

115TH CONGRESS 1ST SESSION

S. 1239

To amend the Internal Revenue Code of 1986 to modify the rules applicable to length of service award plans.

IN THE SENATE OF THE UNITED STATES

May 25, 2017

Ms. Collins (for herself, Mr. Cardin, and Mr. Schumer) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the rules applicable to length of service award 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 This Act may be cited as the "Length of Service
- 5 Award Program Cap Adjustment Priority Act" or the
- 6 "LOSAP CAP Act".
- 7 SEC. 2. MODIFICATION OF RULES APPLICABLE TO LENGTH
- 8 OF SERVICE AWARD PLANS.
- 9 (a) Maximum Deferral Amount.—Clause (ii) of
- 10 section 457(e)(11)(B) of the Internal Revenue Code of

1986 is amended by striking "\$3,000" and inserting 2 "\$6,000". 3 (b) Cost of Living Adjustment.—Subparagraph 4 (B) of section 457(e)(11) of the Internal Revenue Code 5 of 1986 is amended by adding at the end the following: 6 "(iii) Cost $^{
m OF}$ LIVING ADJUST-7 MENT.—In the case of taxable years begin-8 ning after December 31, 2017, the Sec-9 retary shall adjust the \$6,000 amount 10 under clause (ii) at the same time and in 11 the same manner as under section 415(d), 12 except that the base period shall be the 13 calendar quarter beginning July 1, 2016, 14 and any increase under this paragraph 15 that is not a multiple of \$500 shall be 16 rounded to the next lowest multiple of 17 \$500.". 18 (c) Application of Limitation on Accruals.— 19 Subparagraph (B) of section 457(e)(11) of the Internal 20 Revenue Code of 1986, as amended by subsection (b), is 21 amended by adding at the end the following: "(iv) Special rule for applica-22 23 TION OF LIMITATION ON ACCRUALS FOR 24 CERTAIN PLANS.—In the case of a plan de-25 scribed in subparagraph (A)(ii) which is a

1 defined benefit plan (as defined in section 2 414(j)), the limitation under clause (ii) 3 shall apply to the actuarial present value 4 of the aggregate amount of length of service awards accruing with respect to any 6 year of service. Such actuarial present value with respect to any year shall be cal-7 8 culated using reasonable actuarial assump-9 tions and methods, assuming payment will 10 be made under the most valuable form of 11 payment under the plan with payment 12 commencing at the later of the earliest age at which unreduced benefits are payable 13 14 under the plan or the participant's age at 15 the time of the calculation.".

16 (d) Effective Date.—The amendments made by 17 this Act shall apply to taxable years beginning after De-18 cember 31, 2017.

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