

Prop. Reg. 1.219(a)-1(b)(3)

Deduction for contributions to individual retirement plans and employer plans under the Economic Recovery Tax Act of 1981

(a) In general. Under section 219, as amended by the Economic Recovery Tax Act of 1981, an individual is allowed a deduction from gross income for amounts paid on his behalf to an individual retirement plan or to certain employer retirement plans. The following table indicates the location of the rules for deductions on behalf of individuals to individual retirement plans or employer plans.

§1.219(a)-2. Individual retirement plans.

§1.219(a)-3. Spousal individual retirement accounts.

§1.219(a)-4. Simplified employee pensions.


§1.219(a)-5. Employer plans.

§1.219(a)-6. Divorced individuals.

(b) Definitions. The following is a list of terms and their definitions to be used for purposes of this section and §§1.219(a)-2 through 1.219(a)-6:

(1) Individual retirement plan. The term "individual retirement plan" means an individual retirement account described in section 408(a), an individual retirement annuity described in section 408(b), and a retirement bond described in section 409.

(2) Simplified employee pension. The term "simplified employee pension" has the meaning set forth in §1.408-7(a).



(3) Compensation. The term "compensation" means wages, salaries, professional fees, or other amounts derived from or received for personal service actually rendered (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses), but does not include amounts derived from or received as earnings or profits from property (including, but not limited to, interest and dividends) or amounts not includible in gross income such as amounts excluded under section 911. Compensation includes earned income, as defined in section 401(c)(2), reduced by amounts deductible under sections 404 and 405. Compensation does not include amounts received as deferred compensation, including any pension or annuity payment. Compensation does not include unemployment compensation within the meaning of section 85(c).

(4) Qualified voluntary employee contribution. The term "qualified voluntary employee contribution" means any employee contribution which is not a mandatory contribution within the meaning of section 411(c)(2)(C) made by an individual as an employee under a qualified employer plan or government plan, which plan allows an employee to make such contributions, and which the individual has not designated as a contribution other than a qualified voluntary employee contribution. Thus, if employee contributions are

required as a condition of plan participation, they are mandatory contributions within the meaning of section 411(c)(2)(C) and cannot be treated as qualified voluntary employee contributions.

(5)Qualified retirement contribution. The term "qualified retirement contribution" means any amount paid in cash for the taxable year by or on behalf of an individual for his benefit to an individual retirement plan and any qualified voluntary employee contribution paid in cash by the individual for the taxable year.

(6)Deductible employee contribution. The term "deductible employee contribution" means any qualified voluntary employee contribution made after December 31, 1981, in a taxable year beginning after such date and allowable as a deduction under section 219(a) for such taxable year.

(7)Qualified employer plan. The term "qualified employer plan" means-

(i) A plan described in section 401(a) which includes a trust exempt from tax under section 501(a),

(ii) An annuity plan described in section 403(a),

(iii) A qualified bond purchase plan described in section 405(a), and

(iv) A plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

(8)Government plan. The term "government plan" means any retirement plan, whether or not qualified, established and maintained for its employees by the United States, by a State or political subdivision thereof, or by an agency or instrumentality of any of the foregoing.

(c)Effective date. This section and §§1.219(a)-2 through 1.219(a)-6 are effective for taxable years of individuals beginning after December 31, 1981.