

Public Law 102-318
102d Congress

An Act

July 3, 1992
[H.R. 5260]

To extend the emergency unemployment compensation program, to revise the trigger provisions contained in the extended unemployment compensation program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Unemployment
Compensation
Amendments of
1992.
Inter-
governmental
relations.
26 USC 1 note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Unemployment Compensation Amendments of 1992".

**TITLE I—EXTENSION OF EMERGENCY
UNEMPLOYMENT COMPENSATION
PROGRAM**

SEC. 101. EXTENSION OF PROGRAM.

(a) **GENERAL RULE.**—Sections 102(f)(1) and 106(a)(2) of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) are each amended by striking "July 4, 1992" and inserting "March 6, 1993".

(b) **WEEKS OF BENEFITS AVAILABLE DURING EXTENSION.**—Subparagraph (A) of section 102(b)(2) of such Act is amended by striking clause (ii) and the flush paragraph at the end thereof and inserting the following:

"(ii) **REDUCTION FOR WEEKS AFTER JUNE 13, 1992.**—
In the case of weeks beginning after June 13, 1992—

"(I) clause (i) of this subparagraph shall be applied by substituting '26' for '33', and by substituting '20' for '26', and

"(II) subparagraph (A) of paragraph (1) shall be applied by substituting '100 percent' for '130 percent'.

"(iii) **REDUCTION FOR WEEKS IN 7-PERCENT PERIOD.**—
In the case of weeks beginning in a 7-percent period—

"(I) clause (ii) of this subparagraph shall not apply,

"(II) clause (i) of this subparagraph shall be applied by substituting '15' for '33', and by substituting '10' for '26', and

"(III) subparagraph (A) of paragraph (1) shall be applied by substituting '60 percent' for '130 percent'.

"(iv) **REDUCTION FOR WEEKS IN 6.8-PERCENT PERIOD.**—
In the case of weeks beginning in a 6.8-percent period—

"(I) clauses (ii) and (iii) of this subparagraph shall not apply,

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“(II) clause (i) of this subparagraph shall be applied by substituting ‘13’ for ‘33’, and by substituting ‘7’ for ‘26’, and

“(III) subparagraph (A) of paragraph (1) shall be applied by substituting ‘50 percent’ for ‘130 percent’.

“(v) 7-PERCENT PERIOD; 6.8-PERCENT PERIOD.—For purposes of this subparagraph—

“(I) A 7-percent period means a period which begins with the second week after the first week for which the requirements of subclause (II) are met and a 6.8 percent period means a period which begins with the second week after the first week for which the requirements of subclause (III) are met.

“(II) The requirements of this subclause are met for any week if the average rate of total unemployment (seasonally adjusted) for all States for the period consisting of the most recent 2-calendar month period (for which data are published before the close of such week) is at least 6.8 percent, but less than 7 percent.

“(III) The requirements of this subclause are met for any week if the average rate of total unemployment (seasonally adjusted) for all States for the period consisting of the most recent 2-calendar month period (for which data are published before the close of such week) is less than 6.8 percent.

In no event shall a 7-percent period occur after a 6.8-percent period occurs and a 6.8-percent period, once begun, shall continue in effect for all weeks for which benefits are provided under this Act.

“(vi) LIMITATIONS ON REDUCTIONS.—In the case of an individual who is receiving emergency unemployment compensation for a week preceding the first week for which a reduction applies under clause (ii), (iii), or (iv) of this subparagraph, such reduction shall not apply to such individual for the first week of such reduction or any week thereafter for which the individual meets the eligibility requirements of this Act.”

(c) MODIFICATION TO FINAL PHASE-OUT.—Paragraph (2) of section 102(f) of such Act is amended to read as follows:

“(2) TRANSITION.—In the case of an individual who is receiving emergency unemployment compensation for a week prior to or including March 6, 1993, emergency unemployment compensation shall continue to be payable to such individual for any week thereafter for which the individual meets the eligibility requirements of this Act. No compensation shall be payable by reason of the preceding sentence for any week beginning after June 19, 1993.”

(d) CONFORMING AMENDMENT.—

(1) Subparagraph (B) of section 102(b)(2) of such Act is amended by striking “subparagraph (A)(ii)” and inserting “clauses (ii), (iii), and (iv) of subparagraph (A)”.

(2) Section 101(e) of such Act is amended—

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(A) by striking “(e) ELECTION.—Notwithstanding” and inserting:

“(e) ELECTION BY STATES; WEEKS OF BENEFITS DURING PHASE-OUT.—

“(1) ELECTION BY STATES.—Notwithstanding”,

(B) by adding at the end of paragraph (1), as redesignated by subparagraph (A), the following new sentence: “The preceding sentence shall not be applicable with respect to any extended compensation period which begins after March 6, 1993, nor shall the special rule in section 203(b)(1)(B) of the Federal-State Extended Unemployment Compensation Act of 1970 (or the similar provision in any State law) operate to preclude the beginning of an extended compensation period after March 6, 1993, because of the ending of an earlier extended compensation period under the preceding sentence.”, and

(C) by adding at the end thereof the following new paragraph:

“(2) WEEKS OF BENEFITS DURING PHASE-OUT.—Notwithstanding subsection (b)(1)(B) or any other provision of law, whenever an extended compensation period is beginning in a State (and is not triggered off under paragraph (1)) an individual, who is entitled to extended compensation in the new extended compensation period (whether or not the individual applies therefor) and also has remaining entitlement to emergency unemployment compensation under this Act, shall be entitled to compensation under the program in which the individual’s monetary entitlement (as of the beginning of the first week of the extended compensation period) is the greater.”

(e) EFFECTIVE DATE.—The amendments made by this section apply to weeks of unemployment beginning after June 13, 1992.

SEC. 102. MODIFICATION TO ELIGIBILITY REQUIREMENTS.

(a) INDIVIDUAL NOT INELIGIBLE BY REASON OF SUBSEQUENT ENTITLEMENT TO REGULAR BENEFITS.—Section 101 of such Act is amended by adding at the end thereof the following new subsection:

“(f) CERTAIN RIGHTS TO REGULAR COMPENSATION DISREGARDED.—If an individual exhausted his rights to regular compensation for any benefit year, such individual’s eligibility to receive emergency unemployment compensation under this Act in respect of such benefit year shall be determined without regard to any rights to regular compensation for a subsequent benefit year if such individual does not file a claim for regular compensation for such subsequent benefit year.”

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to weeks of unemployment beginning after the date of the enactment of this Act.

(2) TRANSITION RULES.—

(A) WAIVER OF RECOVERY OF CERTAIN OVERPAYMENTS.—

On and after the date of the enactment of this Act, no repayment of any emergency unemployment compensation shall be required under section 105 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) if the individual would have been entitled to receive such compensation had the amendment made

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by subsection (a) applied to all weeks beginning on or before the date of the enactment of this Act.

(B) WAIVER OF RIGHTS TO CERTAIN REGULAR BENEFITS.—
If—

(i) before the date of the enactment of this Act, an individual exhausted his rights to regular compensation for any benefit year, and

(ii) after such exhaustion, such individual was not eligible to receive emergency unemployment compensation by reason of being entitled to regular compensation for a subsequent benefit year,

such individual may elect to defer his rights to regular compensation for such subsequent benefit year with respect to weeks beginning after such date of enactment until such individual has exhausted his rights to emergency unemployment compensation in respect of the benefit year referred to in clause (i), and such individual shall be entitled to receive emergency unemployment compensation for such weeks in the same manner as if he had not been entitled to the regular compensation to which the election applies.

SEC. 103. TECHNICAL MODIFICATION FOR REIMBURSABLE EMPLOYERS.

(a) GENERAL RULE.—Subsection (d) of section 104 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) is amended by striking “as may be necessary” and inserting “as the Secretary estimates to be necessary”.

26 USC 3304
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(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

26 USC 3304
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SEC. 104. TREATMENT OF PERSIAN GULF CRISIS RESERVISTS.

If—

(1) an individual who was a member of a reserve component of the Armed Forces was called for active duty after August 2, 1990, and before March 1, 1991,

(2) such individual was receiving regular compensation, extended compensation, or a trade readjustment allowance for the week in which he was so called,

(3) such individual served on such active duty for at least 90 consecutive days, and

(4) such individual was entitled to regular compensation on the basis of his services on such active duty, but the weekly benefit amount was less than the benefit amount he received for the week referred to in paragraph (2),

such individual's weekly benefit amount under the Emergency Unemployment Compensation Act of 1991 for any week beginning after the date of the enactment of this Act shall be not less than the benefit amount he received for the week referred to in paragraph (2).

Armed Forces.
26 USC 3304
note.

SEC. 105. TREATMENT OF RAILROAD WORKERS.

