

107TH CONGRESS
2^D SESSION

H. R. 4482

To amend the Internal Revenue Code of 1986 to provide for Universal Retirement Savings Accounts in lieu of the various individual retirement plans.

IN THE HOUSE OF REPRESENTATIVES

APRIL 18, 2002

Mr. GEPHARDT introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for Universal Retirement Savings Accounts in lieu of the various individual retirement plans.

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 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Universal and Portable Pension Act of 2002”.

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. UNIVERSAL RETIREMENT SAVINGS ACCOUNTS.**

4 (a) DEDUCTION FOR CONTRIBUTIONS.—

5 (1) IN GENERAL.—Part VII of subchapter B of
6 chapter 1 (relating to additional itemized deductions
7 for individuals) is amended by inserting after section
8 219 the following new section:

9 **“SEC. 219A. CONTRIBUTIONS TO UNIVERSAL RETIREMENT**
10 **SAVINGS ACCOUNTS.**

11 “(a) ALLOWANCE OF DEDUCTION.—In the case of an
12 individual, there shall be allowed as a deduction an
13 amount equal to the qualified universal retirement con-
14 tributions of the individual for the taxable year.

15 “(b) MAXIMUM AMOUNT OF DEDUCTION.—

16 “(1) IN GENERAL.—The amount allowable as a
17 deduction under subsection (a) to any individual for
18 any taxable year shall not exceed the lesser of—

19 “(A) the deductible amount, or

20 “(B) an amount equal to the compensation
21 includible in the individual’s gross income for
22 such taxable year.

23 “(2) DEDUCTIBLE AMOUNT.—For purposes of
24 paragraph (1)(A), the deductible amount shall be de-
25 termined in accordance with the following table:

“For taxable years beginning in calendar year—	The deductible amount is—
2002, 2003, or 2004	\$3,000
2005, 2006, or 2007	\$4,000
2008 or thereafter	\$5,000.

1 “(3) COST-OF-LIVING ADJUSTMENT.—

2 “(A) IN GENERAL.—In the case of any
3 taxable year beginning in a calendar year after
4 2008, the \$5,000 amount in paragraph (2)
5 shall be increased by an amount equal 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 2007’ for ‘calendar year 1992’ in sub-
12 paragraph (B) thereof.

13 “(B) ROUNDING.—If any amount after ad-
14 justment under clause (i) is not a multiple of
15 \$500, such amount shall be rounded to the next
16 lower multiple of \$500.

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

19 “(1) IN GENERAL.—The deductible amount oth-
20 erwise applicable under subsection (b) for any tax-
21 able year shall be reduced (but not below zero) by
22 the amount determined under paragraph (2).

1 “(2) AMOUNT OF REDUCTION.—

2 “(A) IN GENERAL.—The amount deter-
3 mined under this paragraph with respect to any
4 dollar limitation shall be the amount which
5 bears the same ratio to such limitation as—

6 “(i) the excess of—

7 “(I) the taxpayer’s adjusted
8 gross income for such taxable year,
9 over

10 “(II) \$50,000 (\$100,000 in the
11 case of a joint return), bears to

12 “(ii) \$50,000 (\$60,000 in the case of
13 a joint return).

14 “(B) NO REDUCTION BELOW \$200 UNTIL
15 COMPLETE PHASE-OUT.—No dollar limitation
16 shall be reduced below \$200 under paragraph
17 (1) unless (without regard to this subpara-
18 graph) such limitation is reduced to zero.

19 “(C) ROUNDING.—Any amount determined
20 under this paragraph which is not a multiple of
21 \$10 shall be rounded to the next lowest \$10.

22 “(3) ADJUSTED GROSS INCOME.—For purposes
23 of this subsection, adjusted gross income of any tax-
24 payer shall be determined—

1 “(A) after application of sections 86, 219,
2 and 469, and

3 “(B) without regard to sections 135, 137,
4 221, 222, and 911 or the deduction allowable
5 under this section.

6 “(4) MARRIED INDIVIDUALS FILING SEPARATE
7 RETURNS.—

8 “(A) IN GENERAL.—In the case of a mar-
9 ried individual filing a separate return, the
10 amount applicable under paragraph
11 (2)(A)(i)(II) is zero.

12 “(B) SPECIAL RULE FOR MARRIED INDI-
13 VIDUALS FILING SEPARATELY AND LIVING
14 APART.—A husband and wife who—

15 “(i) file separate returns for any tax-
16 able year, and

17 “(ii) live apart at all times during
18 such taxable year,

19 shall not be treated as married individuals for
20 purposes of this subsection.

21 “(d) SPECIAL RULES FOR CERTAIN MARRIED INDI-
22 VIDUALS.—

23 “(1) IN GENERAL.—In the case of an individual
24 to whom this paragraph applies for the taxable year,

1 the limitation of paragraph (1) of subsection (b)
2 shall be equal to the lesser of—

3 “(A) the dollar amount in effect under
4 subsection (b)(1)(A) for the taxable year, or

5 “(B) the sum of—

6 “(i) the compensation includible in
7 such individual’s gross income for the tax-
8 able year, plus

9 “(ii) the compensation includible in
10 the gross income of such individual’s
11 spouse for the taxable year reduced by the
12 amount allowed as a deduction under sub-
13 section (a) to such spouse for such taxable
14 year.

