

85TH CONGRESS
2D SESSION

H. R. 12909

IN THE HOUSE OF REPRESENTATIVES

JUNE 12, 1958

Mr. FOGARTY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To encourage the establishment of voluntary pension plans by self-employed individuals.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That this Act may be cited as the "Self-Employed Indi-
4 viduals' Retirement Act of 1957".

5 **SEC. 2. DEDUCTION OF AMOUNTS PAID AS RETIREMENT**
6 **DEPOSITS.**

7 (a) Part I of subchapter B of chapter 1 of the Internal
8 Revenue Code of 1954 (relating to the definition of gross
9 income, adjusted gross income, and taxable income) is here-
10 by amended by adding to section 62 the following new
11 paragraph:

1 “(7) DEDUCTION OF AMOUNTS PAID AS RETIRE-
2 MENT DEPOSITS.—The deduction allowed by section
3 217.”

4 (b) Part VII of subchapter B of chapter 1 of the
5 Internal Revenue Code of 1954 (relating to additional
6 itemized deductions for individuals) is hereby amended by
7 redesignating section 217 as section 218 and by inserting
8 after section 216 the following new section:

9 **“SEC. 217. AMOUNTS PAID AS RETIREMENT DEPOSITS.**

10 “(a) GENERAL RULE.—In the case of a self-employed
11 individual, there shall be allowed as a deduction the amount
12 paid by him within the taxable year as a retirement deposit,
13 but not in excess of the amount computed under the pro-
14 visions of subsections (b), (c) and (d) of this section.
15 Amounts paid by a self-employed individual as a retirement
16 deposit within four and one-half months after the close of a
17 taxable year may, at the election of the taxpayer (made
18 under regulations prescribed by the Secretary or his dele-
19 gate), be treated as having been paid on the last day of
20 the taxable year.

21 “(b) LIMITATIONS.—Except as provided in subsec-
22 tions (c) and (d), the total amount deductible under sub-
23 section (a) by any self-employed individual for any taxable
24 year shall not exceed \$5,000 or 10 percent of his net earn-
25 ings from self-employment (as defined in subsection (i)),

1 whichever is the lesser. The aggregate amounts deductible
2 under subsection (a) for all taxable years during a self-
3 employed individual's lifetime shall not exceed an amount
4 equal to twenty times the maximum annual deduction allow-
5 able if the foregoing limitation expressed in terms of dollars
6 were the only annual limitation.

7 “(c) SPECIAL RULE.—In the case of any self-employed
8 individual who reached his fiftieth birthday before January
9 1, 1957, the annual limit on the amount deductible by him
10 under subsection (a) shall be increased over that provided
11 in the first sentence of subsection (b) by one-tenth for each
12 full year of his age in excess of fifty and not in excess of
13 seventy, determined as of January 1, 1957. The increased
14 deduction under this subsection shall not apply to taxable
15 years of a self-employed individual after the taxable year in
16 which he reaches age seventy.

17 “(d) UNUSED DEDUCTION ADJUSTMENT.—

18 “(1) ALLOWANCE.—The limit on the amount
19 annually deductible under subsection (a) as determined
20 under subsections (b) or (c), as the case may be, shall
21 be increased in the case of a self-employed individual
22 having an unused deduction by an amount equal to the
23 excess, if any, of \$5,000 over the amount deductible
24 under subsection (a) without reference to this subsection,

25 in this chapter the term ‘retirement deposit’ means a payment

1 but not in excess of the taxpayer's unused deduction
2 adjustment.

3 “(2) COMPUTATION.—The unused deduction
4 adjustments for any taxable year shall be the aggregate
5 of the unused deduction carryovers.

6 “(3) DEFINITION OF UNUSED DEDUCTION.—For
7 purposes of this subsection, the term ‘unused deduction’
8 means the excess, if any, of (A) the amount which,
9 if paid as a retirement deposit, could be deducted under
10 subsection (a) by a self-employed individual during the
11 taxable year, over (B) the amount so paid or treated
12 as having been paid during such year.

13 “(4) AMOUNT OF CARRYOVER.—If for any taxable
14 year beginning after December 31, 1956, a self-employed
15 individual has an unused deduction, such unused deduc-
16 tion shall be an unused deduction carryover for each of
17 the succeeding five taxable years. The entire amount
18 of the unused deduction carryover for any taxable year
19 shall be carried to the first succeeding taxable year.
20 There shall be carried to each of the other four succeed-
21 ing taxable years only so much of such unused deduction
22 carryover as was not availed of as a deduction in one
23 or more of the prior taxable years to which such unused
24 deduction carryover may be carried.

