an owner-employee within the meaning of section 401(c)(3)(A), the amounts deductible under subsection (a) in any taxable year with respect to contributions on behalf of such owner-employee shall, subject to the provisions of paragraph (2), not exceed $2,500, or 10 percent of the earned income derived by him from the trade or business with respect to which the plan is established, whichever is the lesser."

(b) Subparagraph (A) of section 404(e)(2) of such Code (relating to overall limitation in case of contributions made under more than one plan) is amended by inserting "referred to in paragraph (1)" after "individual".

(c) Section 401(e) of such Code (relating to excess contributions on behalf of owner-employees) is amended—

(1) by inserting "and" at the end of clause (i) and at the end of clause (ii) of paragraph (1)(B), and by striking out clauses (iii) and (iv) of such subparagraph, and

(2) by striking out "subparagraphs (B)(ii), (iii), and (iv)" in the last sentence of paragraph (3) and inserting in lieu thereof "subparagraph (B)(ii)", and by striking out "such subparagraphs" in such last sentence and inserting in lieu thereof "such subparagraph".