To amend the Internal Revenue Code of 1986 to encourage retirement savings, to reform the treatment of Roth IRAs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

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 encourage retirement savings, to reform the treatment of Roth IRAs, and for other purposes.

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

SECTION 1. SHORT TITLE, ETC.

(a) Short Title.—This Act may be cited as the “Retirement Improvements and Savings Enhancements Act of 2016”.

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—ENCOURAGEMENT OF RETIREMENT SAVINGS
Sec. 101. Matching payments for elective deferral and IRA contributions by certain individuals.
Sec. 102. Repeal of maximum age for traditional IRA contributions.
Sec. 103. 60-day rollover to inherited individual retirement plan of nonspouse beneficiary.
Sec. 104. Treatment of student loan payments as elective deferrals for purposes of matching contributions.

TITLE II—TREATMENT OF ROTH IRAS; MINIMUM REQUIRED DISTRIBUTION RULES

Sec. 201. Special rules relating to large Roth IRA account balances.
Sec. 202. Elimination of Roth conversions.
Sec. 203. Application of lifetime required minimum distribution rules to Roth IRAs.
Sec. 204. Increase in age for required beginning date.
Sec. 205. Exception from required distributions where aggregate retirement savings do not exceed $150,000.
Sec. 206. Modifications of required distribution rules for retirement plans.

TITLE III—ANTI-ABUSE RULES RELATING TO IRAS

Sec. 301. Valuation of IRA investment assets.
Sec. 302. Statute of limitations with respect to IRA noncompliance.
Sec. 303. Prohibition of investment of IRA assets in entities in which the owner has a substantial interest.
Sec. 304. IRA owners treated as disqualified persons for purposes of prohibited transactions rules.

1 TITLE I—ENCOURAGEMENT OF RETIREMENT SAVINGS

2 SEC. 101. MATCHING PAYMENTS FOR ELECTIVE DEFERRAL AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

(a) In general.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 6433. MATCHING PAYMENTS FOR ELECTIVE DEFERRAL AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

“(a) In General.—
“(1) ALLOWANCE OF CREDIT.—Any eligible individual who makes qualified retirement savings contributions for the taxable year shall be allowed a credit for such taxable year in an amount equal to the applicable percentage of so much of the qualified retirement savings contributions made by such eligible individual for the taxable year as does not exceed $1,000.

“(2) PAYMENT OF CREDIT.—The credit under this section shall be paid by the Secretary as a contribution (as soon as practicable after the eligible individual has filed a tax return for the taxable year) to the applicable retirement savings vehicle of the eligible individual.

“(b) APPLICABLE PERCENTAGE.—For purposes of this section—

“(1) IN GENERAL.—Except as provided in paragraph (2), the applicable percentage is 50 percent.

“(2) PHASEOUT.—The percentage under paragraph (1) shall be reduced (but not below zero) by the number of percentage points which bears the same ratio to 50 percentage points as—

“(A) the excess of—

“(i) the taxpayer’s modified adjusted gross income for such taxable year, over
“(ii) the applicable dollar amount, bears to

“(B) the phaseout range.

If any reduction determined under this paragraph is not a whole percentage point, such reduction shall be rounded to the next lowest whole percentage point.

“(3) Applicable dollar amount; phaseout range.—

“(A) Joint returns.—Except as provided in subparagraph (B)—

“(i) the applicable dollar amount is $65,000, and

“(ii) the phaseout range is $20,000.

“(B) Other returns.—In the case of—

“(i) a head of a household (as defined in section 2(b)), the applicable dollar amount and the phaseout range shall be 3/4 of the amounts applicable under subparagraph (A) (as adjusted under subsection (g)), and

“(ii) any taxpayer who is not filing a joint return and who is not a head of a household (as so defined), the applicable dollar amount and the phaseout range
shall be $\frac{1}{2}$ of the amounts applicable under subparagraph (A) (as so adjusted).

“(c) Eligible Individual.—For purposes of this section—

“(1) In general.—The term ‘eligible individual’ means any individual if such individual has attained the age of 18 as of the close of the taxable year.

“(2) Dependents and full-time students not eligible.—The term ‘eligible individual’ shall not include—

“(A) any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins, and

“(B) any individual who is a student (as defined in section 152(f)(2)).

“(d) Qualified Retirement Savings Contributions.—For purposes of this section—

“(1) In general.—The term ‘qualified retirement savings contributions’ means, with respect to any taxable year, the sum of—
“(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

“(B) the amount of—

“(i) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

“(ii) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(e)). Such term shall not include any amount attributable to a payment under subsection (a).

“(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—

“(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) for a taxable year shall be reduced (but not below zero) by the aggregate distributions received by the individual during
the testing period from any entity of a type to which contributions under paragraph (1) may be made.

“(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

“(i) such taxable year,

“(ii) the 2 preceding taxable years, and

“(iii) the period after such taxable year and before the due date (including extensions) for filing the return of tax for such taxable year.

“(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

“(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4),

“(ii) any distribution to which section 408(d)(3) applies, and

“(iii) any portion of a distribution if such portion is transferred or paid in a rollover contribution (as defined in section
(D) Treatment of distributions received by spouse of individual.—For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

(e) Applicable Retirement Savings Vehicle.—

(1) In general.—The term ‘applicable retirement savings vehicle’ means—

(A) an account or plan elected by the eligible individual under paragraph (2), or

(B) if no such election is made, a myRA established for the benefit of the eligible individual.

For purposes of subparagraph (B), if no myRA has previously been established for the benefit of the in-
dividual, the Secretary shall establish a myRA for such individual for purposes of contributions under this section.

“(2) OTHER RETIREMENT VEHICLES.—An eligible individual may elect to have the amount determined under subsection (a) contributed to an account or plan which—

“(A) is a Roth IRA or a designated Roth account (within the meaning of section 402A) of an applicable retirement plan (as defined in section 402A(e)(1)),

“(B) is for the benefit of the eligible individual,

“(C) accepts contributions made under this section, and

“(D) is designated by such individual (in such form and manner as the Secretary may provide) on the return of tax for the taxable year.

“(3) MYRA.—For purposes of paragraph (1), the term ‘myRA’ means a Roth IRA which is established—

“(A) under the myRA program established under regulations promulgated by the Sec-
“(B) by the individual for whose benefit
the Roth IRA was created or by the Secretary
on behalf of such individual.

