

109TH CONGRESS
2D SESSION

S. 2585

To amend the Internal Revenue Code of 1986 to permit military death gratuities to be contributed to certain tax-favored accounts.

IN THE SENATE OF THE UNITED STATES

APRIL 6, 2006

Mr. SMITH (for himself and Mr. KERRY) 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 permit military death gratuities to be contributed to certain tax-favored accounts.

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 “Fallen Heroes Family
5 Savings Act”.

6 **SEC. 2. CONTRIBUTIONS OF MILITARY DEATH GRATUITIES**
7 **TO CERTAIN TAX-FAVORED ACCOUNTS.**

8 (a) ROTH IRAS.—Subsection (e) of section 408A of
9 the Internal Revenue Code of 1986 (relating to qualified
10 rollover contribution) is amended to read as follows:

1 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
2 purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualified rollover
4 contribution’ means a rollover contribution to a Roth
5 IRA from another such account, or from an indi-
6 vidual retirement plan, but only if such rollover con-
7 tribution meets the requirements of section
8 408(d)(3). Such term includes a rollover contribu-
9 tion described in section 402A(c)(3)(A). For pur-
10 poses of section 408(d)(3)(B), there shall be dis-
11 regarded any qualified rollover contribution from an
12 individual retirement plan (other than a Roth IRA)
13 to a Roth IRA.

14 “(2) MILITARY DEATH GRATUITY.—

15 “(A) IN GENERAL.—The term ‘qualified
16 rollover contribution’ includes a contribution to
17 a Roth IRA maintained for the benefit of an in-
18 dividual to the extent that such contribution
19 does not exceed the amount received by such in-
20 dividual under section 1477 of title 10, United
21 States Code, or under section 1967 of title 38
22 of such Code, if such contribution is made not
23 later than 1 year after the day on which such
24 individual receives such amount.

1 “(B) ANNUAL LIMIT ON NUMBER OF
 2 ROLLOVERS NOT TO APPLY.—Section
 3 408(d)(3)(B) shall not apply with respect to
 4 amounts treated as a rollover by the subpara-
 5 graph (A).

6 “(C) APPLICATION OF SECTION 72.—For
 7 purposes of applying section 72 in the case of
 8 a distribution which is not a qualified distribu-
 9 tion, the amount treated as a rollover by the
 10 subparagraph (A) shall be treated as invest-
 11 ment in the contract.”.

12 (b) HEALTH SAVINGS ACCOUNTS AND ARCHER
 13 MSAs.—Sections 220(f)(5) and 223(f)(5) of such Code
 14 are both amended by adding at the end the following flush
 15 sentence: “For purposes of subparagraphs (A) and (B),
 16 rules similar to the rules of section 408A(e)(2) (relating
 17 to rollover treatment for contributions of military death
 18 gratuity) shall apply.”.

19 (c) EDUCATION SAVINGS ACCOUNTS.—Section
 20 530(d)(5) of such Code is amended by adding at the end
 21 the following new sentence: “For purposes of this para-
 22 graph, rules similar to the rules of section 408A(e)(2) (re-
 23 lating to rollover treatment for contributions of military
 24 death gratuity) shall apply.”.

25 (d) EFFECTIVE DATES.—

1 (1) IN GENERAL.—Except as provided by para-
2 graph (2), the amendments made by this section
3 shall apply with respect to deaths from injuries oc-
4 curring on or after the date of the enactment of this
5 Act.

6 (2) APPLICATION OF AMENDMENTS TO DEATHS
7 FROM INJURIES OCCURRING ON OR AFTER OCTOBER
8 7, 2001, AND BEFORE ENACTMENT.—The amend-
9 ments made by this section shall apply to any con-
10 tribution made pursuant to section 408A(e)(2),
11 220(f)(5), 223(f)(5), or 530(d)(5) of the Internal
12 Revenue Code of 1986, as amended by this Act, with
13 respect to amounts received under section 1477 of
14 title 10, United States Code, or under section 1967
15 of title 38 of such Code, for deaths from injuries oc-
16 curring on or after October 7, 2001, and before the
17 date of the enactment of this Act if such contribu-
18 tion is made not later than 1 year after the date of
19 the enactment of this Act.

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