(a) EXTENSION OF PROGRAM.—

(1) IN GENERAL.—Sections 501(b)(1) and (2) of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) are each amended by striking “July 4, 1992”, and inserting “March 6, 1993”.

45 USC 352 note.

(2) CONFORMING AMENDMENTS.—

45 USC 852.

(A) Section 501(a) of such Act is amended by striking "July 1992" and inserting "March 1993".

(B) Paragraph (2) of section 501(d) of such Act is amended to read as follows:

Effective dates.

"(2) PHASE-OUT.—

"(A) BENEFITS ON OR AFTER JUNE 14, 1992.—Effective on and after June 14, 1992, paragraph (1) of this section shall be applied by substituting '100' for '130' each place it appears, and by substituting '10' for '13' each place it appears.

"(B) REDUCTIONS UNDER EMERGENCY COMPENSATION EXTENSION PROVISIONS.—

"(i) Effective on and after the date on which a reduction in benefits is imposed under section 102(b)(2)(A)(iii), subparagraph (A) of this paragraph and subparagraphs (B) and (C) of paragraph (1) shall not apply and subparagraph (A) of paragraph (1) shall be applied by substituting '50' for '130'.

"(ii) Effective on and after the date on which a reduction in benefits is imposed under section 102(b)(2)(A)(iv), subparagraph (A) of this paragraph and subparagraphs (B) and (C) of paragraph (1) shall not apply and subparagraph (A) of paragraph (1) shall be applied by substituting '35' for '130'.

"(C) LIMITATIONS ON REDUCTIONS.—Notwithstanding subparagraphs (A) and (B), in the case of an individual who is receiving extended benefits under section 2(c) of the Railroad Unemployment Insurance Act for persons with 10 or more but less than 15 years of service, or extended benefits by reason of this section, for any day during a week which precedes a period for which a reduction under this paragraph takes effect, such reduction shall not apply for purposes of determining the amount of benefits payable to such individual for any day thereafter for which the individual meets the eligibility requirements of this section and the Railroad Unemployment Insurance Act."

(b) **TERMINATION OF BENEFITS.—**Section 501 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) is amended by adding at the end the following new subsection:

"(e) TERMINATION OF BENEFITS.—In the case of an individual who is receiving extended benefits by reason of this section on March 6, 1993, such benefits shall not continue to be payable to such individual after June 19, 1993."

SEC. 106. EFFECT OF CERTAIN MILITARY SERVICE ON TRADE ADJUSTMENT ASSISTANCE.

(a) **TRADE ADJUSTMENT ASSISTANCE.—**Paragraph (2) of section 231(a) of the Trade Act of 1974 (19 U.S.C. 2291(a)(2)) is amended—

(1) by striking "or" at the end of subparagraph (B),

(2) by inserting "or" at the end of subparagraph (C),

(3) by inserting immediately after subparagraph (C) the following new subparagraph:

"(D) is on call-up for purposes of active duty in a reserve status in the Armed Forces of the United States, provided such active duty is 'Federal service' as defined in 5 U.S.C. 8521(a)(1)," and

(4) by striking “paragraph (A) or (C), or both,” and inserting “subparagraph (A) or (C), or both (and not more than 26 weeks, in the case of weeks described in subparagraph (B) or (D)).”

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to weeks beginning after August 1, 1990.

19 USC 2291
note.

SEC. 107. FINANCING PROVISIONS.

Section 104 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) is amended by adding at the end thereof the following new subsection:

26 USC 3304
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“(e) **TRANSFER OF FUNDS.**—Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated)—

“(1) to the extended unemployment compensation account (as established by section 905 of the Social Security Act) such sums as are necessary to make payments to States under this Act by reason of the amendments made by sections 101 and 102 of the Unemployment Compensation Amendments of 1992, and

“(2) to the employment security administration account (as established by section 901 of the Social Security Act) such sums as may be necessary for purposes of assisting States in meeting administrative costs by reason of the amendments made by sections 101, 102, 201, and 202 of the Unemployment Compensation Amendments of 1992.

There is hereby appropriated from such accounts the sums referred to in the preceding sentence and such sums shall not be required to be repaid.”

Appropriation
authorization.

TITLE II—MODIFICATIONS TO EXTENDED BENEFITS PROGRAM

SEC. 201. MODIFICATION OF TRIGGER PROVISIONS.

(a) **IN GENERAL.**—Section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new subsection:

26 USC 3304
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“ALTERNATIVE TRIGGER

“(f)(1) Effective with respect to compensation for weeks of unemployment beginning after March 6, 1993, the State may by law provide that for purposes of beginning or ending any extended benefit period under this section—

Effective date.

“(A) there is a State ‘on’ indicator for a week if—

“(i) the average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published before the close of such week equals or exceeds 6.5 percent, and

“(ii) the average rate of total unemployment in such State (seasonally adjusted) for the 3-month period referred to in clause (i) equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; and

“(B) there is a State ‘off’ indicator for a week if either the requirements of clause (i) or clause (ii) of subparagraph (A) are not satisfied.

Notwithstanding the provision of any State law described in this paragraph, any week for which there would otherwise be a State ‘on’ indicator shall continue to be such a week and shall not be determined to be a week for which there is a State ‘off’ indicator.

“(2) For purposes of this subsection, determinations of the rate of total unemployment in any State for any period (and of any seasonal adjustment) shall be made by the Secretary.”

(b) **ADDITIONAL WEEKS OF BENEFITS AVAILABLE DURING PERIODS OF HIGH UNEMPLOYMENT.**—Subsection (b) of section 202 of such Act is amended by adding at the end thereof the following new paragraph:

“(3)(A) Effective with respect to weeks beginning in a high unemployment period, paragraph (1) shall be applied by substituting—

“(i) ‘80 per centum’ for ‘50 per centum’ in subparagraph (A),

“(ii) ‘twenty’ for ‘thirteen’ in subparagraph (B), and

“(iii) ‘forty-six’ for ‘thirty-nine’ in subparagraph (C).

“(B) For purposes of subparagraph (A), the term ‘high unemployment period’ means any period during which an extended benefit period would be in effect if section 203(f)(1)(A)(i) were applied by substituting ‘8 percent’ for ‘6.5 percent.’”

(c) **CONFORMING AMENDMENT.**—Paragraph (2) of section 204(c) of such Act is amended by inserting “, forty-six in any case where section 202(b)(3)(A) applies” after “thirty-nine”.

SEC. 202. MODIFICATION OF ELIGIBILITY REQUIREMENTS FOR UNEMPLOYMENT BENEFITS.

(a) **EARNINGS TEST.**—

(1) **IN GENERAL.**—Paragraph (5) of section 202(a) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by striking “which one of the foregoing methods” and inserting “which one or more of the foregoing methods”.

(2) **EFFECTIVE DATE.**—

(A) **IN GENERAL.**—Notwithstanding any other provision of law, the amendment made by paragraph (1) shall apply for purposes of extended unemployment compensation and emergency unemployment compensation to weeks of unemployment beginning on or after the date of the enactment of this Act.

(B) **WAIVER OF RECOVERY OF CERTAIN OVERPAYMENTS.**—On and after the date of the enactment of this Act, no repayment of any emergency unemployment compensation shall be required under section 105 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) if the individual would have been entitled to receive such compensation had the amendment made by paragraph (1) applied to all weeks beginning before the date of the enactment of this Act.

(b) **SUSPENSION OF CERTAIN ELIGIBILITY REQUIREMENTS.**—

(1) **IN GENERAL.**—Section 202(a) of such Act is amended by adding at the end thereof the following new paragraph:

26 USC 3304
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26 USC 3304
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"(7) Paragraphs (3) and (4) shall not apply to weeks of unemployment beginning after March 6, 1993, and before January 1, 1995, and no provision of State law in conformity with such paragraphs shall apply during such period."

Effective date.

(2) **STUDY.**—The Federal Advisory Council established under section 908 of the Social Security Act shall conduct a study of the provisions suspended by the amendment made by paragraph (1). Not later than February 1, 1994, such Council shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a report of its recommendations on such suspended provisions (including whether such provisions should be repealed or revised).

26 USC 3304 note.

Reports.

TITLE III—MODIFICATIONS TO FEDERAL UNEMPLOYMENT TAX

SEC. 301. INFORMATION REQUIRED WITH RESPECT TO TAXATION OF UNEMPLOYMENT BENEFITS.

26 USC 3304 note.

(a) INFORMATION ON UNEMPLOYMENT BENEFITS.—

(1) **GENERAL RULE.**—The State agency in each State shall provide to an individual filing a claim for compensation under the State unemployment compensation law a written explanation of the Federal and State income taxation of unemployment benefits and of the requirements to make payments of estimated Federal and State income taxes.