“(f) OTHER DEFINITIONS AND SPECIAL RULES.—

“(1) MODIFIED ADJUSTED GROSS INCOME.—
For purposes of this section, the term ‘modified ad-
justed gross income’ means adjusted gross income—

“(A) determined without regard to sections 911, 931, and 933, and

“(B) determined without regard to any ex-
clusion or deduction allowed for any qualified
retirement savings contribution made during
the taxable year.

“(2) TREATMENT OF CONTRIBUTIONS.—In the
case of any contribution under subsection (a)(2)—

“(A) except as otherwise provided in this
section or by the Secretary under regulations,
such contribution shall be treated in the same
manner as a contribution made by the indi-
vidual on whose behalf such contribution was
made,

“(B) such contribution shall not be treated
as income to the taxpayer, and

“(C) such contribution shall not be taken
into account with respect to any applicable limi-
tation under sections 402(g)(1), 403(b),
408(a)(1), 408(b)(2)(B), 408A(c)(2), 414(v)(2),
415(c), or 457(b)(2).

“(3) TREATMENT OF QUALIFIED PLANS, ETC.—
A plan or arrangement to which a contribution is
made under this section shall not be treated as vio-
lating any requirement under section 401, 403, 408,
or 457 solely by reason of accepting such contribu-
tion.

“(4) ERRONEOUS CREDITS.—If any contribu-
tion is erroneously paid under subsection (a)(2), the
amount of such erroneous payment shall be treated
as an underpayment of tax.

“(g) INFLATION ADJUSTMENTS.—
“(1) IN GENERAL.—In the case of any taxable
year beginning in a calendar year after 2017, each
of the dollar amounts in subsections (a)(1) and
(b)(3)(A)(i) shall be increased by an amount equal
to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment deter-
mimed under section 1(f)(3) for the calendar
year in which the taxable year begins, deter-
mimed by substituting ‘calendar year 2016’ for
‘calendar year 1992’ in subparagraph (B) thereof.

“(2) Rounding.—Any increase determined under paragraph (1) shall be rounded to the nearest multiple of—

“(A) $100 in the case of an adjustment of the amount in subsection (a)(1), and

“(B) $1,000 in the case of an adjustment of the amount in subsection (b)(3)(A)(i).”.

(b) Promotion and Guidance.—

(1) Promotion.—The Secretary of the Treasury (or the Secretary’s delegate) shall educate taxpayers on the benefits provided under section 6433 of the Internal Revenue Code of 1986.

(2) Guidance.—Not later than December 31, 2017, the Secretary of the Treasury (or the Secretary’s delegate) shall issue guidance on the implementation and administration of the amendments made by this section.

(e) Payment Authority.—Section 1324(b)(2) of title 31, United States Code, is amended by striking “or 6431” and inserting “6431, or 6433”.

(d) Deficiencies.—Section 6211(b)(4) is amended by striking “and 6431” and inserting “6431, and 6433”.

(e) Conforming Amendments.—
(1) Section 25B of the Internal Revenue Code of 1986 is amended by striking subsections (a) through (f) and inserting the following:

“For payment of credit related to qualified retirement savings contributions, see section 6433.”.

(2) The table of sections for subchapter B of chapter 65 of such Code is amended by adding at the end the following new item:

“Sec. 6433. Matching payments for elective deferral and IRA contributions by certain individuals.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 102. REPEAL OF MAXIMUM AGE FOR TRADITIONAL IRA CONTRIBUTIONS.

(a) IN GENERAL.—Paragraph (1) of section 219(d) of the Internal Revenue Code of 1986 is repealed.

(b) CONFORMING AMENDMENT.—Subsection (c) of section 408A of the Internal Revenue Code of 1986 is amended by striking paragraph (4) and by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made for taxable years beginning after December 31, 2016.
SEC. 103. 60-DAY ROLLOVER TO INHERITED INDIVIDUAL RETIREMENT PLAN OF NONSPOUSE BENEFICIARY.

(a) IN GENERAL.—Section 402(c)(11) of the Internal Revenue Code of 1986 is amended by redesignating subparagraph (B) as subparagraph (C) and by striking subparagraph (A) and inserting the following:

“(A) IN GENERAL.—If—

“(i) any portion of a distribution attributable to an employee is paid after the death of the employee to an individual who is a designated beneficiary (as defined by section 401(a)(9)(E)) of the employee and who is not the surviving spouse of the employee, and

“(ii) such portion is transferred or paid to an individual retirement plan in a transfer or payment meeting the requirements of subparagraph (B),

the preceding provisions of this subsection shall apply to such distribution in the same manner as if the designated beneficiary were the employee.

“(B) REQUIREMENTS FOR TRANSFER OF DISTRIBUTION.—The requirements of this sub-
paragraph are met with respect to the portion of any distribution if—

“(i) such portion is transferred or paid to an individual retirement plan described in clause (i) or (ii) of paragraph (8)(B) established for the purposes of receiving the distribution on behalf of the designated beneficiary,

“(ii) such individual retirement plan is established as an inherited individual retirement account or individual retirement annuity (within the meaning of section 408(d)(3)(C)), whichever is applicable, and

“(iii) notice is provided to the trustee, insurance company, or other provider of the individual retirement plan that such individual retirement plan is being established as an inherited individual retirement account or individual retirement annuity.

Section 401(a)(9)(B) (other than clause (iv) thereof) shall apply to such individual retirement plan.”.

(b) ROLLOVER TREATMENT FOR INHERITED ACCOUNTS.—Section 408(d)(3)(C) of the Internal Revenue
Code of 1986 is amended by adding at the end the following:

“(iii) Exception for Qualified Transfers to Another Inherited Account.—Clause (i) shall not apply to any portion of a distribution out of an inherited individual retirement account or inherited individual retirement annuity if such portion is paid to another such individual retirement plan or annuity but only if the requirements of subparagraphs (A), (B), and (E) of this paragraph, and the requirements of section 402(c)(11)(B), are met with respect to such transfer or payment.”.

(e) Effective Date.—The amendments made by this section shall apply to distributions made after December 31, 2016.

SEC. 104. TREATMENT OF STUDENT LOAN PAYMENTS AS ELECTIVE DEFERRALS FOR PURPOSES OF MATCHING CONTRIBUTIONS.

(a) In General.—Subparagraph (A) of section 401(m)(4) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of clause (i), by striking the period at the end of clause (ii) and inserting
“(iii) subject to the requirements of paragraph (13), any employer contribution made to a defined contribution plan on behalf of an employee on account of a qualified student loan payment.”.

