DESCRIPTION OF S. 1426

(SMALL BUSINESS RETIREMENT AND BENEFIT EXTENSION ACT)

Scheduled for a Hearing

Before the

SUBCOMMITTEE ON PRIVATE RETIREMENT PLANS
AND OVERSIGHT OF THE INTERNAL REVENUE SERVICE

of the

SENATE COMMITTEE ON FINANCE

on October 23, 1987

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a description of S. 1426, the Small Business Retirement and Benefit Extension Act (introduction by Senator Pryor). The bill is scheduled for a public hearing on October 23, 1987, before the Senate Finance Subcommitte on Retirement Plans and Oversight of the Internal Revenue Service.

The first part of the document is a summary of the bill. The second part is a description of the provisions of S. 1426 and present law, relating to (a) top heavy plans, (b) tax credit for administrative costs of maintaining a qualified plan, (c) modifications of certain provisions of the Tax Reform Act of 1986, (d) simplification of reporting requirements for small plans, and (e) treatment of certain meals as de minimis fringe benefits.

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[1] This document may be cited as follows: Joint Committee on Taxation, Description of S. 1426 (Small Business Retirement and Benefit Extension Act) (JCX-18-87), October 22, 1987.

I. SUMMARY OF THE BILL

Top heavy plans

The bill would repeal the special rules for top heavy plans for any plan year beginning after December 31, 1987.

Tax credit for plan administrative costs

The bill would provide an income tax credit to eligible employers. The credit would be determined by reference to the administrative cost of maintaining a qualified pension, profit-sharing, or stock bonus plan that meets specified vesting requirements, or a simplified employee pension (SEP). The full amount of the credit would be provided for an eligible employer with not more than 50 employees. The credit would be reduced for eligible employers with more than 50 employees. The credit would apply for taxable years beginning after December 31, 1987.

Statutory employee benefit plans

The bill would defer the effective date of provisions of the Tax Reform Act of 1986 relating to nondiscriminatory benefits under statutory employee benefit plans. Under the bill, the nondiscrimination rules added by the 1986 Act would generally apply for plan years beginning after the later of (1) December 31, 1990, or (2) the earlier of December 31, 1991, or the date 3 months after the issuance of Treasury regulations. The bill would repeal the applicability of the new nondiscrimination rules to church plans.

Uniform definition of compensation

The bill would defer for one year the effective date of the uniform definition of compensation provided by the Tax Reform Act of 1986.

Tax sheltered annuity programs

The bill would permit exclusions from gross income under a tax sheltered annuity program for any employee of an employer that is exempt from income tax under the Code. In addition, the bill would eliminate restrictions imposed by the Tax Reform Act of 1986 on distributions of amounts attributable to contributions made under salary reduction agreements. The bill would also provide an inflation adjustment for the generally applicable $9,500 annual limit on salary reduction deferrals.

The bill would defer the effective date of the nondiscrimination requirements added by the Tax Reform Act of 1986. Under the bill, the requirements would apply to years beginning after the later of (1) December 31, 1989, or (2) two years after the date on which final regulations implementing the provision of the 1986 Act are issued.

Excise tax on excess distributions

The bill would repeal the excise tax imposed by the Tax Reform Act of 1986 on excess distributions. The bill would also repeal the estate tax imposed by the Act on excess retirement accumulations.

Simplification of reporting requirements

The bill would permit small plans to meet the requirements of ERISA with respect to the distribution of summary annual reports by notifying participants that that a copy of the report is available upon request. The bill would also express the intent of Congress that pension forms for small plans be simplified.

Treatment of certain meals as de minimis fringe benefits

The bill would provide that 50 percent of any qualified employer meal reimbursement furnished to an employee is to be treated as a de minimis fringe benefit. The exclusion would apply if the employer does not operate an eating facility for employees on or near the business premises.

II. DESCRIPTION OF S. 1426
("Small Business Retirement and Benefit Extension Act")

A. Top Heavy Plan Rules
(Sec. 2 of the bill and sec. 416 of the Code)

Present Law

Overview

In general.--Under the Code, additional qualification requirements are provided for plans which primarily benefit an employer's key employees (top heavy plans). These additional requirements (1) provide greater portability of benefits for plan participants who are non-key employees by requiring more rapid vesting, (2) provide minimum nonintegrated contributions or benefits for plan participants who are non-key employees, and (3) reduce the aggregate limit on contributions and benefits for certain key employees.