1 “(e) DEFINITION OF SELF-EMPLOYED INDIVIDUAL.—
2 The term ‘self-employed individual’ as used in this section
3 and in section 78, 79, 405, 6047, and 6048 means any indi-
4 vidual who is subject to tax for the taxable year under section
5 1401 (imposing a tax on self-employment income), or who
6 would be subject to such tax for the taxable year but for
7 paragraph (4) (relating to ministers of a church and mem-
8 bers of a religious order) or paragraph (5) (relating to
9 physicians, etc.) of section 1402 (c). Notwithstanding the
10 foregoing, such term shall not include an individual otherwise
11 meeting the definition of a self-employed individual who dur-
12 ing the taxable year receives a payment under, or in respect
13 of whom during the taxable year a contribution is made or
14 treated as having been made under, or who during the tax-
15 able year or any prior taxable year received a distribution of
16 his interest in, (A) a pension, profit sharing or stock bonus
17 plan of an employer qualifying under section 401 (a), or
18 under section 165 (a) of the Internal Revenue Code of
19 1939, or (B) a pension plan set up by the United States or
20 any agency or territory thereof, the District of Columbia, any
21 State or political subdivision or instrumentality thereof, or
22 any organization described in subsection (c) (3) of section
23 501.

24 “(f) DEFINITION OF RETIREMENT DEPOSIT.—As used
25 in this chapter the term ‘retirement deposit’ means a payment

1 in money to a restricted retirement fund described in section
 2 405 (a), or to a life insurance company (as defined in sec-
 3 tion 801) as premiums under a restricted retirement policy.
 4 In the case of retirement deposits paid as premiums under a
 5 restricted retirement policy, if the policy provides for life
 6 insurance protection, that portion of such premiums which
 7 (under regulations prescribed by the Secretary or his dele-
 8 gate) is properly allocable to the cost of such life insurance
 9 protection shall not be deductible under this section.

10 “(g) DEFINITION OF RESTRICTED RETIREMENT
 11 FUND.—For definition of ‘restricted retirement fund,’ see
 12 section 405 (a).

13 “(h) DEFINITION OF RESTRICTED RETIREMENT POL-
 14 ICY.—For purposes of this chapter, the term ‘restricted retire-
 15 ment policy’ means an annuity, endowment, or life insurance
 16 contract, or combination thereof, other than a term insurance
 17 contract, issued by a life insurance company on the life of an
 18 individual who during the taxable year is a self-employed
 19 individual—

20 “(1) in which such self-employed individual has
 21 complete ownership and with respect to which such
 22 self-employed individual, in such form and manner as
 23 may be prescribed by the Secretary or his delegate, has
 24 notified the insurance company of his intention to de-
 25 duct premiums from gross income pursuant to and sub-

1 subject to the limitations of section 217 and has had an
2 endorsement to that effect entered thereon as provided
3 in section 6047, and

4 “(2) which provides that it shall be nonassignable
5 except as to the right of the insured (A) to designate
6 one or more beneficiaries to receive the proceeds in the
7 event of his death or (B) to designate a joint, sur-
8 vivor, or joint and survivor annuitant effective upon
9 his reaching age sixty-five.

10 “(i) DEFINITION OF NET EARNINGS FROM SELF-
11 EMPLOYMENT.—For purposes of this section the term ‘net
12 earnings from self-employment’ means the net earnings
13 from self-employment as defined in section 1402 (a), but
14 determined without regard to paragraphs (4) and (5) of
15 section 1402 (c).

16 “(j) CROSS REFERENCES.—For amounts includible in
17 taxable income with respect to retirement deposits see sec-
18 tions 78 and 79.”

19 (c) The table of sections for part VII of subchapter B
20 of chapter 1 of the Internal Revenue Code of 1954 is hereby
21 amended by striking out “Sec. 217. Cross references.” and
22 by inserting in lieu thereof the following:

23 “Sec. 217. Amounts paid as retirement deposits.

24 “Sec. 218. Cross references.”