(b) Qualified Student Loan Payment.—Paragraph (4) of section 401(m) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(D) Qualified Student Loan Payment.—The term ‘qualified student loan payment’ means a payment made by an employee in repayment of a qualified education loan (as defined in section 221(d)(1)) incurred to pay qualified higher education expenses (as defined in section 221(d)(2)) of the employee, but only—

“(i) to the extent such payments in the aggregate for the year do not exceed an amount equal to—

“(I) the limitation applicable under section 402(g) for the year (or, if lesser, the employee’s compensation
(as defined in section 415(e)(3)) for the year), reduced by

“(II) the elective deferrals made by the employee for such year, and

“(ii) if the employee provides evidence of such loan and such payments to the employer making the matching contribution under this paragraph.”.

(e) MATCHING CONTRIBUTIONS FOR QUALIFIED STUDENT LOAN PAYMENTS.—Subsection (m) of section 401 of the Internal Revenue Code of 1986 is amended by redesignating paragraph (13) as paragraph (14), and by inserting after paragraph (12) the following new paragraph:

“(13) MATCHING CONTRIBUTIONS FOR QUALIFIED STUDENT LOAN PAYMENTS.—

“(A) IN GENERAL.—For purposes of paragraph (4)(A)(iii), an employer contribution made to a defined contribution plan on account of a qualified student loan payment shall be treated as a matching contribution for purposes of this title if—

“(i) the plan provides matching contributions on account of elective deferrals
at the same rate as contributions on account of qualified student loan payments,

“(ii) the plan provides matching contributions on account of qualified student loan payments only on behalf of employees otherwise eligible to make elective deferrals, and

“(iii) under the plan, all employees eligible to receive matching contributions on account of elective deferrals are eligible to receive matching contributions on account of qualified student loan payments.

“(B) TREATMENT FOR PURPOSES OF NON-DISCRIMINATION RULES, ETC.—

“(i) Nondiscrimination rules.—

For purposes of subparagraph (A)(iii), subsection (a)(4), and section 410(b), matching contributions described in paragraph (4)(A)(iii) shall not fail to be treated as available to an employee solely because such employee does not have debt incurred under a qualified education loan (as defined in section 221(d)(1)).

“(ii) Student loan payments not treated as plan contribution.—Ex-
cept as provided in clause (iii), a qualified student loan payment shall not be treated as a contribution to a plan under this title.

“(iii) Matching contribution rules.—Solely for purposes of meeting the requirements of paragraph (11)(B) or (12) of this subsection, or paragraph (11)(B)(i)(II), (12)(B), or (13)(D) of subsection (k), a plan may treat a qualified student loan payment as an elective deferral or an elective contribution, whichever is applicable.”.

(d) Simple Retirement Accounts.—Paragraph (2) of section 408(p) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(F) Matching contributions for qualified student loan payments.—

“(i) In general.—Subject to the rules of clause (iii), an arrangement shall not fail to be treated as meeting the requirements of subparagraph (A)(iii) solely because under the arrangement, solely for purposes of such subparagraph, qualified student loan payments are treated as
amounts elected by the employee under subparagraph (A)(i)(I) to the extent such payments do not exceed—

“(I) the applicable dollar amount under subparagraph (E) (after application of section 414(v)) for the year (or, if lesser, the employee’s compensation (as defined in section 415(c)(3)) for the year), reduced by

“(II) any other amounts elected by the employee under subparagraph (A)(i)(I) for the year.

“(ii) QUALIFIED STUDENT LOAN PAYMENT.—For purposes of this subparagraph, the term ‘qualified student loan payment’ means a payment made by an employee in repayment of a qualified education loan (as defined in section 221(d)(1)) incurred to pay qualified higher education expenses (as defined in section 221(d)(2)) of the employee, but only if the employee provides evidence of such loan and such payments to the employer making the matching contribution.
“(iii) APPLICABLE RULES.—Clause (i) shall apply to an arrangement only if, under the arrangement—

“(I) matching contributions on account of qualified student loan payments are provided only on behalf of employees otherwise eligible to elect contributions under subparagraph (A)(i)(I), and

“(II) all employees otherwise eligible to participate in the arrangement are eligible to receive matching contributions on account of qualified student loan payments.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made for years beginning after December 31, 2016.

TITLE II—TREATMENT OF ROTH IRAS; MINIMUM REQUIRED DISTRIBUTION RULES

SEC. 201. SPECIAL RULES RELATING TO LARGE ROTH IRA ACCOUNT BALANCES.

(a) IN GENERAL.—

(1) SPECIAL RULE.—Subsection (e) of section 408A of the Internal Revenue Code of 1986, as
amended by section 102, is amended by adding at
the end the following new paragraph:

“(7) SPECIAL RULE RELATING TO LARGE ROTH
IRA ACCOUNT BALANCES.—

“(A) IN GENERAL.—No contributions may
be made by, or on behalf of, an individual for
any taxable year to 1 or more Roth IRAs to the
extent the aggregate amount of such contribu-
tions exceeds the excess (if any) of—

“(i) the greater of—

“(I) $5,000,000, or

“(II) the aggregate account bal-
ances as of December 31, 2016, in all
Roth IRAs maintained for the benefit
of the individual, over

“(ii) the aggregate account balances,
determined as of the close of the calendar
year preceding the calendar year in which
the taxable year begins, in all Roth IRAs
maintained for the benefit of the indi-
vidual.

“(B) DETERMINATION OF ACCOUNT BAL-
ANCE.—For purposes of subparagraph (A)—
“(i) the acquisition of a Roth IRA (or the transfer to or contribution of amounts to a Roth IRA) by reason of—

“(I) the death of another individual,

“(II) divorce (pursuant to section 408(d)(6)), or

“(III) a qualified rollover contribution from a designated Roth account (within the meaning of section 402A(b)(2)),

shall not be treated as a contribution, but shall be included in determining aggregate account balances,

“(ii) in the case of a Roth IRA which is an individual retirement annuity described in section 408(b), the account balance of such Roth IRA shall be equal to the fair market value of the annuity as determined as of the date specified in clause (i)(II) or (ii) of subparagraph (A), whichever is applicable, and

“(iii) in the case of any qualified rollover contribution to a Roth IRA during a calendar year of an amount distributed
during a previous calendar year, the amount of such contribution shall be included in determining aggregate account balances as of any date occurring after the date of such distribution and before the date of such contribution.