Top heavy test.--Under the Code, a defined benefit pension plan is a top heavy plan for a plan year if, as of the determination date, the present value of the cumulative accrued benefits for participants who are key employees for the plan year exceeds 60 percent of the present value of the cumulative accrued benefits for all employees under the plan. A defined contribution plan is a top heavy plan for a plan year if, as of the determination date, the sum of the account balances of participants who are key employees for the plan year exceeds 60 percent of the sum of the account balances of all employees under the plan. In addition, a plan is top heavy if it is required to be a part of an aggregation group and that group is top heavy. Under the rules for top heavy plans, a simplified employee pension (SEP) is considered to be a defined contribution plan. The determination date for any plan year is generally the last day of the preceding plan year.

Key employee.--Generally, a key employee is an employee who, at any time during the plan year or any of the 4 preceding plan years is (1) an officer of the employer with annual compensation in excess of an inflation-adjusted amount ($45,000 for 1987), (2) one of the 10 employees having annual compensation from the employer of more than an inflation-adjusted amount ($30,000 for 1987) and owning (or considered as owning) the largest interests in the employer, (3) a 5-percent owner of the employer, or (4) a 1-percent owner of the employer having an annual compensation from the employer of more than $150,000. No more than 50 employees of an employer are considered to be key employees solely because of officer status. Further, if 2 employees have the same interest in the employer, then the employee having the greater annual compensation from the employer is treated as having a larger interest.

Vesting under top heavy plans

For any plan year for which a plan is top heavy, an employee's right to the accrued benefit derived from employer contributions must become nonforfeitable under a vesting schedule that meets the requirements of one of two alternative vesting schedules. The vesting schedule for a top heavy plan applies to all accrued benefits under the plan (including benefits accrued before the top heavy plan rules apply) whether or not the accrued benefits are required by the top heavy plan rules and whether or not they accrued while the plan was top heavy.

A plan meets the first alternative vesting schedule (3-year, full vesting) if a participant who has completed at least 3 years of service with the employer or employers maintaining the plan has a nonforfeitable right to 100 percent of the accrued benefit derived from employer contributions. A plan meets the requirements of the second alternative vesting schedule (6-year, graded vesting) if a participant has a nonforfeitable right to at least 20 percent of the accrued benefit derived from employer contributions at the end of 2 years of service, 40 percent at the end of 3 years of service, 60 percent at the end of 4 years of service, 80 percent at the end of 5 years of service, and 100 percent at the end of 6 years of service with the employer.

Minimum benefits under top heavy plans

In general.--A qualified plan that is top heavy is required to provide a minimum benefit or contribution derived from employer contributions. The minimum benefit or contribution is to be provided for each employee who is a participant in the plan and who was not a key employee with respect to the determination date. Special rules permit plans to avoid duplicating benefits or contributions for employees who are covered under more than one plan of the employer.

Defined benefit plans.--A defined benefit pension plan meets the minimum benefit requirement if, on a cumulative basis, the accrued benefit of each participant who is not a key employee, when expressed as an annual retirement benefit, is not less than 2 percent of the employee's average annual compensation from the employer during the employee's testing period, multiplied by the employee's years of service with the employer. An employee's minimum benefit is not, however, required to exceed 20 percent of the employee's average annual compensation. The minimum benefit may not be reduced under rules permitting integration of plans with benefits under the Social Security Act.

Defined contribution plan.--Under a defined contribution plan, the minimum contribution for a participant is generally 3 percent of the participant's compensation for the year. The minimum contribution is reduced if no employer contributions for key employees do not exceed 3 percent. The minimum contribution may not be reduced under rules permitting integration of plans with benefits under the Social Security Act.

Limitations on benefits and contributions for key employees

In general.--The Code provides additional rules with respect to the overall limits on contributions and benefits for a key employee who participates in a defined benefit pension plan and a defined contribution plan of the same employer. Under the additional rules, unless certain requirements are met, for any year for which the plans are included in a top heavy group of plans, the overall limits are reduced.

