

109TH CONGRESS  
2D SESSION

# H. R. 5322

To amend the Internal Revenue Code of 1986 to increase the contribution limits for individual retirement plans, defined contribution plans, and salary reduction plans, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 9, 2006

Ms. GINNY BROWN-WAITE of Florida 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 increase the contribution limits for individual retirement plans, defined contribution plans, and salary reduction 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 “Retirement Enhance-  
5       ment Act of 2006”.

6       **SEC. 2. MODIFICATION OF LIMITS ON CONTRIBUTIONS TO**  
7               **CERTAIN RETIREMENT ACCOUNTS.**

8       (a) INDIVIDUAL RETIREMENT ACCOUNTS.—

1 (1) IN GENERAL.—The table in subparagraph  
 2 (A) of section 219(b)(5) of the Internal Revenue  
 3 Code of 1986 (defining deductible amount) is  
 4 amended to read as follows:

“For taxable years beginning in:	The de- ductible amount is:
2007 or 2008 .....	\$8,000
2009 or thereafter .....	\$10,000.”.

5 (2) COST OF LIVING ADJUSTMENT.—Clause (i)  
 6 of section 219(b)(5)(C) of such Code is amended—  
 7 (A) in the matter preceding subclause (I)  
 8 by striking “after 2008, the \$5,000” and in-  
 9 serting “after 2009, the \$10,000”, and  
 10 (B) in subclause (II) by striking “calendar  
 11 year 2007” and inserting “calendar year  
 12 2008”.

13 (3) INCREASE IN CATCH-UP CONTRIBUTION  
 14 AMOUNT.—Subparagraph (B) of section 219(b)(5)  
 15 of such Code is amended to read as follows:

16 “(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an indi-  
 17 vidual who has attained the age of 50 before  
 18 the close of the taxable year, the deductible  
 19 amount for such taxable year shall be increased  
 20 by \$2,000.”.  
 21

1           (4) INCREASE IN LIMITATION ON DEDUCTION  
2           FOR ACTIVE PARTICIPANTS IN CERTAIN PENSION  
3           PLANS.—

4           (A) JOINT RETURNS.—Clause (i) of section  
5           219(g)(3)(B) of such Code is amended to read  
6           as follows:

7                   “(i) In the case of a taxpayer filing a  
8                   joint return for taxable years beginning in  
9                   2007 or thereafter, the applicable dollar  
10                  amount is \$240,000.”.

11          (B) RETURNS OTHER THAN JOINT AND  
12          MARRIED FILING SEPARATELY.—Clause (ii) of  
13          section 219(g)(3)(B) of such Code is amended  
14          to read as follows:

15                 “(ii) In the case of any other taxpayer  
16                 (other than a married individual filing a  
17                 separate return), for taxable years begin-  
18                 ning in 2007 or thereafter, the applicable  
19                 dollar amount is \$150,000.”.

20          (C) COST-OF-LIVING ADJUSTMENT.—Para-  
21          graph (3) of section 219(g) of such Code (relat-  
22          ing to adjusted gross income; applicable dollar  
23          amount) is amended by adding at the end the  
24          following new subparagraph:

25                 “(C) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2007, the \$240,000 amount in clause (i) and the \$150,000 in clause (ii) of subparagraph (B) shall each 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 2006’ 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) INCREASE IN ELECTIVE DEFERRALS TO QUALIFIED PLANS.—

(1) IN GENERAL.—Subparagraph (A) of section 402(g)(1) of the Internal Revenue Code of 1986 (relating to general rule on limitation on exclusion for

elective deferrals) is amended by striking “the applicable dollar amount” and inserting “\$30,000”.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (4) of section 402(g) of such Code (relating to is amended cost-of-living adjustment) is amended—

(A) by striking “December 31, 2006” and inserting “December 31, 2007”, and

(B) by striking “\$15,000” and inserting “\$30,000”.

(3) CATCH-UP CONTRIBUTIONS.—

(A) PLANS OTHER THAN SIMPLE AND 401(k) PLANS.—Clause (i) of section 414(v)(2)(B) of such Code is amended by striking “applicable dollar amount shall be determined” and all that follows and inserting “applicable dollar amount shall be \$10,000”.

(B) SIMPLE AND 401(k) PLANS.—Clause (ii) of section 414(v)(2)(B) of such Code is amended by striking “applicable dollar amount shall be determined” and all that follows and inserting “applicable dollar amount shall be \$5,000”.

(C) INFLATION ADJUSTMENT.—Subparagraph (C) of section 414(v)(2) of such Code is amended—

- 1 (i) by striking “December 31, 2006”  
 2 and inserting “December 31, 2007”,  
 3 (ii) by striking “\$5,000” and insert-  
 4 ing “\$10,000”, and  
 5 (iii) by striking “\$2,500” and insert-  
 6 ing “\$5,000”.