“(C) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after December 31, 2017, the $5,000,000 amount in subparagraph (A)(i)(I) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2016’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If any amount as increased under the preceding sentence is not a multiple of $100,000, such amount shall be rounded to the nearest multiple of $100,000.”.

(2) TAX ON EXCESS CONTRIBUTIONS.—Subtitle (f) of section 4973 of such Code is amended by striking “under sections 408A (c)(2) and (c)(3)”
both places it appears in paragraphs (1)(B) and (2)(B) and inserting “under paragraphs (2), (3), and (7) of section 408A(c)”.

(3) Effective date.—The amendments made by this subsection shall apply to contributions made for taxable years beginning after December 31, 2016.

(b) Excise tax on certain accumulations in Roth IRAs not distributed.—

(1) In general.—Section 4974 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(e) Increase in minimum required distributions for payees with large Roth IRA account balances. —

“(1) In general.—If this subsection applies to a payee for any taxable year—

“(A) all Roth IRAs of the payee taken into account in computing the excess described in paragraph (2)(A) shall be treated as 1 plan solely for purposes of applying this section to any increase in minimum required distributions for the taxable year resulting from the application of subparagraph (B), and
“(B) notwithstanding subsection (b), the minimum required distributions under this section for all Roth IRAs treated as 1 under subparagraph (A) with respect to such payee for the taxable year shall be the greater of—

“(i) 50 percent of the excess described in paragraph (2)(A), or

“(ii) the sum of the minimum required distributions (determined without regard to this subsection) for all such Roth IRAs.

“(2) APPLICATION.—This subsection shall apply to a payee for a taxable year—

“(A) if the amount determined under section 408A(c)(7)(A)(ii) exceeds the amount applicable to the payee under section 408A(c)(7)(A)(i), and

“(B) without regard to whether amounts with respect to the payee are otherwise required to be distributed under subsection (a)(6) or (b)(3) of section 408.

“(3) COORDINATION WITH MINIMUM DISTRIBUTION REQUIREMENTS.—If this subsection applies to a payee for any taxable year, this section shall apply first to minimum required distributions determined
without regard to this subsection and then to any increase in minimum required distributions by reason of this subsection.”.

(2) Exception from 10 percent additional tax on early distributions.—Section 72(t)(2) of such Code is amended by adding at the end the following new subparagraph:

“(H) Distributions of excess balances.—Distributions from a Roth IRA to the extent such distributions are required by section 4974(e)(1)(B).”.

(3) Conforming amendment.—Subsection (d) of section 408A of such Code is amended by adding at the end the following paragraph:

“(8) Denial of rollover treatment for required distributions.—In applying section 408(d)(3)(E) to distributions from a Roth IRA, an increase in the required minimum distribution under section 4974(e)(1)(B) shall be treated as an amount required to be distributed under subsection (a)(6) or (b)(3) of section 408.”.

(4) Effective date.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.
SEC. 202. ELIMINATION OF ROTH CONVERSIONS.

(a) Roth IRAs.—

(1) Qualified Rollover Contribution.—
Paragraph (1) of section 408A(e) of the Internal Revenue Code of 1986 is amended by striking subparagraph (B) and all that follows and inserting the following:

“(B) from a designated Roth account (within the meaning of section 402A).”.

(2) Elimination of Conversions.—

(A) In General.—Subsection (d) of section 408A of such Code, as amended by section 201, is amended by striking paragraph (3) and by redesignating paragraphs (4), (5), (6), (7), and (8) as paragraphs (3), (4), (5), (6), and (7), respectively.

(B) Conforming Amendment.—Paragraph (3)(B)(ii) of section 408A(d) of such Code, as so redesignated, is amended by inserting “(as in effect before the amendments made by the Retirement Improvements and Savings Enhancements Act of 2016)” after “paragraph (3)” both places it appears.

(b) Designated Roth Accounts.—Subsection (e) of section 402A of the Internal Revenue Code of 1986 is amended by striking paragraph (4).
(c) Effective Date.—The amendments made by this section shall apply to distributions, transfers, and contributions made in years beginning after December 31, 2016.

Sec. 203. Application of Lifetime Required Minimum Distribution Rules to Roth IRAs.

(a) In General.—Subsection (c) of section 408A of the Internal Revenue Code of 1986, as amended by sections 102 and 201, is amended by striking paragraph (4) and by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively.

(b) Conforming Amendments.—

(1) Subsection (f) of section 4973 of the Internal Revenue Code of 1986, as amended by section 201, is amended by striking “and (7)” both places it appears in paragraphs (1)(B) and (2)(B) and inserting “and (6)”.

(2) Subsection (e)(2)(A) of section 4974 of such Code, as added by section 201, is amended—

(A) by striking “408A(e)(7)(A)(ii)” and inserting “408A(e)(6)(A)(ii)”, and

(B) by striking “408A(e)(7)(A)(i)” and inserting “408A(e)(6)(A)(i)”.

(c) Effective Date.—
(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to years beginning after December 31, 2016.

(2) EXCEPTION.—The amendments made by this section shall not apply with respect to any taxpayer who attains age 70½ on or before December 31, 2016.

SEC. 204. INCREASE IN AGE FOR REQUIRED BEGINNING DATE.

(a) INCREASE IN AGE FOR REQUIRED BEGINNING DATE.—

(1) IN GENERAL.—Subclause (I) of section 401(a)(9)(C)(i) of the Internal Revenue Code of 1986 is amended to read as follows:

“(I) the first calendar year in which the employee attains the applicable age for such calendar year, or”.

(2) SPECIAL RULE FOR OWNERS.—Subclause (I) of section 401(a)(9)(C)(ii) of such Code is amended by striking “in which the employee attains age 70½” and inserting “described in clause (i)(I) with respect to the employee”.

(b) MANDATORY DISTRIBUTION AGE.—Paragraph (9) of section 401(a) of the Internal Revenue Code of
1986 is amended by inserting at the end the following new paragraph:

“(H) APPLICABLE AGE.—For purposes of this paragraph—

“(i) IN GENERAL.—The applicable age is—

“(I) for calendar years before 2018, age 70 1/2,

“(II) for calendar years 2018, 2019, 2020, 2021, and 2022, age 71,

“(III) for calendar years 2023, 2024, 2025, 2026, and 2027, age 72,

“(IV) for calendar year 2028, age 73, and

“(V) for calendar years after 2028, the age as adjusted under clause (ii).

