

Internal Revenue Code Section 219(b)(5)(A)

Retirement savings.

(a) Allowance of deduction. In the case of an individual, there shall be allowed as a deduction an amount equal to the qualified retirement contributions of the individual for the taxable year.

(b) Maximum amount of deduction.

(1) In general. The amount allowable as a deduction under subsection (a) to any individual for any taxable year shall not exceed the lesser of—

(A) the deductible amount, or

(B) an amount equal to the compensation includible in the individual's gross income for such taxable year.

(2) Special rule for employer contributions under simplified employee pensions. This section shall not apply with respect to an employer contribution to a simplified employee pension.

(3) Plans under section 501(c)(18). Notwithstanding paragraph (1), the amount allowable as a deduction under subsection (a) with respect to any contributions on behalf of an employee to a plan described in section 501(c)(18) shall not exceed the lesser of—


(A) \$7,000, or

(B) an amount equal to 25 percent of the compensation (as defined in section 415(c)(3)) includible in the individual's gross income for such taxable year.

(4) Special rule for simple retirement accounts. This section shall not apply with respect to any amount contributed to a simple retirement account established under section 408(p).

(5) Deductible amount. For purposes of paragraph (1)(A)—

(A) In general. The deductible amount shall be determined in accordance with the following table:



For taxable years beginning in:	The deductible amount is:
2002 through 2004	\$3,000
2005 through 2007	\$4,000
2008 and thereafter	\$5,000

(B) Catch-up contributions for individuals 50 or older.

- (i) In general. In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for such taxable year shall be increased by the applicable amount.
- (ii) Applicable amount. For purposes of clause (i), the applicable amount shall be the amount determined in accordance with the following table:

For taxable years beginning in:	The applicable amount is:
2002 through 2005	\$500
2006 and thereafter	\$1,000

(C) Catchup contributions for certain individuals.

- (i) In general. In the case of an applicable individual who elects to make a qualified retirement contribution in addition to the deductible amount determined under subparagraph (A)—
 - (I) the deductible amount for any taxable year shall be increased by an amount equal to 3 times the applicable amount determined under subparagraph (B) for such taxable year, and
 - (II) subparagraph (B) shall not apply.
- (ii) Applicable individual. For purposes of this subparagraph, the term "applicable individual" means, with respect to any taxable year, any individual who was a qualified participant in a qualified cash or deferred arrangement (as defined in section 401(k)) of an employer described in clause (iii) under which the employer matched at least 50 percent of the employee's contributions to such arrangement with stock of such employer.
- (iii) Employer described. An employer is described in this clause if, in any taxable year preceding the taxable year described in clause (ii)—
 - (I) such employer (or any controlling corporation of such employer) was a debtor in a case under title 11 of the United States Code, or similar Federal or State law, and
 - (II) such employer (or any other person) was subject to an indictment or conviction resulting from business transactions related to such case.
- (iv) Qualified participant. For purposes of clause (ii), the term "qualified participant" means any applicable individual who was a participant in the cash or deferred arrangement described in such clause on the date that is 6 months before the filing of the case described in clause (iii).
- (v) Termination. This subparagraph shall not apply to taxable years beginning after December 31, 2009.

(D) Cost-of-living adjustment.

(i) In general. In the case of any taxable year beginning in a calendar year after 2008, the \$5,000 amount under 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 2007" for "calendar year 1992" in subparagraph (B) thereof.

(ii) Rounding rules. If any amount after adjustment under clause (i) is not a multiple of \$500, such amount shall be rounded to the next lower multiple of \$500.

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