

**SEC. 801. INCREASE IN DEDUCTION LIMIT FOR  
SINGLE-EMPLOYER PLANS.**

(a) IN GENERAL.—Section 404 of the Internal Revenue Code of 1986 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended—

(1) in subsection (a)(1)(A), by inserting “in the case of a defined benefit plan other than a multiemployer plan, in an amount determined under subsection (o), and in the case of any other plan” after “section 501(a),”, and

(2) by inserting at the end the following new subsection:

“(o) DEDUCTION LIMIT FOR SINGLE-EMPLOYER PLANS.—For purposes of subsection (a)(1)(A)—

“(1) IN GENERAL.—In the case of a defined benefit plan to which subsection (a)(1)(A) applies (other than a multiemployer plan), the amount determined under this subsection for any taxable year shall be equal to the greater of—

“(A) the sum of the amounts determined under paragraph (2) with respect to each plan year ending with or within the taxable year, or

“(B) the sum of the minimum required contributions under section 430 for such plan years.

“(2) DETERMINATION OF AMOUNT.—

“(A) IN GENERAL.—The amount determined under this paragraph for any plan year shall be equal to the excess (if any) of—

“(i) the sum of—

“(I) the funding target for the plan year,

“(II) the target normal cost for the plan year, and

“(III) the cushion amount for the plan year, over

“(ii) the value (determined under section 430(g)(2)) of the assets of the plan which are held by the plan as of the valuation date for the plan year.

“(B) SPECIAL RULE FOR CERTAIN EMPLOYERS.—If section 430(i) does not apply to a plan for a plan year, the amount determined under subparagraph (A)(i) for the plan year shall in no event be less than the sum of—

“(i) the funding target for the plan year (determined as if section 430(i) applied to the plan), plus

“(ii) the target normal cost for the plan year (as so determined).

“(3) CUSHION AMOUNT.—For purposes of paragraph (2)(A)(i)(III)—

“(A) IN GENERAL.—The cushion amount for any plan year is the sum of—

“(i) 50 percent of the funding target for the plan year, and

“(ii) the amount by which the funding target for the plan year would increase if the plan were to take into account—

“(I) increases in compensation which are expected to occur in succeeding plan years, or

“(II) if the plan does not base benefits for service to date on compensation, increases in benefits which are expected to occur in succeeding plan years (determined on the basis of the average annual increase in benefits over the 6 immediately preceding plan years).

“(B) LIMITATIONS.—

“(i) IN GENERAL.—In making the computation under subparagraph (A)(ii), the plan’s actuary shall assume that the limitations under subsection (l) and section 415(b) shall apply.

“(ii) EXPECTED INCREASES.—In the case of a plan year during which a plan is covered under section 4021 of the Employee Retirement Income Security Act of 1974, the plan’s actuary may, notwithstanding subsection (l), take into account increases in the limitations which are expected to occur in succeeding plan years.

“(4) SPECIAL RULES FOR PLANS WITH 100 OR FEWER PARTICIPANTS.—

“(A) IN GENERAL.—For purposes of determining the amount under paragraph (3) for any plan year, in the case of a plan which has 100 or fewer participants for the plan year, the liability of the plan attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years shall not be taken into account in determining the target liability.

“(B) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining the number of plan participants, all defined benefit plans maintained by the same employer (or any member of such employer’s controlled group (within the meaning of section 412(f)(4))) shall be treated as one plan, but only participants of such member or employer shall be taken into account.

“(5) SPECIAL RULE FOR TERMINATING PLANS.—In the case of a plan which, subject to section 4041 of the Employee Retirement Income Security Act of 1974, terminates during the plan year, the amount determined under paragraph (2) shall in no event be less than the amount required to make the plan sufficient for benefit liabilities (within the meaning of section 4041(d) of such Act).

“(6) ACTUARIAL ASSUMPTIONS.—Any computation under this subsection for any plan year shall use the same actuarial assumptions which are used for the plan year under section 430.

“(7) DEFINITIONS.—Any term used in this subsection which is also used in section 430 shall have the same meaning given such term by section 430.”.

(b) EXCEPTION FROM LIMITATION ON DEDUCTION WHERE COMBINATION OF DEFINED CONTRIBUTION AND DEFINED BENEFIT PLANS.—Section 404(a)(7)(C) of such Code, as amended by this Act, is amended by adding at the end the following new clause:

“(iv) GUARANTEED PLANS.—In applying this paragraph, any single-employer plan covered under section 4021 of the Employee Retirement Income Security Act of 1974 shall not be taken into account.”.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The last sentence of section 404(a)(1)(A) of such Code is amended by striking “section 412” each place it appears and inserting “section 431”.

(2) Section 404(a)(1)(B) of such Code is amended—

(A) by striking “In the case of a plan” and inserting “In the case of a multiemployer plan”,

(B) by striking “section 412(c)(7)” each place it appears and inserting “section 431(c)(6)”,

(C) by striking “section 412(c)(7)(B)” and inserting “section 431(c)(6)(A)(ii)”,

(D) by striking “section 412(c)(7)(A)” and inserting “section 431(c)(6)(A)(i)”, and

(E) by striking “section 412” and inserting “section 431”.

(3) Section 404(a)(7) of such Code, as amended by this Act, is amended—

(A) by adding at the end of subparagraph (A) the following new sentence: “In the case of a defined benefit plan which is a single employer plan, the amount necessary to satisfy the minimum funding standard provided by section 412 shall not be less than the plan’s funding shortfall determined under section 430.”, and  
(B) by striking subparagraph (D) and inserting:

“(D) INSURANCE CONTRACT PLANS.—For purposes of this paragraph, a plan described in section 412(e)(3) shall be treated as a defined benefit plan.”.

(4) Section 404A(g)(3)(A) of such Code is amended by striking “paragraphs (3) and (7) of section 412(c)” and inserting “paragraphs (3) and (6) of section 431(c)”.

(d) SPECIAL RULE FOR 2006 AND 2007.—

(1) IN GENERAL.—Clause (i) of section 404(a)(1)(D) of the Internal Revenue Code of 1986 (relating to special rule in case of certain plans) is amended by striking “section 412(l)” and inserting “section 412(l)(8)(A), except that section 412(l)(8)(A) shall be applied for purposes of this clause by substituting ‘150 percent (140 percent in the case of a multiemployer plan) of current liability’ for ‘the current liability’ in clause (i).”

(2) CONFORMING AMENDMENT.—Section 404(a)(1) of the Internal Revenue Code of 1986 is amended by striking subparagraph (F).

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to years beginning after December 31, 2007.

(2) SPECIAL RULES.—The amendments made by subsection (d) shall apply to years beginning after December 31, 2005.