“(ii) ADJUSTMENT.—The Secretary shall adjust the age under clause (i)(IV) for calendar year 2029 and each succeeding calendar year in a manner proportional to increases in the life expectancy of an individual who attained age 73 in the calendar year preceding the calendar year for which the adjustment is being made as
compared to the life expectancy of an individual who attained age 73 in 2027. The applicable age for any calendar year as adjusted under this clause—

“(I) shall be applicable only with respect to employees whose required beginning date has not occurred as of December 31 of the year preceding such year, and

“(II) shall be rounded to the next lowest whole number.

“(iii) Life Expectancies.—The life expectancies under clause (ii) shall be determined on a unisex basis in accordance with life expectancies underlying the tables described in section 430(h)(3)(A).”.

(c) Spouse Beneficiaries.—Subclause (I) of section 401(a)(9)(B)(iv) of the Internal Revenue Code of 1986 is amended by striking “age 70½” and inserting “the applicable age”.

(d) Conforming Amendment.—Subsection (b) of section 408 of such Code is amended by striking “age 70½” and inserting “the applicable age determined under section 401(a)(9)(H) with respect to such individual”.
(c) **Effective Date.**—The amendments made by this section shall apply to calendar years beginning after December 31, 2016.

**SEC. 205. EXCEPTION FROM REQUIRED DISTRIBUTIONS WHERE AGGREGATE RETIREMENT SAVINGS DO NOT EXCEED $150,000.**

(a) **In General.**—Section 401(a)(9) of the Internal Revenue Code of 1986, as amended by section 204, is amended by adding at the end the following new subparagraph:

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“(I) Exception from required minimum distributions during life of employee or beneficiary where assets do not exceed $150,000.—

“(i) In general.—If, as of a measurement date, the aggregate value of the entire interest of an employee under all applicable eligible retirement plans does not exceed $150,000, then, during any succeeding calendar year beginning before the next measurement date—

“(I) the requirements of subparagraph (A) shall not apply to the employee, and
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“(II) the requirements of subparagraph (B) shall not apply to the employee’s designated beneficiary with respect to the designated beneficiary’s interest in the interest of the deceased employee.

“(ii) APPLICABLE ELIGIBLE RETIREMENT PLAN.—For purposes of this subparagraph, the term ‘applicable eligible retirement plan’ means an eligible retirement plan (as defined in section 402(c)(8)(B)) and any other plan, contract, or arrangement to which the requirements of this paragraph apply.

“(iii) SPECIAL RULE FOR BENEFITS PAID AS A LIFE ANNUITY FROM DEFINED BENEFIT PLAN.—In determining the aggregate value under clause (i), there shall not be taken into account the value of any benefits under a defined benefit plan that, on the measurement date, are being paid as a life annuity.

“(iv) MEASUREMENT DATE.—

“(I) INITIAL MEASUREMENT DATES.—The initial measurement
date for an employee is the last day of
the calendar year preceding the earlier
of—

“(aa) the calendar year in
which the employee attains the
applicable age, or

“(bb) the calendar year in
which the employee dies.

“(II) Subsequent Measurement Dates.—If, in a calendar year,
an employee to whom subparagraph
(A) or (B) does not apply by reason
of clause (i) receives contributions,
rollovers, or transfers of amounts, or
accrues additional benefits under a
defined benefit plan, that were not
previously taken into account in ap-
plying this subparagraph, then the
last day of that calendar year shall be
a new measurement date and a new
determination shall be made as to
whether clause (i) applies to such em-
ployee.

“(v) Determination of Value.—
For purposes of this subparagraph—
“(I) IN GENERAL.—Except as provided in subclause (II), the value of an employee’s interest in a plan is the account balance of such plan.

“(II) DEFINED BENEFIT PLANS.—The value of defined benefit plan benefits shall be determined in accordance with the applicable interest rate and applicable mortality rate assumptions under section 417(e), except that the value shall be equal to the amount of the single sum payment payable to the extent available under the plan.

“(vi) PHASE-OUT OF EXCEPTION.—In the case of an employee whose aggregate balance described in clause (i) as of a measurement date exceeds the dollar amount in effect under such clause by less than $10,000, the required distributions under this paragraph for calendar years beginning after such measurement date and before the next measurement date shall be equal to the amount which bears the same ratio to the required distributions
otherwise determined under this paragraph as—

“(I) the amount by which such aggregate balance exceeds such dollar amount so in effect, bears to

“(II) $10,000.

“(vii) Cost of Living Adjustments.—The Secretary shall adjust annually the $150,000 amount specified in clause (i) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period shall be the calendar quarter beginning July 1, 2016, and any increase which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.”.

(b) Effective Date.—The amendment made by this section shall apply to initial measurement dates occurring on or after December 31, 2016.

SEC. 206. MODIFICATIONS OF REQUIRED DISTRIBUTION RULES FOR RETIREMENT PLANS.

(a) Modification of Rules Where Employee Dies Before Entire Distribution.—
(1) IN GENERAL.—Section 401(a)(9)(B) of the Internal Revenue Code of 1986, as amended by section 204, is amended to read as follows:

“(B) REQUIRED DISTRIBUTIONS WHERE EMPLOYEE DIES BEFORE ENTIRE INTEREST IS DISTRIBUTED.—

“(i) 5-YEAR GENERAL RULE.—A trust shall not constitute a qualified trust under this subsection unless the plan provides that, if an employee dies before the distribution of the employee’s entire interest (whether or not such distribution has begun in accordance with subparagraph (A)), any remaining portion of the interest of the employee will be distributed within 5 years after the death of such employee.

“(ii) EXCEPTION FOR ELIGIBLE DESIGNATED BENEFICIARIES.—If—

“(I) any portion of the employee’s interest is payable to (or for the benefit of) an eligible designated beneficiary,

“(II) such portion will be distributed (in accordance with regulations) over the life of such eligible des-
ignated beneficiary (or over a period not extending beyond the life expectancy of such beneficiary), and

“(III) such distributions begin not later than 1 year after the date of the employee’s death or such later date as the Secretary may by regulations prescribe,

then, for purposes of clause (i) and except as provided in clause (iv) or subparagraph (E)(iii), the portion referred to in subclause (I) shall be treated as distributed on the date on which such distributions begin.