(2) **STATE AGENCY.**—For purposes of this subsection, the term "State agency" has the meaning given such term by section 3306(e) of the Internal Revenue Code of 1986.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on October 1, 1992.

SEC. 302. MAILING OF CERTAIN INFORMATION PERMITTED.

(a) **GENERAL RULE.**—Section 302 of the Social Security Act (42 U.S.C. 502) is amended by adding at the end thereof the following new subsection:

"(c) No portion of the cost of mailing a statement under section 6050B(b) of the Internal Revenue Code of 1986 (relating to unemployment compensation) shall be treated as not being a cost for the proper and efficient administration of the State unemployment compensation law by reason of including with such statement information about the earned income credit provided by section 32 of the Internal Revenue Code of 1986. The preceding sentence shall not apply if the inclusion of such information increases the postage required to mail such statement."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

42 USC 502 note.

SEC. 303. EXTENSION OF EXISTING TREATMENT OF CERTAIN AGRICULTURAL WORKERS.

(a) **GENERAL RULE.**—Subparagraph (B) of section 3306(c)(1) of the Internal Revenue Code of 1986 is amended by striking "January 1, 1993" and inserting "January 1, 1995".

26 USC 3306.

(b) **REPORT.**—Not later than February 1, 1994, the Advisory Council on Unemployment Compensation shall submit a report to the Committee on Ways and Means of the House of Representatives

42 USC 1108 note.

and the Committee on Finance of the Senate on its recommendations with respect to the treatment of agricultural labor performed by aliens.

26 USC 3302
note.

SEC. 304. EXTENSION OF PERIOD FOR REPAYMENT OF FEDERAL LOANS TO STATE UNEMPLOYMENT FUNDS.

(a) **GENERAL RULE.**—If the Secretary of Labor determines that a State meets the requirements of subsection (b), paragraph (2) of section 3302(c) of the Internal Revenue Code of 1986 shall be applied with respect to such State for taxable years after 1991—

(1) by substituting “third” for “second” in subparagraph (A)(i),

(2) by substituting “fourth or fifth” for “third or fourth” in subparagraph (B), and

(3) by substituting “sixth” for “fifth” in subparagraph (C).

(b) **REQUIREMENTS.**—A State meets the requirements of this subsection if, during calendar year 1992 or 1993, the State amended its unemployment compensation law to increase estimated contributions required under such law by at least 25 percent.

(c) **SPECIAL RULE.**—This section shall not apply to any taxable year after 1994 unless —

(1) such taxable year is in a series of consecutive taxable years as of the beginning of each of which there was a balance referred to in section 3302(c)(2) of such Code, and

(2) such series includes a taxable year beginning in 1992, 1993, or 1994.

TITLE IV—MODIFICATION TO REGULAR STATE UNEMPLOYMENT COMPENSATION PROGRAMS

SEC. 401. TREATMENT OF SHORT-TIME UNEMPLOYMENT COMPENSATION PROGRAMS.

(a) **AUTHORIZATION OF PROGRAMS.**—

26 USC 3304.

(1) Paragraph (4) of section 3304(a) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of subparagraph (C), by inserting “and” at the end of subparagraph (D) and by adding at the end thereof the following new subparagraph:

“(E) amounts may be withdrawn for the payment of short-time compensation under a plan approved by the Secretary of Labor;”

26 USC 3306.

(2) Subsection (f) of section 3306 of such Code is amended by striking “and” at the end of paragraph (2) by striking the period at the end of paragraph (3) and inserting “; and”, and by adding at the end thereof the following new paragraph:

“(4) amounts may be withdrawn for the payment of short-time compensation under a plan approved by the Secretary of Labor.”

42 USC 503.

(3) Section 303(a)(5) of the Social Security Act is amended by inserting before “; and” the following “: *Provided further*, That amounts may be withdrawn for the payment of short-time compensation under a plan approved by the Secretary of Labor”.

(b) ASSISTANCE IN IMPLEMENTING PROGRAMS.—In order to assist States in establishing and implementing short-time compensation programs—

26 USC 3304
note.

(1) the Secretary of Labor (hereinafter in this section referred to as the “Secretary”) shall develop model legislative language which may be used by States in developing and enacting short-time compensation programs and shall propose such revisions of such legislative language as may be appropriate, and

(2) the Secretary shall provide technical assistance and guidance in developing, enacting, and implementing such programs.

The initial model legislative language referred to in paragraph (1) shall be developed not later than January 1, 1993.

(c) REPORTS.—

(1) INITIAL REPORT.—Not later than January 1, 1995, the Secretary shall submit to the Congress a report on the implementation of this section. Such report shall include an evaluation of short-time compensation programs and shall contain such recommendations as the Secretary may deem advisable.

(2) SUBSEQUENT REPORTS.—After the submission of the report under paragraph (1), the Secretary shall submit such additional reports on the implementation of short-time compensation programs as the Secretary deems appropriate.

(d) DEFINITIONS.—For purposes of this section—

(1) SHORT-TIME COMPENSATION PROGRAM.—The term “short-time compensation program” means a program under which—

(A) individuals whose workweeks have been reduced by at least 10 percent are eligible for unemployment compensation;

(B) the amount of unemployment compensation payable to any such individual is a pro rata portion of the unemployment compensation which would be payable to the individual if the individual were totally unemployed;

(C) eligible employees are not required to meet the availability for work or work search test requirements while collecting short-time compensation benefits, but are required to be available for their normal workweek;

(D) eligible employees may participate in an employer-sponsored training program to enhance job skills if such program has been approved by the State agency; and

(E) there is a reduction in the number of hours worked by employees in lieu of imposing temporary layoffs.

(2) STATE.—The term “State” includes the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

TITLE V—REVENUE PROVISIONS

SEC. 501. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Extension of Phaseout of Personal Exemptions; Corporate Estimated Tax Provisions

SEC. 511. EXTENSION OF PHASEOUT OF PERSONAL EXEMPTIONS.

26 USC 151.

Subparagraph (E) of section 151(d)(3) (relating to termination of phaseout) is amended by striking "December 31, 1995" and inserting "December 31, 1996".

SEC. 512. CORPORATE ESTIMATED TAX PROVISIONS.

26 USC 6655.

(a) GENERAL RULE.—Subsection (d) of section 6655 (relating to amount of required installments) is amended—

- (1) by striking "90 percent" each place it appears in paragraph (1)(B)(i) and inserting "91 percent",
- (2) by striking "90 PERCENT" in the heading of paragraph (2) and inserting "91 PERCENT", and
- (3) by striking paragraph (3) and inserting the following new paragraph:

"(3) TEMPORARY INCREASE IN AMOUNT OF INSTALLMENT BASED ON CURRENT YEAR TAX.—In the case of any taxable year beginning after June 30, 1992, and before 1997—

"(A) paragraph (1)(B)(i) and subsection (e)(3)(A)(i) shall be applied by substituting '97 percent' for '91 percent' each place it appears, and

"(B) the table contained in subsection (e)(2)(B)(ii) shall be applied by substituting '24.25', '48.50', '72.75', and '97' for '22.75', '45.50', '68.25', and '91.00', respectively."

(b) CONFORMING AMENDMENTS.—

(1) Clause (ii) of section 6655(e)(2)(B) is amended by striking the table contained therein and inserting the following new table:

"In the case of the following required installments:	The applicable percentage is:
1st	22.75
2nd	45.50
3rd	68.25
4th	91.00."

(2) Clause (i) of section 6655(e)(3)(A) is amended by striking "90 percent" and inserting "91 percent".

26 USC 6655
note.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after June 30, 1992.

Subtitle B—Pension Distributions

Retirement.

26 USC 402.

SEC. 521. TAXABILITY OF BENEFICIARY OF QUALIFIED PLAN.

(a) IN GENERAL.—So much of section 402 (relating to taxability of beneficiary of employees' trust) as precedes subsection (g) thereof is amended to read as follows:

"SEC. 402. TAXABILITY OF BENEFICIARY OF EMPLOYEES' TRUST.

"(a) TAXABILITY OF BENEFICIARY OF EXEMPT TRUST.—Except as otherwise provided in this section, any amount actually distributed to any distributee by any employees' trust described in section 401(a) which is exempt from tax under section 501(a) shall be

taxable to the distributee, in the taxable year of the distributee in which distributed, under section 72 (relating to annuities).

“(b) TAXABILITY OF BENEFICIARY OF NONEXEMPT TRUST.—

“(1) CONTRIBUTIONS.—Contributions to an employees’ trust made by an employer during a taxable year of the employer which ends with or within a taxable year of the trust for which the trust is not exempt from tax under section 501(a) shall be included in the gross income of the employee in accordance with section 83 (relating to property transferred in connection with performance of services), except that the value of the employee’s interest in the trust shall be substituted for the fair market value of the property for purposes of applying such section.

