

116TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to expand the use of retirement plan funds to obtain long-term care insurance, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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Mr. TOOMEY introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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## A BILL

To amend the Internal Revenue Code of 1986 to expand the use of retirement plan funds to obtain long-term care insurance, 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. LONG-TERM CARE CONTRACTS PURCHASED**  
4 **WITH RETIREMENT PLAN DISTRIBUTIONS.**

5        (a) IN GENERAL.—Section 402 of the Internal Rev-  
6 enue Code of 1986 is amended by adding at the end the  
7 following new subsection:

8        “(m) DISTRIBUTIONS WITH RESPECT TO LONG-  
9 TERM CARE INSURANCE.—

1           “(1) IN GENERAL.—Gross income of an indi-  
2           vidual for the taxable year does not include any dis-  
3           tribution from an eligible retirement plan to the ex-  
4           tent that the aggregate amount of such distributions  
5           does not exceed the amount paid by such individual  
6           during the taxable year for a qualified long-term  
7           care insurance contract (as defined in section  
8           7702B(b)) covering qualified long-term care services  
9           (as defined in section 7702B(c)) for the individual,  
10          the individual’s spouse, or a dependent (as defined  
11          in section 152, determined without regard to sub-  
12          sections (b)(1), (b)(2), and (d)(1)(B) thereof) of the  
13          individual.

14           “(2) LIMITATION.—

15           “(A) IN GENERAL.—The amount excluded  
16           from gross income under paragraph (1) for any  
17           taxable year shall not exceed \$2,000.

18           “(B) ADJUSTMENT FOR INFLATION.—

19           “(i) IN GENERAL.—In the case of any  
20           taxable year beginning after December 31,  
21           2020, the \$2,000 amount in subparagraph  
22           (A) shall be increased by an amount equal  
23           to—

24                           “(I) such dollar amount, multi-  
25                           plied by

1                   “(II) the cost-of-living adjust-  
2                   ment determined under section 1(f)(3)  
3                   for the calendar year in which the tax-  
4                   able year begins, determined by sub-  
5                   stituting ‘calendar year 2019’ for ‘cal-  
6                   endar year 2016’ in subparagraph  
7                   (A)(ii) thereof.

8                   “(ii) ROUNDING.—If any increase de-  
9                   termined under clause (i) is not a multiple  
10                  of \$10, such increase shall be rounded to  
11                  the nearest multiple of \$10.

12                  “(3) ELIGIBLE RETIREMENT PLAN.—For pur-  
13                  poses of this subsection, the term ‘eligible retirement  
14                  plan’ means any plan which—

15                         “(A) is described in clause (i),(ii), (iv), (v),  
16                         or (vi) of subsection (c)(8)(B), or

17                         “(B) is a defined contribution plan de-  
18                         scribed in clause (iii) of subsection (c)(8)(B).

19                  “(4) DISTRIBUTIONS MUST OTHERWISE BE IN-  
20                  CLUDIBLE.—Rules similar to the rules of subsection  
21                  (1)(3) shall apply for purposes of this subsection.

22                  “(5) SEPARATELY STATED PORTIONS OF A CON-  
23                  TRACT.—For purposes of this subsection, the  
24                  amount paid during a taxable year for a qualified  
25                  long-term care insurance contract (as defined in sec-

1       tion 7702B(c)) includes premiums paid and charges  
2       assessed during such taxable year for long-term care  
3       insurance coverage which is treated as a separate  
4       contract under section 7702B(e)(1), if such separate  
5       contract is a qualified long-term care insurance con-  
6       tract (as so defined).

7               “(6) COORDINATION WITH OTHER DEDUC-  
8       TIONS.—The amounts excluded from gross income  
9       under paragraph (1) shall not be taken into account  
10       under section 162(l) or 213.”.

11       (b) CONFORMING AMENDMENTS.—

12               (1) Section 401(k)(2)(B)(i) of the Internal Rev-  
13       enue Code of 1986 is amended by striking “or” at  
14       the end of subclause (IV), by striking “and” at the  
15       end of subclause (V) and inserting “or”, and by add-  
16       ing at the end the following new subclause:

17                       “(VI) as provided in section  
18                       402(m), and”.

19               (2) Section 403(b)(11) of such Code is amend-  
20       ed by striking “or” at the end of subparagraph (B),  
21       by striking the period at the end of subparagraph  
22       (C) and inserting “, or”, and by inserting after sub-  
23       paragraph (C) the following new subparagraph:

24                       “(D) for distributions to which section  
25                       402(m) applies.”.

1           (3) Section 457(d)(1)(A) of such Code is  
2           amended by striking “or” at the end of clause (ii),  
3           by striking the comma at the end of clause (iii) and  
4           inserting “, or”, and by adding at the end the fol-  
5           lowing new clause:

6                           “(iv) as provided in section 402(m),”.

7           (c) EFFECTIVE DATE.—The amendment made by  
8           this section shall apply to distributions received after the  
9           date of the enactment of this Act.