“(iii) Special rule for surviving spouse of employee.—If the eligible designated beneficiary referred to in clause (ii)(I) is the surviving spouse of the employee—

“(I) the date on which the distributions are required to begin under clause (ii)(III) shall not be earlier than the date on which the employee would have attained the applicable age, and
“(II) if the surviving spouse dies before the distributions to such spouse begin, this subparagraph shall be applied as if the surviving spouse were the employee.

“(iv) Rules upon death of eligible designated beneficiary.—If an eligible designated beneficiary dies before the portion of an employee’s interest described in clause (ii) is entirely distributed, clause (ii) shall not apply to any beneficiary of such eligible designated beneficiary and the remainder of such portion shall be distributed within 5 years after the death of such beneficiary.”.

(2) Definition of eligible designated beneficiary.—Section 401(a)(9)(E) of the Internal Revenue Code of 1986 is amended to read as follows:

“(E) Definitions and rules relating to designated beneficiary.—For purposes of this paragraph—

“(i) Designated beneficiary.—The term ‘designated beneficiary’ means any
individual designated as a beneficiary by the employee.

“(ii) ELIGIBLE DESIGNATED BENEFICIARY.—The term ‘eligible designated beneficiary’ means, with respect to any employee, any designated beneficiary who is—

“(I) the surviving spouse of the employee,

“(II) subject to clause (iii), a child of the employee who has not reached majority (within the meaning of subparagraph (F)),

“(III) disabled (within the meaning of section 72(m)(7)),

“(IV) a chronically ill individual (within the meaning of section 7702B(c)(2), except that the requirements of subparagraph (A)(i) thereof shall only be treated as met if there is a certification that, as of such date, the period of inability described in such subparagraph with respect to the individual is an indefinite one that is reasonably expected to be lengthy in nature), or
“(V) an individual not described in any of the preceding subclauses who is not more than 10 years younger than the employee.

“(iii) Special rule for children.—Subject to subparagraph (F), an individual described in clause (ii)(II) shall cease to be an eligible designated beneficiary as of the date the individual reaches majority, and any remainder of the portion of the interest described in subparagraph (B)(ii) shall be distributed within 5 years after such date.

“(iv) Time for determination of eligible designated beneficiary.—

“(I) In general.—Except as provided in clause (iii) and subclause (II), the determination of whether a designated beneficiary is an eligible designated beneficiary shall be made as of the date of death of the employee.

“(II) Exception.—If the distribution of an employee’s entire interest has begun in accordance with
subparagraph (A)(ii) before the death of the employee in the form of a joint and survivor annuity, such determination shall be made as of the annuity starting date or such other date as the Secretary may by regulations prescribe.”.

(3) Conforming Amendment.—The last sentence of section 402(c)(11)(B) of the Internal Revenue Code of 1986, as added by section 103, is amended by striking “clause (iv)” and inserting “clause (iii)”.

(4) Effective Dates.—

(A) In General.—Except as provided in this paragraph and paragraphs (5) and (6), the amendments made by this subsection shall apply for purposes of determining minimum required distributions with respect to employees who die after December 31, 2016.

(B) Collective Bargaining Exception.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified before the date of enactment of this Act, the amendments made
by this subsection shall apply to distributions
with respect to employees who die in calendar
years beginning after the earlier of—

(i) the later of—

(I) the date on which the last of
such collective bargaining agreements
terminates (determined without re-
gard to any extension thereof agreed
to on or after the date of the enact-
ment of this Act), or

(II) December 31, 2016, or


For purposes of clause (i)(I), any plan amend-
ment made pursuant to a collective bargaining
agreement relating to the plan which amends
the plan solely to conform to any requirement
added by this section shall not be treated as a
termination of such collective bargaining agree-
ment.

(C) GOVERNMENTAL PLANS.—In the case
of a governmental plan (as defined in section
414(d) of the Internal Revenue Code of 1986),
subparagraph (A) shall be applied by sub-
stituting “December 31, 2018” for “December
31, 2016”.

(5) Exception for certain existing annuity contracts.—

(A) In general.—The amendments made by this subsection shall not apply to a qualified annuity which is a binding annuity contract in effect on the date of enactment of this Act and at all times thereafter.

(B) Qualified annuity.—For purposes of this paragraph, the term “qualified annuity” means, with respect to an employee, an annuity—

(i) which is a commercial annuity (as defined in section 3405(c)(6) of the Internal Revenue Code of 1986) or payable by a defined benefit plan,

(ii) under which the annuity payments are made over the life of the employee or over the joint lives of such employee and a designated beneficiary (or over a period not extending beyond the life expectancy of such employee or the joint life expectancy of such employee and a designated beneficiary) in accordance with the regulations described in section 401(a)(9)(A)(ii) of such Code (as in effect before such amend-
ments) and which meets the other requirements of section 401(a)(9) of such Code (as so in effect) with respect to such payments, and

(iii) with respect to which—

(I) annuity payments to the employee have begun before the date of enactment of this Act, and the employee has made an irrevocable election before such date as to the method and amount of the annuity payments to the employee or any designated beneficiaries, or

(II) if subclause (I) does not apply, the employee has made an irrevocable election before the date of enactment of this Act as to the method and amount of the annuity payments to the employee or any designated beneficiaries.

(6) Other special rules relating to effective dates.—

(A) Exception for certain beneficiaries.—If an employee dies before the applicable effective date, then, in applying the
amendments made by this subsection to such employee’s designated beneficiary who dies after such date—

(i) such amendments shall apply to any beneficiary of such designated beneficiary, and

(ii) the designated beneficiary shall be treated as an eligible designated beneficiary for purposes of applying section 401(a)(9)(B)(iv) of the Internal Revenue Code of 1986 (as in effect after such amendments).

(B) APPLICATION OF ROLLOVER RULES FOR PLANS WITH DELAYED EFFECTIVE DATES.—If an employee who is a participant of a plan to which subparagraph (B) or (C) of paragraph (4) applies dies during the transition period, then, notwithstanding either such subparagraph—

(i) section 402(c)(11) of such Code shall not apply to any distribution on behalf of any designated beneficiary of the employee who is not an eligible designated beneficiary under section 401(a)(9)(E)(ii) of such Code (as in effect after the amend-
ments made by this subsection and without regard to subparagraph (A)) which is made more than 4 years after the date of death of the employee, and

(ii) section 401(a)(9) of such Code (as in effect after such amendments) shall apply to any inherited individual retirement account or individual retirement annuity to which a rollover contribution is made with respect to any distribution described in clause (i) made during such 4-year period.

