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.

IN THE SENATE OF THE UNITED STATES

Mr. Toomey introduced the following bill; which was read twice and referred to the Committee on __________________

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.

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

SECTION 1. LONG-TERM CARE CONTRACTS PURCHASED WITH RETIREMENT PLAN DISTRIBUTIONS.

(a) In General.—Section 402 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(m) Distributions With Respect to Long-Term Care Insurance.—
“(1) IN GENERAL.—Gross income of an individual for the taxable year does not include any distribution from an eligible retirement plan to the extent that the aggregate amount of such distributions does not exceed the amount paid by such individual during the taxable year for a qualified long-term care insurance contract (as defined in section 7702B(b)) covering qualified long-term care services (as defined in section 7702B(e)) for the individual, the individual’s spouse, or a dependent (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of the individual.

“(2) LIMITATION.—

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

“(B) ADJUSTMENT FOR INFLATION.—

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

“(I) such dollar amount, multiplied by
“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2019’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(ii) Rounding.—If any increase determined under clause (i) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10.

“(3) Eligible Retirement Plan.—For purposes of this subsection, the term ‘eligible retirement plan’ means any plan which—

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

“(B) is a defined contribution plan described in clause (iii) of subsection (c)(8)(B).

“(4) Distributions Must Otherwise Be Includible.—Rules similar to the rules of subsection (l)(3) shall apply for purposes of this subsection.

“(5) Separately Stated Portions of a Contract.—For purposes of this subsection, the amount paid during a taxable year for a qualified long-term care insurance contract (as defined in sec-
tion 7702B(c)) includes premiums paid and charges assessed during such taxable year for long-term care insurance coverage which is treated as a separate contract under section 7702B(e)(1), if such separate contract is a qualified long-term care insurance contract (as so defined).

“(6) COORDINATION WITH OTHER DEDUCTIONS.—The amounts excluded from gross income under paragraph (1) shall not be taken into account under section 162(l) or 213.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 401(k)(2)(B)(i) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of subclause (IV), by striking “and” at the end of subclause (V) and inserting “or”, and by adding at the end the following new subclause:

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

(2) Section 403(b)(11) of such Code is amended by striking “or” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, or”, and by inserting after subparagraph (C) the following new subparagraph:

“(D) for distributions to which section 402(m) applies.”.
(3) Section 457(d)(1)(A) of such Code is amended by striking “or” at the end of clause (ii), by striking the comma at the end of clause (iii) and inserting “, or”, and by adding at the end the following new clause:

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

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