1 **SEC. 3. RETURNS OF LIFE INSURANCE COMPANIES AND**
2 **BANKS WITH RESPECT TO RESTRICTED RETIRE-**
3 **MENT POLICIES AND FUNDS.**

4 (a) Part III of subchapter A of chapter 61 of subtitle
5 F of the Internal Revenue Code of 1954 (relating to in-
6 formation returns) is hereby amended by adding at the
7 end thereof the following new sections:

8 **"SEC. 6047. RETURNS OF LIFE INSURANCE COMPANIES**
9 **WITH RESPECT TO RESTRICTED RETIRE-**
10 **MENT POLICIES.**

11 "(a) **INITIAL RETURNS.**—Every life insurance com-
12 pany, upon receiving notification from a self-employed in-
13 dividual of his intention, with respect to any contract is-
14 sued by said company, to deduct premiums paid as retire-
15 ment deposits pursuant to section 217, shall within 60 days
16 thereafter endorse on said contract the words 'Restricted Re-
17 tirement Policy Pursuant to Section 217 of the Internal
18 Revenue Code' and shall make a return in accordance with
19 regulations prescribed by the Secretary or his delegate.

20 "(b) **FURTHER RETURN.**—Thereafter, in the event
21 that—

22 "(1) such a contract is surrendered for its cash
23 value or assigned, or

24 "(2) a non-forfeiture option under such a con-

1 tract (other than reduced paid-up insurance) becomes
 2 operative, or

3 “(3) any part of the cash value of such a con-
 4 tract is borrowed or advanced (other than borrowing
 5 or advance solely to pay a premium thereon, in an
 6 amount not in excess of one annual premium which
 7 is repaid in full within 12 months following the due
 8 date of such premium)

9 such company shall make a return in accordance with
 10 regulations prescribed by the Secretary or his delegate.

11 “(c) EXCEPTION.—The return provided for under sub-
 12 section (b) shall not be required in the case of exercise by
 13 a self-employed individual of any cash, loan or non-forfeiture
 14 value to the extent it had accrued on such contract prior to
 15 the time it became a restricted retirement policy as defined
 16 in section 217 (h).

17 **“SEC. 6048. RETURNS OF BANKS WITH RESPECT TO RE-**
 18 **STRICTED RETIREMENT FUNDS.**

19 “Every bank which becomes a trustee or custodian of a
 20 restricted retirement fund created pursuant to section 217
 21 shall file such returns, in such form and at such times, as
 22 may be prescribed under regulations promulgated by the
 23 Secretary or his delegate.”

24 (b) The table of sections for subpart B of part III of

1 subchapter A of chapter 61 of the Internal Revenue Code of
 2 1954 is hereby amended by adding at the end thereof the
 3 following:

“Sec. 6047. Returns by life insurance companies with respect
 to restricted retirement policies.

“Sec. 6048. Returns by banks with respect to restricted
 retirement funds.”

4 **SEC. 4. RESTRICTED RETIREMENT FUNDS.**

5 (a) Part I of subchapter D of chapter 1 of the Internal
 6 Revenue Code of 1954 (relating to pension, profit-sharing,
 7 stock bonus plans, etc.) is hereby amended by adding at the
 8 end thereof the following new section:

9 **“SEC. 405. RESTRICTED RETIREMENT FUNDS.**

10 “(a) For purposes of this chapter, the term ‘restricted
 11 retirement fund’ means a trust or custodian account estab-
 12 lished under a retirement plan for self-employed individuals.
 13 For the purposes of this section, the term ‘retirement plan’
 14 means either a trust instrument creating a trust or a written
 15 agreement creating a custodian account for the exclusive
 16 benefit of the participating self-employed individual or indi-
 17 viduals who are members of the plan for the purpose of
 18 investing and reinvesting, and of distributing to the respective
 19 members prior to the date they have reached age 72, or to
 20 their beneficiaries (which term, whenever used in this sec-
 21 tion, includes the estate of the individual), the corpus, profits,

1 and earnings of the trust or the assets of the custodian
2 account, if under the plan—

3 “(1) The interest of a member is nonassignable,
4 except that he may have the right—

5 “(A) to designate one or more beneficiaries to
6 succeed to any interest in the trust or custodian
7 account to which he may be entitled at his death;

8 “(B) in the case of a trust if the plan so pro-
9 vides, to direct the trustee to transfer his interest to
10 a custodian account or to another trust to be desig-
11 nated by him which is established pursuant to a
12 retirement plan for self-employed individuals; and

13 “(C) in the case of a custodian account if the
14 plan so provides, to direct the custodian to transfer
15 his interest to a trust or to another custodian account
16 to be designated by him which is established pur-
17 suant to a retirement plan for self-employed
18 individuals.

19 “(2) The trustee or custodian is a bank (as defined
20 in section 581).