15 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)
16 APPLIES.—Paragraph (1) shall apply to any indi-
17 vidual if—

18 “(A) such individual files a joint return for
19 the taxable year, and

20 “(B) the amount of compensation (if any)
21 includible in such individual’s gross income for
22 the taxable year is less than the compensation
23 includible in the gross income of such individ-
24 ual’s spouse for the taxable year.

1 “(e) QUALIFIED UNIVERSAL RETIREMENT CON-
2 TRIBUTIONS.—For purposes of this section, the term
3 ‘qualified universal retirement contribution’ means any
4 amount paid in cash for the taxable year by or on behalf
5 of an individual to a Universal Retirement Savings Ac-
6 count for such individual’s benefit.

7 “(f) OTHER LIMITATIONS AND RESTRICTIONS.—

8 “(1) BENEFICIARY MUST BE UNDER AGE
9 70½.—No deduction shall be allowed under this sec-
10 tion with respect to any qualified retirement con-
11 tribution for the benefit of an individual if such indi-
12 vidual has attained age 70½ before the close of such
13 individual’s taxable year for which the contribution
14 was made.

15 “(2) RECONTRIBUTED AMOUNTS.—No deduc-
16 tion shall be allowed under this section with respect
17 to a rollover contribution to a Universal Retirement
18 Savings Account.

19 “(3) DENIAL OF DEDUCTION FOR AMOUNT
20 CONTRIBUTED TO INHERITED ACCOUNTS.—No de-
21 duction shall be allowed under this section with re-
22 spect to any amount paid to an inherited Universal
23 Retirement Savings Account.

24 “(g) OTHER DEFINITIONS AND SPECIAL RULES.—

1 “(1) COMPENSATION.—For purposes of this
2 section, the term ‘compensation’ has the meaning
3 given to such term by section 219(f)(1).

4 “(2) MARRIED INDIVIDUALS.—The maximum
5 deduction under subsection (b) shall be computed
6 separately for each individual, and this section shall
7 be applied without regard to any community prop-
8 erty laws.

9 “(3) TIME WHEN CONTRIBUTIONS DEEMED
10 MADE.—For purposes of this section, a taxpayer
11 shall be deemed to have made a contribution to a
12 Universal Retirement Savings Account on the last
13 day of the preceding taxable year if the contribution
14 is made on account of such taxable year and is made
15 not later than the time prescribed by law for filing
16 the return for such taxable year (not including ex-
17 tensions thereof).

18 “(4) EMPLOYER PAYMENTS.—For purposes of
19 this title, any amount paid by an employer to a Uni-
20 versal Retirement Savings Account shall be treated
21 as payment of compensation to the employee (other
22 than a self-employed individual who is an employee
23 within the meaning of section 401(c)(1)) includible
24 in the employee’s gross income in the taxable year
25 for which the amount was contributed, whether or

1 not a deduction for such payment is allowable under
2 this section to the employee.

3 “(5) EXCESS CONTRIBUTIONS TREATED AS
4 CONTRIBUTION MADE DURING SUBSEQUENT YEAR
5 FOR WHICH THERE IS AN UNUSED LIMITATION.—A
6 rule similar to the rule of section 219(f)(5) shall
7 apply for purposes of this section.”

8 (2) DEDUCTION ALLOWED WHETHER OR NOT
9 TAXPAYER ITEMIZES DEDUCTIONS.—Subsection (a)
10 of section 62 is amended by inserting after para-
11 graph (18) the following new paragraph:

12 “(19) CONTRIBUTIONS TO UNIVERSAL RETIRE-
13 MENT SAVINGS ACCOUNTS.—The deduction allowed
14 by section 219A.”

15 (3) TECHNICAL AMENDMENTS.—

16 (A) Subparagraph (B) of section 135(c)(4)
17 is amended by striking “and 219” and inserting
18 “219, and 219A”.

19 (B) Subparagraph (B) of section 137(b)(3)
20 is amended by inserting “219A,” after “219,”.

21 (C) Clause (ii) of section 219(g)(3)(A) is
22 amended by inserting “219A,” after “137,”.

23 (D) Clause (ii) of section 221(b)(2)(C) is
24 amended by inserting “219A,” after “219,”.

1 (E) Clause (ii) of section 222(b)(2)(C) is
2 amended by inserting “219A,” after “219,”.

3 (F) Clause (iii) of section 469(i)(3)(F) is
4 amended by inserting “219A,” after “219,”.

5 (G) Subsection (c) of section 4974 is
6 amended by striking “or” at the end of para-
7 graph (4), by striking the period at the end of
8 paragraph (5) and inserting “, or”, and by in-
9 serting after paragraph (5) the following new
10 paragraph:

11 “(6) a Universal Retirement Savings Account
12 described in section 408B.”

13 (4) CLERICAL AMENDMENT.—The table of sec-
14 tions for part VII of subchapter B of chapter 1 is
15 amended by inserting after the item relating to sec-
16 tion 219 the following new item:

“Sec. 219A. Contributions to Universal Retirement Savings Ac-
counts.”