(C) DEFINITIONS.—For purposes of this paragraph—

(i) APPLICABLE EFFECTIVE DATE.—The term “applicable effective date” means the first day of the first calendar year to which the amendments made by this subsection apply under paragraph (4) to a plan with respect to employees dying on or after such date.

(ii) TRANSITION PERIOD.—In the case of a plan to which subparagraph (B) or (C) of paragraph (4) applies, the transition period is the period beginning on the appli-
(b) REQUIRED BEGINNING DATE.—

(1) IN GENERAL.—Section 401(a)(9)(C) of the Internal Revenue Code of 1986, as amended by section 204, is amended by adding at the end the following new clause:

"(v) EMPLOYEES BECOMING 5-PERCENT OWNERS AFTER APPLICABLE AGE.— If an employee becomes a 5-percent owner (as defined in section 416) with respect to a plan year ending in a calendar year after the calendar year described in clause (i)(I) with respect to the employee, then clause (i)(II) shall be applied by substituting the calendar year in which the employee became such an owner for the calendar year in which the employee retires.”.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by this subsection shall apply to employees becoming a 5-percent owner with respect to plan years ending in calendar years beginning before,
on, or after the date of the enactment of this Act.

(B) SPECIAL RULE.—If—

(i) an employee became a 5-percent owner with respect to a plan year ending in a calendar year which began before January 1, 2017, and

(ii) the employee has not retired before January 1, 2017,

such employee shall be treated as having become a 5-percent owner with respect to a plan year ending in calendar year 2017 for purposes of applying section 401(a)(9)(C)(v) of the Internal Revenue Code of 1986 (as added by the amendment made by this subsection).

(e) COORDINATION WITH LIMITATIONS ON ACCELERATED BENEFIT DISTRIBUTIONS.—

(1) In general.—Section 401(a)(9) of the Internal Revenue Code of 1986, as amended by this Act, is amended by adding at the end the following new subparagraph:

“(J) COORDINATION WITH BENEFIT DISTRIBUTION LIMITATIONS UNDER SECTION 436.—If—
“(i) a distribution is required to be made to an employee or beneficiary under this paragraph after the valuation date for a plan year, and

“(ii) any limitation under section 436(d) is applicable to such employee or beneficiary for the plan year, then the distribution shall not exceed the maximum payment allowable for the plan year under such limitation. The Secretary shall prescribe regulations for the application of this paragraph, including regulations providing for the application of this paragraph to plan years after such limitation ceases to apply.”

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by this subsection shall apply to plan years beginning after December 31, 2016.

(B) NO INFERENCE.—Nothing contained in this subsection or the amendments made by this subsection shall be construed to create any inference as to the proper coordination between sections 401(a)(9) and 436 of the Internal Revenue Code for plan years beginning before January 1, 2017.
(d) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(1) IN GENERAL.—If this subsection applies to any plan or contract amendment—

(A) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in paragraph (2)(B)(i), and

(B) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(2) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

(A) IN GENERAL.—This subsection shall apply to any amendment to any plan or annuity contract which is made—

(i) pursuant to any amendment made by this section or pursuant to any regulation issued by the Secretary of the Treasury under this section or such amendments, and
(ii) on or before the last day of the
first plan year beginning after December
31, 2018, or such later date as the Sec-
retary of the Treasury may prescribe.

In the case of a governmental or collectively
bargained plan to which subparagraph (B) or
(C) of subsection (a)(4) applies, clause (ii) shall
be applied by substituting the date which is 2
years after the date otherwise applied under
such clause.

(B) CONDITIONS.—This subsection shall
not apply to any amendment unless—

(i) during the period—

(I) beginning on the date the leg-
islative or regulatory amendment de-
scribed in paragraph (1)(A) takes ef-
fect (or in the case of a plan or con-
tract amendment not required by such
legislative or regulatory amendment,
the effective date specified in such
amendment), and

(II) ending on the date described
in subparagraph (A)(ii) (or, if earlier,
the date the plan or contract amend-
ment is adopted),
the plan or contract is operated as if such
plan or contract amendment were in effect;
and
(ii) such plan or contract amendment
applies retroactively for such period.

TITLE III—ANTI-ABUSE RULES
RELATING TO IRAS

SEC. 301. VALUATION OF IRA INVESTMENT ASSETS.

(a) In General.—Subsection (a) of section 408 of
the Internal Revenue Code of 1986 is amended by adding
at the end the following new paragraph:

“(7) No part of the trust funds will be invested
in any asset acquired for less than fair market value.
For purposes of this paragraph, the term ‘fair mar-
et value’ means—

“(A) in the case of any security, including
a foreign security, for which there is a generally
recognized market—

“(i) the price of the security pre-
vailing (as of the date of the acquisition of
the security by the trust) on a recognized
foreign, national, or regional exchange or
over-the-counter market in which
quotations are published on a daily basis,
or
“(ii) a price not more favorable to the trust than the offering price for the security established by the bid and ask prices quoted as of the date of the acquisition by persons independent of the individual for whose benefit the individual retirement account is established,

“(B) in the case of any security issued by an investment company registered under the Investment Company Act of 1940 which is not traded on a securities exchange, the price reported by such investment company,

“(C) in the case of any security or other instrument issued by a bank or an insurance company subject to supervision or periodic examination by a Federal or State authority, the price at which such security or other instrument is offered publicly for sale in the ordinary course of the business of such bank or insurance company, and

“(D) in the case of any other asset, the value as determined under subsection (r).”.

(b) VALUATION REQUIREMENTS.—Section 408 of the Internal Revenue Code of 1986 is amended by redesig-
nating subsection (r) as subsection (s) and by inserting
after subsection (q) the following new subsection:

“(r) VALUATION REQUIREMENTS.—For purposes of
subsection (a)(7)—

“(1) IN GENERAL.—The fair market value of
any asset described in subparagraph (D) of sub-
section (a)(7) shall be determined by means of a
qualified appraisal (within the meaning of section
170(f)(11)(E)), except as otherwise provided in reg-
ulations prescribed by the Secretary.