21 “(3) In the case of a trust or custodian account—

22 “(A) the trustee or custodian is authorized and
23 directed under the trust instrument or agreement

1 creating the custodian account to invest and re-
2 invest the assets of the trust or account only in
3 stock or securities listed on a recognized exchange
4 (other than stock or securities in a corporation in
5 which a member of the plan owns (including own-
6 ership attributed under section 318 (a) (1))
7 more than 10 percent of the voting stock), bonds
8 or other evidence of indebtedness issued by the
9 United States, any State, Territory, or the District
10 of Columbia or instrumentalities of any of the
11 foregoing, and stock in a regulated investment
12 company meeting the requirements of section 851;

13 “(B) is prevented under the trust instrument
14 or agreement creating the custodian account from
15 applying amounts paid into the fund as premiums
16 on a restricted retirement policy containing insur-
17 ance protection unless the insured pays so much of
18 said premiums as is attributable to such insurance
19 protection; and

20 “(C) is directed under the trust instrument
21 or agreement creating the custodian account not to
22 exercise any right to extended paid-up term insur-
23 ance.

24 “(b) For the purposes of this chapter and of subtitle F

1 (relating to procedures and information) a custodian account
2 meeting the requirements of this section shall be treated as
3 if it were an organization separate and apart from the mem-
4 ber or members participating in the retirement plan under
5 which it is established, and the income of the fund held
6 in such custodian account shall be treated in accordance
7 with the provisions of section 501 and shall not be included
8 in the income of such member or members or their bene-
9 ficiaries except to the extent and in the manner provided
10 in sections 78 and 79.

11 “(c) The trustee or custodian shall be empowered to
12 return any amount paid to the fund by a member in excess
13 of the amount deductible under subsections (b), (c), and
14 (d) of section 217 on satisfactory proof that it is in excess
15 of such deductible amount.”

16 (b) Subsection (a) of section 501 of the Internal
17 Revenue Code of 1954 (relating to exemption from tax of
18 certain organizations) is hereby amended to read as follows:

19 “(a) EXEMPTION FROM TAXATION.—An organization
20 described in subsection (c) or (d) or in section 401 (a)
21 or section 405 (a), shall be exempt from taxation under
22 this subtitle unless such exemption is denied under section
23 502 or 503.”

24 (c) The provisions of section 503 shall be applicable

1 to a restricted retirement fund in the same manner that
2 they are applicable in the case of a trust described in sec-
3 tion 401 (a).

4 (d) Subsection (a) (2) of section 511 of the Internal
5 Revenue Code of 1954 (imposing a tax on the unrelated
6 business income of certain organizations) is hereby amended
7 to read as follows:

8 “(2) ORGANIZATIONS SUBJECT TO TAX.—

9 “(A) ORGANIZATIONS DESCRIBED IN SECTION
10 501 (C) (2), (3), (5), AND (6) AND SECTIONS 401 (A)

11 AND 405 (A).—The taxes imposed by paragraph

12 (1) shall apply in the case of any organization

13 (other than a church, convention, or association of
14 churches, or a trust described in subsection (b))

15 which is exempt, except as provided in this part,

16 from taxation under this subtitle by reason of section

17 401 (a), section 405 (a), or of paragraph (3),

18 (5), or (6) of section 501 (c). Such taxes shall

19 also apply in the case of a corporation described

20 in section 501 (c) (2) if the income is payable to

21 an organization which itself is subject to the taxes

22 imposed by paragraph (1) or to a church or to a

23 convention or association of churches.”

24 (e) The table of sections for part I of subchapter D

1 of chapter 1 of the Internal Revenue Code of 1954 is here-
2 by amended by adding at the end thereof the following:

“Section 405. Restricted retirement funds.”

3 **SEC. 5. DISTRIBUTIONS FROM RESTRICTED RETIREMENT**
4 **FUNDS AND UNDER RESTRICTED RETIREMENT**
5 **POLICIES.**

6 (a) Part II of subchapter B of chapter 1 of subtitle A
7 of the Internal Revenue Code of 1954 (relating to items
8 specifically included in gross income) is hereby amended
9 by adding at the end thereof the following two new sec-
10 tions:

11 **“SEC. 78. DISTRIBUTIONS FROM A RESTRICTED RETIRE-**
12 **MENT FUND.**

13 “(a) **INCLUSION IN GROSS INCOME.**—Amounts of
14 money and the fair market value of property distributed to
15 a self-employed individual or his beneficiary or beneficiaries
16 from a restricted retirement fund (as defined in section 405
17 (a)) shall be includible in the recipient’s gross income for
18 the taxable year in which received. Notwithstanding the
19 provisions of section 63 (relating to the definition of taxable
20 income), the taxable income of the recipient for such year
21 (and for any year included in the computation under sub-
22 section (b) of this section) for the purposes of sections 1
23 and 3 shall be deemed to be not less than (i) the amount

1 so distributed to him plus (ii) any amount includible in
2 his gross income for the taxable year under section 79 (a),
3 minus the amount of any deductions allowed by section 151
4 (relating to deductions for personal exemptions).