Additional minimum benefit or contribution.--The reduced limits do not apply under a plan that is included in a top heavy group if the plans in which the key employee participates (1) meet the requirements of a concentration test, and (2) provide either an extra minimum benefit or an extra minimum contributions. The extra benefit or contribution in non-integrated and is in addition to the minimum benefit or contribution required for all top heavy plans. The concentration test is met for a year if the plan is not more than 90 percent top heavy (the plan is not super top heavy).

Extra minimum benefit.--The extra minimum benefit is the lesser of (1) 1 percent of the employee's average annual compensation, multiplied by the employee's years of service with the employer, or (2) 10 percent of the employee's average annual compensation.

Extra minimum contribution.--The extra minimum contribution is 1 percent of the employee's compensation for the year.

Explanation of Provision

The bill would repeal the special rules for top heavy plans for any plan year beginning after December 31, 1987.

B. Credit for Administrative Costs of Maintaining a Qualified Plan (Sec. 3 of the bill and sec. 38(b) and new sec. 43 of the Code)

Present Law

Under present law, the administrative cost of maintaining a qualified plan is generally allowed as a business expense deduction. Present law does not provide a tax credit for these costs.

Explanation of Provision

In general.--The bill would provide an income tax credit to eligible employers. The credit would be determined by reference to the administrative cost of maintaining a qualified pension plan (a qualified pension, profit-sharing, or stock bonus plan that meets specified vesting requirements, or a simplified employee pension (SEP)). The full amount of the credit would be provided for an eligible employer with not more than 50 employees. The credit would be reduced for eligible employers with more than 50 employees. The credit would apply for taxable years beginning after December 31, 1987.

Eligible employer.--The bill would define an eligible employer as an employer which, during the taxable year, has an average number of employees per applicable period that is not greater than 100. The employer aggregation rules applicable under the rules for qualified plans would apply in determining the eligible status of an employer. Under the bill, the applicable period is the employer's payroll period or such other period (not greater than 3 months) as the employer may elect.

Amount of credit.--For a taxable year, the credit would generally be 14 percent of an amount determined on the basis of the deduction allowed for the year for employer contributions under plans of deferred compensation. The amount on which the credit would be based would be limited to the portion of the deductible amount determined with respect to employees who are not highly compensated employees. Carryforwards to the year would be disregarded. For a defined contribution plan, the credit for a taxable year could not exceed $3,000. For a defined benefit pension plan, the credit for a taxable year would be limited to $4,500. The bill provides special rules for the determination of the portion of the deductible amount for a taxable year that is allocable to employees who are not highly compensated.

Phase-out of credit.--Under the bill, the amount of the credit determined under the general rules would be reduced for eligible employers with more than 50 employees. The amount of the reduction would be the amount that bears the same ratio to the credit otherwise determined as (1) the average number of employees of the employer per applicable period in excess of 50, bears to (2) 50. Accordingly, no credit would be allowed for an employer with 100 or more employees during an applicable period.

Vesting requirements.--Under the bill, the credit would be provided with respect to a qualified pension plan under which the nonforfeitable percentage of accrued benefits derived from employer contributions meets the requirements of a prescribed vesting schedule. Under the schedule, the nonforfeitable percentage would be 25 percent for an employee who has completed 1 year of service. The nonforfeitable percentage would increase by 25 percentage points for each additional year of service so that, after completion of 4 years of service, all of a participant's accrued benefit derived from employer contributions would be nonforfeitable.

C. Modification of Provisions of the Tax Reform Act of 1986

1. Statutory employee benefit plans (sec. 4(a) of the bill and sec. 1151(k)(1) of the Tax Reform Act)

Present Law

In general.--The Code, as amended by the Tax Reform Act of 1986, provides nondiscrimination rules for statutory employee benefit plans (including accident or health plans, group-term life insurance plans). At the election of the employer, the rules also apply to qualified group legal services plans, educational assistance plans, and dependent care assistance programs. The provisions generally apply to plan years beginning after the later of (1) December 31, 1987, or (2) the earlier of December 31, 1988, or the date 3 months after the issuance of Treasury regulations. The provisions apply to a statutory employee benefit plan of a church a for years beginning after December 31, 1988.

Prior law provided separate nondiscrimination tests for health benefit plans, group-term life insurance plans, group legal services plans, educational assistance programs, and dependent care assistance programs. Nondiscrimination rules apply with respect to a fund that forms a part of a welfare benefit plan.

