16          (B) by amending subparagraph (C), as re-  
17          designated by subparagraph (A), to read as fol-  
18          lows:

19          “(C) the annual premium on behalf of any  
20          individual will not exceed—

21               “(i) in the case of a simplified em-  
22               ployee pension, the amount of the limita-  
23               tion in effect under section 415(c)(1)(A),  
24               and



1 “(ii) in the case of a simple retire-  
 2 ment account, the sum of the dollar  
 3 amount in effect under subsection  
 4 (p)(2)(A)(ii) and the employer contribution  
 5 required under subparagraph (A)(iii) or  
 6 (B)(i) of subsection (p)(2), and”.

7 (d) CONFORMING AMENDMENTS.—

8 (1)(A) Section 219 is amended to read as fol-  
 9 lows:

10 **“SEC. 219. CONTRIBUTIONS TO CERTAIN RETIREMENT**  
 11 **PLANS ALLOWING ONLY EMPLOYEE CON-**  
 12 **TRIBUTIONS.**

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

17 “(b) MAXIMUM AMOUNT OF DEDUCTION.—The  
 18 amount allowable as a deduction under subsection (a) to  
 19 any individual for any taxable year shall not exceed the  
 20 lesser of—

21 “(1) \$7,000, or

22 “(2) an amount equal to 25 percent of the com-  
 23 pensation (as defined in section 415(c)(3)) includible  
 24 in the individual’s gross income for such taxable  
 25 year.

1 “(c) BENEFICIARY MUST BE UNDER AGE 70½.—

2 No deduction shall be allowed under this section with re-  
 3 spect to any contribution on behalf of an individual if such  
 4 individual has attained age 70½ before the close of such  
 5 individual’s taxable year for which the contribution was  
 6 made.

7 “(d) SPECIAL RULES.—

8 “(1) MARRIED INDIVIDUALS.—The maximum  
 9 deduction under subsection (b) shall be computed  
 10 separately for each individual, and this section shall  
 11 be applied without regard to any community prop-  
 12 erty laws.

13 “(2) REPORTS.—The Secretary shall prescribe  
 14 regulations which prescribe the time and the manner  
 15 in which reports to the Secretary and plan partici-  
 16 pants shall be made by the plan administrator of a  
 17 qualified employer or government plan receiving  
 18 qualified voluntary employee contributions.

19 “(e) CROSS REFERENCE.—For failure to provide re-  
 20 quired reports, see section 6652(g).”.

21 (B) Section 25B(d) is amended—

22 (i) in paragraph (1)(A), by striking “(as  
 23 defined in section 219(e))”, and

24 (ii) by adding at the end the following new  
 25 paragraph:

1           “(3) QUALIFIED RETIREMENT CONTRIBU-  
2           TION.—The term ‘qualified retirement contribution’  
3           means—

4                   “(A) any amount paid in cash for the tax-  
5                   able year by or on behalf of an individual to an  
6                   individual retirement plan for such individual’s  
7                   benefit, and

8                   “(B) any amount contributed on behalf of  
9                   any individual to a plan described in section  
10                  501(c)(18).”.

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

13                  (D) Section 132(m)(3) is amended by inserting  
14                  “(as in effect on the day before the date of the en-  
15                  actment of the Retirement Savings Account Act)”  
16                  after “section 219(g)(5)”.

17                  (E) Subparagraphs (A), (B), and (C) of section  
18                  220(d)(4) are each amended by inserting “, as in ef-  
19                  fect on the day before the date of the enactment of  
20                  the Retirement Savings Account Act” at the end.

21                  (F) Section 408(b) is amended in the last sen-  
22                  tence by striking “section 219(b)(1)(A)” and insert-  
23                  ing “paragraph (2)(C)”.

24                  (G) Section 408(p)(2)(D)(ii) is amended by in-  
25                  serting “(as in effect on the day before the date of

1 the enactment of the Retirement Savings Account  
2 Act)” after “section 219(g)(5)”.

3 (H) Section 409A(d)(2) is amended by insert-  
4 ing “(as in effect on the day before the date of the  
5 enactment of the Retirement Savings Account Act)”  
6 after “subparagraph (A)(iii))”.

7 (I) Section 501(c)(18)(D)(i) is amended by  
8 striking “section 219(b)(3)” and inserting “section  
9 219(b)”.

10 (J) Section 6652(g) is amended by striking  
11 “section 219(f)(4)” and inserting “section  
12 219(d)(2)”.

13 (K) The table of sections for part VII of sub-  
14 chapter B of chapter 1 is amended by striking the  
15 item relating to section 219 and inserting the fol-  
16 lowing new item:

“Sec. 219. Contributions to certain retirement plans allowing only employee  
contributions.”.

17 (2)(A) Section 408(d)(4)(B) is amended to read  
18 as follows:

19 “(B) no amount is excludable from gross  
20 income under subsection (h) or (k) of section  
21 402 with respect to such contribution, and”.