17 (b) UNIVERSAL RETIREMENT SAVINGS ACCOUNTS.—

18 (1) IN GENERAL.—Subpart A of part I of sub-
19 chapter D of chapter 1 is amended by inserting after
20 section 408A the following new section:

21 **“SEC. 408B. UNIVERSAL RETIREMENT SAVINGS ACCOUNTS.**

22 “(a) IN GENERAL.—For purposes of this title, the
23 term ‘Universal Retirement Savings Account’ means a
24 trust created or organized in the United States for the

1 exclusive benefit of an individual or such individual's bene-
2 ficiaries, but only if the written governing instrument cre-
3 ating the trust meets the following requirements:

4 “(1) Except in the case of a rollover contribu-
5 tion described in subsection (b)(3), in section 402(c),
6 403(a)(4), 403(b)(8), or 457(e)(16), no contribution
7 will be accepted unless it is in cash, and contribu-
8 tions will not be accepted for the taxable year on be-
9 half of any individual in excess of the deductible
10 amount in effect for such taxable year under section
11 219A(b)(2).

12 “(2) The trustee is a bank (as defined in sec-
13 tion 408(n)) or such other person who demonstrates
14 to the satisfaction of the Secretary that the manner
15 in which such other person will administer the trust
16 will be consistent with the requirements of this sec-
17 tion.

18 “(3) No part of the trust funds will be invested
19 in life insurance contracts.

20 “(4) The interest of an individual in the bal-
21 ance in such individual's account is nonforfeitable.

22 “(5) The assets of the trust will not be commin-
23 gled with other property except in a common trust
24 fund or common investment fund.

1 “(6) Under regulations prescribed by the Sec-
2 retary, rules similar to the rules of section 401(a)(9)
3 and the incidental death benefit requirements of sec-
4 tion 401(a) shall apply to the distribution of the en-
5 tire interest of an individual for whose benefit the
6 trust is maintained.

7 “(b) TAX TREATMENT OF DISTRIBUTIONS.—

8 “(1) IN GENERAL.—Except as otherwise pro-
9 vided in this subsection, any amount distributed out
10 of a Universal Retirement Savings Account shall be
11 included in gross income by the distributee without
12 regard to basis.

13 “(2) EXCEPTION FOR IMMEDIATE ANNU-
14 ITIES.—If any distribution is a part of a series of
15 substantially equal periodic payments (not less fre-
16 quently than annually) made for the life (or life ex-
17 pectancy) of the distributee or the joint lives (or
18 joint life expectancies) of such distributee and such
19 distributee’s designated beneficiary, the amount in-
20 cludible in gross income under paragraph (1) shall
21 be determined in the manner provided under section
22 72. The rules of section 408(d)(2) shall apply for
23 purposes of the preceding sentence.

24 “(3) EXCEPTION FOR ROLLOVERS.—

1 “(A) IN GENERAL.—Paragraph (1) shall
2 not apply to any amount distributed out of a
3 Universal Retirement Savings Account to the
4 individual for whose benefit the account is
5 maintained if the entire amount received (in-
6 cluding money and any other property) is paid
7 into a Universal Retirement Savings Account
8 (other than an endowment contract) for the
9 benefit of such individual not later than the
10 60th day after the day on which the individual
11 receives the distribution.

12 “(B) LIMITATION.—This paragraph does
13 not apply to any amount described in subpara-
14 graph (A) received by an individual from a Uni-
15 versal Retirement Savings Account if at any
16 time during the 1-year period ending on the day
17 of such receipt such individual received any
18 other amount described in that subparagraph
19 from a Universal Retirement Savings Account
20 which was not includible in such individual’s
21 gross income because of the application of this
22 paragraph.

23 “(C) SPECIAL RULES.—Rules similar to
24 the rules of subparagraphs (C), (D), (E), (F),

1 and (I) of section 408(d)(3) shall apply for pur-
2 poses of this paragraph.

3 “(4) EXCEPTION FOR QUALIFIED DISTRIBUTIONS.—
4 TIONS.—

5 “(A) DISTRIBUTIONS FOR HIGHER EDUCATION EXPENSES.—Paragraph (1) shall not
6 apply to distributions to an individual to the extent such distributions do not exceed the quali-
7 fied higher education expenses (as defined in
8 section 72(t)(7)) of the taxpayer for the taxable
9 year.
10 year.

11 “(B) DISTRIBUTIONS FOR FIRST HOME PURCHASES.—Paragraph (1) shall not apply to
12 distributions to an individual which are quali-
13 fied first-time homebuyer distributions (as de-
14 fined in section 72(t)(8)).

15 “(5) OTHER DISTRIBUTIONS.—Rules similar to
16 the rules of paragraphs (4) and (6) of section
17 408(d) shall apply for purposes of this subsection.

