

109TH CONGRESS
1ST SESSION

S. 2086

To amend the Internal Revenue Code of 1986 to modify the definition of compensation for purposes of determining the limits on contributions to individual retirement accounts and annuities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 13, 2005

Mr. LAUTENBERG (for himself and Mr. SMITH) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the definition of compensation for purposes of determining the limits on contributions to individual retirement accounts and annuities, 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 Equity Act of
5 2005”.

1 **SEC. 2. COMPUTATION OF LIMITS ON IRA AND ROTH IRA**
2 **CONTRIBUTIONS.**

3 (a) CERTAIN WAGE REPLACEMENT INCOME TREAT-
4 ED AS COMPENSATION.—

5 (1) WAGE REPLACEMENT INCOME.—Section
6 219(f) of the Internal Revenue Code of 1986 (relat-
7 ing to other definitions and special rules) is amended
8 by adding at the end the following new paragraph:

9 “(8) TREATMENT OF CERTAIN WAGE REPLACE-
10 MENT INCOME AS COMPENSATION.—

11 “(A) IN GENERAL.—Notwithstanding para-
12 graph (1), applicable wage replacement income
13 not otherwise treated as compensation shall be
14 treated as compensation for purposes of this
15 section.

16 “(B) APPLICABLE WAGE REPLACEMENT
17 INCOME.—For purposes of this paragraph, the
18 term ‘applicable wage replacement income’
19 means any amount received by an individual—

20 “(i) as the result of the individual
21 having become disabled,

22 “(ii) as unemployment compensation
23 (as defined in section 85(b)),

24 “(iii) under workmen’s compensation
25 acts, or

1 “(iv) which constitutes wage replace-
 2 ment income under regulations prescribed
 3 by the Secretary.”

4 (2) CERTAIN EXCLUDABLE AMOUNTS MAY BE
 5 TAKEN INTO ACCOUNT FOR PURPOSES OF ROTH
 6 IRAS.—Section 408A(c)(2) of such Code (relating to
 7 contribution limit) is amended by adding at the end
 8 the following new flush sentence:

9 “In determining the maximum amount under sub-
 10 paragraph (A), subsections (b)(1)(B) and (c) of sec-
 11 tion 219 shall be applied by taking into account
 12 compensation described in section 219(f)(8) without
 13 regard to whether it is includible in gross income.”

14 (3) EFFECTIVE DATE.—The amendments made
 15 by this subsection shall apply to taxable years begin-
 16 ning after December 31, 2004.

17 (b) COMPUTATION OF MAXIMUM IRA DEDUCTION
 18 FOR ROTH IRAS USING COMPENSATION FROM 2 PRE-
 19 CEDING TAXABLE YEARS.—

20 (1) IN GENERAL.—Section 408A(c) of the In-
 21 ternal Revenue Code of 1986 (relating to treatment
 22 of contributions) is amended by adding at the end
 23 the following new paragraph:

24 “(8) COMPENSATION FROM PRECEDING 2
 25 YEARS MAY BE TAKEN INTO ACCOUNT.—

“(A) IN GENERAL.—A taxpayer may elect for purposes of paragraph (2) to take into account any unused compensation from the 2 taxable years immediately preceding the taxable year.

“(B) UNUSED COMPENSATION.—For purposes of this paragraph, the term ‘unused compensation’ means with respect to an individual for any taxable year the compensation includible in the individual’s gross income for the taxable year reduced by the sum of—

“(i) the amount allowed as a deduction under 219(a) to such individual for such taxable year,

“(ii) the amount of any designated nondeductible contribution (as defined in section 408(o)) on behalf of such individual for such taxable year,

“(iii) the amount of any contribution on behalf of such individual to a Roth IRA under this section for such taxable year, and

“(iv) the amount of compensation includible in such individual’s gross income for such taxable year taken into account

1 under section 219(c) in determining the
2 limitation under section 219 or paragraph
3 (2) for the individual's spouse.

4 “(C) APPLICATION TO SPECIAL RULE FOR
5 MARRIED INDIVIDUALS.—Under rules pre-
6 scribed by the Secretary, in applying section
7 219(c) for any taxable year for purposes of ap-
8 plying paragraph (2)(A), unused compensation
9 of an individual or an individual's spouse for
10 the 2 taxable years immediately preceding the
11 taxable year may be taken into account.”

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall apply to taxable years begin-
14 ning after December 31, 2004, but unused com-
15 pensation for taxable years beginning before Janu-
16 ary 1, 2005, may be taken into account for taxable
17 years beginning after December 31, 2004.

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