5 “(b) **MINIMUM AND MAXIMUM TAX ON CERTAIN**
6 **DISTRIBUTIONS.**—In the case of distributions made to a
7 self-employed individual prior to his reaching age 65, the
8 tax attributable to the amount included in gross income un-
9 der subsection (a) shall be 110 percent of the aggregate
10 amount of the taxes which would have been payable had
11 such amount been included in such self-employed individ-
12 ual’s gross income ratably over the taxable year, and the
13 four taxable years immediately preceding (or such lesser
14 number of immediately preceding taxable years in which
15 retirement deposits were made or treated as having been
16 made by him under section 217).

17 “(c) **LUMP SUM DISTRIBUTIONS, ETC.**—If within one
18 taxable year the entire interest of a self-employed individual
19 in all restricted retirement funds in which he is a participant—

20 “(1) is distributed to him after he has reached age
21 65 and after having been accumulated during at least five
22 taxable years (whether or not consecutive), there hav-
23 ing been no prior distributions to him, or

24 “(2) is distributed to his estate or other beneficiary
25 or beneficiaries after his death,

1 the tax attributable thereto in the year of distribution shall
2 not be greater than five times the increase in tax resulting
3 from the inclusion in the gross income of the distributee of
4 20 per centum of such distribution.

5 “(d) ANNUITY, ENDOWMENT OR LIFE INSURANCE
6 CONTRACTS.—Annuity, endowment or life insurance con-
7 tracts distributed to a self-employed individual or his bene-
8 ficiary shall not be taxed under this section but shall be taxed
9 as provided in section 79.”

10 **“SEC. 79. DISTRIBUTIONS UNDER A RESTRICTED RETIRE-**
11 **MENT POLICY.**

12 “(a) TAXABILITY OF INDIVIDUAL OR BENEFICIARY.—
13 Amounts paid to a self-employed individual or his bene-
14 ficiary or beneficiaries under a restricted retirement policy
15 (other than on account of the death of the insured) shall
16 be taxable under section 72 (relating to annuities) in the
17 year in which so paid, except that section 72 (e) (3) shall
18 not apply. Notwithstanding the provisions of section 63
19 (relating to the definition of taxable income), the taxable
20 income of the recipient for such year (and for any year
21 included in the computation under subsection (d) of this
22 section) for the purposes of sections 1 and 3 shall be deemed
23 to be not less than (i) the amount so paid to him plus (ii)
24 any amount includible in his gross income for the taxable
25 year under section 78 (a), minus the amount of any deduc-

1 tions allowed by section 151 (relating to deductions for
2 personal exemptions). In computing, for the purposes of
3 section 72 (c) (1) (A), the aggregate amount of premiums
4 or other consideration paid for the policy, and for the pur-
5 poses of section 72 (e) (1), the aggregate premiums or
6 other consideration paid, only such amounts as were not
7 deductible under section 217 shall be included.

8 “(b) AMOUNTS PAID BY REASON OF THE DEATH OF
9 THE INSURED.—In the case of amounts paid or made
10 available to a beneficiary (which term as used herein shall
11 include the estate of the insured) under a restricted retire-
12 ment policy by reason of the death of the insured, such
13 amounts, less that part thereof which, under regulations
14 prescribed by the Secretary or his delegate, is attributable
15 to premiums paid to a life insurance company under the
16 contract which are not deductible under section 217, shall
17 (notwithstanding any other provision of this chapter) be
18 includible in gross income of the beneficiary in the year
19 in which so paid or made available.