7 (c) INCREASE IN ELECTIVE DEFERRALS TO 457  
 8 PLANS.—

9 (1) IN GENERAL.—Subparagraph (A) of section  
 10 457(b)(2) of such Code (defining eligible deferred  
 11 compensation plan) is amended to read as follows:

12 “(A) \$30,000, or”.

13 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph  
 14 (15) of section 457(e) of such Code (relating to  
 15 other definitions and special rules) is amended to  
 16 read as follows:

17 “(15) COST-OF-LIVING ADJUSTMENT.—In the  
 18 case of taxable years beginning after December 31,  
 19 2007, the Secretary shall adjust the \$30,000  
 20 amount under subsection (b)(2)(A) at the same time  
 21 and in the same manner as under section 415(d),  
 22 except that the base period shall be the calendar  
 23 quarter beginning July 1, 2006, and any increase  
 24 under this paragraph which is not a multiple of

1       \$500 shall be rounded to the next lowest multiple of  
 2       \$500.”.

3       (d) DEFINED CONTRIBUTION PLANS.—

4           (1) DOLLAR LIMIT.—Subparagraph (A) of sec-  
 5       tion 415(c)(1) of such Code (relating to limitation  
 6       for defined contribution plans) is amended by strik-  
 7       ing “\$40,000” and inserting “\$80,000”.

8           (2) COST-OF-LIVING ADJUSTMENTS.—Sub-  
 9       section (d) of section 415 of such Code (relating to  
 10      cost-of-living adjustments) is amended—

11           (A) by striking “\$40,000” in paragraph  
 12           (1)(C) and inserting “\$80,000”, and

13           (B) in paragraph (3)(D)—

14           (i) by striking “\$40,000” in the head-  
 15           ing and inserting “\$80,000”, and

16           (ii) by striking “July 1, 2001” and in-  
 17           serting “July 1, 2006”.

18      (e) SIMPLE RETIREMENT ACCOUNTS.—

19           (1) IN GENERAL.—Clause (i) of section  
 20      408(p)(2)(E) of such Code is amended by striking  
 21      “applicable dollar amount shall be determined” and  
 22      all that follows and inserting “applicable dollar  
 23      amount shall be \$20,000”.

24           (2) COST-OF-LIVING ADJUSTMENT.—Clause (ii)  
 25      of section 408(p)(2)(E) of such Code is amended—

1 (A) by striking “December 31, 2005” and  
 2 inserting “December 31, 2007”,

3 (B) by striking “\$10,000” and inserting  
 4 “\$20,000”, and

5 (C) by striking “July 1, 2004” and insert-  
 6 ing “July 1, 2006”.

7 (f) EFFECTIVE DATE.—The amendments made by  
 8 this section shall apply to years beginning after December  
 9 31, 2006.

10 **SEC. 3. ONE-TIME ELECTION TO APPLY HIGHER INCOME**  
 11 **THRESHOLDS UNDER SAVERS CREDIT.**

12 (a) IN GENERAL.—Section 25B of the Internal Rev-  
 13 enue Code of 1986 (relating to elective deferrals and IRA  
 14 contributions by certain individuals) is amended by redes-  
 15 ignating subsections (e), (f), (g), and (h) as subsections  
 16 (f), (g), (h), and (i), respectively, and by inserting after  
 17 subsection (d) the following new subsection:

18 “(e) ONE-TIME ELECTION TO APPLY HIGHER IN-  
 19 COME THRESHOLDS.—

20 “(1) IN GENERAL.—In the case of an eligible  
 21 individual for whom an election is in effect under  
 22 this subsection for any taxable year, subsection (b)  
 23 shall be applied by substituting for each dollar  
 24 amount specified in the table therein an amount  
 25 equal to 200 percent of such dollar amount.



1           “(2) ELECTION APPLIES ONLY TO 1 TAXABLE  
2       YEAR.—An election to have paragraph (1) apply  
3       with respect to any eligible individual may not be  
4       made for any taxable year if such an election is in  
5       effect with respect to such individual for any other  
6       prior taxable year.”.

7       (b) CREDIT MADE PERMANENT.—

8           (1) REPEAL OF TERMINATION.—Section 25B of  
9       such Code, as amended by subsection (a), is amend-  
10      ed by striking subsection (i).

11          (2) REPEAL OF EGTRRA SUNSET.—Section 901  
12      of the Economic Growth and Tax Relief Reconcili-  
13      ation Act of 2001 shall not apply to section 618 of  
14      such Act (relating to nonrefundable credit to certain  
15      individuals for elective deferrals and IRA contribu-  
16      tions).

17      (c) EFFECTIVE DATE.—The amendments made by  
18      this section shall apply to taxable years beginning after  
19      December 31, 2006.

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