“(2) DISTRIBUTIONS.—The amount actually distributed or made available to any distributee by any trust described in paragraph (1) shall be taxable to the distributee, in the taxable year in which so distributed or made available, under section 72 (relating to annuities), except that distributions of income of such trust before the annuity starting date (as defined in section 72(c)(4)) shall be included in the gross income of the employee without regard to section 72(e)(5) (relating to amounts not received as annuities).

“(3) GRANTOR TRUSTS.—A beneficiary of any trust described in paragraph (1) shall not be considered the owner of any portion of such trust under subpart E of part I of subchapter J (relating to grantors and others treated as substantial owners).

“(4) FAILURE TO MEET REQUIREMENTS OF SECTION 410(b).—

“(A) HIGHLY COMPENSATED EMPLOYEES.—If 1 of the reasons a trust is not exempt from tax under section 501(a) is the failure of the plan of which it is a part to meet the requirements of section 401(a)(26) or 410(b), then a highly compensated employee shall, in lieu of the amount determined under paragraph (1) or (2) include in gross income for the taxable year with or within which the taxable year of the trust ends an amount equal to the vested accrued benefit of such employee (other than the employee’s investment in the contract) as of the close of such taxable year of the trust.

“(B) FAILURE TO MEET COVERAGE TESTS.—If a trust is not exempt from tax under section 501(a) for any taxable year solely because such trust is part of a plan which fails to meet the requirements of section 401(a)(26) or 410(b), paragraphs (1) and (2) shall not apply by reason of such failure to any employee who was not a highly compensated employee during—

“(i) such taxable year, or

“(ii) any preceding period for which service was creditable to such employee under the plan.

“(C) HIGHLY COMPENSATED EMPLOYEE.—For purposes of this paragraph, the term ‘highly compensated employee’ has the meaning given such term by section 414(q).

“(c) RULES APPLICABLE TO ROLLOVERS FROM EXEMPT TRUSTS.—

“(1) EXCLUSION FROM INCOME.—If—

“(A) any portion of the balance to the credit of an employee in a qualified trust is paid to the employee in an eligible rollover distribution,

“(B) the distributee transfers any portion of the property received in such distribution to an eligible retirement plan, and

“(C) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

“(2) MAXIMUM AMOUNT WHICH MAY BE ROLLED OVER.—In the case of any eligible rollover distribution, the maximum amount transferred to which paragraph (1) applies shall not exceed the portion of such distribution which is includible in gross income (determined without regard to paragraph (1)).

“(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—Paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

“(4) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term ‘eligible rollover distribution’ means any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified trust; except that such term shall not include—

“(A) any distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made—

“(i) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee’s designated beneficiary, or

“(ii) for a specified period of 10 years or more, and

“(B) any distribution to the extent such distribution is required under section 401(a)(9).

“(5) TRANSFER TREATED AS ROLLOVER CONTRIBUTION UNDER SECTION 408.—For purposes of this title, a transfer to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B) resulting in any portion of a distribution being excluded from gross income under paragraph (1) shall be treated as a rollover contribution described in section 408(d)(3).

“(6) SALES OF DISTRIBUTED PROPERTY.—For purposes of this subsection—

“(A) TRANSFER OF PROCEEDS FROM SALE OF DISTRIBUTED PROPERTY TREATED AS TRANSFER OF DISTRIBUTED PROPERTY.—The transfer of an amount equal to any portion of the proceeds from the sale of property received in the distribution shall be treated as the transfer of property received in the distribution.

“(B) PROCEEDS ATTRIBUTABLE TO INCREASE IN VALUE.—The excess of fair market value of property on sale over its fair market value on distribution shall be treated as property received in the distribution.

“(C) DESIGNATION WHERE AMOUNT OF DISTRIBUTION EXCEEDS ROLLOVER CONTRIBUTION.—In any case where part or all of the distribution consists of property other than money—

“(i) the portion of the money or other property which is to be treated as attributable to amounts not included in gross income, and

“(ii) the portion of the money or other property which is to be treated as included in the rollover contribution, shall be determined on a ratable basis unless the taxpayer designates otherwise. Any designation under this subparagraph for a taxable year shall be made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof). Any such designation, once made, shall be irrevocable.

“(D) NONRECOGNITION OF GAIN OR LOSS.—No gain or loss shall be recognized on any sale described in subparagraph (A) to the extent that an amount equal to the proceeds is transferred pursuant to paragraph (1).

“(7) SPECIAL RULE FOR FROZEN DEPOSITS.—

“(A) IN GENERAL.—The 60-day period described in paragraph (3) shall not—

“(i) include any period during which the amount transferred to the employee is a frozen deposit, or

“(ii) end earlier than 10 days after such amount ceases to be a frozen deposit.

“(B) FROZEN DEPOSITS.—For purposes of this subparagraph, the term ‘frozen deposit’ means any deposit which may not be withdrawn because of—

“(i) the bankruptcy or insolvency of any financial institution, or

“(ii) any requirement imposed by the State in which such institution is located by reason of the bankruptcy or insolvency (or threat thereof) of 1 or more financial institutions in such State.

A deposit shall not be treated as a frozen deposit unless on at least 1 day during the 60-day period described in paragraph (3) (without regard to this paragraph) such deposit is described in the preceding sentence.

“(8) DEFINITIONS.—For purposes of this subsection—

“(A) QUALIFIED TRUST.—The term ‘qualified trust’ means an employees’ trust described in section 401(a) which is exempt from tax under section 501(a).

“(B) ELIGIBLE RETIREMENT PLAN.—The term ‘eligible retirement plan’ means—

“(i) an individual retirement account described in section 408(a),

“(ii) an individual retirement annuity described in section 408(b) (other than an endowment contract),

“(iii) a qualified trust, and

“(iv) an annuity plan described in section 403(a).

“(9) ROLLOVER WHERE SPOUSE RECEIVES DISTRIBUTION AFTER DEATH OF EMPLOYEE.—If any distribution attributable to an employee is paid to the spouse of the employee after the employee’s death, the preceding provisions of this subsection shall apply to such distribution in the same manner as if the spouse were the employee; except that a trust or plan described in clause (iii) or (iv) of paragraph (8)(B) shall not be treated as an eligible retirement plan with respect to such distribution.

“(10) DENIAL OF AVERAGING FOR SUBSEQUENT DISTRIBUTIONS.—If paragraph (1) applies to any distribution paid

to any employee, paragraphs (1) and (3) of subsection (d) shall not apply to any distribution (paid after such distribution) of the balance to the credit of the employee under the plan under which the preceding distribution was made (or under any other plan which, under subsection (d)(4)(C), would be aggregated with such plan).

“(d) TAX ON LUMP SUM DISTRIBUTIONS.—

“(1) IMPOSITION OF SEPARATE TAX ON LUMP SUM DISTRIBUTIONS.—

“(A) SEPARATE TAX.—There is hereby imposed a tax (in the amount determined under subparagraph (B)) on a lump sum distribution.

“(B) AMOUNT OF TAX.—The amount of tax imposed by subparagraph (A) for any taxable year is an amount equal to 5 times the tax which would be imposed by subsection (c) of section 1 if the recipient were an individual referred to in such subsection and the taxable income were an amount equal to $\frac{1}{2}$ of the excess of—

“(i) the total taxable amount of the lump sum distribution for the taxable year, over

“(ii) the minimum distribution allowance.

“(C) MINIMUM DISTRIBUTION ALLOWANCE.—For purposes of this paragraph, the minimum distribution allowance for any taxable year is an amount equal to—

“(i) the lesser of \$10,000 or one-half of the total taxable amount of the lump sum distribution for the taxable year, reduced (but not below zero) by

“(ii) 20 percent of the amount (if any) by which such total taxable amount exceeds \$20,000.

“(D) LIABILITY FOR TAX.—The recipient shall be liable for the tax imposed by this paragraph.

“(2) DISTRIBUTIONS OF ANNUITY CONTRACTS.—

“(A) IN GENERAL.—In the case of any recipient of a lump sum distribution for any taxable year, if the distribution (or any part thereof) is an annuity contract, the total taxable amount of the distribution shall be aggregated for purposes of computing the tax imposed by paragraph (1)(A), except that the amount of tax so computed shall be reduced (but not below zero) by that portion of the tax on the aggregate total taxable amount which is attributable to annuity contracts.

“(B) BENEFICIARIES.—For purposes of this paragraph, a beneficiary of a trust to which a lump sum distribution is made shall be treated as the recipient of such distribution if the beneficiary is an employee (including an employee within the meaning of section 401(c)(1)) with respect to the plan under which the distribution is made or if the beneficiary is treated as the owner of such trust for purposes of subpart E of part I of subchapter J.