“(2) INFORMATION REQUIRED.—The individual
for whose benefit the individual retirement account
is maintained shall include on the individual’s return
of tax for the taxable year in which any asset de-
scribed in subparagraph (D) of subsection (a)(7) is
acquired such information as the Secretary may re-
quire. Such requirement may include a description of
the property and the name, title, business address,
and taxpayer identifying number of the qualified ap-
praiser (within the meaning of section
170(f)(11)(E)(ii)) who conducted the appraisal.

“(3) GRANT OF AUTHORITY.—The Secretary
may issue such regulations or guidance as the Sec-
retary determines appropriate to provide rules for
valuation of assets for purposes of this paragraph
and for simplified methods of compliance with the requirements of this paragraph.”.

(c) Loss of Exemption of Account.—Paragraph (2) of section 408(e) of the Internal Revenue Code of 1986 is amended—

(1) by redesignating subparagraph (B) as subparagraph (C),

(2) by inserting after subparagraph (A) the following new subparagraph:

“(B) Prohibited Investment.—If, during any taxable year of the individual for whose benefit any individual retirement account is maintained, the investment of any part of the funds of such individual retirement account does not comply with subsection (a)(7), such account ceases to be an individual retirement account as of the first day of such taxable year.

Rules similar to the rules of clauses (i) and (ii) of subparagraph (A) shall apply for purposes of this subparagraph.”,

(3) by striking “WHERE EMPLOYEE ENGAGES IN PROHIBITED TRANSACTION” in the heading and inserting “IN CASE OF CERTAIN PROHIBITED TRANSACTIONS AND INVESTMENTS”,
(4) by striking “IN GENERAL” in the heading of subparagraph (A) and inserting “EMPLOYEE ENGAG- 
ENGAGING IN PROHIBITED TRANSACTION”, and

(5) by striking “(A)” in subparagraph (C), as so redesignated, and inserting “(A) or (B)”.

(d) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 408(e) of the In-
ternal Revenue Code of 1986 is amended by striking “(1) through (6)” and inserting “(1) through (7)”.

(2) Paragraph (3) of section 4975(c) of such Code is amended—

(A) by striking “transaction” both places it appears and inserting “transaction or invest-

ment”, and

(B) by striking “section 408(e)(2)(A)” and inserting “subparagraph (A) or (B) of section 408(e)(2)”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 302. STATUTE OF LIMITATIONS WITH RESPECT TO IRA NONCOMPLIANCE.

(a) IN GENERAL.—Subsection (c) of section 6501 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:
“(12) Noncompliance relating to an individual retirement plan.—

“(A) Misreporting.—In the case of any substantial error (willful or otherwise) in the reporting on a return of any information relating to the valuation of investment assets with respect to an individual retirement plan, the time for assessment of any tax imposed by this title with respect to such plan shall not expire before the date which is 6 years after the return containing such error was filed (whether or not such return was filed on or after the date prescribed).

“(B) Prohibited transactions.—The time for assessment of any tax imposed by section 4975 shall not expire before the date which is 6 years after the return was filed (whether or not such return was filed on or after the date prescribed).”.

(b) Effective Date.—The amendment made by this section shall apply to taxes with respect to which the 3-year period under section 6501(a) of the Internal Revenue Code of 1986 (without regard to the amendment made by this section) ends after December 31, 2016.
SEC. 303. PROHIBITION OF INVESTMENT OF IRA ASSETS IN ENTITIES IN WHICH THE OWNER HAS A SUBSTANTIAL INTEREST.

(a) In general.—Subsection (a) of section 408 of the Internal Revenue Code of 1986, as amended by this Act, is amended by adding at the end the following new paragraph:

“(8) No part of the trust funds will be invested in a corporation, partnership or other unincorporated enterprise, or trust or estate of which (or in which) 10 percent or more of—

“(A) the combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of such corporation,

“(B) the capital interest or profits interest of such partnership or enterprise, or

“(C) the beneficial interest of such trust or estate,

is owned (directly or indirectly) or held by the individual on whose behalf the trust is maintained. For purposes of the preceding sentence, the constructive ownership rules of paragraphs (4) and (5) of section 4975(e) shall apply, and any asset or interest held by the trust shall be treated as held by the individual described in such sentence.”.
(b) Loss of Exemption of Account.—Subparagraph (B) of section 408(e)(2) of the Internal Revenue Code of 1986, as added by this Act, is amended by striking “(a)(7)” and inserting “(a)(7) or (a)(8)”.

(c) Conforming Amendment.—Paragraph (1) of section 408(c) of the Internal Revenue Code of 1986, as amended by this Act, is amended by striking “(1) through (7)” and inserting “(1) through (8)”.

(d) Effective Date.—The amendments made by this section shall apply to investments made in taxable years beginning after December 31, 2016.

SEC. 304. IRA OWNERS TREATED AS DISQUALIFIED PERSONS FOR PURPOSES OF PROHIBITED TRANSACTIONS RULES.

(a) In General.—Paragraph (2) of section 4975(e) of the Internal Revenue Code of 1986 is amended—

(1) by striking “or” at the end of subparagraph (H),

(2) by striking the period at the end of subparagraph (I) and inserting “; or”,

(3) by inserting after subparagraph (I) the following new subparagraph:

“(J) the individual for whose benefit a plan described in subparagraph (B) or (C) of paragraph (1) is maintained.”,
(4) by striking “or (E)” both places it appears in subparagraphs (F) and (G) and inserting “(E), or (J) (in the case of a plan described in subparagraph (B) or (C) of paragraph (1))”,

(5) by striking “or (G)” in subparagraph (I) and inserting “(G), or (J) (in the case of a plan described in subparagraph (B) or (C) of paragraph (1))”, and

(6) by adding at the end the following: “For purposes of subparagraphs (G) and (I), any asset or interest held by a plan described in subparagraph (B) or (C) of paragraph (1) shall be treated as owned by the individual described in subparagraph (J) with respect to such plan.”.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 408(e)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

“(A) EMPLOYEE ENGAGING IN PROHIBITED TRANSACTION.—If, during any taxable year of the individual for whose benefit any individual retirement account is maintained, that individual engages in any transaction prohibited by section 4975 with respect to such account, such account ceases to be an individual retire-
ment account as of the first day of such taxable year. For purposes of this paragraph, the separate account for the benefit of any individual within an individual retirement account maintained by an employer or association of employees is treated as a separate individual retirement account.”.

(2) Subparagraph (B) of section 408(e)(2) of such Code, as added by section 301, is amended by striking “clauses (i) and (ii)” and inserting “the second sentence”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions occurring after December 31, 2016.