Applicable tests.--Under the nondiscrimination rules of present law, a plan generally is required to meet 3 eligibility tests and a benefits test. The eligibility tests are referred to as the 50-percent test, the 90-percent/50-percent test, and the nondiscriminatory provision test. Alternatively, a plan may meet the requirements by satisfying an 80-percent coverage test and the nondiscriminatory provision test. If specified requirements are met, the nondiscrimination rules may be applied on the basis of lines of business or operating units.

The Secretary of the Treasury is to prescribe rules regarding valuation of benefits. With respect to health coverage, the Secretary is to prescribe a table providing the relative values of various types of health coverage.

Generally, each separate option provided under an employee benefit program is a separate plan for testing purposes. Under the Code, however, aggregation rules allow plans to be tested together based on their relative values.

Consequences of discrimination.--If a plan is discriminatory, then under present law, the value of the discriminatory excess is includible in the gross income of highly compensated employees. If the employer does not report the excess in a timely manner, then the employer may be subject to an employer-level sanction.

Additional requirements.--The 1986 Act amended the Code to provide a benefits test applicable to dependent care assistance programs. In addition, the 1986 Act provided new reporting requirements for employee benefit plans.

Explanation of Provision

The bill would defer the effective date of the provisions of the 1986 Act. Under the bill, the rules would apply to plan years beginning after the later of (1) December 31, 1990, or (2) the earlier of December 31, 1991, or the date 3 months after the issuance of Treasury regulations. The bill would repeal the applicability of the provisions to church plans.

2. Definition of compensation (sec. 4(b) of the bill and sec. 1115(b) of the Tax Reform Act)

Present Law

The Code, as amended by the Tax Reform Act of 1986, provides a definition of the term "compensation". The definition applies uniformly for purposes of employee benefit rules unless another definition is expressly provided. The uniform definition is generally the same as the definition applicable for purposes of the overall limits on contributions and benefits. The uniform definition of compensation applies to years beginning after December 31, 1986.

Under the Code, however, an employer may elect to treat certain salary reduction amounts under a qualified cash or deferred arrangement (a 401(k) plan), a tax sheltered annuity program, a simplified employee pension, or a cafeteria plan as compensation. The election may be made if the treatment of these salary reduction amounts is applied on a consistent basis under rules prescribed by the Secretary of the Treasury.

The Secretary of the Treasury is required to prescribe alternative definitions of compensation for use by employers in applying the coverage and nondiscrimination rules for qualified plans. The alternative definitions are to include the basic or regular compensation of employees (that is, bonuses and overtime pay are to be disregarded). An employer may use an alternative definition only if that use does not result in discrimination in favor of highly compensated employees, determined in an objective fashion on the basis of the employees' compensation as defined for purposes of the overall limits on contributions.

Explanation of Provision

The bill would defer the effective date of the uniform definition of compensation added by the 1986 Act. Under the bill, the definition would apply to years beginning after December 31, 1988.

3. Tax sheltered annuity programs (sec. 4(c) of the bill, secs. 403(b) and 402 of the Code, and secs. 1120(c) and 1123 of the Tax Reform Act of 1986)

Present Law

In general.--Under present law, an amount contributed by an employer for a taxable year to purchase an annuity contract for an employee is excluded from the employee's gross income (within limits) for that year if the employer, the employee, the contract, and the contributions meet specified requirements. A nondiscrimination standard applies to the plan under which the contribution is made. Amounts held under an employee's tax sheltered annuity contract are generally not includible in the gross income of the employee until those amounts are paid. The Code applies a minimum distribution requirement to tax sheltered annuity contracts.

Employer requirements.--The exclusion does not apply unless the employer (1) is described in the provision of the Code defining organizations that may qualify as tax exempt charities (sec. 501(c)(3)), or (2) the employer is a State, a political subdivision of a State, or an agency or instrumentality thereof.

Employee requirements.--The exclusion is allowed for any employee of a tax-exempt organization that meets the employer requirements. The exclusion applies to an employee of a state, etc., only if the employee performs services for an educational organization.