“(C) ANNUITY CONTRACTS.—For purposes of this paragraph, in the case of the distribution of an annuity contract, the taxable amount of such distribution shall be deemed to be the current actuarial value of the contract, determined on the date of such distribution.

“(D) TRUSTS.—In the case of a lump sum distribution with respect to any individual which is made only to 2 or more trusts, the tax imposed by paragraph (1)(A) shall

be computed as if such distribution was made to a single trust, but the liability for such tax shall be apportioned among such trusts according to the relative amounts received by each.

“(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

“(3) ALLOWANCE OF DEDUCTION.—The total taxable amount of a lump sum distribution for any taxable year shall be allowed as a deduction from gross income for such taxable year, but only to the extent included in the taxpayer’s gross income for such taxable year.

“(4) DEFINITIONS AND SPECIAL RULES.—

“(A) LUMP SUM DISTRIBUTION.—For purposes of this section and section 403, the term ‘lump sum distribution’ means the distribution or payment within 1 taxable year of the recipient of the balance to the credit of an employee which becomes payable to the recipient—

“(i) on account of the employee’s death,

“(ii) after the employee attains age 59½,

“(iii) on account of the employee’s separation from the service, or

“(iv) after the employee has become disabled (within the meaning of section 72(m)(7)),

from a trust which forms a part of a plan described in section 401(a) and which is exempt from tax under section 501 or from a plan described in section 403(a). Clause (iii) of this subparagraph shall be applied only with respect to an individual who is an employee without regard to section 401(c)(1), and clause (iv) shall be applied only with respect to an employee within the meaning of section 401(c)(1). A distribution of an annuity contract from a trust or annuity plan referred to in the first sentence of this subparagraph shall be treated as a lump sum distribution. For purposes of this subparagraph, a distribution to 2 or more trusts shall be treated as a distribution to 1 recipient. For purposes of this subsection, the balance to the credit of the employee does not include the accumulated deductible employee contributions under the plan (within the meaning of section 72(o)(5)).

“(B) AVERAGING TO APPLY TO 1 LUMP SUM DISTRIBUTION AFTER AGE 59½.—Paragraph (1) shall apply to a lump sum distribution with respect to an employee under subparagraph (A) only if—

“(i) such amount is received on or after the date on which the employee has attained age 59½, and

“(ii) the taxpayer elects for the taxable year to have all such amounts received during such taxable year so treated.

Not more than 1 election may be made under this subparagraph by any taxpayer with respect to any employee. No election may be made under this subparagraph by any taxpayer other than an individual, an estate, or a trust. In the case of a lump sum distribution made with respect to an employee to 2 or more trusts, the election under this subparagraph shall be made by the personal representative of the taxpayer.

“(C) AGGREGATION OF CERTAIN TRUSTS AND PLANS.—For purposes of determining the balance to the credit of an employee under subparagraph (A)—

“(i) all trusts which are part of a plan shall be treated as a single trust, all pension plans maintained by the employer shall be treated as a single plan, all profit-sharing plans maintained by the employer shall be treated as a single plan, and all stock bonus plans maintained by the employer shall be treated as a single plan, and

“(ii) trusts which are not qualified trusts under section 401(a) and annuity contracts which do not satisfy the requirements of section 404(a)(2) shall not be taken into account.

“(D) TOTAL TAXABLE AMOUNT.—For purposes of this section and section 403, the term ‘total taxable amount’ means, with respect to a lump sum distribution, the amount of such distribution which exceeds the sum of—

“(i) the amounts considered contributed by the employee (determined by applying section 72(f)), reduced by any amounts previously distributed which were not includible in gross income, and

“(ii) the net unrealized appreciation attributable to that part of the distribution which consists of the securities of the employer corporation so distributed.

“(E) COMMUNITY PROPERTY LAWS.—The provisions of this subsection, other than paragraph (3), shall be applied without regard to community property laws.

“(F) MINIMUM PERIOD OF SERVICE.—For purposes of this subsection, no amount distributed to an employee from or under a plan may be treated as a lump sum distribution under subparagraph (A) unless the employee has been a participant in the plan for 5 or more taxable years before the taxable year in which such amounts are distributed.

“(G) AMOUNTS SUBJECT TO PENALTY.—This subsection shall not apply to amounts described in subparagraph (A) of section 72(m)(5) to the extent that section 72(m)(5) applies to such amounts.

“(H) BALANCE TO CREDIT OF EMPLOYEE NOT TO INCLUDE AMOUNTS PAYABLE UNDER QUALIFIED DOMESTIC RELATIONS ORDER.—For purposes of this subsection, the balance to the credit of an employee shall not include any amount payable to an alternate payee under a qualified domestic relations order (within the meaning of section 414(p)).

“(I) TRANSFERS TO COST-OF-LIVING ARRANGEMENT NOT TREATED AS DISTRIBUTION.—For purposes of this subsection, the balance to the credit of an employee under a defined contribution plan shall not include any amount transferred from such defined contribution plan to a qualified cost-of-living arrangement (within the meaning of section 415(k)(2)) under a defined benefit plan.

“(J) LUMP SUM DISTRIBUTIONS OF ALTERNATE PAYEES.—If any distribution or payment of the balance to the credit of an employee would be treated as a lump sum distribution, then, for purposes of this subsection, the payment under a qualified domestic relations order (within the

meaning of section 414(p)) of the balance to the credit of an alternate payee who is the spouse or former spouse of the employee shall be treated as a lump sum distribution. For purposes of this subparagraph, the balance to the credit of the alternate payee shall not include any amount payable to the employee.

“(K) TREATMENT OF PORTION NOT ROLLED OVER.—If any portion of a lump sum distribution is transferred in a transfer to which subsection (c) applies, paragraphs (1) and (3) shall not apply with respect to the distribution.

“(L) SECURITIES.—For purposes of this subsection, the terms ‘securities’ and ‘securities of the employer corporation’ have the respective meanings provided by subsection (e)(4)(E).

“(5) SPECIAL RULE WHERE PORTIONS OF LUMP SUM DISTRIBUTION ATTRIBUTABLE TO ROLLOVER OF BOND PURCHASED UNDER QUALIFIED BOND PURCHASE PLAN.—If any portion of a lump sum distribution is attributable to a transfer described in section 405(d)(3)(A)(ii) (as in effect before its repeal by the Tax Reform Act of 1984), paragraphs (1) and (3) of this subsection shall not apply to such portion.

“(6) TREATMENT OF POTENTIAL FUTURE VESTING.—

“(A) IN GENERAL.—For purposes of determining whether any distribution which becomes payable to the recipient on account of the employee’s separation from service is a lump sum distribution, the balance to the credit of the employee shall be determined without regard to any increase in vesting which may occur if the employee is reemployed by the employer.

“(B) RECAPTURE IN CERTAIN CASES.—If—

“(i) an amount is treated as a lump sum distribution by reason of subparagraph (A),

“(ii) special lump sum treatment applies to such distribution,

“(iii) the employee is subsequently reemployed by the employer, and

“(iv) as a result of services performed after being so reemployed, there is an increase in the employee’s vesting for benefits accrued before the separation referred to in subparagraph (A),

under regulations prescribed by the Secretary, the tax imposed by this chapter for the taxable year (in which the increase in vesting first occurs) shall be increased by the reduction in tax which resulted from the special lump sum treatment (and any election under paragraph (4)(B) shall not be taken into account for purposes of determining whether the employee may make another election under paragraph (4)(B)).

“(C) SPECIAL LUMP SUM TREATMENT.—For purposes of this paragraph, special lump sum treatment applies to any distribution if any portion of such distribution is taxed under the subsection by reason of an election under paragraph (4)(B).

“(D) VESTING.—For purposes of this paragraph, the term ‘vesting’ means the portion of the accrued benefits derived from employer contributions to which the participant has a nonforfeitable right.

Regulations.

“(7) COORDINATION WITH FOREIGN TAX CREDIT LIMITATIONS.—Subsections (a), (b), and (c) of section 904 shall be applied separately with respect to any lump sum distribution on which tax is imposed under paragraph (1), and the amount of such distribution shall be treated as the taxable income for purposes of such separate application.

“(e) OTHER RULES APPLICABLE TO EXEMPT TRUSTS.—

“(1) ALTERNATE PAYEES.—

“(A) ALTERNATE PAYEE TREATED AS DISTRIBUTE.—For purposes of subsection (a) and section 72, an alternate payee who is the spouse or former spouse of the participant shall be treated as the distributee of any distribution or payment made to the alternate payee under a qualified domestic relations order (as defined in section 414(p)).

“(B) ROLLOVERS.—If any amount is paid or distributed to an alternate payee who is the spouse or former spouse of the participant by reason of any qualified domestic relations order (within the meaning of section 414(p)), subsection (c) shall apply to such distribution in the same manner as if such alternate payee were the employee.

