

104TH CONGRESS  
1ST SESSION

# S. 831

To amend the Internal Revenue Code of 1986 to clarify the tax treatment of certain contributions made pursuant to veterans' reemployment.

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## IN THE SENATE OF THE UNITED STATES

MAY 19 (legislative day, MAY 15), 1995

Mr. ROCKEFELLER (for himself and Mr. SIMPSON) 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 clarify the tax treatment of certain contributions made pursuant to veterans' reemployment.

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 CERTAIN CONTRIBUTIONS**  
4                       **MADE PURSUANT TO VETERANS' REEMPLOY-**  
5                       **MENT RIGHTS.**

6       (a) IN GENERAL.—Section 414 of the Internal Reve-  
7       nue Code of 1986 is amended by adding at the end the  
8       following new subsection:

9       “(u) SPECIAL RULES RELATING TO VETERANS’ RE-  
10      EMPLOYMENT RIGHTS.—

1           “(1) TREATMENT OF CERTAIN REQUIRED CON-  
2       TRIBUTIONS.—If any contribution is made by an  
3       employer under an individual account plan with re-  
4       spect to an employee and such contribution is re-  
5       quired by reason of such employee’s rights under  
6       chapter 43 of title 38, United States Code, resulting  
7       from qualified military service—

8           “(A) such contribution shall not be subject  
9       to any otherwise applicable limitation contained  
10      in section 402(g), 403(b), 404(a), 408, 415, or  
11      457, and

12          “(B) such plan shall not be treated as fail-  
13      ing to meet any requirement of this part or sec-  
14      tion 457 by reason of the making of such con-  
15      tribution and such contribution shall not be  
16      taken into account in applying the limitations  
17      referred to in subparagraph (A) to other con-  
18      tributions.

19      For purposes of the preceding sentence, any addi-  
20      tional elective deferral made under paragraph (2)  
21      shall be treated as an employer contribution required  
22      by reason of the employee’s rights under such chap-  
23      ter 43.

24           “(2) REEMPLOYMENT RIGHTS WITH RESPECT  
25      TO ELECTIVE DEFERRALS.—

1           “(A) IN GENERAL.—If an employee is enti-  
2           tled to the benefits of chapter 43 of title 38,  
3           United States Code, with respect to any plan  
4           which provides for elective deferrals, such em-  
5           ployer shall be treated as meeting the require-  
6           ments of such chapter 43 with respect to such  
7           elective deferrals if such employer—

8                   “(i) permits such employee to make  
9                   additional elective deferrals under such  
10                  plan (in the amount determined under sub-  
11                  paragraph (B)) during the period which  
12                  begins on the date of the reemployment  
13                  and whose duration is the lesser of—

14                           “(I) 5 years; or

15                           “(II) 3 times the period of quali-  
16                          fied military service which resulted in  
17                          such rights; and

18                   “(ii) makes a matching contribution  
19                   in respect of any additional elective defer-  
20                   ral made pursuant to clause (i) which  
21                   would have been required had such defer-  
22                   ral actually been made during the period of  
23                   such qualified military service.

24           “(B) AMOUNT OF MAKEUP REQUIRED.—

25           The amount determined under this subpara-

graph is the maximum amount of elective deferrals that the individual would have been permitted to make under the plan during his period of qualified military service if he had continued to be employed by the employer during such period and received compensation at the rate computed in accordance with section 4318(b)(3) of title 38. Proper adjustment shall be made to the amount determined under the preceding sentence for any elective deferrals actually made during the period of such qualified military service.

“(C) ELECTIVE DEFERRAL.—For purposes of this paragraph, the term ‘elective deferral’ has the meaning given to such term by section 402(g)(3); except that such term shall include any deferral of compensation under an eligible deferred compensation plan (as defined in section 457(b)).

“(3) LOAN REPAYMENT SUSPENSIONS PERMITTED.—If any plan suspends the repayment of any loan made to an individual for the period while such individual is performing qualified military service, such suspension shall not be taken into account for purposes of section 72(p).

1           “(4) QUALIFIED MILITARY SERVICE.—For pur-  
2       poses of this subsection, the term ‘qualified military  
3       service’ means any service in the uniformed services  
4       (as defined in chapter 43 of title 38, United States  
5       Code) by any individual if such individual is entitled  
6       to reemployment rights under such chapter 43, with  
7       respect to such service.

8           “(5) INDIVIDUAL ACCOUNT PLAN.—For pur-  
9       poses of this subsection, the term ‘individual account  
10      plan’ means any defined contribution plan and any  
11      eligible deferred compensation plan (as defined in  
12      section 457(b)).”.

13      (b) EFFECTIVE DATE.—The amendment made by  
14      subsection (a) shall take effect as of September 2, 1974,  
15      and shall apply to plans as if such amendment were en-  
16      acted on such date as part of section 414 of the Internal  
17      Revenue Code of 1954.

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