

110TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to provide that no loan may be made from a qualified employer plan using a credit card or other intermediary and to limit the number of loans that may be made from a qualified employer plan to a participant or beneficiary.

IN THE SENATE OF THE UNITED STATES

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to provide that no loan may be made from a qualified employer plan using a credit card or other intermediary and to limit the number of loans that may be made from a qualified employer plan to a participant or beneficiary.

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

1 **SECTION 1. QUALIFIED EMPLOYER PLANS PROHIBITED**
2 **FROM MAKING LOANS THROUGH CREDIT**
3 **CARDS AND OTHER INTERMEDIARIES.**

4 (a) IN GENERAL.—Subsection (a) of section 401 of
5 the Internal Revenue Code of 1986 is amended by insert-
6 ing after paragraph (36) the following new paragraph:

7 “(37) PROHIBITION OF LOANS THROUGH CRED-
8 IT CARDS AND OTHER INTERMEDIARIES.—A trust
9 shall not constitute a qualified trust under this sec-
10 tion if the plan makes any loan to any beneficiary
11 under the plan through the use of any credit card
12 or any other intermediary.”

13 (b) APPLICATION TO EMPLOYEE ANNUITIES.—

14 (1) IN GENERAL.—Section 404(a)(2) of the In-
15 ternal Revenue Code of 1986 (relating to employees’
16 annuities) is amended by striking “and (31)” and
17 inserting “(31), and (37)”.

18 (2) SECTION 403(B) ANNUITY CONTRACTS.—
19 Section 403(b)(1) of such Code is amended by strik-
20 ing “and” at the end of subparagraph (D), by in-
21 sserting “and” at the end of subparagraph (E), and
22 by inserting after subparagraph (E) the following
23 new subparagraph:

24 “(F) the requirements of section
25 401(a)(37) are met with respect to the contract

1 outstanding loans from the plan to the
2 participant or beneficiary, the number of
3 loans taken into account under subpara-
4 graph (A) with respect to such loan shall
5 be equal to 1 plus the number of loans re-
6 financed by such loan.”.

7 (b) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply to loans made after the date of
9 the enactment of this Act.