“(2) DISTRIBUTIONS BY UNITED STATES TO NONRESIDENT ALIENS.—The amount includible under subsection (a) in the gross income of a nonresident alien with respect to a distribution made by the United States in respect of services performed by an employee of the United States shall not exceed an amount which bears the same ratio to the amount includible in gross income without regard to this paragraph as—

“(A) the aggregate basic pay paid by the United States to such employee for such services, reduced by the amount of such basic pay which was not includible in gross income by reason of being from sources without the United States, bears to

“(B) the aggregate basic pay paid by the United States to such employee for such services.

In the case of distributions under the civil service retirement laws, the term ‘basic pay’ shall have the meaning provided in section 8331(3) of title 5, United States Code.

“(3) CASH OR DEFERRED ARRANGEMENTS.—For purposes of this title, contributions made by an employer on behalf of an employee to a trust which is a part of a qualified cash or deferred arrangement (as defined in section 401(k)(2)) shall not be treated as distributed or made available to the employee nor as contributions made to the trust by the employee merely because the arrangement includes provisions under which the employee has an election whether the contribution will be made to the trust or received by the employee in cash.

“(4) NET UNREALIZED APPRECIATION.—

“(A) AMOUNTS ATTRIBUTABLE TO EMPLOYEE CONTRIBUTIONS.—For purposes of subsection (a) and section 72, in the case of a distribution other than a lump sum distribution, the amount actually distributed to any distributee from a trust described in subsection (a) shall not include any net unrealized appreciation in securities of the employer corporation attributable to amounts contributed by the employee (other than deductible employee contributions within the meaning of section 72(o)(5)). This

subparagraph shall not apply to a distribution to which subsection (c) applies.

“(B) AMOUNTS ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS.—For purposes of subsection (a) and section 72, in the case of any lump sum distribution which includes securities of the employer corporation, there shall be excluded from gross income the net unrealized appreciation attributable to that part of the distribution which consists of securities of the employer corporation. In accordance with rules prescribed by the Secretary, a taxpayer may elect, on the return of tax on which a lump sum distribution is required to be included, not to have this subparagraph apply to such distribution.

“(C) DETERMINATION OF AMOUNTS AND ADJUSTMENTS.—For purposes of subparagraphs (A) and (B), net unrealized appreciation and the resulting adjustments to basis shall be determined in accordance with regulations prescribed by the Secretary.

“(D) LUMP SUM DISTRIBUTION.—For purposes of this paragraph, the term ‘lump sum distribution’ has the meaning given such term by subsection (d)(4)(A) (without regard to subsection (d)(4)(F)).

“(E) DEFINITIONS RELATING TO SECURITIES.—For purposes of this paragraph—

“(i) SECURITIES.—The term ‘securities’ means only shares of stock and bonds or debentures issued by a corporation with interest coupons or in registered form.

“(ii) SECURITIES OF THE EMPLOYER.—The term ‘securities of the employer corporation’ includes securities of a parent or subsidiary corporation (as defined in subsections (e) and (f) of section 424) of the employer corporation.

“(5) TAXABILITY OF BENEFICIARY OF CERTAIN FOREIGN SITUS TRUSTS.—For purposes of subsections (a), (b), and (c), a stock bonus, pension, or profit-sharing trust which would qualify for exemption from tax under section 501(a) except for the fact that it is a trust created or organized outside the United States shall be treated as if it were a trust exempt from tax under section 501(a).

“(f) WRITTEN EXPLANATION TO RECIPIENTS OF DISTRIBUTIONS ELIGIBLE FOR ROLLOVER TREATMENT.—

“(1) IN GENERAL.—The plan administrator of any plan shall, within a reasonable period of time before making an eligible rollover distribution from an eligible retirement plan, provide a written explanation to the recipient—

“(A) of the provisions under which the recipient may have the distribution directly transferred to another eligible retirement plan,

“(B) of the provision which requires the withholding of tax on the distribution if it is not directly transferred to another eligible retirement plan,

“(C) of the provisions under which the distribution will not be subject to tax if transferred to an eligible retirement plan within 60 days after the date on which the recipient received the distribution, and

“(D) if applicable, of the provisions of subsections (d) and (e) of this section.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) ELIGIBLE ROLLOVER DISTRIBUTION.—The term ‘eligible rollover distribution’ has the same meaning as when used in subsection (c) of this section or paragraph (4) of section 403(a).

“(B) ELIGIBLE RETIREMENT PLAN.—The term ‘eligible retirement plan’ has the meaning given such term by subsection (c)(8)(B).”

(b) CONFORMING AMENDMENTS.—

26 USC 55.

(1) Paragraph (1) of section 55(c) is amended by striking “section 402(e)” and inserting “section 402(d)”.

26 USC 62.

(2) Paragraph (8) of section 62(a) (relating to certain portion of lump-sum distributions from pension plans taxed under section 402(e)) is amended by striking “402(e)” in the text and heading and inserting “402(d)”.

26 USC 72.

(3) Paragraph (4) of section 72(o) (relating to special rule for treatment of rollover amount) is amended by striking “sections 402(a)(5), 402(a)(7)” and inserting “sections 402(c)”.

26 USC 219.

(4) Paragraph (2) of section 219(d) (relating to recontributed amount) is amended by striking “section 402(a)(5), 402(a)(7)” and inserting “section 402(c)”.

26 USC 401.

(5) Paragraph (20) of section 401(a) is amended—

(A) by striking “a qualified total distribution described in section 402(a)(5)(E)(i)(I)” and inserting “1 or more distributions within 1 taxable year to a distributee on account of a termination of the plan of which the trust is a part, or in the case of a profit-sharing or stock bonus plan, a complete discontinuance of contributions under such plan”, and

(B) by adding at the end the following new sentence: “For purposes of this paragraph, rules similar to the rules of section 402(a)(6)(B) (as in effect before its repeal by section 211 of the Unemployment Compensation Amendments of 1992) shall apply.”

(6) Clause (v) of section 401(a)(28)(B) (relating to coordination with distribution rules) is amended to read as follows:

“(v) COORDINATION WITH DISTRIBUTION RULES.—Any distribution required by this subparagraph shall not be taken into account in determining whether a subsequent distribution is a lump sum distribution under section 402(d)(4)(A) or in determining whether section 402(c)(10) applies.”

(7) Subclause (IV) of section 401(k)(2)(B)(i) is amended by striking “section 402(a)(8)” and inserting “section 402(e)(3)”.

(8) Subparagraph (B)(ii) of section 401(k)(10) (relating to distributions that must be lump-sum distributions) is amended—

(A) by striking “section 402(e)(4)” and inserting “section 402(d)(4)”, and

(B) by striking “subparagraph (H)” and inserting “subparagraph (F)”.

26 USC 402.

(9) Section 402(g)(1) is amended by striking “subsections (a)(8)” and inserting “subsections (e)(3)”.

(10) Section 402(i) is amended by striking “subsection (e)(4)” and inserting “subsection (d)(4)”.

(11) Subsection (j) of section 402 is amended by striking “(a)(1) or (e)(4)(J)” and inserting “(e)(4)”. 26 USC 402.

(12)(A) Clause (i) of section 403(a)(4)(A) is amended by inserting “in an eligible rollover distribution (within the meaning of section 402(c)(4))” before the comma at the end thereof. 26 USC 403.

(B) Subparagraph (B) of section 403(a)(4) is amended to read as follows:

“(B) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) through (7) of section 402(c) shall apply for purposes of subparagraph (A).”

(13)(A) Clause (i) of section 403(b)(8)(A) is amended by inserting “in an eligible rollover distribution (within the meaning of section 402(c)(4))” before the comma at the end thereof.

(B) Paragraph (8) of section 403(b) is amended by striking subparagraphs (B), (C), and (D) and inserting the following:

“(B) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) through (7) of section 402(c) shall apply for purposes of subparagraph (A).”

(14) Section 406(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of limitation of tax) is amended by striking “section 402(e)” and inserting “section 402(d)”. 26 USC 406.

(15) Section 407(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of limitation of tax) is amended by striking “section 402(e)” and inserting “section 402(d)”. 26 USC 407.

(16) Paragraph (1) of section 408(a) is amended by striking “section 402(a)(5), 402(a)(7)” and inserting “section 402(c)”. 26 USC 408.

(17) Clause (ii) of section 408(d)(3)(A) is amended to read as follows:

“(ii) no amount in the account and no part of the value of the annuity is attributable to any source other than a rollover contribution (as defined in section 402) from an employee’s trust described in section 401(a) which is exempt from tax under section 501(a) or from an annuity plan described in section 403(a) (and any earnings on such contribution), and the entire amount received (including property and other money) is paid (for the benefit of such individual) into another such trust or annuity plan not later than the 60th day on which the individual receives the payment or the distribution; or”.