22 (B) Section 408(d)(5)(A) is amended to read as  
23 follows:

1           “(A) IN GENERAL.—In the case of any in-  
2           dividual, if the aggregate contributions (other  
3           than rollover contributions) paid for any taxable  
4           year to an individual retirement account or for  
5           an individual retirement annuity do not exceed  
6           the dollar amount in effect under subsection  
7           (a)(1) or (b)(2)(C), as the case may be, para-  
8           graph (1) shall not apply to the distribution of  
9           any such contribution to the extent that such  
10          contribution exceeds the amount which is ex-  
11          cludable from gross income under subsection  
12          (h) or (k) of section 402, as the case may be,  
13          for the taxable year for which the contribution  
14          was paid—

15                 “(i) if such distribution is received  
16                 after the date described in paragraph (4),

17                 “(ii) but only to the extent that such  
18                 excess contribution has not been excluded  
19                 from gross income under subsection (h) or  
20                 (k) of section 402.”.

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

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

1           “(7) CERTAIN TRANSFERS FROM SIMPLIFIED  
2       EMPLOYEE PENSIONS PROHIBITED UNTIL DEFERRAL  
3       TEST MET.—Notwithstanding any other provision of  
4       this subsection or section 72(t), paragraph (1) and  
5       section 72(t)(1) shall apply to the transfer or dis-  
6       tribution from a simplified employee pension of any  
7       contribution under a salary reduction arrangement  
8       described in subsection (k)(6) (or any income allo-  
9       cable thereto) before a determination as to whether  
10      the requirements of subsection (k)(6)(A)(iii) are met  
11      with respect to such contribution.”.

12           (E) Section 408 is amended by striking sub-  
13      section (j).

14           (F)(i) Section 408 is amended by striking sub-  
15      section (o).

16           (ii) Section 6693 is amended by striking sub-  
17      section (b) and by redesignating subsections (c) and  
18      (d) as subsections (b) and (c), respectively.

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

22           (3)(A) Section 4973(a)(1) is amended to read  
23      as follows:

24           “(1) an individual retirement plan,”.

1 (B) Section 4973(b) is amended to read as fol-  
2 lows:

3 “(b) EXCESS CONTRIBUTIONS TO SIMPLIFIED EM-  
4 PLOYEE PENSIONS AND SIMPLE RETIREMENT AC-  
5 COUNTS.—For purposes of this section, in the case of sim-  
6 plified employee pensions or simple retirement accounts,  
7 the term ‘excess contributions’ means the sum of—

8 “(1) the excess (if any) of—

9 “(A) the amount contributed for the tax-  
10 able year to the pension or account, over

11 “(B) the amount applicable to the pension  
12 or account under subsection (a)(1) or (b)(2) of  
13 section 408, and

14 “(2) the amount determined under this sub-  
15 section for the preceding taxable year, reduced by  
16 the sum of—

17 “(A) the distributions out of the account  
18 for the taxable year which were included in the  
19 gross income of the payee under section  
20 408(d)(1),

21 “(B) the distributions out of the account  
22 for the taxable year to which section 408(d)(5)  
23 applies, and

24 “(C) the excess (if any) of the maximum  
25 amount excludable from gross income for the

1 taxable year under subsection (h) or (k) of sec-  
2 tion 402 over the amount contributed to the  
3 pension or account for the taxable year.

4 For purposes of this subsection, any contribution  
5 which is distributed from a simplified employee pen-  
6 sion or simple retirement account in a distribution  
7 to which section 408(d)(4) applies shall be treated  
8 as an amount not contributed.”.

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

11 “(h) EXCESS CONTRIBUTIONS TO CERTAIN INDIVIDUAL  
12 RETIREMENT PLANS.—For purposes of this sec-  
13 tion, in the case of individual retirement plans (other than  
14 retirement savings accounts, simplified employee pensions,  
15 and simple retirement accounts), the term ‘excess con-  
16 tribution’ means the sum of—

17 “(1) the aggregate amount contributed for the  
18 taxable year to the individual retirement plans, and

19 “(2) the amount determined under this sub-  
20 section for the preceding taxable year, reduced by  
21 the sum of—

22 “(A) the distributions out of the plans  
23 which were included in gross income under sec-  
24 tion 408(d)(1), and



1           “(B) the distributions out of the plans for  
2           the taxable year to which section 408(d)(5) ap-  
3           plies.

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

8           (4)(A)           Sections           402(c)(8)(B),  
9           402A(c)(3)(A)(ii),   1361(c)(2)(A),   3405(e)(1)(B),  
10          and 4973(f) are each amended by striking “Roth  
11          IRA” each place it appears and inserting “retire-  
12          ment savings account”.

13          (B) Section 4973(f)(1)(A) is amended by strik-  
14          ing “Roth IRAs” and inserting “retirement savings  
15          accounts”.

16          (C) Paragraphs (1)(B) and (2)(B) of section  
17          4973(f) are each amended by striking “sections  
18          408A(c)(2) and (c)(3)” and inserting “section  
19          408A(c)(1)”.

20          (D) Subsection (f) of section 4973 is amended  
21          in the heading by striking “Roth IRAs” and insert-  
22          ing “Retirement Savings Accounts”.

1       (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2005.

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