

104TH CONGRESS  
2D SESSION

# S. 1538

To amend the Internal Revenue Code of 1986 to provide for the treatment of excess benefit arrangements of certain tax-exempt group medical practices, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JANUARY 26, 1996

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

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for the treatment of excess benefit arrangements of certain tax-exempt group medical practices, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*

2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. TREATMENT OF EXCESS BENEFIT ARRANGE-**

4                   **MENTS OF CERTAIN TAX-EXEMPT GROUP**

5                   **MEDICAL PRACTICES.**

6       Subsection (e) of section 457 of the Internal Revenue

7   Code of 1986 (relating to deferred compensation plans of

8   State and local governments and tax-exempt organiza-

1 tions) is amended by adding at the end the following new  
2 paragraph:

3                 “(14) EXCESS BENEFIT ARRANGEMENTS OF  
4 CERTAIN GROUP MEDICAL PRACTICES.—

5                 “(A) IN GENERAL.—Subsections (b)(2)  
6 and (c)(1) shall not apply to any qualified ex-  
7 cess benefit arrangement, and benefits provided  
8 under such an arrangement shall not be taken  
9 into account in determining whether any other  
10 plan is an eligible deferred compensation plan  
11 and the amount which may be deferred under  
12 subsection (a) under such other plan.

13                 “(B) LIMITATION.—The maximum amount  
14 of compensation of any one participant which  
15 may be deferred under subsection (a) during  
16 any taxable year under a qualified excess bene-  
17 fit arrangement shall not exceed the lesser of—

18                     “(i) \$25,000, or  
19                     “(ii) 33½ percent of the participant’s  
20 includible compensation.

21                 “(C) QUALIFIED EXCESS BENEFIT AR-  
22 RANGEMENT.—For purposes of this paragraph,  
23 the term ‘qualified excess benefit arrangement’  
24 means a portion of a plan if—

1                         “(i) the plan is maintained by a qual-  
2                         ified medical entity which is described in  
3                         section 501(c)(3) and exempt from tax  
4                         under section 501(a), and

5                         “(ii) such portion is so maintained  
6                         solely for the purpose of providing to par-  
7                         ticipants in the plan that part of the par-  
8                         ticipant’s annual benefit otherwise payable  
9                         under the terms of the plan that exceeds  
10                         the limitations on benefits imposed by sec-  
11                         tion 415.

12                         “(D) **QUALIFIED MEDICAL ENTITY.**—For  
13                         purposes of subparagraph (C), the term ‘quali-  
14                         fied medical entity’ means—

15                         “(i) any group medical practice, and  
16                         “(ii) any integrated health care deliv-  
17                         ery system which employs groups of physi-  
18                         cians to provide clinical services.”

19                         **SEC. 2. PLANS OF QUALIFIED MEDICAL ENTITIES EXEMPT**  
20                         **FROM REDUCTION OF LIMIT UNDER SECTION**  
21                         **457 FOR OTHER ELECTIVE DEFERRALS.**

22                         The last sentence of paragraph (2) of section 457(c)  
23                         of the Internal Revenue Code of 1986 is amended by in-  
24                         serting before the period “or in a plan maintained by a  
25                         qualified medical entity (as defined in subsection (e)(14))

1 which is described in section 501(c)(3) and exempt from  
2 tax under section 501(a)”.

3 **SEC. 3. COST-OF-LIVING ADJUSTMENTS OF DEFERRAL LIM-  
4 ITS UNDER SECTION 457.**

5 Subsection (e) of section 457 of the Internal Revenue  
6 Code of 1986 is amended by adding at the end the follow-  
7 ing new paragraph:

8 “(15) COST-OF-LIVING ADJUSTMENT OF MAXI-  
9 MUM DEFERRAL AMOUNT.—The Secretary shall ad-  
10 just the dollar amounts specified in subsections  
11 (b)(2) and (c)(1), and in paragraph (14) of this sub-  
12 section, at the same time and in the same manner  
13 as under section 415(d), except that the base period  
14 in applying such section for purposes of this para-  
15 graph shall be the calendar quarter beginning Octo-  
16 ber 1, 1994.”

17 **SEC. 4. EFFECTIVE DATE.**

18 The amendments made by this Act shall apply to tax-  
19 able years beginning after December 31, 1994.