(18) Subparagraph (B) of section 408(d)(3) (relating to limitations) is amended by striking the second sentence thereof.

(19) Subparagraph (F) of section 408(d)(3) (relating to frozen deposits) is amended by striking “section 402(a)(6)(H)” and inserting “section 402(c)(7)”. 26 USC 414.

(20) Subclause (I) of section 414(n)(5)(C)(iii) is amended by striking “section 402(a)(8)” and inserting “section 402(e)(3)”. 26 USC 414.

(21) Clause (i) of section 414(q)(7)(B) is amended by striking “402(a)(8)” and inserting “402(e)(3)”. 26 USC 415.

(22) Paragraph (2) of section 414(s) (relating to employer may elect to treat certain deferrals as compensation) is amended by striking “402(a)(8)” and inserting “402(e)(3)”. 26 USC 415.

(23) Subparagraph (A) of section 415(b)(2) (relating to annual benefit in general) is amended by striking “sections 402(a)(5)” and inserting “sections 402(c)”. 26 USC 415.

26 USC 415.

(24) Subparagraph (B) of section 415(b)(2) (relating to adjustment for certain other forms of benefit) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(25) Paragraph (2) of section 415(c) (relating to annual addition) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

26 USC 457.

(26) Subparagraph (B) of section 457(c)(2) is amended by striking "section 402(a)(8)" in clause (i) thereof and inserting "section 402(e)(3)".

26 USC 691.

(27) Section 691(c) (relating to coordination with section 402(e)) is amended by striking "402(e)" in the text and heading and inserting "402(d)".

26 USC 871.

(28) Subparagraph (B) of section 871(a)(1) (relating to income other than capital gains) is amended by striking "402(a)(2), 403(a)(2), or".

(29) Paragraph (1) of section 871(b) (relating to imposition of tax) is amended by striking "402(e)(1)" and inserting "402(d)(1)".

(30) Paragraph (1) of section 871(k) is amended by striking "section 402(a)(4)" and inserting "section 402(e)(2)".

26 USC 877.

(31) Subsection (b) of section 877 (relating to alternative tax) is amended by striking "402(e)(1)" and inserting "402(d)(1)".

26 USC 1441.

(32) Subsection (b) of section 1441 (relating to income items) is amended by striking "402(a)(2), 403(a)(2), or".

(33) Paragraph (5) of section 1441(c) (relating to special items) is amended by striking "402(a)(2), 403(a)(2), or".

26 USC 3121.

(34) Subparagraph (A) of section 3121(v)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

26 USC 3306.

(35) Subparagraph (A) of section 3306(r)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

26 USC 3405.

(36) Subsection (a) of section 3405 is amended by striking "PENSIONS, ANNUITIES, ETC.—" from the heading thereof and inserting "PERIODIC PAYMENTS.—".

(37) Subsection (b) of section 3405 (relating to nonperiodic distribution) is amended—

(A) by striking "the amount determined under paragraph (2)" from paragraph (1) thereof and inserting "an amount equal to 10 percent of such distribution"; and

(B) by striking paragraph (2) (relating to amount of withholding) and redesignating paragraph (3) as paragraph (2).

(38) Paragraph (4) of section 3405(d) (relating to qualified total distributions) is hereby repealed.

(39) Paragraph (8) of section 3405(d) (relating to maximum amounts withheld) is amended to read as follows:

"(8) MAXIMUM AMOUNT WITHHELD.—The maximum amount to be withheld under this section on any designated distribution shall not exceed the sum of the amount of money and the fair market value of other property (other than securities of the employer corporation) received in the distribution. No amount shall be required to be withheld under this section in the case of any designated distribution which consists only of securities of the employer corporation and cash (not in excess of \$200) in lieu of financial shares. For purposes of this paragraph, the term 'securities of the employer corporation' has the meaning given such term by section 402(e)(4)(E)."

(40) Subparagraph (A) of section 3405(d)(13) is amended by striking “(b)(3)” and inserting “(b)(2)”. 26 USC 3405.

(41) Subparagraph (A) of section 4973(b)(1) is amended by striking “sections 402(a)(5), 402(a)(7)” and inserting “sections 402(c)”. 26 USC 4973.

(42) Paragraph (4) of section 4980A(c) (relating to special rule where taxpayer elects income averaging) is amended by striking “section 402(e)(4)(B)” and inserting “section 402(d)(4)(B)”. 26 USC 4980A.

(43) Subparagraph (C) of section 7701(j)(1) is amended by striking “section 402(a)(8)” and inserting “section 402(e)(3)”. 26 USC 7701.

(44) Section 411(d)(3) is amended by adding at the end the following new sentence: “For purposes of this paragraph, in the case of the complete discontinuance of contributions under a profit-sharing or stock bonus plan, such plan shall be treated as having terminated on the day on which the plan administrator notifies the Secretary (in accordance with regulations) of the discontinuance.” 26 USC 411.

(d) MODEL EXPLANATION.—The Secretary of the Treasury or his delegate shall develop a model explanation which a plan administrator may provide to a recipient in order to meet the requirements of section 402(f) of the Internal Revenue Code of 1986. 26 USC 402 note.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions after December 31, 1992. 26 USC 402 note.

(2) SPECIAL RULE FOR PARTIAL DISTRIBUTIONS.—For purposes of section 402(a)(5)(D)(i)(II) of the Internal Revenue Code of 1986 (as in effect before the amendments made by this section), a distribution before January 1, 1993, which is made before or at the same time as a series of periodic payments shall not be treated as one of such series if it is not substantially equal in amount to other payments in such series.

SEC. 522. REQUIREMENT THAT QUALIFIED PLANS INCLUDE OPTIONAL TRUSTEE-TO-TRUSTEE TRANSFERS OF ELIGIBLE ROLLOVER DISTRIBUTIONS.

(a) OPTIONAL TRANSFERS.—

(1) QUALIFIED PLANS.—Subsection (a) of section 401 (relating to requirements for qualification) is amended by inserting after paragraph (30) the following new paragraph: 26 USC 401.

“(31) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—

“(A) IN GENERAL.—A trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if the distributee of any eligible rollover distribution—

“(i) elects to have such distribution paid directly to an eligible retirement plan, and

“(ii) specifies the eligible retirement plan to which such distribution is to be paid (in such form and at such time as the plan administrator may prescribe), such distribution shall be made in the form of a direct trustee-to-trustee transfer to the eligible retirement plan so specified.

“(B) LIMITATION.—Subparagraph (A) shall apply only to the extent that the eligible rollover distribution would be includible in gross income if not transferred as provided

in subparagraph (A) (determined without regard to sections 402(c) and 403(a)(4)).

“(C) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this paragraph, the term ‘eligible rollover distribution’ has the meaning given such term by section 402(f)(2)(A).

“(D) ELIGIBLE RETIREMENT PLAN.—For purposes of this paragraph, the term ‘eligible retirement plan’ has the meaning given such term by section 402(c)(8)(B), except that a qualified trust shall be considered an eligible retirement plan only if it is a defined contribution plan, the terms of which permit the acceptance of rollover distributions.”

26 USC 404.

(2) EMPLOYEE’S ANNUITIES.—Paragraph (2) of section 404(a) (relating to employee’s annuities) is amended by striking “and (27)” and inserting “(27), and (31)”.

26 USC 403.

(3) ANNUITIES PURCHASED BY CHARITIES AND PUBLIC SCHOOLS.—Paragraph (10) of section 403(b) (relating to distribution requirements) is amended by striking “section 401(a)(9)” and inserting “sections 401(a)(9) and 401(a)(31)”.

(b) WITHHOLDING ON ELIGIBLE ROLLOVER DISTRIBUTIONS WHICH ARE NOT ROLLED OVER.—

26 USC 3405.

(1) IN GENERAL.—Section 3405 (relating to special rules for pensions, annuities, and certain other deferred income) is amended by redesignating subsections (c), (d), and (e) as subsections (d), (e), and (f) and by inserting after subsection (b) the following new subsection:

“(c) ELIGIBLE ROLLOVER DISTRIBUTIONS.—

“(1) IN GENERAL.—In the case of any designated distribution which is an eligible rollover distribution—

“(A) subsections (a) and (b) shall not apply, and

“(B) the payor of such distribution shall withhold from such distribution an amount equal to 20 percent of such distribution.

“(2) EXCEPTION.—Paragraph (1)(B) shall not apply to any distribution if the distributee elects under section 401(a)(31)(A) to have such distribution paid directly to an eligible retirement plan.

“(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term ‘eligible rollover distribution’ has the meaning given such term by section 402(f)(2)(A) (or in the case of an annuity contract under section 403(b), a distribution from such contract described in section 402(f)(2)(A)).”