Contract requirements.--Contributions to purchase a contract meet the requirements for the exclusion only if the contract meets standards relating to nonforfeitability of employee rights and to nondiscrimination. An amount paid by an employer to a custodial account may be treated as an amount contributed by the employer for an annuity contract. The exclusion does not apply to amounts under a qualified annuity plan.

Nondiscrimination requirements.--If a contract is not purchased by a church, then for years beginning after 1988, nondiscrimination standards apply to the plan under which the contract is purchased. Generally, for salary reduction amounts, the nondiscrimination standard requires that all employees be eligible to elect salary reduction. For other amounts, the nondiscrimination standard is generally the same as the nondiscrimination standard applicable to qualified pension plans. The nondiscrimination requirements were added by the Tax Reform Act of 1986.

Contribution requirements.--A contribution meets the requirements for exclusion if it meets requirements relating to the timing and amount of the contribution. The timing requirements are met if the employee's rights under the contract are nonforfeitable when the contribution is made. An employee's excludable contributions are generally limited to (1) 20 percent of the employee's compensation (as reduced by the contribution), multiplied by (2) the number of the employee's years of service with the employer, and reduced by excludable contributions made in prior years.

Overall contribution limit.--Limitations apply with respect to annual additions under tax sheltered annuity programs. The limit on annual additions takes into account amounts contributed to all tax sheltered annuity programs, qualified plans, and simplified employee pensions maintained by the employer. A program does not meet the requirements of the Code if contributions exceed the overall limits.

Salary reduction agreements.--An annual exclusion limit applies with respect to amounts deferred under salary reduction agreements. The exclusion limit encompasses all tax sheltered annuity programs under which an employer contribution has been made, nonqualified plans of deferred compensation maintained by tax exempt or certain governmental employers, as well as cash or deferred arrangements and simplified employee pensions. Generally, the amount deferred under a tax sheltered annuity salary reduction agreement for a taxable year is limited to $9,500. The $9,500 limit is not adjusted for inflation. Special catch-up limits apply with respect to employees who are nearing retirement.

The Code provides restrictions on the time of distribution for benefits attributable to contributions made pursuant to a salary reduction agreement. Those benefits may not be paid earlier than (1) when the employee attains age 59 1/2, separates from service, dies or becomes disabled, or (2) in the case of hardship. No amount of income attributable to a contribution made under a salary reduction agreement may be distributed on account of hardship.

Explanation of Provision

Extension to other tax-exempt organizations.--The bill would permit exclusions from gross income under a tax sheltered annuity program for any employee of an employer that is exempt from income tax under the Internal Code of 1986.

Salary reduction agreements.--The bill would eliminate the special restrictions on distributions of amounts attributable to contributions made under salary reduction agreements. This provision would take effect as if included in the 1986 Act. In addition, the bill would provide an inflation adjustment for the generally applicable $9,500 annual limit on deferrals under a salary reduction agreement.

Nondiscrimination requirements.--The bill would defer the effective date of the nondiscrimination requirements added by the Tax Reform Act of 1986. Under the bill, the requirements would apply to years beginning after the later of (1) December 31, 1989, or (2) two years after the date on which final regulations implementing the provision of the 1986 Act are issued.

4. Treatment of excess distributions (sec. 4(d) of the bill and sec. 1133 of the Tax Reform Act)

Present Law

Excise tax on excess distributions

The Code imposes an excise tax on excess distributions from qualified retirement plans, tax sheltered annuity programs, and individual retirement accounts (IRAs). The tax is equal to 15 percent of excess aggregate annual distributions paid to a participant from one of these arrangements. The excise tax on excess distributions is reduced by the amount of the 10-percent tax on early withdrawals. An additional estate tax applies to excess retirement accumulations. The excise tax on excess distributions applies to distributions made after December 31, 1986.

Under the Code, excess distributions are defined as the aggregate amount of retirement distributions made with respect to any individual during any calendar year, to the extent the aggregate amount exceeds an annual ceiling. The annual ceiling for a year is the greater of (1) $150,000, or (2) $112,500 (as adjusted for inflation).

Special provisions apply with respect to lump sum distributions. Under the special provisions, the threshold amount for determining the excess portion of a distribution is 5 times the otherwise applicable limit (e.g. $750,000 if the $150,000 limit would otherwise apply).