18 “(c) TAX TREATMENT OF ACCOUNTS.—

19 “(1) EXEMPTION FROM TAX.—Any Universal
20 Retirement Savings Account is exempt from taxation
21 under this subtitle unless such account has ceased to
22 be a Universal Retirement Savings Account by rea-
23 son of paragraph (2). Notwithstanding the preceding
24 son of paragraph (2). Notwithstanding the preceding
25

1 sentence, any such account is subject to the taxes
2 imposed by section 511 (relating to imposition of tax
3 on unrelated business income of charitable, etc. or-
4 ganizations).

5 “(2) LOSS OF EXEMPTION FOR PROHIBITED
6 TRANSACTION.—Rules similar to the rules of section
7 408(e)(2) shall apply for purposes of this subsection.

8 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-
9 RITY; PURCHASE OF ENDOWMENT CONTRACT; COM-
10 MINGLING AMOUNTS IN CERTAIN COMMON TRUST
11 FUNDS AND COMMON INVESTMENT FUNDS.—Rules
12 similar to the rules of paragraphs (4), (5), and (6)
13 of section 408(e) shall apply for purposes of this
14 subsection.

15 “(d) EMPLOYERS REQUIRED TO OFFER SALARY RE-
16 DUCATION CONTRIBUTIONS TO UNIVERSAL RETIREMENT
17 SAVINGS ACCOUNTS FOR CERTAIN EMPLOYEES.—

18 “(1) IN GENERAL.—Every employer shall pro-
19 vide a qualified salary reduction arrangement which
20 meets the requirements of paragraphs (3), (4), and
21 (5).

22 “(2) QUALIFIED SALARY REDUCTION ARRANGE-
23 MENT.—For purposes of this subsection, the term
24 ‘qualified salary reduction arrangement’ means a
25 written arrangement of an employer under which—

1 “(A) an employee eligible to participate in
2 the arrangement may elect to have the employer
3 make payments—

4 “(i) as elective employer contributions
5 to a Universal Retirement Savings Account
6 on behalf of the employee, or

7 “(ii) to the employee directly in cash,

8 “(B) the employer may make other con-
9 tributions as provided in paragraph (6),

10 “(C) the amount which an employee may
11 elect under subparagraph (A) for any year may
12 not exceed a the deductible amount (as defined
13 in section 219A(b)) for such year, and

14 “(D) no contributions may be made other
15 than contributions described in subparagraph
16 (A) or (B).

17 “(3) VESTING REQUIREMENTS.—The require-
18 ments of this paragraph are met if the employee’s
19 rights to any contribution to the Universal Retire-
20 ment Savings Account are nonforfeitable. For pur-
21 poses of this paragraph, rules similar to the rules of
22 section 408(k)(4) shall apply.

23 “(4) PARTICIPATION REQUIREMENTS.—

24 “(A) IN GENERAL.—The requirements of
25 this paragraph are met with respect to any Uni-

1 versal Retirement Savings Account for a year
2 only if, under the qualified salary reduction ar-
3 rangement, all nonexcludable employees of the
4 employer are eligible to make the election under
5 paragraph (2).

6 “(B) NONEXCLUDABLE EMPLOYEES.—For
7 purposes of subparagraph (A), the term ‘non-
8 excludable employee’ means any employee of an
9 employer unless such employee is eligible to
10 participate in a qualified plan maintained by
11 the employer. For purposes of the preceding
12 sentence, the term ‘qualified plan’ means a
13 plan, contract, pension, or trust described in
14 subparagraph (A) or (B) of section 219(g)(5).

15 “(5) ADMINISTRATIVE REQUIREMENTS.—The
16 requirements of this paragraph are met with respect
17 to any Universal Retirement Savings Account if,
18 under the qualified salary reduction arrangement—

19 “(A) an employer must—

20 “(i) make the elective employer con-
21 tributions under paragraph (2) not later
22 than the close of the 30-day period fol-
23 lowing the last day of the month with re-
24 spect to which the contributions are to be
25 made, and

1 “(ii) make the contributions under
2 paragraph (6) (if any) not later than the
3 date described in section 404(m)(2)(B),

4 “(B) an employee may elect to terminate
5 participation in such arrangement at any time
6 during the year, except that if an employee so
7 terminates, the arrangement may provide that
8 the employee may not elect to resume participa-
9 tion until the beginning of the next year, and

10 “(C) each employee eligible to participate
11 may elect, during the 60-day period before the
12 beginning of any year (and the 60-day period
13 before the first day such employee is eligible to
14 participate), to participate in the arrangement,
15 or to modify the amounts subject to such ar-
16 rangement, for such year.

17 “(6) EMPLOYER CONTRIBUTIONS.—

18 “(A) IN GENERAL.—If an employer elects
19 to make contributions to a Universal Retirement
20 Savings Account, such contributions meet
21 the requirements of this paragraph if the em-
22 ployer elects to make nonelective contributions
23 of 1 percent of compensation for each employee
24 who is eligible to participate in the arrange-
25 ment.

1 “(B) COMPENSATION LIMITATION.—The
2 compensation taken into account under sub-
3 paragraph (A) for any year shall not exceed the
4 limitation in effect for such year under section
5 401(a)(17).

