

SEC. 803. UPDATING DEDUCTION RULES FOR COMBINATION OF PLANS.

(a) **IN GENERAL.**—Subparagraph (C) of section 404(a)(7) of the Internal Revenue Code of 1986 (relating to limitation on deductions where combination of defined contribution plan and defined benefit plan) is amended by adding after clause (ii) the following new clause:

“(iii) **LIMITATION.**—In the case of employer contributions to 1 or more defined contribution plans, this paragraph shall only apply to the extent that such contributions exceed 6 percent of the compensation otherwise paid or accrued during the taxable year to the beneficiaries under such plans. For purposes of this clause, amounts carried over from preceding taxable years under subparagraph (B) shall be treated as employer contributions to 1 or more defined contributions to the extent attributable to employer contributions to such plans in such preceding taxable years.”.

(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:

“(v) **MULTIEMPLOYER PLANS.**—In applying this paragraph, any multiemployer plan shall not be taken into account.”.

(c) **CONFORMING AMENDMENT.**—Subparagraph (A) of section 4972(c)(6) of such Code (relating to nondeductible contributions) is amended to read as follows:

“(A) so much of the contributions to 1 or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the amount of contributions described in section 401(m)(4)(A), or”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to contributions for taxable years beginning after December 31, 2005.