Estate tax treatment

The Code provides special rules for amounts not distributed before the death of a participant. Under the rules for post-death distributions, an additional estate tax is imposed on the estate of the deceased participant. The additional estate tax is measured by the excess retirement accumulation at the time of the participant's death. Under the Code, the excess retirement accumulation is the excess (if any) of the value of the decedent's interests in all qualified retirement plans, annuity plans, tax sheltered annuity programs, and IRAs, over the present value of annual payments equal to the annual ceiling (e.g. $150,000) over a period equal to the life expectancy of the individual immediately before death. Under the Code, amounts accumulated as of August 1, 1986 are not subject to the tax on excess distributions. The additional estate tax applies to the estates of decedents dying after December 31, 1986.

Explanation of Provision

The bill would repeal the excise tax on excess distributions and the estate tax on excess retirement accumulations. Under the bill, the law would be applied and administered as if these taxes had not been enacted.

D. Simplification of Reporting Requirement for Small Plans (Sec. 5 of the bill and sec. 104(b)(3) of ERISA)

Present Law

Under present law, an employee pension benefit plan is required to provide a summary annual report to participants and beneficiaries. Alternate payees are also entitled to receive the reports. Present law authorizes the Secretary of Labor to prescribe simplified annual reports for any pension plan that covers fewer than 100 participants.

Explanation of Provision

The bill would provide that in the case of a plan with fewer than 100 participants at any time during a plan year, the administrator may fulfill the requirements with respect to providing the summary annual report to employees by providing participants with a copy of the annual report for the year or by notifying them in writing that a copy of the report is available upon request.

The bill would provide that it is the intent of Congress that, in the case of a qualified retirement plan with fewer than 100 participants during a plan year, the government forms required to be completed for the year should be designed so that a person with no expertise in the area of employee benefits could complete the required forms. The bill states that it is the sense of Congress that the forms currently in use do not meet this standard. The bill would provide that no later than 1 year after the date of the its enactment the Secretaries of the Treasury and of Labor or their delegates are to redesign the forms used in administering those plans, particularly Form 5300 and the Form 5500 series, to satisfy the intent of Congress. The bill would require that the Secretaries report to Congress on the actions they have taken to comply with this requirement.

E. Treatment of Certain Meals as De Minimis Fringe Benefits (Sec. 6 of the bill and sec. 132(e) of the Code)

Present Law

Meals furnished on employer premises.--The Code provides that the value of meals furnished by an employer to an employee, the employee's spouse, or any of the employee's dependents is excluded from the employee's gross income if specified requirements are met. The Code requires that the meals be furnished for the convenience of the employer and that the meals be furnished on the business premises of the employer.

Meals furnished at employer facility.--The Code also provides that a fringe benefit provided by an employer to an employee may be excluded from the employee's gross income if certain requirements are met. Meals furnished by an employer may be excluded from gross income as a de minimis fringe benefit if (1) the meals are furnished at an eating facility operated by the employer for employees, (2) the facility is located on or near the business premises of the employer, and (3) revenue derived from the facility normally equals or exceeds the direct operating costs of the facility.

Highly compensated employees.--The treatment of meals as a de minimis fringe benefit is available to a highly compensated employee only if access to the facility is available on substantially the same terms to each member of a group of employees that is defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees.

Explanation of Provision

In general.--The bill would supplement the rules of present law by providing that 50 percent of any qualified employer meal reimbursement furnished to an employee is to be treated as a de minimis fringe benefit. The exclusion would apply if the employer does not operate an eating facility for employees on or near the business premises. The provision would apply to benefits received after the date of enactment, in taxable years ending after that date.

Highly compensated employees.--In the case of a highly compensated employee, the treatment of a qualified employer meal reimbursement as a de minimis fringe benefit would apply only if the employer shares in the cost of off-premises meals provided to each member of a group of employees which is defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees.

Qualified employer meal reimbursement.--The bill defines a qualified employer meal reimbursement as any amount that an employer furnishes in kind for any meal furnished to an employee off the business premises. Under the bill, an amount is not a qualified employer meal reimbursement unless (1) the employer does not provide more than 1/3 of the cost of the meal, (2) the employer does not share in the costs of more than 1 meal per working day, and (3) the meal is furnished during normal business hours.

Effective date.--The provision would apply to benefits received after the date of enactment of this Act in taxable years ending after such date.