6 “(7) EXCEPTION FOR CERTAIN EMPLOYERS.—
7 This subsection shall not apply for any calendar year
8 to an employer—

9 “(A) which had no more than 20 employ-
10 ees on a typical business day during the pre-
11 ceding calendar year, and

12 “(B) which elects not to have this sub-
13 section apply for such year.

14 “(8) EXCLUSION FROM INCOME FOR SALARY
15 REDUCTIONS.—Contributions made by an employer
16 on behalf of an employee to a Universal Retirement
17 Savings Account pursuant to a qualified salary re-
18 duction arrangement which meets the requirements
19 of this subsection shall not be treated as distributed
20 or made available to the employee or as contribu-
21 tions made by the employee.

22 “(9) USE OF DESIGNATED FINANCIAL INSTITU-
23 TION.—An employer shall not be treated as failing
24 to satisfy the requirements of this subsection or any
25 other provision of this title merely because the em-

1 employer makes all contributions to the Universal Re-
2 tirement Savings Accounts of a designated trustee or
3 issuer. The preceding sentence shall not apply unless
4 each participant is notified in writing that the par-
5 ticipant’s balance may be transferred without cost or
6 penalty to another Universal Retirement Savings Ac-
7 count in accordance with subsection (b)(3).

8 “(10) SPECIAL RULES FOR ACQUISITIONS,
9 ETC.—Rules similar to the rules of section
10 408(p)(10) shall apply for purposes of this sub-
11 section.

12 “(11) SUMMARY DESCRIPTION; EMPLOYER NO-
13 TIFICATION.—

14 “(A) SUMMARY DESCRIPTION.—The trust-
15 ee of any Universal Retirement Savings Ac-
16 count established pursuant to a qualified salary
17 reduction arrangement under this subsection
18 shall provide to the employer maintaining the
19 arrangement, each year a description containing
20 the following information:

21 “(i) The name and address of the em-
22 ployer and the trustee or issuer.

23 “(ii) The requirements for eligibility
24 for participation.

1 “(iii) The benefits provided with re-
2 spect to the arrangement.

3 “(iv) The time and method of making
4 elections with respect to the arrangement.

5 “(v) The procedures for, and effects
6 of, withdrawals (including rollovers) from
7 the arrangement.

8 “(B) EMPLOYEE NOTIFICATION.—The em-
9 ployer shall notify each employee immediately
10 before the period for which an election de-
11 scribed in paragraph (5)(C) may be made of the
12 employee’s opportunity to make such election.
13 Such notice shall include a copy of the descrip-
14 tion described in subparagraph (A).

15 “(e) ROLLOVERS PERMITTED FROM IRA’S, ETC.—
16 Solely for purposes of determining whether any rollover
17 may be made to a Universal Retirement Savings Account,
18 a Universal Retirement Savings Account shall be treated
19 as if it were an individual retirement plan. No amount
20 may be distributed in a rollover other than to a Universal
21 Retirement Savings Account.

22 “(f) SPECIAL RULES.—

23 “(1) COMMUNITY PROPERTY LAWS.—This sec-
24 tion shall be applied without regard to any commu-
25 nity property laws.

1 “(2) CUSTODIAL ACCOUNTS.—Rules similar to
2 the rules of section 408(g) shall apply for purposes
3 of this subsection.

4 “(3) INVESTMENT IN COLLECTIBLES TREATED
5 AS DISTRIBUTIONS.—The acquisition by a Universal
6 Retirement Savings Account of any collectible (as
7 defined in section 408(m)) shall be treated (for pur-
8 poses of this section and section 402) as a distribu-
9 tion from such account in an amount equal to the
10 cost to such account of such collectible.

11 “(g) REPORTS.—The trustee of a Universal Retire-
12 ment Savings Account shall make such reports regarding
13 such Account to the Secretary and to the individuals for
14 whom the Account is, or is to be, maintained with respect
15 to contributions (and the years to which they relate), dis-
16 tributions, aggregating \$10 or more in any calendar year
17 and such other matters as the Secretary may require. The
18 reports required by this subsection—

19 “(1) shall be filed at such time and in such
20 manner as the Secretary prescribes, and

21 “(2) shall be furnished to individuals—

22 “(A) not later than January 31 of the cal-
23 endar year following the calendar year to which
24 such reports relate, and

1 “(B) in such manner as the Secretary pre-
2 scribes.”

3 (2) TECHNICAL AMENDMENTS.—

4 (A) EXCESS CONTRIBUTIONS.—

5 (i) IN GENERAL.—Subsection (a) of
6 section 4973 is amended by redesignating
7 paragraphs (2), (3), and (4) as paragraphs
8 (3), (4), and (5), respectively, and by in-
9 serting after paragraph (1) the following
10 new paragraph:

11 “(2) a Universal Retirement Savings Account
12 (as defined in section 408B),”.

13 (ii) DETERMINATION OF EXCESS.—Section
14 4973 is amended by adding at the end the fol-
15 lowing new subsection:

16 “(g) EXCESS CONTRIBUTIONS TO UNIVERSAL RE-
17 TIREMENT SAVINGS ACCOUNTS.—Rules similar to the
18 rules under subsection (b) shall apply to any Universal
19 Retirement Savings Account (as defined in section
20 408B).”