(2) CONFORMING AMENDMENTS.—

(A) Section 3405(a)(1) is amended by striking “subsection (d)(2)” and inserting “subsection (e)(2)”.

(B) Section 3405(b)(1) is amended by striking “subsection (d)(3)” and inserting “subsection (e)(3)”.

(C) Section 3405(d)(1) (as redesignated by paragraph (1)) is amended by striking “subsection (d)(1)” and inserting “subsection (e)(1)”.

26 USC 3402,
6047.

(D) Sections 3402(o)(6) and 6047(d)(1) are each amended by striking “section 3405(d)(1)” and inserting “section 3405(e)(1)”.

(E) Section 6047(d)(1)(A) is amended by striking “section 3405(d)(1)” and inserting “section 3405(d)(3)”.

26 USC 6652.

(F) Section 6652(h) is amended by striking “section 3405(d)(10)(B)” and inserting “section 3405(e)(10)(B)”.

(c) EXCLUSION FROM INCOME.—

(1) **QUALIFIED TRUSTS.**—Subsection (e) of section 402 (relating to taxability of beneficiary of employees' trust), as amended by section 521, is amended by adding at the end the following new paragraph: 26 USC 402.

“(6) **DIRECT TRUSTEE-TO-TRUSTEE TRANSFERS.**—Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of such transfer.”

(2) **EMPLOYEE ANNUITIES.**—Subsection (a) of section 403 is amended by adding at the end the following new paragraph: 26 USC 403.

“(5) **DIRECT TRUSTEE-TO-TRUSTEE TRANSFER.**—Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of such transfer.”

(3) **ANNUITY CONTRACTS PURCHASED BY CHARITIES AND PUBLIC SCHOOLS.**—Section 403(b)(10) is amended by adding at the end the following new sentence: “Any amount transferred in an direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of the transfer.”

(d) EFFECTIVE DATES.—

26 USC 401 note.

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to distributions after December 31, 1992.

(2) **TRANSITION RULE FOR CERTAIN ANNUITY CONTRACTS.**—If, as of July 1, 1992, a State law prohibits a direct trustee-to-trustee transfer from an annuity contract described in section 403(b) of the Internal Revenue Code of 1986 which was purchased for an employee by an employer which is a State or a political subdivision thereof (or an agency or instrumentality of any 1 or more of either), the amendments made by this section shall not apply to distributions before the earlier of—

- (A) 90 days after the first day after July 1, 1992, on which such transfer is allowed under State law, or
- (B) January 1, 1994.

SEC. 523. DATE FOR ADOPTION OF PLAN AMENDMENTS.

26 USC 401 note.

If any amendment made by this subtitle requires an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after January 1, 1994, if—

- (1) during the period after such amendment takes effect and before such first plan year, the plan is operated in accordance with the requirements of such amendment, and
- (2) such plan amendment applies retroactively to such period.

Subtitle C—Other Provisions**SEC. 531. MODIFICATIONS TO FEDERAL UNEMPLOYMENT ACCOUNTS.**

(a) **MODIFICATIONS TO EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT.—**

(1) **TRANSFERS TO ACCOUNT.**—Paragraph (1) of section 905(b) of the Social Security Act is amended to read as follows—
“(b)(1) Except as provided in paragraph (3), the Secretary of the Treasury shall transfer (as of the close of each month), from

42 USC 1105.

the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal to the sum of—

“(A) 100 percent of the transfers to the employment security administration account pursuant to section 901(b)(2) during such month on account of liabilities referred to in section 901(b)(1)(B), plus

“(B) 20 percent of the excess of the transfers to such account pursuant to section 901(b)(2) during such month on account of amounts referred to in section 901(b)(1)(A) over the payments during such month from the employment security administration account pursuant to section 901 (b)(3) and (d).

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (B), proper adjustments shall be made in the amounts subsequently transferred.”

42 USC 1105. (2) INCREASE IN CEILING.—Subparagraph (B) of section 905(b)(2) of such Act is amended by striking “three-eighths of 1 percent” and inserting “0.5 percent”.

42 USC 1102. (b) REDUCTION OF CEILING ON FEDERAL UNEMPLOYMENT ACCOUNT.—Paragraph (2) of section 902(a) of such Act is amended by striking “five-eighths of 1 percent” and inserting “0.25 percent”.

(c) BORROWING BETWEEN FEDERAL ACCOUNTS.—Title IX of such Act is amended by adding at the end the following new section:

“BORROWING BETWEEN FEDERAL ACCOUNTS

42 USC 1110. “SEC. 910. (a) IN GENERAL.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that—

“(1) the amount in the employment security administration account, Federal unemployment account, or extended unemployment compensation account, is insufficient to meet the anticipated payments from the account,

“(2) such insufficiency may cause such account to borrow from the general fund of the Treasury, and

“(3) the amount in any other such account exceeds the amount necessary to meet the anticipated payments from such other account,

the Secretary shall transfer to the account referred to in paragraph (1) from the account referred to paragraph (3) an amount equal to the insufficiency determined under paragraph (1) (or, if less, the excess determined under paragraph (3)).

“(b) TREATMENT OF ADVANCE.—Any amount transferred under subsection (a)—

“(1) shall be treated as a noninterest-bearing repayable advance, and

“(2) shall not be considered in computing the amount in any account for purposes of the application of sections 901(f)(2), 902(b), and 905(b).

“(c) REPAYMENT.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that the amount in the account to which an advance is made under subsection (a) exceeds the amount necessary to meet the anticipated payments from the account, the Secretary shall transfer from the account to the account from which the advance was made an amount equal to the lesser of the amount so advanced or such excess.”

(d) REPEAL OF EXPIRED PROVISIONS.—

- (1) Paragraph (2) of section 901(f) of such Act is amended— 42 USC 1101.
 (A) by striking “(A) Except as provided in subparagraph
 (B), the” and inserting “The”, and
 (B) by striking subparagraph (B).
- (2) Section 901 of such Act is amended by striking subsection
 (g).
 (3) Subsection (g) of section 904 is amended by striking 42 USC 1104.
 all of such subsection that follows the 1st sentence.
- (e) EFFECTIVE DATES.— 42 USC 1102
 note.
 (1) IN GENERAL.—Except as provided in paragraph (2), the
 amendments made by this section shall take effect on the
 date of the enactment of this Act.
 (2) CHANGES IN CEILING AMOUNTS.—The amendments made
 by subsection (a)(2) and (b) shall apply to fiscal years beginning
 after September 30, 1993.

**SEC. 532. REQUIREMENT OF DEPOSITS BY FEDERAL AGENCIES FOR
 UNEMPLOYMENT BENEFITS.**

(a) GENERAL RULE.—Subsection (c) of section 8509 of title 5,
 United States Code, is amended by adding at the end thereof
 the following new paragraph:

“(3) If any Federal agency does not deposit in the Federal Employ-
 ees Compensation Account any amount before the date 30 days
 after the date on which the Secretary of Labor has notified such
 agency that it is required to so deposit such amount, the Secretary
 of Labor shall notify the Secretary of the Treasury of the failure
 to make such deposit and the Secretary of the Treasury shall
 transfer such amount to the Federal Employees Compensation
 Account from amounts otherwise appropriated to such Federal
 agency.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) 5 USC 8509 note.
 shall apply to failures outstanding on the date of the enactment
 of this Act or at any time thereafter.

SEC. 533. REPORT ON ALLOCATION OF ADMINISTRATIVE FUNDS.

Subsection (a) of section 304 of the Emergency Unemployment 42 USC 502 note.
 Compensation Act of 1991 (Public Law 102-164, as amended) is
 amended by striking “within the 12-month period beginning on
 the date of the enactment of this Act” and inserting “before Decem-
 ber 31, 1994”.

**SEC. 534. EXTENSION OF COMMISSION ON INTERSTATE CHILD SUP-
 PORT.**

(a) IN GENERAL.—Section 126 of the Family Support Act of 1988
 (42 U.S.C. 666 note; 102 Stat. 2355) is amended—

(1) in subsection (d)(2), by striking “May” and inserting
 “August”; and

(2) in subsection (f)(1), by striking “July 1” and inserting
 “September 30”.

42 USC 666 note.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on June 30, 1992.

Approved July 3, 1992.

LEGISLATIVE HISTORY—H.R. 5260:

HOUSE REPORTS: Nos. 102-543, Pt. 1 (Comm. on Ways and Means) and Pt. 2 (Comm. on Government Operations), and 102-650 (Comm. of Conference).

CONGRESSIONAL RECORD, Vol. 138 (1992):

June 9, considered and passed House.

June 18, 19, considered and passed Senate, amended.

July 2, House and Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 28 (1992):

July 3, Presidential statement.