20 “(c) BORROWING, ETC.—If in any taxable year any
21 part of the cash value of the restricted retirement policy is
22 borrowed by or advanced to the insured (other than a bor-
23 rowing or advance solely to pay a premium thereon in an
24 amount not in excess of one annual premium, which borrow-
25 ing or advance is repaid in full within 12 months following

1 the due date of such premium) the amount so borrowed or
2 advanced shall, for the purpose of this section, be deemed to
3 have been paid to the insured in such year. If in any tax-
4 able year a nonforfeiture option (other than to receive
5 reduced paid-up insurance) becomes operative as to any
6 restricted retirement policy an amount equal to the cash
7 surrender value of such policy shall be treated as having
8 been paid to the insured in such year. The provisions of
9 this subsection shall not apply in the case of exercise by the
10 insured of rights with respect to any cash, loan, or non-
11 forfeiture value solely to the extent that it had accrued under
12 any such policy prior to the time it became a restricted
13 retirement policy within the meaning of section 217 (h).

14 “(d) MINIMUM AND MAXIMUM TAX ON CERTAIN
15 DISTRIBUTIONS.—In the case of an amount paid or deemed
16 under subsection (c) to have been paid to a self-employed
17 individual under a restricted retirement policy prior to his
18 reaching age 65, the tax attributable to the amount included
19 in his gross income under this section shall be 110 percent
20 of the aggregate amount of the taxes which would have been
21 payable had the amount so paid or treated as having been
22 paid been included in the insured’s gross income ratably
23 over the taxable year and the four taxable years immediately
24 preceding (or such lesser number of immediately preceding
25 taxable years in which retirement deposits were made or

1 treated as having been made by him under section 217).

2 “(e) LUMP SUM DISTRIBUTIONS, ETC.—If within one
3 taxable year the entire interest of the insured under all re-
4 stricted retirement policies in which he is the insured—

5 “(1) is paid to him after he has reached age 65
6 and after such policy has been in force for at least five
7 years, there having been no prior distributions to him
8 thereunder, or

9 “(2) is paid to his estate or other beneficiary or
10 beneficiaries after his death,

11 the tax attributable thereto in the year so paid shall not be
12 greater than five times the increase in tax resulting from the
13 inclusion in the gross income of the recipient of 20 percent
14 of such payment.”

15 (b) The table of sections for part II of subchapter B
16 of chapter 1 of the Internal Revenue Code of 1954 is hereby
17 amended by adding at the end thereof the following:

“Sec. 78. Distributions from a restricted retirement fund.

“Sec. 79. Distributions under a restricted retirement policy.”

18 **SEC. 6. TREATMENT OF AMOUNTS RECEIVED BY A SUR-**
19 **VIVING SPOUSE OR OTHER BENEFICIARY UNDER**
20 **A RESTRICTED RETIREMENT FUND OR RE-**
21 **STRICTED RETIREMENT POLICY.**

22 Section 691 of the Internal Revenue Code of 1954 (re-
23 lating to recipients of income in respect of decedents) is

1 hereby amended by redesignating subsection (e) as sub-
2 section (f) and by adding after subsection (d) the following
3 new subsection:

4 “(e) DISTRIBUTIONS TO A SURVIVING SPOUSE OR
5 OTHER BENEFICIARY OF A PARTICIPANT IN A RESTRICTED
6 RETIREMENT FUND, ETC.—For purposes of this section,
7 distributions to a beneficiary of a member of a restricted
8 retirement fund (as defined in section 405 (a)), or to a
9 surviving annuitant or distributee under a restricted retire-
10 ment policy (as defined in section 217 (h)), shall be deemed
11 to be an item of gross income in respect of a decedent which
12 is not properly includible in respect of the taxable period in
13 which falls the date of his death or a prior period, within the
14 meaning of this section.”

15 **SEC. 7. TAXABLE YEARS TO WHICH APPLICABLE.**

16 The amendments made by this Act shall apply only with
17 respect to taxable years beginning after December 31, 1956.

1 “(7) DEDUCTION OF AMOUNTS PAID AS RETIRE-
2 MENT DEPOSITS.—The deduction allowed by section
3 217.”

4 (b) Part VII of subchapter B of chapter 1 of the
5 Internal Revenue Code of 1954 (relating to additional
6 itemized deductions for individuals) is hereby amended by
7 re-designating section 217 as section 218 and by inserting
8 after section 218 the following new section:

To encourage the establishment of voluntary
pension plans by self-employed indi-
viduals.

By Mr. FOGARTY

JUNE 12, 1958

Referred to the Committee on Ways and Means

85TH CONGRESS
2D SESSION

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A BILL

21 “(b) Amounts paid as retirement deposits shall be allowed
22 as a deduction in computing taxable income under sub-
23 section (a) by any self-employed individual for any taxable
24 year shall not exceed \$5,000 or 10 percent of the net earn-
25 ings from self-employment (as defined in subsection (1)).