21 (B) EARLY WITHDRAWAL PENALTY,
22 ETC.—Subsection (c) of section 4974 is amend-
23 ed by striking “or” at the end of paragraph (4),
24 by striking the period at the end of paragraph

1 (5) and inserting “, or”, and by inserting after
2 paragraph (5) the following new paragraph:

3 “(6) a Universal Retirement Savings Account
4 described in section 408B.”

5 (C) PROHIBITED TRANSACTIONS.—

6 (i) IN GENERAL.—Paragraph (1) of
7 section 4975(e) is amended by redesignig-
8 nating subparagraphs (D), (E), and (F) as
9 subparagraphs (E), (F), and (G), respec-
10 tively, and by inserting after subparagraph
11 (C) the following new subparagraph:

12 “(D) a Universal Retirement Savings Ac-
13 count described in section 408B,”.

14 (ii) EXCEPTION.—Subsection (c) of
15 section 4975 is amended by adding at the
16 end the following new paragraph:

17 “(5) SPECIAL RULE FOR UNIVERSAL RETIRE-
18 MENT SAVINGS ACCOUNTS.—An individual for whose
19 benefit a Universal Retirement Savings Account is
20 established shall be exempt from the tax imposed by
21 this section with respect to any transaction con-
22 cerning such Account (which would otherwise be tax-
23 able under this section) if section 408B(d)(2) applies
24 with respect to such transaction.”

1 (D) FAILURE TO PROVIDE REPORTS.—
2 Paragraph (2) of section 6693(a) (relating to
3 failure to provide reports on individual retire-
4 ment accounts or annuities) is amended by re-
5 designating subparagraphs (C) and (D) as sub-
6 paragraphs (D) and (E), respectively, and by
7 inserting after subparagraph (B) the following
8 new subparagraph:

9 “(C) a Universal Retirement Savings Ac-
10 count described in section 408B,”.

11 (E) W-2 REPORTING.—Subsection (a) of
12 section 6051 is amended by striking “and” at
13 the end of paragraph (10), by striking the pe-
14 riod at the end of paragraph (11) and inserting
15 “, and”, and by inserting after paragraph (11)
16 the following new paragraph:

17 “(12) the total amount of elective employer con-
18 tributions under section 408B(d)(2)(A).”

19 (F) OTHER TECHNICAL AMENDMENTS.—
20 The following provisions are each amended by
21 inserting “408B(d),” after “408(p),”:

22 (i) Subsections (b) and (c) of section
23 414.

24 (ii) Section 414(m)(4)(B).

25 (iii) Section 414(n)(3)(B).

1 (iv) Section 414(u)(1)(C).

2 (G) ELECTIVE CONTRIBUTIONS SUBJECT
3 TO FICA AND FUTA.—

4 (i) Paragraph (5) of section 3121(a)
5 is amended by striking “or” at the end of
6 subparagraph (H), by striking the semi-
7 colon at the end of subparagraph (I) and
8 inserting “, or”, and by adding at the end
9 the following new subparagraph:

10 “(J) under an arrangement to which sec-
11 tion 408B(d) applies, other than any elective
12 contributions under paragraph (2)(A) thereof;”.

13 (ii) Paragraph (4) of section 209(a) of
14 the Social Security Act is amended by add-
15 ing at the end “or (J) under an arrange-
16 ment to which section 408B(d) of such
17 Code applies, other than any elective con-
18 tributions under paragraph (2)(A) there-
19 of;”.

20 (iii) Paragraph (5) of section 3306(b)
21 is amended by striking “or” at the end of
22 subparagraph (G), by striking the semi-
23 colon at the end of subparagraph (H) and
24 inserting “, or”, and by adding at the end
25 the following new subparagraph:

1 “(I) under an arrangement to which sec-
2 tion 408B(d) applies, other than any elective
3 contributions under paragraph (2)(A) thereof;”.

4 (iv) Paragraph (12) of section
5 3401(a) is amended by adding at the end
6 the following new subparagraph:

7 “(F) under an arrangement to which sec-
8 tion 408B(d) applies; or”.

9 (3) CLERICAL AMENDMENT.—The table of sec-
10 tions for subpart A of part I of subchapter D of
11 chapter 1 is amended by inserting after the item re-
12 lating to section 408A the following new item:

 “Sec. 408B. Universal Retirement Savings Accounts.”

13 (c) TERMINATION OF CONTRIBUTIONS TO INDI-
14 VIDUAL RETIREMENT PLANS, INCLUDING ROTH IRA’S.—

15 (1) Subsection (a) of section 408 is amended by
16 adding at the end the following new paragraph:

17 “(7) No contribution (other than a rollover con-
18 tribution referred to in paragraph (1)) shall be ac-
19 cepted for any taxable year beginning after Decem-
20 ber 31, 2002, unless such account is a simplified
21 employee pension or a simple retirement account.”

22 (2) Subsection (b) of section 408 is amended by
23 inserting after paragraph (4) the following new
24 paragraph:

1 “(5) No contribution shall be accepted for any
2 taxable year beginning after December 31, 2002, un-
3 less such annuity is a simplified employee pension or
4 a simple retirement account.”

5 (d) CREDIT FOR SMALL EMPLOYERS MAINTAINING
6 SALARY REDUCTION ARRANGEMENTS FOR UNIVERSAL
7 RETIREMENT SAVINGS ACCOUNTS.—

8 (1) IN GENERAL.—Subpart D of part IV of
9 subchapter A of chapter 1 (relating to business re-
10 lated credits) is amended by adding at the end the
11 following new section:

12 **“SEC. 45G. SMALL EMPLOYER UNIVERSAL RETIREMENT**
13 **SAVINGS ACCOUNT COSTS.**

14 “(a) GENERAL RULE.—For purposes of section 38,
15 in the case of an eligible employer, the small employer
16 Universal Retirement Savings Account cost credit deter-
17 mined under this section for any taxable year is the aggre-
18 gate of the amount determined under subsection (b) for
19 each employee participating in an arrangement meeting
20 the requirements of section 408B(d).

21 “(b) AMOUNT OF CREDIT.—The amount of the credit
22 determined under this section for any taxable year with
23 respect to an employee shall be—

1 “(1) \$50 for the taxable year which includes the
2 date that the arrangement referred to subsection (a)
3 becomes effective,

4 “(2) \$20 for each of the 3 taxable years fol-
5 lowing the taxable year described in paragraph (1),
6 and

7 “(3) zero for any other taxable year.

8 “(c) ELIGIBLE EMPLOYER.—For purposes of this
9 section, the term ‘eligible employer’ means, with respect
10 to any taxable year, an employer which had no more than
11 100 employees on a typical business day during the most
12 recent calendar year ending before such taxable year. For
13 purposes of the preceding sentence, all persons treated as
14 a single employer under subsection (a) or (b) of section
15 52, or subsection (n) or (o) of section 414, shall be treated
16 as one person.”

17 (2) CREDIT ALLOWED AS PART OF GENERAL
18 BUSINESS CREDIT.—Section 38(b) (defining current
19 year business credit) is amended by striking “plus”
20 at the end of paragraph (14), by striking the period
21 at the end of paragraph (15) and inserting “, plus”,
22 and by adding at the end the following new para-
23 graph:

24 “(16) in the case of an eligible employer (as de-
25 fined in section 45G(c)), the small employer Uni-

1 versal Retirement Savings Account cost credit deter-
2 mined under section 45G(a).”.

3 (3) CLERICAL AMENDMENT.—The table of sec-
4 tions for subpart D of part IV of subchapter A of
5 chapter 1 is amended by adding at the end the fol-
6 lowing new item:

“Sec. 45G. Small employer Universal Retirement Savings Ac-
count costs.”.

7 (e) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2002.

10 **SEC. 3. EXPANSION OF RETIREMENT SAVINGS CREDIT.**

11 (a) CREDIT TO BE REFUNDABLE; EXPANSION OF
12 ELIGIBILITY; CREDIT MADE PERMANENT.—Subpart C of
13 part IV of subchapter A of chapter 1 (relating to refund-
14 able credits) is amended by redesignating section 35 as
15 section 36 and by inserting after section 34 the following
16 new section:

17 **“SEC. 35. ELECTIVE DEFERRALS AND UNIVERSAL RETIRE-**
18 **MENT SAVINGS ACCOUNT CONTRIBUTIONS**
19 **BY CERTAIN INDIVIDUALS.**

20 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
21 gible individual, there shall be allowed as a credit against
22 the tax imposed by this subtitle for the taxable year an
23 amount equal to the applicable percentage of so much of

1 the qualified retirement savings contributions of the eligi-
 2 ble individual for the taxable year as do not exceed \$2,000.

3 “(b) APPLICABLE PERCENTAGE.—For purposes of
 4 this section, the applicable percentage is the percentage
 5 determined in accordance with the following table:

		Adjusted Gross Income				Applica- ble per- centage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
	\$60,000		\$45,000		\$30,000	50
60,000	70,000	45,000	52,500	30,000	35,000	20
70,000	80,000	52,500	60,000	35,000	40,000	10
80,000		60,000		40,000		0

6 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
 7 section—

8 “(1) IN GENERAL.—The term ‘eligible indi-
 9 vidual’ means any individual if such individual has
 10 attained the age of 18 as of the close of the taxable
 11 year.

12 “(2) DEPENDENTS AND FULL-TIME STUDENTS
 13 NOT ELIGIBLE.—The term ‘eligible individual’ shall
 14 not include—

15 “(A) any individual with respect to whom
 16 a deduction under section 151 is allowed to an-
 17 other taxpayer for a taxable year beginning in
 18 the calendar year in which such individual’s
 19 taxable year begins, and

20 “(B) any individual who is a student (as
 21 defined in section 151(c)(4)).

1 “(d) CREDIT FOR CONTRIBUTIONS TO UNIVERSAL
2 RETIREMENT SAVINGS ACCOUNTS OF DEPENDENTS.—

3 “(1) IN GENERAL.—In addition to the credit al-
4 lowed by subsection (a) for the taxable year, there
5 shall be allowed as a credit against the tax imposed
6 by this subtitle an amount equal to the applicable
7 percentage of the amount paid in cash by an eligible
8 individual to a Universal Retirement Savings Ac-
9 count for the benefit of an individual with respect to
10 whom a deduction under section 151(c) is allowed to
11 the taxpayer for such taxable year.

12 “(2) MAXIMUM CREDIT.—The credit allowed by
13 this subsection shall not exceed \$200 with respect to
14 each individual for whose benefit an amount was so
15 paid. The preceding sentence shall be applied by
16 substituting ‘\$500’ for ‘\$200’ for the taxable year in
17 which such individual is assigned a TIN.

18 “(e) QUALIFIED RETIREMENT SAVINGS CONTRIBU-
19 TIONS.—For purposes of this section—

20 “(1) IN GENERAL.—The term ‘qualified retire-
21 ment savings contributions’ means, with respect to
22 any taxable year, the sum of—

23 “(A) the amount of the qualified universal
24 retirement contributions (as defined in section
25 219A(e)) made by the eligible individual,

1 “(B) the amount of—

2 “(i) any elective deferrals (as defined
3 in section 402(g)(3)) of such individual,
4 and

5 “(ii) any elective deferral of com-
6 pensation by such individual under an eli-
7 gible deferred compensation plan (as de-
8 fined in section 457(b)) of an eligible em-
9 ployer described in section 457(e)(1)(A),
10 and

11 “(C) the amount of voluntary employee
12 contributions by such individual to any qualified
13 retirement plan (as defined in section 4974(c)).

14 “(2) REDUCTION FOR CERTAIN DISTRIBU-
15 TIONS.—

16 “(A) IN GENERAL.—The qualified retire-
17 ment savings contributions determined under
18 paragraph (1) shall be reduced (but not below
19 zero) by the sum of—

20 “(i) any distribution from a qualified
21 retirement plan (as defined in section
22 4974(c)), or from an eligible deferred com-
23 pensation plan (as defined in section
24 457(b)), received by the individual during

1 the testing period which is includible in
2 gross income, and

3 “(ii) any distribution from a Roth
4 IRA or a Roth account received by the in-
5 dividual during the testing period which is
6 not a qualified rollover contribution (as de-
7 fined in section 408A(e)) to a Roth IRA or
8 a rollover under section 402(c)(8)(B) to a
9 Roth account.

10 “(B) TESTING PERIOD.—For purposes of
11 subparagraph (A), the testing period, with re-
12 spect to a taxable year, is the period which
13 includes—

14 “(i) such taxable year,

15 “(ii) the 2 preceding taxable years,

16 and

17 “(iii) the period after such taxable
18 year and before the due date (including ex-
19 tensions) for filing the return of tax for
20 such taxable year.

21 “(C) EXCEPTED DISTRIBUTIONS.—There
22 shall not be taken into account under subpara-
23 graph (A)—

1 “(i) any distribution referred to in
2 section 72(p), 401(k)(8), 401(m)(6),
3 402(g)(2), 404(k), or 408(d)(4), and

4 “(ii) any distribution to which section
5 408A(d)(3) applies.

6 “(D) TREATMENT OF DISTRIBUTIONS RE-
7 CEIVED BY SPOUSE OF INDIVIDUAL.—For pur-
8 poses of determining distributions received by
9 an individual under subparagraph (A) for any
10 taxable year, any distribution received by the
11 spouse of such individual shall be treated as re-
12 ceived by such individual if such individual and
13 spouse file a joint return for such taxable year
14 and for the taxable year during which the
15 spouse receives the distribution.

16 “(f) ADJUSTED GROSS INCOME.—For purposes of
17 this section, adjusted gross income shall be determined
18 without regard to sections 911, 931, and 933.

19 “(g) INVESTMENT IN THE CONTRACT.—Notwith-
20 standing any other provision of law, a qualified retirement
21 savings contribution shall not fail to be included in deter-
22 mining the investment in the contract for purposes of sec-
23 tion 72 by reason of the credit under this section.”

24 (b) REPEAL OF NONREFUNDABLE CREDIT.—

25 (1) Section 25B is hereby repealed.

1 (2) Subparagraph (B) of section 25(b)(3) is
2 amended by striking “and 25B”.

3 (3) Subparagraph (C) of section 25(e)(1) is
4 amended by striking “25B,”.

5 (4) Sections 26(a)(1), 901(h), and 1400C are
6 each amended by striking “24, and 25B” and insert-
7 ing “and 24”.

8 (5) The table of sections for subpart A of part
9 IV of subchapter A of chapter 1 is amended by
10 striking the item relating to section 25B.

11 (c) TECHNICAL AMENDMENTS.—

12 (1) Paragraph (2) of section 1324(b) of title
13 31, United States Code, is amended by inserting be-
14 fore the period “, or from section 35 of such Code”.

15 (2) The table of sections for subpart C of part
16 IV of subchapter A of chapter 1 is amended by
17 striking the last item and inserting the following
18 new items:

“Sec. 35. Elective deferrals and universal retirement savings ac-
count contributions by certain individuals.

“Sec. 36. Overpayments of tax.”

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2002.

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